



# **Yellow Rock Resources Limited**

ACN 116 221 740

## **Half Year Report**

31 December 2014

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# Corporate Directory

## **Directors**

Brian Davis (Chairman)  
Brenton Lewis  
Leslie Ingraham

## **Secretary**

Neville Bassett

## **Registered Office**

420 Newcastle Street  
West Perth WA 6005

## **Principal Office**

420 Newcastle Street  
West Perth WA 6005

## **Telephone**

08 9228 3333

## **Facsimile**

08 9486 8066

## **Share Registry**

Computershare Investor Services Pty Ltd  
Level 2  
45 St George's Terrace  
Perth WA 6000

Telephone 08 9323 2000

Facsimile 08 9323 2000

## **Auditors**

Abbott Audit Services Pty Ltd  
3 Alvan Street  
Mt Lawley WA 6050

## **Australian Securities Exchange**

Yellow Rock Resources Limited shares (YRR)  
are listed on the Australian Securities Exchange.

# Directors Report

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2014. This report should be read in conjunction with the 2014 Annual Report and announcements. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

## DIRECTORS

The names of the Directors who held office during or since the end of the half-year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated:

Brian Davis (Chairman) – Appointed 11 September 2014  
Brenton Lewis (Non-Executive Director)  
Leslie Ingraham (Executive Director)  
Sydney Chesson (Chairman) – Resigned 26 November 2014

## REVIEW OF OPERATIONS

The net loss for the half year attribute to members of Yellow Rock Resources Limited was \$541,396 (31 December 2013 - loss of \$11,305,702). The loss for the previous period included an allowance for impairment on capitalised exploration and evaluation of \$10,985,591.

## HIGHLIGHTS

- Awarding the initial Metallurgical Testing and Plant Studies to Battery Limits Pty Ltd.
- Awarding the Stage 1 Environment Survey and Desktop Study to Biologic Environmental Pty Ltd.
- Approval of a Programme of Works for 5400m of RC and 900m of Diamond infill drilling to provide more information on a 2 kilometre section of the Gabanintha vanadium deposit. This represents approximately 16% of the current resource strike length. The programme will provide samples for metallurgical testing and allow open pit optimisation studies and ore characterisation to begin.
- Discussions with the Yamatji Marlpa Aboriginal Corporation representing the Yugunga Nya people about the proposed heritage and anthropological survey.
- Preparation of a Supporting Geological Report for a Mining Lease Application over the Gabanintha vanadium deposit.
- Concept Engineering Study on the Gabanintha Vanadium Deposit completed in September 2014 provides strong encouragement to advance the project to the next stages of feasibility by mid-2015.

Exploration and development activities during the half-year included:

### Metallurgical testing

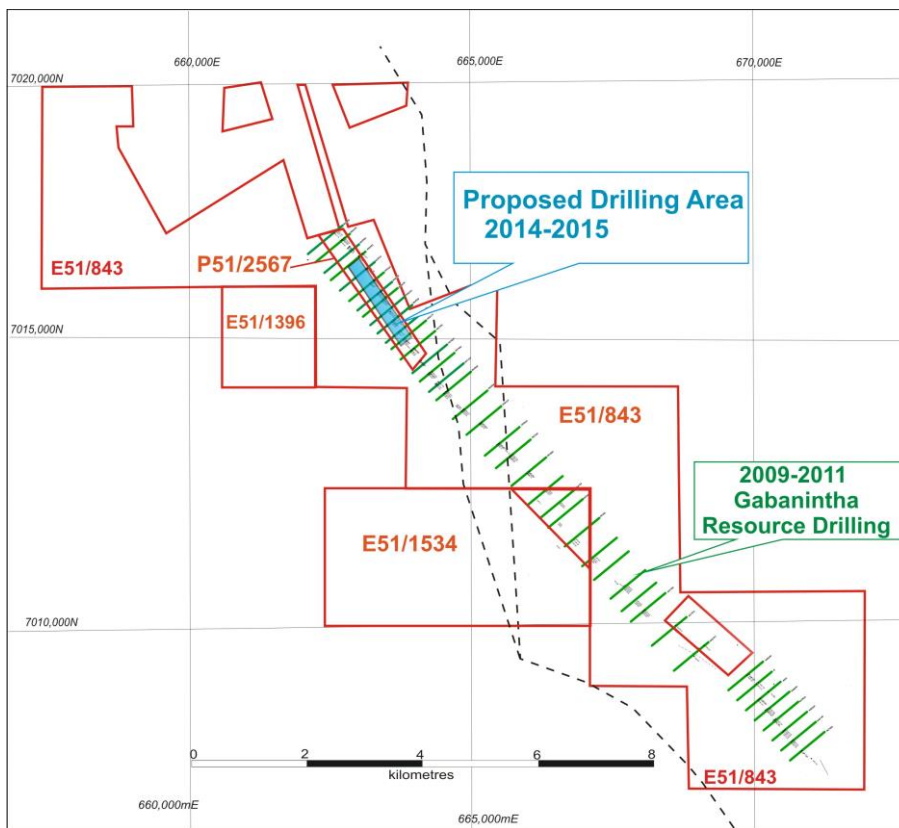
The initial metallurgical testing and plant studies work has been awarded to Battery Limits Pty Ltd after consideration of several different submissions from suitable companies. The proposed work for the next half-year will commence when suitable samples are taken during the planned drilling program. Tests include crushing and grinding tests, analysis of recoveries from oxide, transition and fresh ore using gravity and magnetic separation techniques and confirmation of suitable process plant options.

### Environmental Survey

Several quotations from companies for the Stage 1 Environment Survey and Desktop Study were received in the second quarter. This work has been awarded to Biologic Environmental Pty Ltd. A zoologist and a botanist travelled to site at the end of December 2014 and conducted the field work component of the study, recording fauna and flora sightings and establishing the nature of the ecological communities present on the leases. The results of this work along with the formal report based on all field and desktop research is expected to be completed at the end of the 1<sup>st</sup> quarter 2015.

### Drilling

A Programme of Works for 5400m of RC and 900m of Diamond infill drilling was approved by DMP in December 2014. This programme is designed to provide more information on a 2 kilometre section of the Gabanintha vanadium deposit (see Figure 1 below). This represents approximately 16% of the current resource strike length. The programme will provide samples for metallurgical testing and allow open pit optimisation studies and ore characterisation to begin.



**FIGURE 1: PLAN VIEW OF THE GABANINTHA VANADIUM PROJECT SHOWING THE VANADIUM RESOURCE DRILLING LINES AND THE AREA FOR THE NEWLY APPROVED DRILLING PROGRAMME.**

### Heritage

Discussions continued with the Yamatji Marlpa Aboriginal Corporation representing the Yugunga Nya people about the proposed heritage and anthropological survey.

### Mining Lease

As part of the ongoing development schedule a Mining Lease Application over the Gabanintha vanadium deposit is necessary. The preparation of a Supporting Statement and Mineralisation Report is underway and will be submitted in the 1<sup>st</sup> quarter 2015.

## Engineering Concept Study

An engineering concept study completed in September 2014 (*refer ASX announcement dated 15 September 2014*), concluded:

- Technically low risk and long life (+20 years);
- Estimated C1 Cash operating cost of A\$7.26/kg (A\$3.29/lb) vanadium pentoxide could position Yellow Rock as a competitive open pit producer;
- Estimated capital cost of A\$230 million;
- Study investigated potential plant capacity options of between 5,000 – 10,000 t V<sub>2</sub>O<sub>5</sub> flake;
- Production of high-purity (+98.5% V<sub>2</sub>O<sub>5</sub> Flake) via open pit mining, feed preparation/beneficiation and a salt roast-leach extraction process is well understood and commonly available technology; and
- Infill drilling and selective resource estimation techniques to better define high grade vanadium zones within the current Gabanintha JORC-2004 Mineral Resource Estimate have the potential to improve project economics.

*The Concept Study referred to in this report (nominal +/- 50% accuracy) is based on low-level technical and economic assessments, and is insufficient to support estimation of Ore Reserves or to provide assurance of an economic development case at this stage, or to provide certainty that the current conclusions of the Concept Study will be realised. There is a low level of geological confidence associated with Indicated and Inferred Mineral Resources and there is no certainty that further exploration and development work will result in the estimation of Ore Reserves.*

*The Company advises the Concept Study results reflected are highly preliminary in nature as conclusions are drawn from the average grade of Indicated and Inferred Resources. A generic mining cost per tonne of material moved and an average resource grade has been used to determine overall mining and processing costs as opposed to a detailed mining block model evaluation to produce a detailed mining schedule.*

## **CORPORATE**

### **Management Changes**

Four new appointments have been made to the Yellow Rock team. Experienced geologist Vincent Algar has been appointed CEO; previous Director Brian Davis has taken on the role of Non-Executive Chairman, while Neville Bassett has been appointed Company Secretary and Kristy Horton is now Office Manager. This team will now place Yellow Rock on a strong footing for progressing the Gabanintha Project.

### **Financing Activities**

The Company issued the following securities during the half-year:

- 75,204,900 ordinary fully paid shares through the conversion of options at 1.5 cents each, raising gross proceeds of \$1,128,073; and
- 257,581,364 ordinary fully paid shares by way of placement at an issue price of 1 cent each, raising gross proceeds of \$2,575,814.

### **Cash Position**

Yellow Rock is well funded to complete significant exploration and development programs planned for 2015 with cash at the end of December of \$3,707,915.

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

Significant changes in the state of affairs of the consolidated entity during the half year are detailed under the heading 'Review of Operations' of this report.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the consolidated entity that occurred during the final year under review not otherwise disclosed in this report or in the financial report.

## **AUDITOR'S DECLARATION OF INDEPENDENCE**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the review for the half-year ended 31 December 2014 is included within this financial report.

On behalf of the Directors



**Leslie Ingraham**

Director

Perth, 16 March 2015

## Auditor's Independence Declaration



# Statement of Comprehensive Income

for the half year ended 31 December 2014

	Notes	Consolidated	
		31 Dec 2014 \$	31 Dec 2013 \$
<b>Revenue</b>			
Revenue		34,353	138,073
		<b>34,353</b>	<b>138,073</b>
<b>Expenses</b>			
Exploration and evaluation expenditure		19,421	18,028
Depreciation		2,133	2,367
Directors fees and benefits expenses		138,907	237,000
Impairment of mineral interest		-	10,985,591
Other expenses		415,288	200,789
<b>Loss before income tax expenses</b>		<b>(541,396)</b>	<b>(11,305,702)</b>
Income tax expense		-	-
<b>Net Loss for Year</b>		<b>(541,396)</b>	<b>(11,305,702)</b>
<b>Other Comprehensive Income</b>			
Other Comprehensive Income for the year, net of tax		-	-
<b>Total Comprehensive loss attributable to members of Yellow Rock Resources Ltd</b>		<b>(541,396)</b>	<b>(11,305,702)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Basic/ diluted earnings per share</b>		<b>(0.08)</b>	<b>(3.23)</b>

The accompanying notes form part of these financial statements.

# Statement of Financial Position

as at 31 December 2014

	Notes	Consolidated	
		31 Dec 2014 \$	30 June 2014 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalent		3,707,915	477,454
Trade and other receivables		26,421	2,406,970
<b>Total Current Assets</b>		<b>3,734,336</b>	<b>2,884,425</b>
<b>Non-Current Assets</b>			
Plant and equipment		16,116	18,249
Deferred exploration expenditure	2	13,231,453	13,162,620
<b>Total Non-Current Assets</b>		<b>13,247,569</b>	<b>13,180,869</b>
<b>Total Assets</b>		<b>16,981,905</b>	<b>16,065,293</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables		58,413	48,988
<b>Total Current Liabilities</b>		<b>58,413</b>	<b>48,988</b>
<b>Total Liabilities</b>		<b>58,413</b>	<b>48,988</b>
<b>Net Assets</b>		<b>16,923,492</b>	<b>16,016,304</b>
<b>Equity</b>			
Issued capital	3	61,706,476	60,257,892
Reserves		22,544,306	22,544,306
Accumulated Losses		(67,327,290)	(66,785,894)
<b>Total Equity</b>		<b>16,923,492</b>	<b>16,016,304</b>

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity

for the half year ended 31 December 2014

	<b>Issued Capital \$</b>	<b>Consolidated Accumulated Losses</b>	<b>Other Reserves</b>	<b>Total \$</b>
Balance as at 1 July 2013	59,499,090	(54,713,068)	22,544,306	27,330,328
Loss for period	-	(11,305,702)	-	(11,305,702)
<b>Total comprehensive loss for period</b>		<b>(11,305,702)</b>	<b>-</b>	<b>(11,305,702)</b>
Securities issue during the period	-	-	-	-
<b>Balance as at 31 December 2013</b>	<b>59,499,090</b>	<b>(66,018,770)</b>	<b>22,544,306</b>	<b>16,024,625</b>
Balance as at 1 July 2014	60,257,892	(66,785,894)	22,544,306	16,016,304
Loss for period	-	(541,396)	-	(541,396)
<b>Total comprehensive loss for period</b>	<b>-</b>	<b>(541,396)</b>	<b>-</b>	<b>(541,396)</b>
Securities issued during the period	3,703,887	-	-	3,703,887
Share issue costs	(96,053)	-	-	(96,053)
Call on partly paid shares cancelled	(2,159,250)	-	-	(2,159,250)
<b>Balance as at 31 December 2014</b>	<b>61,706,476</b>	<b>(67,327,290)</b>	<b>22,544,306</b>	<b>16,923,492</b>

The accompanying notes form part of these financial statements.

# Statement of Cash Flow

for the half year ended 31 December 2014

Notes	31 December 2014 \$	31 December 2013 \$
<b>Cash Flow from Operating Activities</b>		
Receipts from customers	-	18,199
Payments to suppliers and employees	(551,253)	(330,261)
Interest received	8,443	11,643
R & D concession received	242,032	-
Expenditure on mining interests	(15,717)	(18,028)
<b>Net cash used in operating activities</b>	<b>(316,495)</b>	<b>(318,447)</b>
<b>Cash Flows from Investing Activities</b>		
Expenditure on mining interests	(60,878)	(415,376)
<b>Net cash used in investing activities</b>	<b>(60,878)</b>	<b>(415,376)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issue of shares	3,703,887	-
Payment of capital raising costs	(96,053)	-
<b>Net cash provided by financing activities</b>	<b>3,607,834</b>	<b>-</b>
Net Increase (Decrease) in Cash Held	3,230,461	(733,823)
Cash at beginning of the financial year	477,454	923,836
<b>Cash at the End of the Period</b>	<b>3,707,915</b>	<b>190,013</b>

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This consolidated interim financial report for the half-year reporting period ended 31 December 2014 has been prepared in accordance with Australian Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Act 2001.

This consolidated interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report to be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by Yellow Rock Resources Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies have been consistently applied with those of the previous financial year and corresponding interim reporting period, except in relation to the matters disclosed below.

### New and Revised Accounting Standards

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

## 2. DEFERRED EXPLORATION EXPENDITURE

		31 December 2014	30 June 2014
	Notes	\$	\$
<b>Deferred exploration expenditure</b>	<b>2</b>		
Expenditure brought forward		13,162,620	24,207,620
Allowance for impairment		-	-
Expenditure incurred during the year		68,833	440,591
Expenditure written off during year		-	(11,485,591)
<b>Expenditure carried forward</b>		<b>13,231,453</b>	<b>13,162,620</b>

The expenditure above relates principally to the exploration and evaluation phase. The ultimate recoupment of this expenditure is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest, at amounts at least equal to book value.

# Notes to the Financial Statements

## 3. ISSUED CAPITAL

	Notes	31 December 2014 \$	30 June 2014 \$
<b>Issued Capital</b>			
<b>Issues and paid up capital</b>			
Ordinary shares - fully paid	3(i)	61,698,476	58,090,642
Ordinary shares - partly paid	3(ii)	8,000	2,167,250
		<b>61,706,476</b>	<b>60,249,892</b>
<b>Movement in ordinary share in issue</b>			
(i) Ordinary share - fully paid			
Balance at beginning of year		428,497,459	58,090,642
Shares issued pursuant to placement		257,581,364	2,575,814
Shares issued on exercise of options		75,204,900	1,128,073
Capital raising costs		-	(96,053)
<b>Balance at end of year</b>		<b>761,283,723</b>	<b>61,698,476</b>
(ii) Ordinary share - partly paid (\$0.0389 unpaid)			
Balance at beginning of year		80,000,000	2,167,250
Call on partly paid shares cancelled		-	(2,159,250)
<b>Balance at end of year</b>		<b>80,000,000</b>	<b>8,000</b>

## 4. SEGMENT INFORMATION

The consolidated entity has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors has considered the business from both a geographic and business segment perspective and has identified one reportable segment. The identifiable reportable segment is mineral exploration within Australia.

## 5. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

## 6. DIVIDENDS

No dividends have been declared or paid during the half year ended 31 December 2014 or in the prior period, and the Directors do not recommend the payment of a dividend in respect of the half year ended 31 December 2014.

## 7. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods.

## Directors' Declaration

In the opinion of the directors of Yellow Rock Resources Limited ('the company'):

1. The financial statements and notes thereto of the consolidated entity, as set out within this financial report, are in accordance with the Corporations Act 2001 including:
  - a. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year then ended.
2. 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 signed in accordance with a resolution of the Board of Directors



**Leslie Ingraham**

Director

Perth, 16 March 2015



## Audit Report