EMU NL

ABN 50 139 546 428

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED
31 DECEMBER 2013

This interim financial report does not include all the notes of the type normally included in an annual financial report. 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 Emu NL during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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DIRECTORS' REPORT

Your directors are pleased to present their report on the consolidated entity (referred to hereafter as the Group) consisting of Emu NL and the entities it controlled (namely Emu Blue Pty Ltd) at the end of, or during, the half-year ended 31 December 2013.

DIRECTORS

The names of the directors who held office during or since the end of the period are:

Peter Thomas

Greg Steemson

Gavin Rutherford

George Sakalidis (resigned 8 November 2013)

REVIEW AND RESULTS OF OPERATIONS

Emu's main focus is the management of its investment in the Superkolong diamond recovery operation (owned 50% by the Group) based in Kimberley, South Africa. For the period, the operation treated 783,000 tonnes and produced 39,983 carats. Revenue for the period was R44.54 million (US$4.47 million) from the sale of 40,773 carats.

A summary of the Group's revenues and results for the period is set out below:

	2013	
	Revenues	**Results**
	$	**$**
Consolidated entity revenues and loss	187,666	(877,636)

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 4.

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

Greg Steemson
Managing Director
Perth, 14 March 2014

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Business Consultants
Financial Advisors

AUDITOR'S INDEPENDENCE DECLARATION

To those charged with governance of Emu NL

As auditor for the review of Emu NL 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 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.

Somes Cooke

Somes Cooke

Nicholas Hollens

Nicholas Hollens
Perth
14 March 2014

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

	Half-Year	
	2013	2012
	$	$
REVENUE		
Interest income	**166,623**	68,810
Other income	**21,043**	95,472
EXPENDITURE		
Depreciation expense	**(859)**	(9,179)
Exploration and tenement expenses	**(111,470)**	(199,537)
Other expenses	**(307,918)**	(278,058)
Share of net loss of jointly controlled entity accounted for using the equity method	**(645,055)**	-
LOSS BEFORE INCOME TAX	**(877,636)**	(322,492)
Income tax benefit/(expense)	**-**	-
LOSS FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF EMU NL	**(877,636)**	(322,492)
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified to profit or loss		
Changes in the fair value of available-for-sale financial assets	**(43,639)**	4,000
Exchange differences on translation of foreign operations	**(19,921)**	-
Other comprehensive income for the period, net of tax	**(63,560)**	4,000
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF EMU NL	**(941,196)**	(318,492)
Basic and diluted loss per share (cents)	**(1.18)**	(1.13)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Notes	31 December 2013 $	30 June 2013 $
CURRENT ASSETS			
Cash and cash equivalents		**765,245**	1,142,396
Trade and other receivables		**254,685**	129,529
Other assets		**10,241**	11,866
TOTAL CURRENT ASSETS		**1,030,171**	1,283,791
NON-CURRENT ASSETS			
Receivables		**2,837,205**	2,314,350
Investments accounted for using the equity method		**52,078**	717,054
Available-for-sale financial assets	3	**30,098**	74,600
Plant and equipment		**5,929**	6,787
TOTAL NON-CURRENT ASSSETS		**2,925,310**	3,112,791
TOTAL ASSETS		**3,955,481**	4,396,582
CURRENT LIABILITIES			
Trade and other payables		**40,128**	45,558
Provisions		**1,537**	1,012
TOTAL CURRENT LIABILITIES		**41,665**	46,570
TOTAL LIABILITIES		**41,665**	46,570
NET ASSETS		**3,913,816**	4,350,012
EQUITY			
Contributed equity	4	**10,860,215**	10,355,215
Reserves		**77,189**	140,749
Accumulated losses		**(7,023,588)**	(6,145,952)
TOTAL EQUITY		**3,913,816**	4,350,012

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

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

	Contributed Equity	Available-for-Sale Asset Reserve	Share-based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$	$	$
BALANCE AT 1 JULY 2012	8,815,929	-	120,650	-	(6,013,483)	2,923,096
Loss for the period	-	-	-	-	(322,492)	(322,492)
Other comprehensive income	-	4,000	-	-	-	4,000
TOTAL COMPREHENSIVE INCOME	-	4,000	-	-	(322,492)	(318,492)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the period	500,000	-	-	-	-	500,000
BALANCE AT 31 DECEMBER 2012	9,315,929	4,000	120,650	-	(6,335,975)	3,104,604
BALANCE AT 1 JULY 2013	**10,355,215**	**(8,800)**	**120,650**	**28,899**	**(6,145,952)**	**4,350,012**
Loss for the period	**-**	**-**	**-**	**-**	**(877,636)**	**(877,636)**
Other comprehensive income	**-**	**(43,639)**	**-**	**(19,921)**	**-**	**(63,560)**
TOTAL COMPREHENSIVE INCOME	**-**	**(43,639)**	**-**	**(19,921)**	**(877,636)**	**(941,196)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the period	**505,000**	**-**	**-**	**-**	**-**	**505,000**
BALANCE AT 31 DECEMBER 2013	**10,860,215**	**(52,439)**	**120,650**	**8,978**	**(7,023,588)**	**3,913,816**

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

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

	2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenditure on mining interests	**(108,249)**	(90,471)
Payments to suppliers and employees	**(202,089)**	(234,060)
Interest received	**11,464**	68,810
Other revenue	**5,770**	15,713
Net cash outflow from operating activities	**(293,104)**	(240,008)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	**647**	30,222
Proceeds on sale of plant and equipment	**15,272**	-
Loans to related party	**(600,000)**	-
Net cash (outflow)/inflow from investing activities	**(584,081)**	30,222
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	**505,000**	500,000
Payments for small parcel roundup	**(4,966)**	-
Net cash inflow from financing activities	**500,034**	500,000
Net (decrease)/increase in cash and cash equivalents	**(377,151)**	290,214
Cash and cash equivalents at the beginning of the half-year	**1,142,396**	2,802,668
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	**765,245**	3,092,882

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL 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 Emu NL during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2013, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2013.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2013. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

NOTE 2: SEGMENT INFORMATION

The Group has identified that it operates in only one segment based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group's principal activity is mineral exploration.

Whilst not constituting a separately reportable segment, the board of directors do regularly review internal reports on the operations of the Group's jointly controlled entity IT243.

NOTE 3: AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2013 $	30 June 2013 $
Equity securities in listed entities	**30,098**	74,600

The market value of all equity investments represent the fair value based on quoted prices on active markets (ASX) as at the reporting date without any deduction for transaction costs. These investments are classified as Level 1 financial instruments. There have been no transfers between levels of the fair value hierarchy used in measuring the fair value of these financial instruments, or changes in its classification as a result of a change in the purpose or use of these assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 4: EQUITY SECURITIES ISSUED

	2013 Shares	2013 $	2012 Shares	2012 $
Issues of ordinary shares during the half-year				
Fully paid, issued for cash at 10 cents per share	**5,050,000**	**505,000**	-	-
Partly paid to $0.03 per share upon issue, with a further 3 cents per share payable when called	**1,010,000**	**-**	-	-
Fully paid, issued for cash at 7 cents per share	**-**	**-**	7,142,856	500,000
	6,060,000	**505,000**	7,142,856	500,000

As at 31 December 2013, the Company had 39,693,856 fully paid ordinary shares and 35,652,856 contributing shares on issue, and 923,884 unlisted options over ordinary shares.

NOTE 5: DIVIDENDS

No dividends were paid during the half-year. No recommendation for payment of dividends has been made.

NOTE 6: CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Group at the reporting date.

NOTE 7: SUBSEQUENT EVENTS

During January 2014 the Group provided an additional unsecured variable interest rate loan to Itakane Trading 243 Proprietary Limited, its jointly controlled entity, in the amount of USD $190,000.

No other matter or circumstance has arisen since 31 December 2013, which has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 5 to 10 are in accordance with the *Corporations Act 2001*, including:
   (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (b) 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; and
2. there are reasonable grounds to believe that Emu NL 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.

Greg Steemson
Managing Director
Perth, 14 March 2014

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Chartered Accountants (Aus)
Business Consultants
Financial Advisors

Independent Auditor's Review Report

To the members of Emu NL

Report on the Half-year Financial Report

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

Directors' Responsibility for the Half-year Financial Report

The directors of Emu NL 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 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 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 Emu NL '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 Emu NL, 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 Emu NL is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Emu NL'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*.

Somes Cooke

Somes Cooke

Nicholas Hollens

Nicholas Hollens

14 March 2014

Perth
Western Australia