

## APPENDIX 4D

### HALF – YEAR REPORT

Name of entity:

**INOVA RESOURCES LIMITED (formerly Ivanhoe Australia Limited)**

ABN or equivalent company reference:

**ABN 20 107 689 878**

Reporting Period:

**Six months ended 30 June 2013**

Previous Reporting Period:

**Six months ended 30 June 2012**

Results for announcement to the market:

			Six months ended 30 June 2013 \$'000	Six months ended 30 June 2012 \$'000
Revenue from ordinary activities	Up	304.0%	98,045	24,269
Loss from ordinary activities after tax	Down	4.3%	(85,041)	(81,530)
Net comprehensive loss after tax attributable to members	Down	2%	(84,519)	(82,875)
Dividends paid or declared			Nil	Nil
Net tangible asset backing per security			\$0.17	\$0.28
Ordinary shares at end of period			726,565,560	714,483,151
Net tangible assets \$'000			123,326	201,211

The information contained herein should be read in conjunction with the 30 June 2013 financial report.

**INOVA RESOURCES LIMITED (formerly Ivanhoe Australia Limited)**

**ACN 107 689 878**

**ABN 20 107 689 878**

**Financial report for the half-year ended 30 June 2013**

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## Directors' report

The directors of Inova Resources Limited (formerly Ivanhoe Australia Limited) present the financial report of the Company and its subsidiaries ("the Group") for the three and six months ended 30 June 2013. In order to comply with the provisions of the *Corporation Act 2001*, the directors report as follows:

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

### Name

Peter McMahon (Chairman)  
Bob Vassie (appointed Managing Director 14 January 2013)  
Ian Rutherford Plimer (resigned 7 August 2013)  
Kyle Wightman  
James Edward Askew  
Stephen McIntosh  
Stewart Beckman  
Neville Henwood (resigned 7 August 2013)  
Ines Scotland (Managing Director) (resigned 13 January 2013)

### Review of operations

The consolidated loss of the consolidated entity for the half-year amounted to \$85.0 million (2012: \$81.5 million).

The Company completed the development of the Starra 276 underground mine in February 2013 and continued to ramp up production during the half-year. Mining at Starra 276 will continue to ramp up until a full production rate of approximately 650,000 tonnes per year is reached.

A total of 625,588 tonnes of ore was mined from the Osborne copper-gold operation's three underground mines – Kulthor, Osborne and Starra 276. In 2013, the Company expects to mine between 1.4 million and 1.6 million tonnes of ore from these three mines.

Ore milled for the half-year totalled 647,890 tonnes of ore. Recovery rates averaged 86.6% for copper and 67.9% for gold, and the plant produced 36,510 dry metric tonnes of concentrate containing 8,912 tonnes of copper. Gold production, in both concentrate and doré, totalled 11,276 ounces.

Revenue for the half-year was \$97.2 million (2012: \$21.5 million). The sales revenue earned is attributable to 45,328 dry metric tonnes of copper concentrate for \$96.2 million representing payable copper, gold and silver. The Group also sold gold doré during the six month period for \$1.0 million.

The Group had a royalty payable of \$4.0 million (2012: \$1.0 million) on the copper concentrate sold during the half-year.

During the six months ended 30 June 2013, due to decreases in commodity prices and increases in mining costs, the Group assessed the recoverable amount of the Osborne Copper-Gold operations. Based on the assessment during the half-year, an impairment loss of \$43.2 million was recognised on the Osborne Copper-Gold assets.

The Group has a strong development pipeline, with two other key projects progressed and other potential opportunities. The two other projects, the Merlin molybdenum-rhenium project and the Mount Elliott copper-gold project are in various stages of study. These projects are on granted mining leases.

Phase 1 of the Value Engineering program for the Merlin Project was finalised during the half-year. The Value Engineering program is aiming to enhance the project's economics. Metallurgical testwork aimed at increasing the molybdenum concentrate grade has been completed with the work demonstrating that the grade can be lifted from 30% (as detailed in the 2012 Feasibility Study) to between 38%-45%. This allows consideration of reducing capital costs associated with the roaster. Mining optimisation studies have shown that the production rate can be lifted to 550,000 tonnes per annum (+10%) with a corresponding increase in metal production and reduction in operating costs. Initial indications are that the project will have a positive net present value (NPV) under forecast long term molybdenum and rhenium prices. Phase 1 of the Value Engineering exercise supports continuation of further optimisation work planned to lead ultimately to the output of a revised Feasibility Study.

During the half-year, two holes were completed to test the higher grade (>0.8% copper equivalent) zones of the SWAN zone at Mount Elliott. This drilling completed a programme of five holes that was commenced in the fourth quarter 2012. Preparation of an update of the mineral resource model based on this new data, and a review of the geology at SWAN, is progressing and is expected to be completed during the second quarter 2013. A revision of the scoping study is on track for completion in the third quarter 2013. Work has commenced on delineating identified mineralisation at the surface of the SWAN orebody suitable for open pit mining and leach processing. The results of this work will be reported in the revised scoping study.

### Review of operations (continued)

The Group has a 100% interest in 30 granted Mining Leases (MLs) with a total area of 109 square kilometres and one ML application (6 square kilometres). It has 44 granted Exploration Permits for Minerals (EPMs) with a total area of 5,686 square kilometres, including joint ventures, and three EPM applications (601 square kilometres). The granted EPMs include 12 EPMs in the Inova / Exco joint venture (423 square kilometres) and two EPMs in the Inova / Goldminco joint venture (70 square kilometres).

Exploration activities for the half-year were based on a comprehensive review of previous exploration data. From this review, new targets are being assessed and previously worked projects re-evaluated and advanced. Following the acquisition of a 51% interest in some of Emmerson Resources Limited's tenements, in the Tennant Creek Region in the Northern Territory of Australia, Inova Resources has a 51% interest in 30 granted Exploration Licences (ELs) with a total area of 2,270 square kilometres, three EL applications (129 square kilometres), 121 granted Mineral Claims (23 square kilometres), 224 granted Mineral Leases (61 square kilometres), six Mineral Lease applications (1.5 square kilometres) and two Mineral Authorities (19 square kilometres). No drilling was undertaken during the half-year, however targets are being developed for consideration later this year.

An impairment loss of \$2.1 million (2012: \$1.9 million pre-tax loss in other comprehensive income) was recognised on the Emmerson Resources Limited investment, due to the significant and prolonged decline in the share price of the investment. Inova Resources maintains an 8.7% equity holding in Emmerson Resources Limited.

As at 30 June 2013, Turquoise Hill Resources Limited owned 56.4% of the Group (March 31, 2013: 56.5%).

### Auditor's independence declaration

The auditor's independence declaration is included on page 5 of the half-year financial report.

### Rounding off of amounts

The company is a company of the kind referred to in ASIC Class order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to S.306(3) of the *Corporations Act 2001*.

On behalf of the Directors



Bob Vassie  
Managing Director  
Melbourne, 12 August 2013



## **Auditor's Independence Declaration**

As lead auditor for the review of Inova Resources Limited (formerly Ivanhoe Australia Limited) for the half-year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor 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.

This declaration is in respect of Inova Resources Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to be 'JO' with a stylized flourish.

John O'Donoghue  
Partner  
PricewaterhouseCoopers

Melbourne  
12 August 2013

## Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards, the Corporations Regulations 2001 and other mandatory reporting requirements, and give a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to S.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'B Vassie', written over a horizontal line.

Bob Vassie  
Managing Director  
Melbourne, 12 August 2013

**Condensed consolidated interim statement of profit or loss and comprehensive income  
for the three and six months ended 30 June 2013**

	Note	Consolidated			
		Three months ended 30 June 2013 \$'000	Three months ended 30 June 2012 \$'000	Six months ended 30 June 2013 \$'000	Six months ended 30 June 2012 \$'000
Revenue		53,165	21,539	97,233	21,539
Interest revenue		367	899	812	2,730
Operating expenses (excluding items shown separately and including impairment loss on Osborne Copper-Gold assets)	5	(108,048)	(19,316)	(156,704)	(24,849)
Evaluation expenses		(2,487)	(13,395)	(5,877)	(31,962)
Exploration expenses		(3,006)	(13,276)	(7,201)	(30,141)
Administration expenses		(3,026)	(8,177)	(5,792)	(13,700)
Depreciation expense		(549)	(671)	(1,121)	(1,294)
Rehabilitation expense		(289)	-	(578)	-
Finance costs		(41)	(38)	(51)	(49)
Royalty costs		(2,103)	(970)	(4,001)	(970)
Share of losses of associate		-	(1,044)	-	(304)
Impairment of associates		-	(542)	-	(1,678)
Impairment of other financial assets	8	(2,148)	-	(2,148)	-
Other expenses		485	(177)	163	(275)
Loss before tax		(67,680)	(35,168)	(85,265)	(80,953)
Income tax benefit / (expense)		353	(814)	224	(577)
<b>Loss for the period</b>		<b>(67,327)</b>	<b>(35,982)</b>	<b>(85,041)</b>	<b>(81,530)</b>
<b>Other comprehensive income</b>					
Revaluation of other financial assets	8			746	(1,922)
Income tax relating to components of other comprehensive income				(224)	577
<b>Other comprehensive income for the period (net of tax)</b>				<b>522</b>	<b>(1,345)</b>
<b>Total comprehensive loss for the period</b>				<b>(84,519)</b>	<b>(82,875)</b>
<b>Loss per share</b>					
From continuing operations:					
Basic (cents per share)				(11.8)	(14.8)
Diluted (cents per share)				(11.8)	(14.8)

Notes to the condensed consolidated interim financial statements are included on pages 11 to 18.



**Condensed consolidated interim statement of financial position  
as at 30 June 2013**

		Consolidated	
		30 June 2013 \$'000	31 December 2012 \$'000
	Note		
<b>Current assets</b>			
Cash and cash equivalents	6	32,782	45,809
Trade and other receivables		5,077	7,443
Inventories	7	16,425	30,882
<b>Total current assets</b>		<b>54,284</b>	<b>84,134</b>
<b>Non-current assets</b>			
Other receivables		212	225
Other financial assets	8	791	2,193
Property, plant and equipment	10	109,023	155,002
Intangible assets		13,904	13,904
Bank security deposits	9	24,684	24,881
<b>Total non-current assets</b>		<b>148,614</b>	<b>196,205</b>
<b>Total assets</b>		<b>202,898</b>	<b>280,339</b>
<b>Current liabilities</b>			
Trade and other payables		22,448	22,461
Provisions		3,836	3,475
<b>Total current liabilities</b>		<b>26,284</b>	<b>25,936</b>
<b>Non-current liabilities</b>			
Provisions		39,384	39,288
<b>Total non-current liabilities</b>		<b>39,384</b>	<b>39,288</b>
<b>Total liabilities</b>		<b>65,668</b>	<b>65,224</b>
<b>Net assets</b>		<b>137,230</b>	<b>215,115</b>
<b>Equity</b>			
Issued capital	11	668,677	662,023
Reserves		28,615	28,113
Accumulated losses		(560,062)	(475,021)
<b>Total equity</b>		<b>137,230</b>	<b>215,115</b>

Notes to the condensed consolidated interim financial statements are included on pages 11 to 18.

**Condensed consolidated interim statement of changes in equity  
for the six months ended 30 June 2013**

	Consolidated					Total \$'000
	Issued capital and contributed equity \$'000	Share option reserve \$'000	Investment revaluation reserve \$'000	Share based payments reserve \$'000	Accumulated losses \$'000	
<b>Balance at 1 January 2012</b>	<b>577,567</b>	<b>18,918</b>	<b>1,188</b>	<b>12,819</b>	<b>(364,793)</b>	<b>245,699</b>
Loss for the period	-	-	-	-	(81,530)	(81,530)
Revaluation of other financial assets	-	-	(1,345)	-	-	(1,345)
<b>Total comprehensive income for the period (net of tax)</b>	<b>-</b>	<b>-</b>	<b>(1,345)</b>	<b>-</b>	<b>(81,530)</b>	<b>(82,875)</b>
Recognition of share-based payments	-	-	-	5,420	-	5,420
Performance rights exercised	5,044	-	-	(5,044)	-	-
<b>Balance at 30 June 2012</b>	<b>582,611</b>	<b>18,918</b>	<b>(157)</b>	<b>13,195</b>	<b>(446,323)</b>	<b>168,244</b>
<b>Balance at 1 January 2013</b>	<b>662,023</b>	<b>18,918</b>	<b>(522)</b>	<b>9,717</b>	<b>(475,021)</b>	<b>215,115</b>
Loss for the period	-	-	-	-	(85,041)	(85,041)
Revaluation of other financial assets	-	-	522	-	-	522
<b>Total comprehensive income for the period (net of tax)</b>	<b>-</b>	<b>-</b>	<b>522</b>	<b>-</b>	<b>(85,041)</b>	<b>(84,519)</b>
Entitlement offer	4,464	-	-	-	-	4,464
Recognition of share-based payments	-	-	-	2,314	-	2,314
Performance rights exercised	2,334	-	-	(2,334)	-	-
Share issue costs	(144)	-	-	-	-	(144)
<b>Balance at 30 June 2013</b>	<b>668,677</b>	<b>18,918</b>	<b>-</b>	<b>9,697</b>	<b>(560,062)</b>	<b>137,230</b>

Notes to the condensed consolidated interim financial statements are included on pages 11 to 18.

**Condensed consolidated interim cash flow statement  
for the three and six months ended 30 June 2013**

	<b>Consolidated</b>			
	<b>Three months ended 30 June 2013 \$'000</b>	<b>Three months ended 30 June 2012 \$'000</b>	<b>Six months ended 30 June 2013 \$'000</b>	<b>Six months ended 30 June 2012 \$'000</b>
<b>Cash flows from operating activities</b>				
Sales revenue	53,165	21,539	97,233	21,539
Other income	-	4	-	62
Payments to suppliers and employees	(50,737)	(48,411)	(95,465)	(94,144)
Interest received	245	1,077	477	2,462
Interest and finance costs paid	(41)	(38)	(51)	(49)
Net cash provided by / (used in) operating activities	2,632	(25,829)	2,194	(70,130)
<b>Cash flows from investing activities</b>				
Payment/(refund) of security deposits	197	-	197	-
Payment for property, plant and equipment	(7,649)	(23,519)	(19,738)	(45,978)
Net cash used in investing activities	(7,452)	(23,519)	(19,541)	(45,978)
<b>Cash flows from financing activities</b>				
Proceeds from issues of equity securities	-	-	4,464	-
Payment for share issue costs	(18)	-	(144)	-
Net cash (used in) / provided by financing activities	(18)	-	4,320	-
Net decrease in cash and cash equivalents	(4,838)	(49,348)	(13,027)	(116,108)
Cash and cash equivalents at the beginning of the period	37,620	99,659	45,809	166,419
<b>Cash and cash equivalents at the end of the period</b>	<b>32,782</b>	<b>50,311</b>	<b>32,782</b>	<b>50,311</b>

Notes to the condensed consolidated interim financial statements are included on pages 11 to 18.

## Notes to condensed consolidated interim financial statements

### 1. Reporting entity

Inova Resources Limited (the "Company") is a company limited by shares, incorporated and domiciled in Australia. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The Group is a for-profit entity and primarily is involved in mineral production, development and exploration.

### 2. Summary of accounting policies

#### Statement of compliance

The interim financial report for the six months ended 30 June 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 June 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 \$43.2 million was recognised on the Osborne Copper-Gold assets (Note 10).

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 30 June 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

## 2. Summary of accounting policies (continued)

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.

### 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, 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.

## 3. 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)	
	Six months ended		Six months ended	
	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
Continuing operations				
Copper-Gold (i)	97,233	21,539	(69,516)	(24,976)
Molybdenum-Rhenium (ii)	-	-	(557)	(10,043)
Exploration	-	-	(7,201)	(30,203)
Administration	812	2,792	(5,792)	(13,700)
Total of all Segments	98,045	24,331	(83,066)	(78,922)
Unallocated items				
Finance costs			(51)	(49)
Share of profits of associate			-	(304)
Impairment of associates			(2,148)	(1,678)
Income tax benefit / (expense)			224	(577)
Loss for the period			<b>(85,041)</b>	<b>(81,530)</b>

- (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 June 2013 \$'000	30 June 2012 \$'000
Australia	970	384
China	84,621	21,155
South Korea	11,642	-
Total revenue from external customers	<b>97,233</b>	<b>21,539</b>

### 3. Segment information (continued)

- (ii) The Molybdenum-Rhenium segment costs for the six months ended June 2012 include the costs of the Merlin exploration decline which have been classified as exploration expenses in the statement of comprehensive income.
- (iii) Segment loss represents the loss incurred by each segment including impairment losses of \$43.2 million (30 June 2012: nil) (Note 10), 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 5.

### 4. 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 June.

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 six months ended 30 June 2013, Inova Resources mined 625,588 tonnes of ore from the Kulthor, Osborne and Starra 276 underground mines. Ore milled for the period totalled approximately 647,890 tonnes. Recovery rates during the six month period averaged 86.6% for copper and 67.9% for gold.

The plant produced 36,510 dry metric tonnes of concentrate for the period containing 8,912 tonnes of copper. Gold production in both concentrate and doré totalled 11,276 ounces for the period. Inova Resources recognised product sales revenue of \$97.2 million for the six months ended 30 June 2013 (30 June 2012: \$21.5 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.

### 5. Operating expenses

	<b>Consolidated</b>	
	<b>30 June 2013 \$'000</b>	<b>30 June 2012 \$'000</b>
Mining costs	(38,527)	(18,588)
Concentrators and plant operations	(8,144)	(3,843)
Impairment loss (Note 10)	(43,203)	-
Site administration and maintenance overheads	(19,088)	(4,636)
Change in inventory ore and concentrate (Note 7)	2,355	8,927
Inventory adjustment (Note 7)	(18,284)	-
Concentrate haulage costs	(4,997)	(847)
Treatment, refining and shipping costs	(8,237)	(1,152)
Depreciation on operating assets (ii)	(18,579)	(4,710)
<b>Total operating (including commissioning) expenses (i)</b>	<b>(156,704)</b>	<b>(24,849)</b>

- (i) These costs are attributable to the Osborne Copper-Gold operations which include the treatment, refining and shipping costs of the copper concentrate for the respective six month periods. The six month period to 30 June 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. 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.

**6. Cash and cash equivalents**

	<b>Consolidated</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	32,782	45,809

**7. Inventories**

	<b>Consolidated</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Ore	2,854	1,723
Concentrate at NRV	7,382	21,627
Consumables and spare parts	6,189	7,532
	<b>16,425</b>	<b>30,882</b>

**Inventory expense**

Inventories recognised as an expense during the six months to 30 June 2013 and included in 'changes in inventory ore and concentrate' amounted to \$2.4 million (30 June 2012: \$8.9 million). The write down of concentrate inventories to net realisable value included in "inventory adjustment" amounted to \$18.3 million (30 June 2012: nil). These expenses have been included in 'operating expenses' in the statement of profit or loss and comprehensive income.

**8. Other financial assets**

	<b>Consolidated</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<u>Non-current</u>		
Available for sale shares	791	2,193
	<b>791</b>	<b>2,193</b>
Reconciliation of movement in investments available for sale:		
Balance at start of period	2,193	4,635
Revaluation of other financial assets (ii)	-	(2,442)
Reversal of accumulated other comprehensive income	746	-
Impairment loss (i)	(2,148)	-
Balance at end of period	791	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.

The fair value at 30 June 2013 of \$791,350 (31 December 2012: \$2,193,000) has been determined by reference to the price of \$0.035 per share quoted on the ASX as at 30 June 2013 (31 December 2012: \$0.097).

The loss on available for sale assets has been recognised in profit and loss.

- (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.
- (ii) Revaluation of other financial assets for 12 months ending 31 December 2012.

## 9. Bank security deposits

*Relating to:*

Office Leases (i)

Mining Lease Rehabilitation (ii)

Gas Supply Arrangements (iii)

<b>Consolidated</b>	
<b>30 June 2013 \$'000</b>	<b>31 December 2012 \$'000</b>
317	514
23,145	23,145
1,222	1,222
<b>24,684</b>	<b>24,881</b>

- (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 (Note 12).
- (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 12).

## 10. Property, plant and equipment

	<b>Consolidated</b>			
	<b>Leasehold land \$'000</b>	<b>Buildings \$'000</b>	<b>Plant and equipment at cost \$'000</b>	<b>Mine property and development \$'000</b>
<b>Gross carrying amount</b>				
<b>Balance at 1 January 2012</b>	<b>1,351</b>	<b>15,239</b>	<b>53,461</b>	<b>10,758</b>
Additions	-	429	16,355	70,818
Adjustment to rehabilitation provision (i)	-	-	3,430	-
Disposals	-	-	-	-
<b>Balance at 31 December 2012</b>	<b>1,351</b>	<b>15,668</b>	<b>73,246</b>	<b>81,576</b>
Transfers	-	-	(1,755)	1,755
Additions	-	-	7,547	12,191
Disposals	-	-	-	(2,814)
<b>Balance at 30 June 2013</b>	<b>1,351</b>	<b>15,668</b>	<b>79,038</b>	<b>92,708</b>
<b>Accumulated depreciation and impairment losses</b>				
<b>Balance at 1 January 2012</b>	<b>(378)</b>	<b>(614)</b>	<b>(2,885)</b>	<b>-</b>
Disposals	-	-	-	-
Depreciation expense	(47)	(1,837)	(7,742)	(3,336)
<b>Balance at 31 December 2012</b>	<b>(425)</b>	<b>(2,451)</b>	<b>(10,627)</b>	<b>(3,336)</b>
Transfers	-	-	25	(25)
Disposals	-	-	-	-
Depreciation expense (ii)	(25)	(1,339)	(6,404)	(11,932)
Impairment loss	-	(3,519)	(16,785)	(22,899)
<b>Balance at 30 June 2013</b>	<b>(450)</b>	<b>(7,309)</b>	<b>(33,791)</b>	<b>(38,192)</b>
<b>Net book value</b>				
As at 31 December 2012	<b>926</b>	<b>13,217</b>	<b>62,619</b>	<b>78,240</b>
As at 30 June 2013	<b>901</b>	<b>8,359</b>	<b>45,247</b>	<b>54,516</b>

- (i) In 2012, the Group changed its estimate of the discount rate used to calculate the present value of the rehabilitation and dismantling provisions. In addition, the Group submitted a revised plan of operations in April 2012. 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.



## 10. Property, plant and equipment (continued)

### Impairment Loss

During the six months ended 30 June 2013, due to decreases in commodity prices and increases in mining costs, the Group assessed the recoverable amount of the Osborne Copper-Gold operations as a single cash-generating unit ("CGU").

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 2016 calendar year based on the depletion of the current declared reserves and resources in the Osborne Underground, Kulthor and Starra 276 mines. The estimate of value in use was determined using a discount rate of 7.97% percent.

Based on the assessment during the year, the net carrying amount of the CGU was determined to be \$43.2 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 \$'000	Loss in 2013 \$'000
Buildings	10,246	3,519
Plant and equipment	48,868	16,785
Mine Property and Development	66,667	22,899
<b>Total</b>	<b>125,781</b>	<b>43,203</b>

The impairment loss was included in "operating expenses" on the statement of profit and loss and other comprehensive income.

## 11. Issued capital and contributed equity

	Consolidated	
	30 June 2013 \$'000	31 December 2012 \$'000
Ordinary shares	663,675	657,021
Contributed equity	5,002	5,002
	<b>668,677</b>	<b>662,023</b>

	Consolidated			
	30 June 2013		31 December 2012	
	No.	\$'000	No.	\$'000
<b>Ordinary shares</b>				
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	2,782,733	2,334	4,710,832	11,275
<b>Balance at end of period</b>	<b>726,565,560</b>	<b>663,675</b>	<b>714,483,151</b>	<b>657,021</b>

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.

	Consolidated	
	30 June 2013 \$'000	31 December 2012 \$'000
<b>Contributed equity</b>		
Discount on intercompany loan	7,145	7,145
Deferred tax attributable	(2,143)	(2,143)
	<b>5,002</b>	<b>5,002</b>

## 12. Contingent liabilities

### Guarantees

Details and estimates of maximum amounts of contingent liabilities are as follows:

Office leases (i)

Gas supply arrangements (ii)

Consolidated	
30 June 2013 \$'000	31 December 2012 \$'000
317	514
1,222	1,222
<b>1,539</b>	<b>1,736</b>

- (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 9).
- (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 9).

## 13. Commitments

### (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
- Longer than 1 year and not longer than 5 years
- Longer than 5 years

Consolidated	
30 June 2013 \$'000	31 December 2012 \$'000
3,337	4,655
37,067	28,677
-	-
<b>40,404</b>	<b>33,332</b>

### (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
- Longer than 1 year and not longer than 5 years
- Longer than 5 years

374	374
624	811
-	-
<b>998</b>	<b>1,185</b>

### (c) Capital commitments - Property, Plant and Equipment (i)

- Not longer than 1 year
- Longer than 1 year and not longer than 5 years
- Longer than 5 years

-	1,488
-	-
-	-
<b>-</b>	<b>1,488</b>

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

**13. Commitments (continued)**

**(d) Operating commitments (ii)**

- Not longer than 1 year	9,470	10,920
- Longer than 1 year and not longer than 5 years	-	-
- Longer than 5 years	-	-
	<b>9,470</b>	<b>10,920</b>

- (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.

**14. 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.



## **Independent auditor's review report to the members of Inova Resources Limited**

### **Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Inova Resources Limited (formerly Ivanhoe Australia Limited), which comprises the condensed consolidated interim statement of financial position as at 30 June 2013, and the condensed consolidated interim statement of profit or loss and comprehensive income statement, condensed consolidated interim statement of changes in equity and condensed consolidated interim cash flow statement for the three and six months ended on that date, selected explanatory notes and the directors' declaration for the Inova Resources Limited group (the consolidated entity). The consolidated entity comprises both Inova Resources Limited (the company) and the entities it controlled during that half-year.

#### *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 (including the 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 the consolidated entity's financial position as at 30 June 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 Inova Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making 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*.

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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*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 Inova Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 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*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'JOH O'DONOGHUE'.

John O'Donoghue  
Partner

Melbourne  
12 August 2013