indophil resources nl

(ACN 076 318 173)

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 30 JUNE 2013

Contents

Corporate information

Directors

Brian Phillips
Chairman (Non-Executive)

Richard Laufmann
Chief Executive Officer and
Managing Director

Tony Robbins
Director (Executive)

Kyle Wightman
Director (Non-Executive)

David Carland
Director (Non-Executive)

Nicasio Alcantara
Director (Non-Executive)

Frederic DyBuncio
Director (Non-Executive)

Kay Donehue
Company Secretary

Anita Addorisio (nee Krauser)
Chief Financial Officer

Principal and Registered Office

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All currencies are in Australian dollars unless stated otherwise

Directors' report

Your Directors submit their report for the half-year ended 30 June 2013.

Directors

The names of the Company's Directors in office during the half-year and until the date of this report are set out below. Directors held office for the entire period unless otherwise stated.

B Phillips	Non-Executive Chairman
R Laufmann	Chief Executive Officer and Managing Director
T Robbins	Executive Director
K Wightman	Non-Executive Director
D Carland	Non-Executive Director
N Alcantara	Non-Executive Director
F DyBuncio	Non-Executive Director

Operating and financial review

Group overview

Tampakan Copper-Gold Project

The Company continued to fund its 37.5% share of the study and development expenditure on the Tampakan Project, through the project's operating arm, Sagittarius Mines Inc. (SMI). Glencore Xstrata (formerly Xstrata Copper), on behalf of SMI, manages the Tampakan Project.

Glencore Xstrata

On 2 May 2013, Glencore International plc (Glencore) announced the completion of the merger with Xstrata plc. The merged entity, Glencore Xstrata plc (GX), continues to manage the Tampakan Project. Glencore has significant business dealings in the Philippines, namely its majority share in the Philippines Associated Smelting and Refining Corporation (PASAR) which has successfully operated under Glencore management since 1999. PASAR is the only world-scale copper smelter and refinery in the Philippines.

The Company has been in active discussions and is working with GX on a range of issues, including on how best to manage/restructure the Tampakan Project. A Revised Work Plan has now been agreed, although on-the-ground programs may be separately supported by the Company as described below.

SMI Revised Work Plan 2013

On 12 August 2013, the Company announced the implementation of the SMI Revised Work Plan (Work Plan), as received from SMI. The essence of the Work Plan is to secure crucial government support on bottleneck issues prior to proceeding to final evaluation and possible development. There will be a particular focus on finding a resolution to the South Cotabato open-pit mining ban, the definition of the pathway to project approvals from all levels of government, and the gaining of consent and resettlement of impacted communities. SMI, in its press release, quoted that the Work Plan will reduce current activity levels and expenditure on the Tampakan Project, and, regrettably the reduced activity and expenditure has resulted in staff downsizing and a reduction in the utilisation of contractors.

The Company remains in discussions with GX in respect of specific areas of the Work Plan and related Project development plan. In this context, a range of on-the-ground programs designed to advance social licence-to-operate criteria may be separately supported by the Company, while SMI, the Company and our in-country shareholders work with government to redefine and reset the pathway to Project approvals.

Directors' report (continued)

Operating and financial review (continued)

SMI Revised Work Plan 2013 (continued)

The 2013 Continuing Development Program of US$53.9M for the Tampakan Project was approved by SMI in January 2013. The Work Plan, as approved and announced on 12 August 2013, has been reduced to a total expenditure of US$35.0M for the 2013 calendar year. The Company's share of Work Plan committed expenditure for the period July to December 2013 is $4.4M. The level of the Company's expenditure on programs outside the Work Plan is being finalised and is not expected to exceed US$1-2M.

Impairment charge

The Company has highlighted to investors the announcement (dated 16 April 2013) by Glencore citing the Chinese Government's conditions as part of the Chinese Ministry of Finance and Commerce (MOFCOM) approval for its merger with Xstrata plc. The announcement named the Tampakan Project as one of the assets that Glencore may be required to divest, under certain conditions. As GX's joint venture partner, with pre-emptive rights over GX's stake in Tampakan, Indophil is uncertain about GX's current and future objectives and ownership of SMI. Accordingly, this represents a new risk to the Project's value.

The Board has considered the:

- uncertainty of GX's future plans and ownership;
- revised Work Plan; and
- market valuation placed on the Company, which for 12 months has traded below its Net Asset Value.

Given these circumstances, the Board considered these indicators of impairment and assessed the carrying value of the Company's share in SMI as $174.7M (refer Note 5). This has resulted in an impairment charge of $107.5M.

Expectations regarding future approvals and risks to the Project can change significantly as uncertainties are removed which, in turn, can have a significant impact on the assessment of the carrying amount of the Group's investment.

Environmental Compliance Certificate (ECC)

On 19 February 2013, following a series of reviews and appeals since the original application was submitted to Government in October 2011, SMI received the Mine ECC, subject to certain terms and conditions. SMI has reviewed the terms and conditions and on 6 August 2013, SMI signed, notarised and duly delivered the signed ECC to the Philippines Government.

The granting of the ECC is an important milestone that will allow Project partners to continue associated approval programs and regulatory requirement processes.

Environment Code - Open Pit Mining Ban in South Cotabato

By way of background, in June 2010, the South Cotabato provincial government (the jurisdiction in which the Tampakan deposit is located) approved a new Environment Code (Code) that included a ban on open pit mining. The Code took effect in October 2010.

The Philippines Government has stated that the ban is contrary to national laws and must be amended in accordance with those laws which allow open pit mining. The Philippines' President has expressed support for minerals development in the Philippines and the need for the open pit issue to be resolved. At the time of publication of this Interim Financial Report, the Code, and the section pertaining to a provincial ban on open pit mining, remain in place.

Directors' report (continued)

Operating and financial review (continued)

Environment Code - Open Pit Mining Ban in South Cotabato (continued)

On 9 July 2012, the Philippines Government issued a new Mining Policy in the form of an Executive Order (EO79) under the authority of the Philippines' President, His Excellency Benigno S Aquino III. The EO included direction which requires local government ordinances to be brought into line with the Philippines' Constitution and national laws.

On 10 September 2012, the Implementing Rules and Regulations (IRRs) of EO79 were signed by the Secretary of the Department of Environment and Natural Resources (DENR). The IRR's were published on 10 October 2012 and took effect 15 days after publication.

SMI will be focusing on the application of the IRRs as a key issue to be addressed as part of the Work Plan.

SMI Share Ownership

On 20 June 2013, the Company announced that Xstrata Queensland Ltd (now Glencore Queensland Ltd) had issued proceedings to become registered as the legal owner of a 62.5% share in SMI that it acquired from the Company in 2007. Immediately following the 2007 event, the Company applied for a capital gains tax exemption on the transfer of shares under the terms of the Tax Treaty between the Republic of the Philippines and Australia. The Company applied for the tax ruling to facilitate the registration of Xstrata Queensland Ltd as the legal owner of those shares in the share register of SMI. The Company is still awaiting the outcome of this exemption application from the Philippines Bureau of Internal Revenue. For clarity, GX has held the beneficial interest in these shares and management rights in the Tampakan Project since 2007. The Company has lodged its defence in the Supreme Court of Queensland and the Court process is continuing.

Tampakan Production Profile

The Tampakan Project has strong potential as a large, long-life, low-cost open pit producer of copper and gold.

The Mine Project Feasibility Study (MPFS) confirmed that Tampakan is a world-class copper and gold development opportunity. Highlights of the MPFS include:

- Long-life open pit, with potential for extension.
- Average planned annual production over the first 17 years of 375,000 tonnes of copper and 360,000 ounces of gold.
- Average planned annual production over the first five years of 450,000 tonnes of copper and 435,000 ounces of gold.
- Capital requirements of US$5.9 billion (including a US$900M allocation for a power plant).
- Low life-of-mine C1 cash costs (net of gold by-product credits) in bottom quartile of global producers.
- Low stripping ratio of 1.19:1 (waste:ore tonnes).

Directors' report (continued)

Review and results of operations (continued)

Other Exploration

Northern Luzon – Itogon Gold Project

The Group's Itogon Gold Project in Northern Luzon released its final assay results for ITDH049 in the Company's June quarterly report. The hole was designed to intersect the Frog Vein system below the 1300 level. The hole successfully intersected the Frog structure, but the main zone contained an intrusive andesite dike and the assays were disappointing.

However, the hole also intersected a previously-unknown structure in the Taka Barr vein footwall, with significant gold mineralisation. The structure is sub-parallel to the core, so the true intersection width is probably narrow. A comprehensive technical review of the project is in progress.

The Mining Lease Contract (MRD 479) for Itogon expired after its initial 25 year term on 28 September 2012 and the Company filed its application for renewal/conversion prior to the expiry date. On 18 March 2013, the Philippines Government formally ended a long-running moratorium on the processing and renewal of applications. The Company continues to progress the requirements to complete the title renewal. No fieldwork can take place until the title is renewed.

Eastern Mindanao – Manat Gold Project

The Group holds a 25% interest in the Manat Gold Project, located in Eastern Mindanao. The Declaration of Mining Project Feasibility (DMPF) has been submitted to the Philippines Government. On 9 January 2013, the DMPF successfully passed through the regional Mines and Geosciences Bureau (MGB) process and has been referred to the MGB central office in Manila. This has been provisionally approved, subject to the submission of additional data. Further regulatory approvals and project work will be required before the Manat Gold Project can be elevated to project status.

Operating results for the year

The Group recorded a net loss after tax of $105.6M for the half-year compared to a net profit after tax of $5.2M for the corresponding period last year.

The half-year review of the Group's carrying value of its investment in SMI, in the context of the MOFCOM conditions imposed on Glencore in respect of the Tampakan asset, the Glencore merger with Xstrata, the Work Plan, and the prolonged shortfall in the stock market's valuation of the Company below its net asset value, has resulted in the impairment of the Group's investment in SMI. As a result, the Group has reported an impairment charge of $107.5M in the Statement of Comprehensive Income.

In assessing the recoverable amount of the Group's share in SMI, the Company used Fair Value assessments based on discounted cash flows. A number of significant assumptions regarding commodity prices and discount rates inclusive of certain risk adjustments were used. Expectations regarding future approvals and risks to the Project can change significantly over a period of time, which in turn can have a significant impact on the assessment of the carrying amount of the Group's investment.

At 30 June 2013, the Group held $223.6M in cash balances compared with the balance of $235.0M held at 31 December 2012. The Group's main expenditure commitment for the half-year was $10.1M to SMI for the Group's share of investment in the Tampakan Project.

Directors' report (continued)

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Auditor's Independence Declaration

We have obtained the following independence declaration from the Company's auditors, Ernst & Young.

EY
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Auditor's Independence Declaration to the Directors of Indophil Resources NL

In relation to our review of the interim financial report of Indophil Resources NL for the half-year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Michael Collins
Partner
11 September 2013

Signed in accordance with a resolution of the directors.

BM Phillips
Chairman

Melbourne, 11 September 2013

Statement of comprehensive income

For the half-year ended 30 June	Note	Consolidated 2013 $000	2012 $000
Interest income		**9,578**	10,741
Other		**30**	34
Revenue and income		**9,608**	10,775
Administration		**(1,959)**	(2,246)
Corporate		**(2,239)**	(2,527)
Depreciation		**(25)**	(14)
Exchange fluctuations		**(23)**	(191)
Exploration and evaluation		**(1,031)**	(1,201)
Operating lease payments		**(116)**	(148)
Superannuation payments		**(136)**	(139)
Share of (loss)/profit of an associate	5	**(736)**	936
Impairment charge	5	**(107,500)**	-
Expenses		**(113,765)**	(5,530)
(Loss)/profit before income tax		**(104,157)**	5,245
Income tax (expense)	6	**(1,445)**	-
(Loss)/profit after income tax		**(105,602)**	5,245
Other comprehensive income for the period, net of tax		**-**	-
Total comprehensive (loss)/income for the half-year, net of tax		**(105,602)**	5,245
		Cents	Cents
Earnings per share for (loss)/profit attributable to the ordinary equity holders of the parent:			
Basic (loss)/profit per share		**(8.78)**	0.45
Diluted (loss)/profit per share		**(8.76)**	0.45

Statement of financial position

As at	Note	Consolidated 30 June 2013 $000	Consolidated 31 Dec 2012 $000
ASSETS			
Current assets			
Cash and cash equivalents	4	**223,615**	235,037
Other receivables		**1,334**	1,628
Prepayments		**222**	97
Total current assets		**225,171**	236,762
Non-current assets			
Other financial assets		**2,639**	2,624
Deferred tax asset		**2,347**	3,198
Investment in associate	5	**174,708**	267,992
Plant and equipment		**124**	137
Total non-current assets		**179,818**	273,951
Total assets		**404,989**	510,713
LIABILITIES			
Current liabilities			
Trade and other payables		**1,179**	1,080
Provisions		**335**	279
Income tax payable		**595**	907
Total current liabilities		**2,109**	2,266
Non-current liabilities			
Provisions		**129**	94
Total non-current liabilities		**129**	94
Total liabilities		**2,238**	2,360
Net assets		**402,751**	508,353
EQUITY			
Equity attributable to equity holders of the Parent			
Issued capital	7	**494,215**	494,215
Retained earnings		**(91,702)**	13,900
Reserves		**238**	238
Total equity		**402,751**	508,353

Statement of changes in equity

	Attributable to equity holders of the Consolidated Entity			
	Contributed Equity $000	**Retained Earnings $000**	**Reserve $000**	**Total Equity $000**
As at 1 January 2012	423,523	7,266	1,213	432,002
Total comprehensive income for the half-year, net of tax	-	5,245	-	5,245
Transactions with owners as owners				
Issue of share capital	67,700	-	-	67,700
Transaction costs on shares issued	(1,944)	-	-	(1,944)
Lapsed/cancelled options	-	952	(952)	-
Shares issued – Indophil Employee Share Plan	413	-	-	413
At 30 June 2012	**489,692**	**13,463**	**261**	**503,416**
As at 1 January 2013	494,215	13,900	238	508,353
Total comprehensive loss for the half-year, net of tax	-	(105,602)	-	(105,602)
Transactions with owners as owners	-	-	-	-
At 30 June 2013	**494,215**	**(91,702)**	**238**	**402,751**

Statement of cash flows

For the half-year ended 30 June	Note	Consolidated 2013 $000	2012 $000
Cash flows from operating activities			
Interest received		**5,034**	5,876
Payments to suppliers and employees		**(4,062)**	(4,743)
Exploration and evaluation		**(1,335)**	(1,195)
Income tax paid		**(907)**	-
Net cash flows from operating activities		**(1,270)**	(62)
Cash flows from investing activities			
Purchase of plant and equipment		**(7)**	(17)
Advances to associate entity		**(10,125)**	(14,626)
Net cash flows from investing activities		**(10,132)**	(14,643)
Cash flows from financing activities			
Proceeds from Placement, net of fees		**-**	65,756
Proceeds from sale of Indophil Employee Share Plan shares		**-**	380
Net cash flows from financing activities		**-**	66,136
Net (decrease)/increase in cash and cash equivalents		**(11,402)**	51,431
Net foreign exchange differences		**(20)**	(23)
Cash and cash equivalents at 1 January		**235,037**	195,867
Cash and cash equivalents at end of period	4	**223,615**	247,275

Notes to the financial statements
For the half-year ended 30 June 2013

1. Basis of preparation and accounting policies

Basis of preparation

This interim condensed financial report for the half-year ended 30 June 2013 has been prepared in accordance with AASB 134 *'Interim Financial Reporting'* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the financial year ended 31 December 2012 and be considered together with any public announcements made by the Company during the half-year ended 30 June 2013 in accordance with the continuous disclosure obligations of the ASX listing rules.

Going concern

The accounts have been prepared on a going concern basis. A summary of the Group's outstanding commitments at 30 June 2013 are disclosed in Note 8.

New standards interpretations and amendments thereof, adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations as of 1 January 2013, noted below. Adoption of these standards did not have any effect on the financial position or performance of the Group.

AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income.* This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.

AASB 10 *Consolidated Financial Statements.* This standard establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements.

AASB 12 *Disclosure of Interests in Other Entities* – This standard includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.

AASB 13 *Fair Value Measurement* – This standard establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted.

AASB 119 *Employee Benefits* – This standard revises the accounting for defined benefit plans. The revised standard changes the definition of short-term employee benefits.

The Group has not elected to early adopt any other new standards or interpretations that are issued but not yet effective.

Notes to the financial statements (continued)
For the half-year ended 30 June 2013

1. Basis of preparation and accounting policies (continued)

Accounting Standards and Interpretations issued but not yet effective

The following standards and interpretations will be applicable as indicated (unless early adopted):

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2011-4	Amendments to Australian Accounting Standards to *Remove Individual Key Management Personnel Disclosure Requirements* [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 Jul 2013	1 Jan 2014
AASB 9	*Financial Instruments*	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 Jan 2015	1 Jan 2015

Notes to the financial statements (continued)
For the half-year ended 30 June 2013

1. Basis of preparation and accounting policies (continued)

Accounting Standards and Interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 9	*Financial Instruments (continued)*	(d) Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI); • The remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 Jan 2015	1 Jan 2015

Notes to the financial statements (continued)
For the half-year ended 30 June 2013

2. Significant accounting judgements, estimates and assumptions

Judgements, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes assumptions concerning the future. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The significant judgements, estimates and assumptions are consistent with those applied by the Group in its financial report for the year ended 31 December 2012 with the addition of the following item.

Impairment of Investment in Associate

The Group assesses at each reporting date the carrying value of its Investment in Associate, to determine whether there is an indication of impairment or reversal. Where an indicator of impairment or reversal exists, a formal estimate of the recoverable amount is made, which is deemed as being the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as discount rates, commodity prices and future operating development and sustaining capital requirements and future operating performance.

Judgement is required in assessing whether there is objective evidence that the investment in SMI is impaired or if an impairment should be reversed. At the half-year reporting date, the Group impaired its investment in SMI by $107.5M. Refer Note 5.

3. Segment information

The Group operates solely in the mining exploration and development industry, and to date has one flagship project, the Tampakan Copper-Gold Project. With the Group's other mining tenements in the Philippines, additional segments may be disclosed in the future.

The Group determines its operating segments by reference to internal reports that are reviewed and used by the executive management team (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The executive management team receives consolidated balance sheet and profit and loss information that is prepared in accordance with Australian Accounting Standards.

4. Cash and cash equivalents

	Consolidated	
	30 June 2013 $000	**31 Dec 2012 $000**
Cash at bank and in hand	**290**	841
Short-term deposits	**223,325**	234,196
Total cash and cash equivalents	**223,615**	235,037

Notes to the financial statements (continued)
For the half-year ended 30 June 2013

5. Investment in associate

The following table sets out the composition of the carrying value of the Group's interest in its associate SMI:

	Consolidated	
	30 June 2013 $000	**31 Dec 2012 $000**
Cost		
Opening balance	**267,992**	231,677
Cash advances during the period	**10,125**	27,000
Interest income on advances	**4,827**	8,767
Share of net (loss)/profit for the period	**(736)**	548
Impairment charge	**(107,500)**	-
Carrying value	**174,708**	267,992
Share of associate's statement of financial position		
Beneficial interest	**37.50%**	37.50%
Current assets	**1,524**	1,562
Non-current assets	**207,719**	194,875
Current liabilities	**(3,656)**	(4,442)
Non-current liabilities	**(219,387)**	(205,058)
Net assets	**(13,800)**	(13,063)

Carrying amount of investment in SMI

On 12 August 2013, the Company announced that SMI would be taking a new approach to the Tampakan Copper-Gold Project. Following Glencore's acquisition, the Project owners have agreed on a revised Work Plan. The restructure is designed to tackle the well-documented in-country development challenges.

The 12 August 2013 Work Plan expenditure has been reduced to a total of US$35.0M for the 2013 calendar year. The Company's share of Work Plan committed expenditure for the period July to December 2013 is $4.4M. The level of the Company's additional expenditure on the programs outside the Work Plan is being finalised, though it is not expected to exceed US$1-2M.

Separately, the Company has highlighted to investors the announcement (dated 16 April 2013) by Glencore citing Chinese government conditions as part of the MOFCOM approval for Glencore's merger with Xstrata. Tampakan was highlighted as one asset that GX may be required to divest. This uncertainty in regard to GX's current and future objectives, and therefore the ownership of SMI, represents a new risk to the Project value.

Notes to the financial statements (continued)
For the half-year ended 30 June 2013

5. Investment in associate (continued)

Carrying amount of investment in SMI (continued)

In light of these conditions, and coupled with the prolonged shortfall in the stock market's valuation of the Company to Net Assets, the Indophil Board has considered these indicators of impairment and assessed the carrying value of the Group's share in SMI at 30 June 2013 as $174.7M. This has resulted in an impairment charge of $107.5M.

In considering this analysis, the significance of and uncertainty surrounding the ownership of the Project have been allowed for by risk adjusting the discount rate applied to the expected future cash flows.

Expectations regarding future approvals and risks to the Project can change significantly over a period of time, which can have a significant impact on the carrying amount of the Group's investment.

a) Impairment testing

i. Methodology

Impairment is recognised when the carrying amount exceeds the recoverable amount. The recoverable amount of the Group's share in SMI has been determined on its fair value less costs to sell (Fair Value). The costs to sell have been estimated by management based on prevailing market conditions.

Fair Value is estimated based on discounted cash flows with reference to market based commodity price assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, based on the Mine Project Feasibility Study (MPFS) prepared by SMI. The Company considers this valuation approach to be consistent with the approach taken by market participants.

Present values are determined using a risk adjusted discount rate appropriate to the risks inherent in realising the value of the assets. In determining the discount rate at 30 June 2013, the Company has referenced external inputs and made certain judgements in respect of specific risks observed in relation to the development of the Tampakan Project.

The estimates of quantities of recoverable minerals, production levels, operating and capital costs are sourced from the Tampakan Project's MPFS and the recently approved Work Plan.

Significant judgements and assumptions are required in making estimates of Fair Value. This is particularly so in the assessment of long life assets and particularly so for development-stage projects. These valuations are subject to variability in key assumptions including, but not limited to, long-term copper and gold prices, discount rates, production rates, operating and capital costs.

Notes to the financial statements (continued)
For the half-year ended 30 June 2013

5. Investment in associate (continued)

a) Impairment testing (continued)

ii. Key assumptions

The table below summarises the key assumptions used in the 30 June 2013 carrying value assessments, and for illustration also provides the equivalent assumptions used at 31 December 2012:

	2013	2012
Copper (US$ per pound)	$2.75	$2.75
Gold (US$ per ounce)	$900	$900
Discount rate	16.5%	10% - 12%

Commodity prices

Commodity prices used are the Company's base case assumptions. These assumptions are reviewed periodically against external market forecasts. Due to the long-term nature of the Project with first production targeted in 2019, the commodity prices assumed reflect the Company's outlook from previous years and are consistent with the assumptions relating to capital and operating estimates. The implied Project value is very sensitive to commodity price assumptions (refer Note 5(b)).

Discount rate

In determining the Fair Value of the Group's investment in SMI, future cash flows were discounted using rates based on the Company's estimated real after-tax weighted average cost of capital, pursuant to the Capital Asset Pricing Model, with an additional specific risk premium applied having regard to the uncertainty around GX ownership and the Work Plan. The implied Project value is very sensitive to the discount rate (refer Note 5(b)).

Operating and capital costs

Life of Mine (LOM) operating and capital cost assumptions are based on the Tampakan Project's MPFS (completed in 2010) and the recently approved Work Plan.

Tampakan Production Profile

The Tampakan Project has strong potential as a large, long-life, low-cost open pit producer of copper and gold. The MPFS confirmed that Tampakan is a world-class copper and gold development opportunity. Highlights of the MPFS include:

- Long-life open pit, with potential for extension.
- Average planned annual production over the first 17 years of 375,000 tonnes of copper and 360,000 ounces of gold.
- Average planned annual production over the first five years of 450,000 tonnes of copper and 435,000 ounces of gold.
- Capital requirements of US$5.9 billion (including a US$900M allocation for a power plant).
- Low life-of-mine C1 cash costs (net of gold by-product credits) in bottom quartile of global producers.
- Low stripping ratio of 1.19:1 (waste:ore tonnes).

Notes to the financial statements (continued)

For the half-year ended 30 June 2013

5. Investment in associate (continued)

a) Impairment testing (continued)

iii. Impact

After conducting a carrying value analysis, an impairment charge of $107.5M has been recognised.

b) Sensitivity Analysis

After effecting the impairment for SMI, the Fair Value of the asset is assessed as being equal to the carrying amount as at 30 June 2013.

Any variation in key assumptions used to determine Fair Value would result in a change of the assessed Fair Value. If the variation in assumption had a positive or a negative impact on Fair Value, it could indicate a requirement for reversal of, or additional impairment to, the Investment in Associate.

It is estimated that changes in the key assumptions would have the following approximate impact on Fair Value of the Group's investment in SMI:

	SMI AUD $
US$100 per ounce increase in gold price	28.4M
US$0.10 per pound increase in copper price	64.9M
1% decrease in discount rate	82.2M
1% increase in discount rate	(71.5M)

It must be noted that each of the sensitivities above assumes that the specific assumption moves in isolation, whilst all other assumptions are held constant. In reality, a change in one of the aforementioned assumptions is usually accompanied with a change in another assumption.

As and when the ownership and development plan uncertainty is removed, the estimated discount rate may be reduced. In addition, as the specific country risk, approval risk and other assumptions contained in the model are mitigated, the estimated discount rate may be reduced further.

Notes to the financial statements (continued)

For the half-year ended 30 June 2013

6. Income tax

	Consolidated	
	30 June 2013 $000	**31 Dec 2012 $000**
Income Taxes		
Current Income tax expense	**595**	2,876
Deferred income tax expense related to reversal/(origination) of deferred taxes	**850**	(604)
Income tax expense reported in Statement of comprehensive income	**1,445**	2,272

7. Issued capital

			Ordinary Shares	
Period ending	**30 June 2013 No.**	**31 Dec 2012 No.**	**30 June 2013 $000**	**31 Dec 2012 $000**
Balance at the start of the period Parent Entity	**1,203,146,194**	1,062,104,527	**494,215**	423,523
Movements in contributed equity for the half year				
Issue of placement shares to Alsons	**-**	141,041,667	**-**	67,700
Equity raising cost	**-**	-	**-**	(1,944)
Deferred tax in respect to transaction costs on shares issued	**-**	-	**-**	4,315
Proceeds from Indophil Employee Share Plan sale	**-**	-	**-**	621
Balance at the end of the period Parent Entity	**1,203,146,194**	1,203,146,194	**494,215**	494,215
Less Employee Share Plan	**-**	-	**-**	-
Balance at the end of the period Consolidated Entity	**1,203,146,194**	1,203,146,194	**494,215**	494,215

Notes to the financial statements (continued)
For the half-year ended 30 June 2013

8. Commitments

The following is a summary of Tampakan Project capital commitments as at 30 June 2013:

Capital commitments

	Consolidated	
	30 June 2013 $000	**31 Dec 2012 $000**
Committed expenditure for the Tampakan Project		
July – December 2013	**4,362**	-

The 2013 US$53.9M Continuing Development Program for the Tampakan Project was approved by SMI in January 2013. On 12 August 2013, SMI announced a revised Work Plan of US$35.0M for the calendar year, of which US$10.6M relates to July to December. The Company's 37.5% share is shown above for the period stated.

The Company may incur additional expenditure, outside the approved work program, which is not expected to exceed US$1-2M and is yet to be finalised.

There are no other changes to commitments disclosed in the most recent annual financial report.

9. Contingent liabilities

Xstrata Queensland Ltd (now Glencore Queensland Ltd) exercised an option to acquire a 62.5% interest in SMI from the Company in 2007. Following this acquisition, the Company applied to the Philippines Bureau of Internal Revenue (BIR) for a capital gains tax exemption on the transfer of shares under the terms of the Tax Treaty between the Republic of the Philippines and Australia. No liability has been recognised in the accounts and the Company is still awaiting the outcome of this exemption application from the BIR. There would be a tax impact if the BIR was to deny the Company's application for exemption. On 20 June 2013, the Company announced that now Glencore Queensland Ltd had issued proceedings to become registered as the legal owner of a 62.5% share in SMI that it acquired from the Company in 2007. The Company has lodged its defence in the Supreme Court of Queensland and the Court process is continuing.

For clarity, GX has held and enjoyed its 62.5% beneficial interest in these shares and management rights over the Tampakan Project since the option was exercised in 2007.

10. Events after the balance date

On 6 August 2013, SMI signed, notarised and duly delivered the signed Environmental Compliance Certificate to the Philippines Government.

On 12 August 2013, SMI announced a revised Work Plan of US$35.0M for the calendar year which includes reduced activity levels and downsizing in staff and contractors (refer Note 8).

11. Dividends paid and proposed

No dividends were paid during the half-year (2012: Nil) and no dividend is proposed to be paid at 30 June 2013 (2012: Nil).

Directors' declaration

In accordance with a resolution of the directors of Indophil Resources NL, I state that:

In the opinion of the directors:

(a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the financial position as at 30 June 2013 and the performance for the half-year ended on that date of the consolidated entity; and

 (ii) complying with Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

BM Phillips
Chairman

Melbourne, 11 September 2013

Independent auditor's review report

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To the members of Indophil Resources NL

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Indophil Resources NL, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and 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 of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the interim 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 interim 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 Indophil Resources NL and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Independent auditor’s review report (continued)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Indophil Resources NL 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*.

Ernst & Young

Ernst & Young

Michael Collins
Partner
Melbourne
11 September 2013