



Annual Report 2014



KBL
Mining
Limited

Corporate Directory

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J A Wall

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ASX Codes

KBL – *Shares*
KBLGA – *Convertible Notes*

Website

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Chairman's Letter

Dear Shareholder

The past financial year was once again constrained by low commodity prices and high Australian dollar associated with slow growth in the US, Europe and China. At the beginning of the financial year, as previously recorded, we reduced employee and contractor numbers at the Mineral Hill site by some 46% and applied stringent cost control measures across the Company. The successful cash payment of \$15 million from the R&D grant provided the necessary cash to redevelop the Mineral Hill mining operations including the re-opening of production from the Southern Ore Zone. This required the rehabilitation of some 800mtrs of underground drives, the re-installation of the Sothern Ore Zone ventilation system and fan; and the re-equipping of power, air and water to this new section of the mine. This work was carried out on time and within the modest capital budget of \$2.0 million and has given us access to significant resources of copper-gold, lead and zinc in this part of the mine.

Major exploration success in the Southern Ore Zone at Mineral Hill has resulted in extensions to the copper-gold resource in the G lode and a significant expansion of the lead zinc resources in the A lode which is located in the footwall of the existing D and B stopes. New drilling has shown that this A lode extends from about 20 level, up to the 140 level, with a horizontal strike length of more than 300 metres and is still open. This is likely to be the most significant ore body mined at Mineral Hill.

In April 2014 the West Australian Minister for Environment granted the environmental approval for the Sorby Hills Project. This project is the most significant asset in the Company and consists of nine shallow high grade deposits within a linear north-south mineralised trend extending over a 10 kilometre strike length. To date, the total Resource of the trend as defined by KBL stands at **16.5 Mt at 4.7% Pb, 0.7% Zn and 53 g/t Ag**, which is sufficient to support a multi decade operation. The Sorby Hills Project is a joint venture between KBL 75% (Manager) and Henan Yuguang Gold & Lead Limited Co., 25% (Yuguang). The project approval went through an extremely long and arduous process taking some 2.5 years and is a credit to our project manager and consultants to have finally seen this project over the line.

At the end of June we announced the appointment of Brian Wesson as Managing Director. Brian has extensive experience in running small to medium resource companies and provides a new chapter in the Company as the first MD appointment.

Looking ahead for the next 12 months, at Mineral Hill the Company will be seeking to install a gold plant, to enable the production of gold from the Pearse open cut project. Recent drilling has highlighted the potential for installation of a zinc circuit to the current processing facilities to enable the production of copper, lead and zinc concentrates from the new A lode discovery.

At Sorby Hills the Company in conjunction with finalising the feasibility study, will be actively seeking project financing with our JV partner to enable the commencement of site works before the onset of the wet season at the end of calendar year 2015.

I am confident that economic conditions for the resource industry will significantly improve during the coming 12 months as the major world economies shake off the after effects of the GFC. The closure early next year of a major zinc-lead mine should also assist in improving the price outlook for these two commodities which play a critical role in the Company's future.

Sincerely

Jim Wall
Chairman

Financial Review

The financial year results and balance sheet reflect a much improved year for our Mineral Hill mine as noted in the Chairman's Letter.

KBL achieved a post-tax profit of \$10.4 million for the year. This includes a reversal of impairment of \$6.3 million in respect of the Mineral Hill mine and a research and development tax refund of \$8.7 million (the remaining \$6.3 million of the total \$15.0 million tax refund was credited against the Mineral Hill mine asset). The Mineral Hill underground mine is carried on KBL's books at a value of \$41.7 million.

At the EBITDA level, the Mineral Hill mine made a profit of \$2.7 million on sales revenue of \$31.9 million. Other than the period December 2013 to February 2014 (when we had to mine primarily lower grade development ore while transitioning from Red Terror to the Southern Ore Zone) operating surpluses have been achieved in every month. Other than the transitional period mentioned C1 cash costs have average around \$2.00/lb (\$4,409/tonne) payable copper (after by-product credits).

Due to the above performance, KBL's net asset position improved during the year, from \$25.8 million to \$39.5 million. KBL made capital investments at Mineral Hill of \$6.1 million and invested \$1.4 million on exploration. Gross assets at 30 June 2014 were \$69.2 million and gross liabilities of \$29.7 million. Cash at balance date was \$7.3 million

Gross income for the year was \$40.8 million, comprising:

- \$31.9 million of copper concentrate sales
- \$8.7 million research and development tax claim receipt
- \$0.2 million revenue was delivered from interest earned

Cash and cash equivalents of \$7.3 million at year end (2013: \$5.3m), the increase was generated by:

- Cash provided from operating activities: \$12.2 million
- Cash used in investing activities: \$(8.3) million
- Cash used in financing activities: \$(1.9) million

Cash used in investing activities included:

- \$5.3 million for mine development
- \$0.7 million for plant and equipment
- \$1.4 million for exploration
- \$0.7 million for investment in the Sorby Hills project

Cash used in financing activities included:

- \$3.2 million equity issuance
- \$(5.1) million repayment of borrowings

Other items:

- KBL received a tax refund of \$15 million for Research and Development activities at Mineral Hill for the 2011–2012 tax period
- Available tax losses of \$37.1 million are not included in the financial statements

Corporate Governance Statement

This disclosure is made with reference to the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council in August 2007 as amended in 2010 ('the Principles'). The Company has published on its website its 'Corporate Governance Statements, Policies and Procedures dated 2 October 2013' ('the Company Policy') and in the explanations below references are made to particular paragraphs or Sections of the Company Policy.

The Board sets out below its 'if not why not' report in relation to those matters of corporate governance where the Company's practices depart from the Principles. As the Company's activities develop in size, nature and scope, further consideration will be given by the Board to the implementation of additional corporate governance structures.

Principle	Company's Current Practice
1.1 Formalise and disclose functions reserved to the Board and those delegated to management.	Satisfied. Company Policy paragraph 2.8
1.2 Disclose the process of evaluating the performance of senior executives.	The process is set out in paragraph 2.5 of the Company Policy.
1.3 Disclose whether performance evaluation of senior executives has taken place in accordance with the disclosed process.	Performance evaluations for the 2013/14 year for the Chief Executive Officer and the Chief Operating Officer are due to be completed in October 2014.
2.1 A majority of the Board should be independent directors.	Not satisfied. Currently only Mr Starr is independent. Mr Wall and Mr Besley were, in the last 3 years, executive Directors and they are therefore considered to be non-independent.
2.2 The chairperson should be an independent director.	Not satisfied. The Board believes that at this stage of the Company's development the shareholders are better served by having the current Chairman who is not independent.
2.3 Roles of chairperson and CEO should not be exercised by same person.	Satisfied. A CEO was appointed in March 2012
2.4 The Board should establish a nomination committee.	Satisfied. Company Policy Section 4
2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Evaluation has been completed for 2014. The process is one of peer discussion.
2.6 Companies should provide the information about the board specified in the reporting guide to Principle 2.	Satisfied
3.1 Establish a code of conduct and disclose the code.	Satisfied. Company Policy Section 7
3.2 Establish a policy concerning diversity and disclose the code.	Satisfied. Company Policy Section 9

Principle	Company's Current Practice
3.3 Disclose measurable objectives for achieving gender diversity and progress towards achieving them.	Given the small size of the Company, the only measurable objective at this point is to increase gender diversity within the Company as a whole rather than focus on change within discrete functional areas.
3.4 Disclose in the Annual Report the proportion of women employees in the whole organisation, in senior executive positions and on the Board	19% of the Company's employees are women, of whom 4 are professional staff. There are currently no women in senior executive positions or on the Board.
4.1 The Board should establish an audit committee.	Satisfied. Company Policy Section 3
4.2 Structure the audit committee so that it consists of only non-executive directors, a majority of independent directors, the chairperson is independent and not the chair of the board and it has at least three members.	Not satisfied as the there is only one independent Director, all other parts of this are satisfied. Company Policy section 3
4.3 The audit committee should have a formal charter.	Satisfied. Company Policy Section3
4.4 Report on the above including names of members and qualifications, numbers and meetings and attendees in the annual report.	The Audit Committee consists of Mr Starr, Mr Besley and Mr Wall and it held 2 meetings during the 2013/14 year.
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior management level for that compliance.	Satisfied. Company Policy Section 6
5.2 Post relevant disclosure policies on website and disclosure any departures.	Satisfied. Company Policy Section 6
6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Satisfied. Company Policy Section 6
6.2 Companies should use their websites to provide information, including webcasting, press releases and shareholder information by email.	Satisfied. See website
7.1 The board or appropriate board committee should establish policies on risk oversight and management and disclose a summary of those policies.	Satisfied. Company Policy paragraph 3.8
7.2 The Board should require management to design, implement and report against a risk management and control system.	Not satisfied at a corporate level during 2013/14 but such a system is implemented at the Mineral Hill Mine.
7.3 The Board should disclose whether it has received assurance from the CEO/CFO or equivalent in terms that the declaration under Section 295A of the Corporations Act is founded a sound system of risk management and an effective system of identifying financial reporting risks.	Satisfied. The CEO and FC provide an assurance to this effect to the Board.
7.4 Information specified in the guide on Principle 7 should be provided.	Satisfied to the extent of the disclosures above.
8.1 The Board should establish a Remuneration Committee.	Satisfied. Company Policy Section 4
8.2 Clearly distinguish the structure of non-executive director remuneration from that of executive directors and senior executives particularly with respect to equity based and other incentive remuneration.	Satisfied. Non-executive and executive remuneration structures are clearly distinguished.
8.3 Information specified in the guide on Principle 8 should be provided.	This information is provided in the Financial Statements contained elsewhere in this Report.

Review of Operations

Mineral Hill Mine, NSW

KBL 100% Ownership

Background

Mineral Hill is located 65km north of Condobolin in central western New South Wales. The site is approximately 500km west-northwest of Sydney and well located with road and rail access to Port Botany.

The project is situated within the prolific and world class Cobar Basin within the Lachlan Fold Belt. Mineral Hill is a structurally controlled, epithermal system containing multiple known high grade, low tonnage poly-metallic ore bodies. Its geology is characterised by distinct metal zonation across the mineralised system. Historic mining on the deposit began as early as the late nineteenth century; however it wasn't until 1989 that modern mining operations commenced. KBL has operated the site since 2010.

Underground operations at Mineral Hill are conventional in nature, and are currently focusing on the Southern Ore Zone Lodes, with extraction being maintained around 230,000 tonnes per annum. Mining activities are predominantly by long-hole open stoping, but contractor flexibility does exist to change methodology to suit the ore body characteristics and location. The current fleet and manning has a maximum extraction capacity of 300,000 tonnes per annum.

Ore is then sequentially processed using a conventional grinding and flotation circuit into two concentrate products. Firstly a +25% copper concentrate with gold and silver credits and then a +45% lead concentrate with gold and silver credits. Recoveries for copper range but are averaging above 85%, while the lead recoveries are closer to 50%.

The concentrate containers are then sent by road to Narromine and then railed to Port Botany, before being shipped to the smelters.



Figure 1 ■ Aerial View of the Mineral Hill Operation

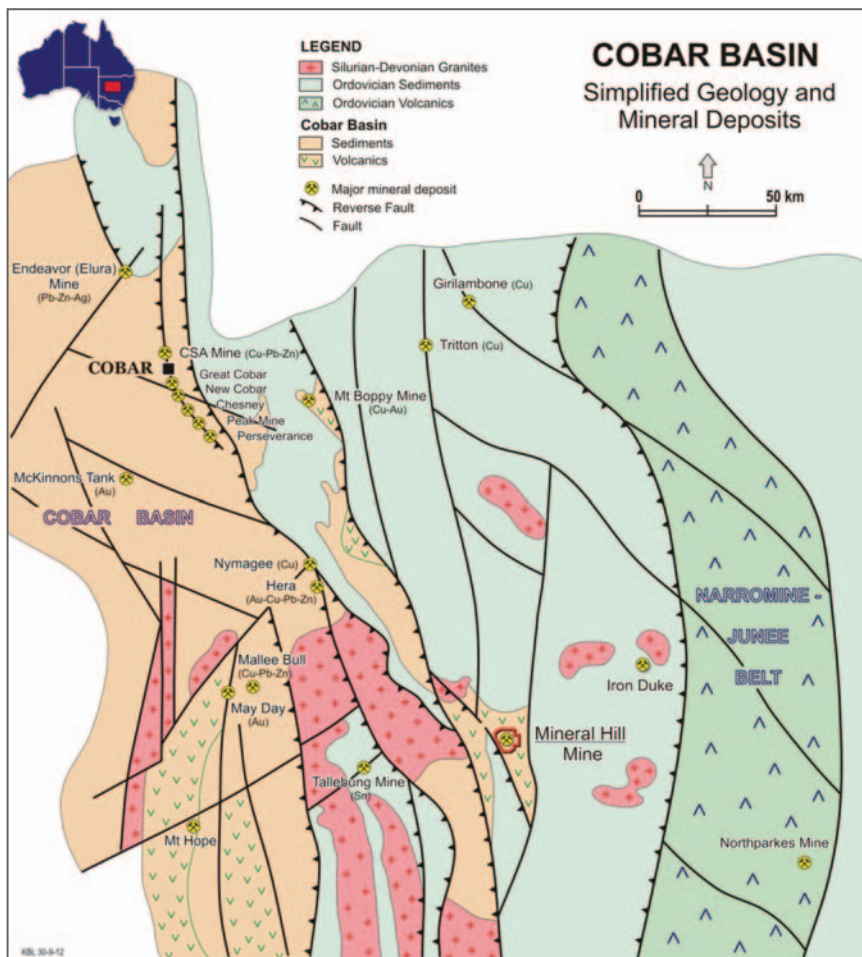


Figure 2 ■ Cobar Basin Geology and Deposits

For the past year, Mineral Hill has processed 239,953 tonnes of ore recovering 3,393 tonnes of copper, 4,873 ounces of gold, 85,033 ounces of silver and 945 tonnes of lead. Ore sources included the Red Terror, Parkers Hill and the Southern Ore Zone (SOZ).

Environment

The Company participates in mineral exploration activities covered by mineral exploration /mining licences governed by the relevant States. These licences specify the environmental regulations applicable to the exploration of minerals.

Sales Arrangements

13,306 tonnes of Mineral Hill copper concentrates were predominantly sold to MRI Trading AG with minor quantities being sold to Yuguang (Australia) Pty Ltd. 1,971 tonnes of Mineral Hill lead concentrates were sold to MRI and Yuguang.

Safety and Human Resources

Mineral Hill site employee and contractor staff numbers total 59 and safety remains a key operational performance requirement. Zero Lost Time Injuries (LTI) occurred during the year resulting in a site project to date LTI Frequency Rate of 4.8. Whilst this is in line with industry averages, the operation remains committed to continual improvement and targeting zero injuries. In line with this, site systems and policies have under gone normal review and adjustment.

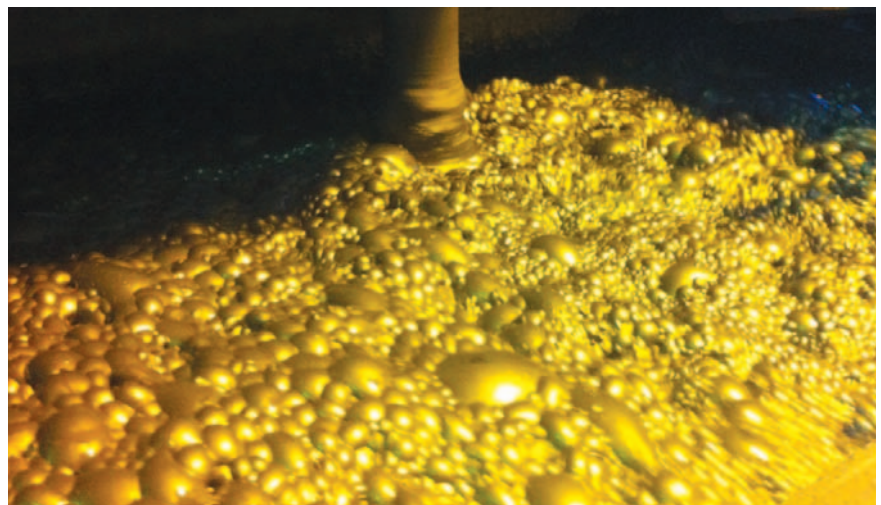


Figure 3 ■ Flotation operations at Mineral Hill

Operations at Mineral Hill are subject to stringent environmental regulation. It is a no release site and water retention and tailings security are particular concerns. Annually, an environmental management review (AEMR) is required to be prepared and submitted to regulators and this is assessed by site inspection. An updated 2012 Mining Operations Plan was submitted and accepted by the Department of Industry and Investment including the Pearse Project. As such an environmental bond of \$1.477m is current in place for the Mineral Hill site.

Litigation

The Company is not involved in and has not been involved in any litigation. However the Company is currently being prosecuted by the NSW EPA for a tailings line spill at Mineral Hill. On 1 August 2014 the Company pleaded guilty in the NSW Land and Environment Court to a charge of polluting waters contrary to Section 120(1) of the Protection of the Environment Operations Act 1997 and at the time of writing a Statement of Agreed Facts was being settled with the EPA with a view to a penalty hearing before the Court in November 2014.

Mine and Mill Production

Currently development activities centre around the SOZ decline and ore levels, but works have also commenced on the Parkers Hill NE lodes access. Within the SOZ workings, four ore levels from 100RL down to 40RL have been developed and stoped. Stope and development designs factor in known geological effects to help minimise dilution and maximise mining recovery while managing geotechnical risk. Ore is currently being mined and hauled to the Run of Mine stockpiles from Cu/Au/Ag/Pb SOZ B and D lodes. Waste is being predominantly backfilled into old stope areas underground rather than being brought to surface.

Concentrate production continued without issue from the sequential flotation process implemented in February 2014. This process has continued to give the site great flexibility to process both the Copper-Gold and polymetallic zones within the SOZ and Mineral Hill deposits. Process plant throughputs have ranged from 36tph to 44tph, while recoveries for copper and lead have increased to average 83% and 60% respectively. Gold recoveries have ranged between 51% and 73%, depending on the ore type being processed.

The manning numbers at Mineral Hill totals 54 personnel, of which 22 are Pybar contractors. KBL administers the site and carries out all processing and planning operations while the physical mining activities are performed by Pybar Mining Contractors. To date, the site has maintained a high standard of productivity and efficiency while maintaining a low cost base.

Production for the year was 3,393 tonnes of copper, 4,873 ounces of gold, 85,033 ounces of silver and 945 tonnes of lead in concentrates as shown in Table 1.

Future Mine Plan

For the remainder of 2014, KBL will continue to extract stopes from the SOZ B, D and C South Lodes between 80 and 40RL, along with ore from the newly developed Parkers Hill North East lodes. The mine plan for SOZ is expected to supply 18kt to 20kt of ore feed to the processing plant on a monthly basis for the present and well into the future.

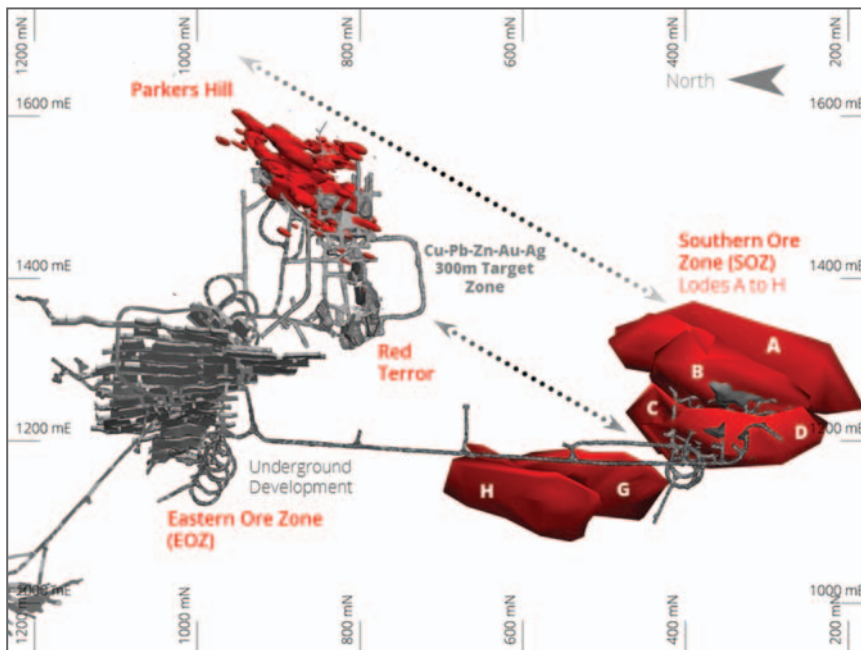


Figure 4 ■ Plan view of the underground development (grey) and resources (red) at Mineral Hill. The discovery of the high grade polymetallic A Lode has now made the 300+m between the SOZ and Parkers Hill deposits the highest priority exploration target zone.



Table 1 ■ Mineral Hill – 2014 Financial Year and Historical Production

Quarter to:		June 2014	March 2014	December 2013	September 2013	June 2013	March 2013	December 2012	September 2012
Ore Treated	t	54,415	64,501	52,614	66,379	78,280	70,597	72,057	63,180
Development metres	m	332	238	236	79	368	255	352	369
Ore Treated	t	66,526	51,382	59,449	62,596	80,141	71,865	71,228	63,320
Cu Grade	%	1.99	1.40	1.47	1.61	1.72	1.69	1.60	2.24
Recovery	%	83.2	80.9	87.9	94.4	89.9	91.4	72.4	75.9
Au Grade	g/t	1.2	0.9	0.6	1.1	0.7	0.6	—	—
Recovery (by weight)	%	54.5	56.5	67.6	73.5	—	—	—	—
Ag Grade	g/t	35.0	22.3	10.9	3.2	4.6	9.8	—	—
Recovery (by weight)	%	65.0	51.8	68.0	67.0	—	—	—	—
Pb Grade	%	2.2	3.0	—	—	—	—	—	—
Recovery	%	50.9	41.0	—	—	—	—	—	—
Cu Concentrate Production	DMT	3,957	2,176	3,082	4,091	5,345	4,908	4,556	4,598
Cu Grade	%	28.09	26.19	24.82	23.17	23.43	22.69	18.91	23.39
Au Grade	g/t	9.71	13.81	8.35	12.70	5.37	4.13	2.49	2.88
Ag Grade	g/t	230	264	140	30	42	71	187	375
Pb Concentrate Production	DMT	1,498	473	—	—	—	—	—	—
Pb Grade	%	43.52	45.60	—	—	—	—	—	—
Au Grade	g/t	3.35	2.20	—	—	—	—	—	—
Ag Grade	g/t	358	382	—	—	—	—	—	—
Contained Metal									
Cu	t	1,111	570	765	948	1,252	1,114	861	1,075
Pb	t	729	216	—	—	—	—	—	—
Au	Oz	1,410	966	827	1,671	923	652	364	426
Ag	Oz	48,716	18,480	13,878	3,959	7,166	11,166	27,444	55,382

KBL is also in the process of finalising the design of the Pearse CIL plant and contractors are expected to be construction ready in the latter part of this year. The Pearse open cut is planned to commence operation in quarter 4 this year.

Key steps post 2014/2015 include:

1. KBL is defining the size of the A lode which comprises high grade lead, zinc, silver, gold mineralization.
2. The top of the G lode, which is a copper-gold lode, was accessed by the SOZ decline and will continue to be opened over the next few months.
3. Further open-cut resources are available, that need infill drilling. These have the potential to provide additional feed for the gold plant.

Southern Ore Zones (SOZ) – Background

The SOZ is a low sulphidation, structurally controlled epithermal to mesothermal deposit, made up of six, generally north-south trending, steeply west-dipping domains/lodes of breccia and stockwork mineralisation:

1. A, B and D lodes are defined by polymetallic (Cu–Pb–Zn–Ag–Au) breccia, and
2. C, G and H lodes comprised of Cu–Au breccia and stockwork veins.



Figure 5 ■ Mining Operations at Mineral Hill

The SOZ lodes comprise relatively simple sulphide phases with chalcopyrite–galena–sphalerite dominant with minor pyrite in the polymetallic lodes and chalcopyrite–pyrite in the Cu–Au lodes. The lodes record complex overprinting of many generations of hydrothermal activity that involved brecciation, veining, alteration and sulphide mineralisation. All lodes are open down-dip to the west and along strike to the north and south.

Both metallurgical laboratory test work on SOZ ores, and processing through the Mineral Hill plant have demonstrated high Cu and Au recoveries from the low-lead Cu–Au ore and the ability to produce separate saleable copper and lead concentrates, each with gold and silver credits from the polymetallic ores.

As announced on 17 May 2014, a major new polymetallic (Cu-Pb-Zn-Ag-Au) lode ('A Lode') was discovered in the final stages of the SOZ underground drilling program after targeting the footwall zone of the high-grade B Lode where mining activities are currently focused.

The breccia zone hosting the mineralisation has a known strike length in excess of 150m with the best drilling intercepts falling between 115RL and 170RL (approximately 195m and 140m below surface, respectively). Within this zone, the mineralised breccia ranges from 5 to 18m in true thickness and remains open along strike and down dip (Figure 1). The new discovery highlights the exploration upside of the Mineral Hill system, with additional underground drilling currently underway to test this zone.

Parkers Hill – North East Lodes – Background

The Parker's Hill North East (PHNE) lodes represent extensions to the high grade polymetallic Parkers Hill system historically mined by KBL at commencement of operations in September 2011 and remain open along strike to the northeast. The mineralisation comprises a complex geometry of quartz-chalcopyrite veins and polymetallic breccia, favorably hosted within volcanic rock-types of the Mineral Hill Volcanics (free from the talc-bearing sedimentary sequence encountered in parts of the main Parkers Hill deposit).

The PHNE mineralisation is planned to be mined in conjunction with the SOZ in the shorter to medium timeframe of the mine plan. Preliminary metallurgical test work was undertaken using core samples from KUPH095 to determine the best way of treating the high-grade polymetallic mineralisation. Using a composite samples rougher flotation tests demonstrated that high copper recoveries are achievable in concentrate.

Pearse Gold-Silver project – Background

A series of successful drilling programs during the 2010 financial year resulted in the discovery and delineation of the high grade Pearse gold-silver deposit, located 800 metres from the processing plant at Mineral Hill. From that discovery, the project has been advanced through approvals and a Feasibility Study that details operations in a shallow open cut mine to a maximum depth of 85 metres from surface. Processing of the Pearse ore will utilise a conventional CIL plant, with on-going optimisation of the metallurgical process options.

KBL released high grade drill results in 2012, confirming the shallow, high grade nature of the mineralisation at Pearse. The results included 51 metres at 9.8g/t gold and 72g/t silver from 32 metres and 14 metres at 25.5g/t gold and 56g/t silver from 13 metres. Contained precious metal in the Pearse mineral resource is estimated to be 62,000 ounces of gold and 765,000 ounces of silver.

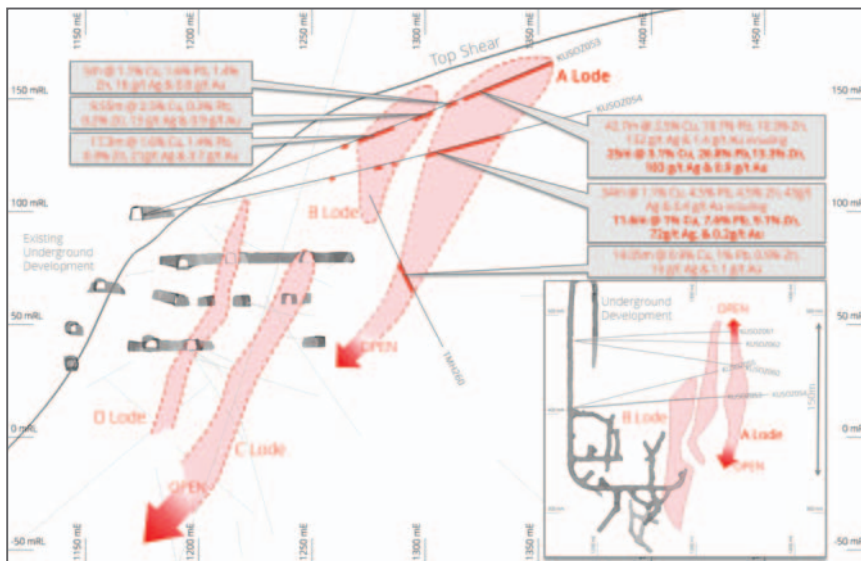


Figure 6 ■ Cross section through 410mN illustrating drilling results from the recently discovered A Lode at SOZ. Inset: Plan illustrating A and B Lodes at 135mRL (Note: Drillholes and 100RL underground workings are projected for reference).

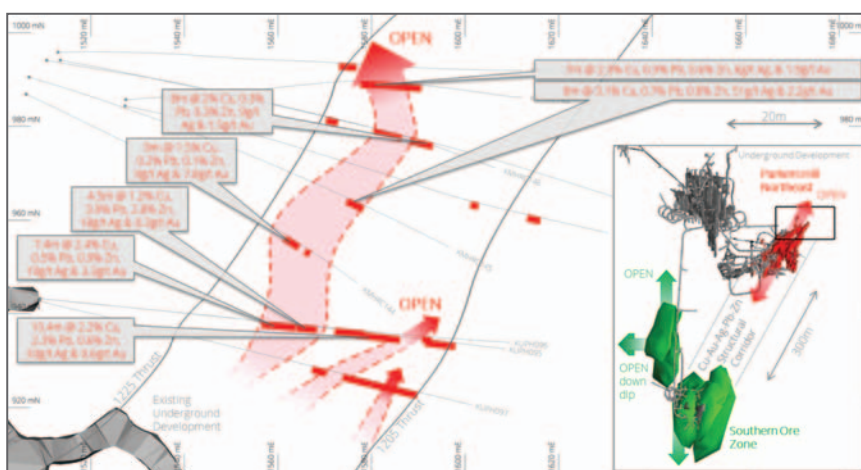


Figure 7 ■ Schematic plan through 185RL ±20m (approximately 125m below surface) illustrating results from surface & underground drilling at Parkers Hill North East. Inset: Mineral Hill Plan illustrating the interpreted Cu-Au-Ag-Pb-Zn structural corridor between Parkers Hill and SOZ

Resources and reserves at Mineral Hill

Tabulated resource and reserve numbers have been rounded for reporting purposes.

Pearse ■ Cut-off Grade 1g/t Au Oxide-Transitional & 2g/t Au Fresh
(As released 19 November 2011)

Category	Tonnes '000	Grade Silver g/t	Grade Gold g/t	Contained Silver oz	Contained Gold oz
Measured	226	84.0	6.7	611,430	48,769
Indicated	71	67.0	5.7	153,803	13,085
Total	298	80.0	6.5	765,232	61,853

Pearse North ■ Cut-off Grade 1g/t Au Oxide-Transitional & 2g/t Au Fresh
(As released 25 July 13)

Category	Tonnes '000	Grade Silver g/t	Grade Gold g/t	Contained Silver oz	Contained Gold oz
Inferred	203	21.1	2.1	137,711	13,706
Total	203	21.1	2.1	137,711	13,706

Parkers Hill Sulphide ■ Cut-off Grade 0.6% Cu (As released on 19 September 2011. Adjusted for depletion from mining activities till 30 November 2013)

Category	Tonnes '000	Grade Copper %	Grade Lead %	Grade Zinc %	Grade Silver g/t	Grade Gold g/t	Contained Copper kt	Contained Lead kt	Contained Zinc kt	Contained Silver oz	Contained Gold oz
Indicated	1,128	1.8	1.3	1.2	37.0	0.3	20.0	14.2	13.7	1,357,806	9,415
Inferred	50	1.6	1.1	2.4	48.0	0.2	0.8	0.6	1.2	77,162	322
Total	1,178	1.8	1.3	1.3	38.0	0.3	20.8	15.0	14.9	1,434,968	9,737

Parkers Hill Oxide ■ Cut-off Grade 0.6% Cu, 2% Pb, 100g/t Ag (As released on 13 September 2011)

Category	Tonnes '000	Grade Copper %	Grade Lead %	Grade Zinc %	Grade Silver g/t	Grade Gold g/t	Contained Copper kt	Contained Lead kt	Contained Zinc kt	Contained Silver oz	Contained Gold oz
Indicated	900	0.7	3.7	0.4	66.6	0.04	5.9	33.6	3.4	1,925,957	1,157
Inferred	200	1.8	3.9	0.3	86.0	0.05	3.6	7.8	0.6	552,992	302
Total	1,100	0.9	3.7	0.4	70.0	0.05	9.5	41.4	4.0	2,478,949	1,460

Red Terror ■ Cut-off grade 1.5% Cu Eq. (As released on 14 June 2013. Adjusted for depletion from mining activities until 30 November 2013)

Category	Tonnes '000	Grade Copper %	Grade Lead %	Grade Zinc %	Grade Silver g/t	Grade Gold g/t	Contained Copper kt	Contained Lead kt	Contained Zinc kt	Contained Silver oz	Contained Gold oz
Measured	132	1.8	0.2	0.4	2.3	2.8	2.4	0.2	0.5	9,765	11,939
Indicated	53	1.5	0.1	0.2	1.8	1.2	0.8	0.1	0.1	3,067	2,045
Inferred	1	0.7	0.0	0.2	1.4	2.6	0.0	0.0	0.0	45	84
Total	186	1.7	0.1	0.3	2.2	2.4	3.2	0.3	0.6	12,877	14,068

SOZ ■ Cut-off grade 1.5% Cu Eq. (As released 19 August 2014. Adjusted for depletion from mining activities until 31 May 2014)

Category	Tonnes '000	Grade Copper %	Grade Lead %	Grade Zinc %	Grade Silver g/t	Grade Gold g/t	Contained Copper kt	Contained Lead kt	Contained Zinc kt	Contained Silver oz	Contained Gold oz
Measured	553	1.2	0.6	0.5	12.0	2.0	6.5	3.0	2.5	213,352	35,559
Indicated	705	1.1	1.6	1.3	22.0	1.6	7.5	11.5	9.4	498,658	36,266
Inferred	726	1.2	1.7	1.4	21.0	1.8	8.7	12.1	10.4	490,170	42,015
Total	1,985	1.2	1.4	1.1	19.0	1.8	22.8	26.7	22.2	1,202,180	113,839

Iron Duke ■ Cut-off Grade 1% Cu (As released 4 June 2012)

Category	Oxidation	Tonnes '000	Grade Copper %	Grade Gold g/t	Contained Copper kt	Contained Gold oz
Inferred	Oxidised	22	1.4	0.4	0.3	283
Inferred	Transitional	164	1.5	0.6	2.5	3,164
Inferred	Fresh	308	1.5	0.9	4.6	8,912
TOTAL		494	1.5	0.8	7.4	12,359

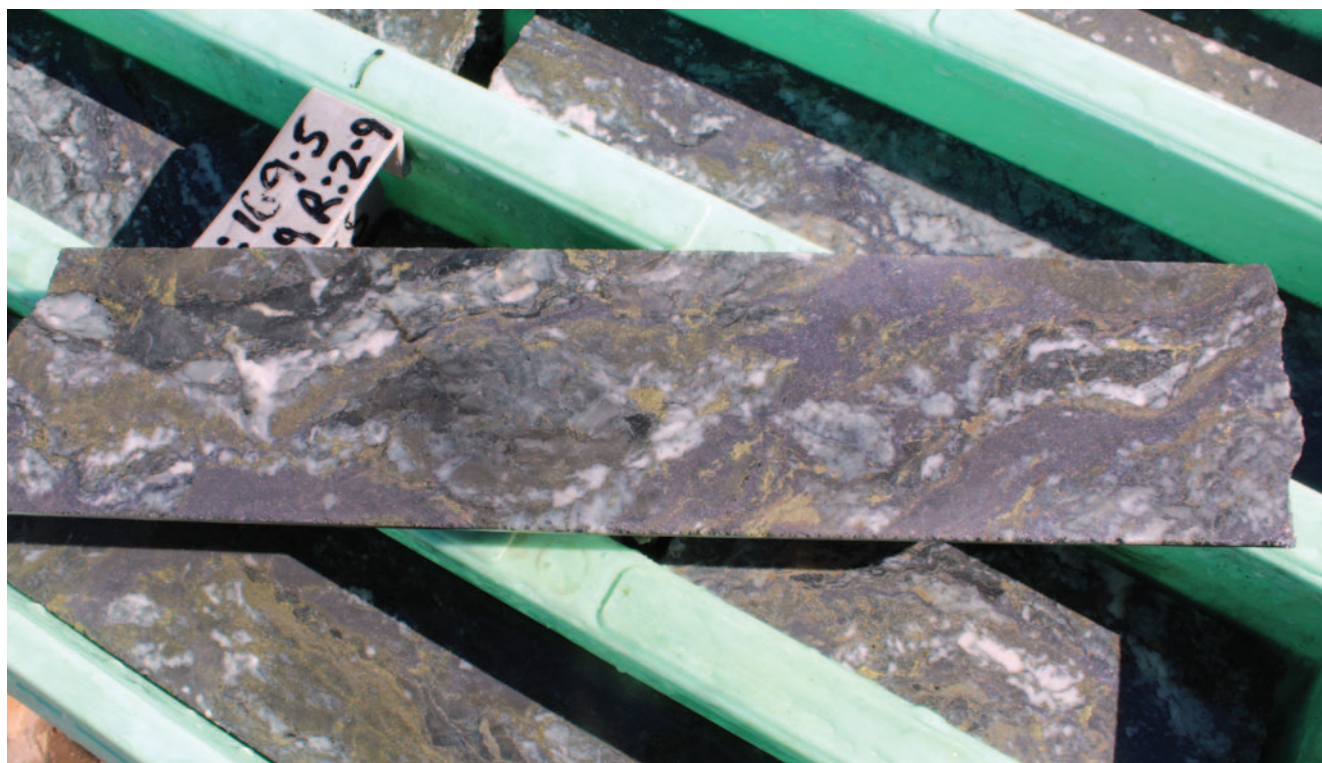
Pearse Reserves ■ Cut-off Grade 1g/t Au Oxide, 2g/t Au Primary (As Released 20 October 2011)

Category		Tonnes '000	Silver g/t	Gold g/t	Contained Silver oz	Contained Gold oz
Probable	Primary Oxide	28	76.0	6.9	68,417	6,212
		18	14.0	4.4	8,102	2,546
Sub Total		47	51.7	5.9	76,519	8,758
Proven	Primary Oxide	152	91.0	7.3	444,709	35,674
		36	16.1	6.5	18,519	7,523
Sub Total		189	77.0	7.2	463,228	43,198
TOTAL		235	71.7	6.9	539,746	51,956

Parkers Hill Sulphite Lead-Zinc-Low Copper Combined Zone ■ Reserves at 3.5% Combined Lead-Zinc Cut-off Grade (As released on 7 June 2011)

Category	Tonnes	Grade Copper %	Grade Lead %	Grade Zinc %	Grade Silver g/t	Grade Gold g/t	Contained Copper t	Contained Lead t	Contained Zinc t	Contained Silver oz	Contained Gold oz
Probable	343,000	1.3	1.9	1.9	49.2	0.13	4,356	6,483	6,551	560,651	1,434

Additional information regarding these resources and reserves is available on the company's website.



Mineral Resources and Ore Reserves

Material changes from the Resource and Reserves declared in the 2013 Annual Report are summarised, by geographic area, below.

Pearse Resource and Reserve

The Pearse Mineral Resource and Ore Reserve have remained unchanged from the 2013 Annual Report.

Pearse North

A new Mineral Resource estimate for the Pearse North deposit was released during the reporting period on 25 July 2013. This comprises an Inferred resource of 203,000 tonnes at 2.1 g/t gold and 21.1 g/t silver.

Iron Duke

The Iron Duke resource has remained unchanged from the 2013 Annual Report.

Parkers Hill Oxide

The Parkers Hill Oxide resource has remained unchanged from the 2013 Annual Report.

Parkers Hill Sulphide Resource and Reserve

Sulphide Resource

The updated resource of 1,178 thousand tonnes at 1.8% copper, 1.3% lead, 1.3% zinc, 38.0 g/t silver and 0.3 g/t gold has been adjusted for mining at Parkers Hill up until November 2013. Production records and survey of mine voids indicate that an additional 3,575 tonnes at 1.9% copper, 1.4% lead, 1.5% zinc, 11 g/t silver and 0.2 g/t gold was removed up to June 30 2014.

Sulphide Copper Reserve

Extraction of the final production stopes at Parkers Hill underground during the year saw exhaustion of the 2013 Parkers Hill Copper Ore Reserves of 65,100 tonnes at 2.2% copper, 0.8% lead, 1.1% zinc, 17.7 g/t silver and 0.13 g/t gold reported in the 2013 Annual Report.

Sulphide Lead–Zinc–Low Copper Reserve

Although a small amount of the Parkers Hill lead–zinc–low copper Ore Reserve was mined along with the copper Ore Reserve, this is not regarded as material and the reported Lead–Zinc–Low Copper Ore Reserve has not been adjusted.

Red Terror

The previous phase of mining at Red Terror during the year saw depletion of the 2013 Mineral Resource by 102,000 tonnes at an average grade of 1.6% copper, 0.2% lead, 0.4% zinc, 6.6 g/t silver and 1.0 g/t gold up until 30 November 2013. Production records indicate that a further 21,875 tonnes with modelled

(unreconciled) grade of 1.2% copper, 0.4% lead, 0.3% zinc, 1.2g/t silver and 1.4 g/t gold was mined during 2014.

The previously reported Ore Reserves of 91,755 tonnes at 1.5% copper, 0.2% lead, 0.3% zinc, 2.5 g/t silver and 1.4 g/t gold were exhausted through this mining.

ESOZ

The Mineral Resource previously reported as ESOZ is now regarded as part of the SOZ mineralisation and has been included within the new SOZ resource.

Southern Ore Zone (SOZ)

New Mineral Resources and Ore Reserves were calculated for the SOZ during the reporting period. The Resources and Reserves were depleted for mining up until 31 May 2014.

In the 2013 KBL Annual Report, the SOZ Mineral Resources were reported at a variety of cut-offs but are summarised below for direct comparison with the updated 2014 resource which was reported at a single Copper Equivalent cut-off of 1.5%.

The new SOZ Mineral Resource (released 19 August 2014) was adjusted for historical mining activities until 31 May 2014. In addition, a total of 22,286 tonnes of SOZ ore at 2.2% copper, 2.4% lead, 1.3% zinc, 38 g/t silver and 0.7 g/t gold was processed in the month of June 2014, the end of the reporting period.

The material change in the SOZ Mineral Resource can be attributed to a number of factors including:

- Re-estimation of the SOZ Mineral Resource after the successful completion of 5,780m of additional diamond drilling by KBL;

- Recognition of the ESOZ deposit as part of the SOZ and incorporating this deposit into the SOZ Mineral Resource estimate;
- A change in the cut-off applied to report the resource. A new Copper Equivalency calculation was applied, taking into account known mining and milling factors, and economic factors such as metal payability, transport and refining charges, and metal prices;
- Downgrading the classification of any resource within a 2m wide buffer around historical production stopes. This was done to reflect the uncertainty of this material ever being mined for geotechnical reasons. As a result, measured and indicated resource totalling 132,500 tonnes at 1.5% copper, 0.8% lead, 0.7% zinc, 18.1 g/t silver, 2.8 g/t gold was re-designated as inferred resource;
- Successful drilling in the polymetallic A Lode has had a positive material effect on the lead and silver grade;
- More accurate assessment and surveying of historical mine voids after reestablishment of underground access to the SOZ in late 2013;
- Reduction in the remaining amount of Measured and Indicated class resource as a result of mining during the 2014 financial year

Sorby Hills

DE Deposit

A new resource for the DE deposit comprises a combination of indicated and inferred resource totalling 5.8 million tonnes at 3.5% lead, 0.4% zinc and 41 g/t silver (1% lead cut-off). The new Mineral Resource is inclusive of a maiden DE Deposit Probable Ore Reserve of 2.4 million tonnes at 5% lead and 54 g/t silver (2% lead cut-off).

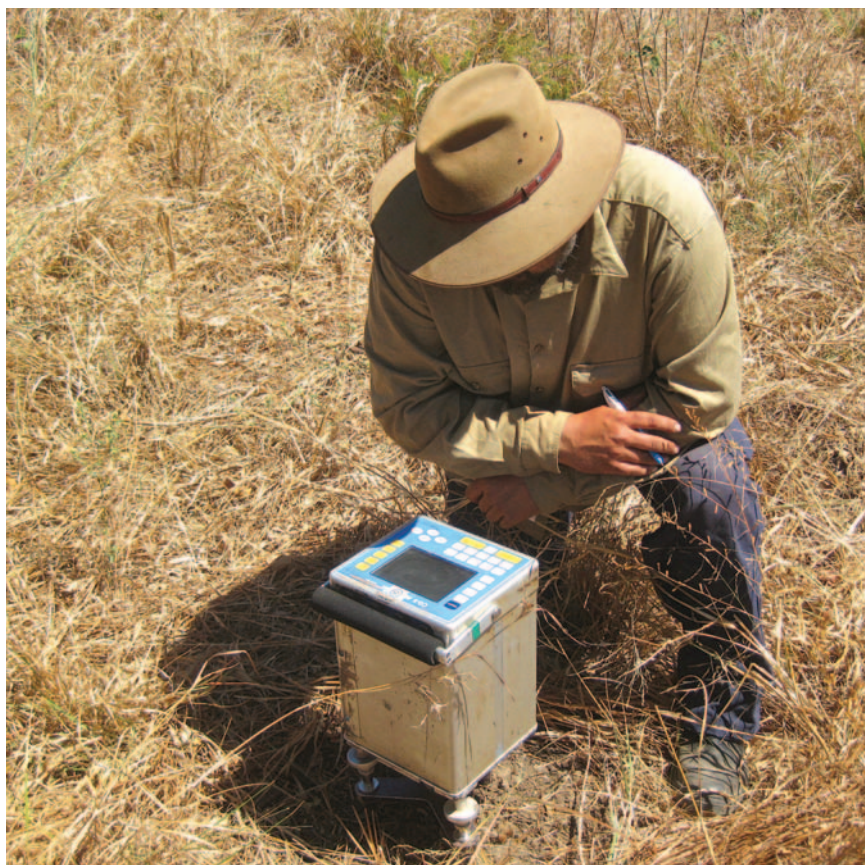
The new DE Deposit resource supersedes the previous resource of 2.91 million tonnes at 4.8% lead, 0.5% zinc and 56 g/t silver (2.5% lead

Superseded SOZ Total Mineral Resource

Category	Tonnes '000	Grade Copper %	Grade Lead %	Grade Zinc %	Grade Silver g/t	Grade Gold g/t
Measured	731	1.2	0.8	0.6	15	1.7
Indicated	797	0.7	1.5	1.5	18	1.3
Inferred	748	1.1	0.9	1.1	13	2.9
Total	2,276	1.0	1.1	1.1	15	2.0

SOZ 2014 Updated Total Mineral Resource ■ (Cut-off grade 1.5% Cu Eq.)

Category	Tonnes '000	Grade Copper %	Grade Lead %	Grade Zinc %	Grade Silver g/t	Grade Gold g/t
Measured	553	1.2	0.6	1.5	12	2.0
Indicated	705	1.1	1.6	1.3	22	1.6
Inferred	726	1.2	1.7	1.4	21	1.8
Total	1,985	1.2	1.4	1.1	19	1.8



cut-off). The change in resource estimates is attributed primarily to the refinement of the Sorby Hills geological model and application of geology-based grade domains rather than the use of arbitrary grade shells to estimate the resource.

The new resource estimate for DE Deposit has led to adjustment of the Sorby Hills global resource (comprising indicated and inferred resources) from 16.7 million tonnes at 4.5% lead, 0.7% zinc and 52 g/t silver to 16.5 million tonnes of 4.7% lead, 0.7% zinc, and 53 g/t silver.

Governance arrangements and internal controls

KBL Mining Limited maintains high quality drill hole sampling and assay database QA/QC procedures which are described in detail in the JORC 2012 Table 1 notes accompanying each resource estimate as it is released to the ASX.

Drilling methods used to obtain grade data for resource estimation purposes are restricted to diamond core and reverse circulation percussion (RC). Samples are submitted for assay at NATA accredited laboratories, typically ALS Global in Orange, NSW and Perth, WA. Sampling techniques are industry standard, including riffle splitting of RC chips and cutting ½ diamond core samples (HQ and NQ diameter). Certified analytical standards (selected for gold and base metals) are inserted by KBL every 30 samples in the sample stream to ALS, and the laboratories conduct their own internal QA/QC procedures with results provided as QA/QC reports to KBL.

Should a trend develop of standard analyses returning values considered anomalously low or high for a particular element, the batch of samples are to be resubmitted for analysis of the element in question. To date, routine analysis of standards by KBL has not resulted in the need to reassay.

A qualified geoscientist logs the geology of all holes in their entirety including geotechnical features. Drill core logged to a level of detail considered to accurately support Mineral Resource estimation for the deposit type in question. The parameters logged include lithology with particular reference to veining, mineralogy, alteration, mineralisation style, and grain size. Visual estimates of metal grades are checked against the assay data by the geoscientist to confirm the tenor of mineralisation and ensure that errors in sampling or logging have not occurred. The geologists' hardcopy drill hole logs and sampling sheets are retained after entry of data into a drill hole database in MS Access maintained by the Chief Geologist.

All drill hole collars are surveyed by qualified mine surveyors, or by real-time DGPS in the absence of nearby reliable survey stations. Hole trajectories are surveyed using a modern multi-shot down-hole survey camera. Drill hole database validation is performed in-house before use for resource estimation. Historical drill holes using less reliable sampling methods with potential for significant contamination (e.g. rotary mud, open hole percussion, RAB) are used for geological interpretation only.

Resource estimates are undertaken by established independent third-party resource consultants (Competent Persons) with the required relevant experience in the style of mineralisation, type of deposit, and the activity which they are undertaking. Modern interpolation methods such as Ordinary Kriging and Multi-Indicator Kriging are used with 3D geological interpretation and controls provided by KBL geoscientists. The consultants employed include H&S Consultants Pty Ltd, Breakaway Mining Services Pty Ltd, and ReedLeyton Consulting Pty Ltd for Mineral Resources, and MEC Mining for Ore Reserves. Several of the resource estimates for an individual deposit have been performed through time by two or more resource consultants (Competent Persons). This has allowed checking of the resulting models as further drilling and underground sampling data become available. Subsequently, the estimation methodology regarded most appropriate for the particular deposit type has been continued.

During the resource estimation process, preliminary resource block models are checked against internal KBL deposit models, and examined against the raw drilling and assay data in section and plan view, to assess the performance of the model and identify any areas may need correction such as further geological control or the application of top cuts. Model grades are routinely reconciled against mine production and processing data where possible. The resource models and estimates are routinely updated when significant new drilling data are available.

Exploration

Exploration activities focused on resource infill and expansion drilling programs at SOZ and Parkers Hill North East. A successful 5,780m underground drilling program upgraded and expanded a new Resource Estimate for SOZ which now contains 1.98Mt at 1.2% Cu, 1.8 g/t Au, 19 g/t Ag, 1.4% Pb and 1.1% Zn. The new SOZ Resource has replaced those Reserves depleted by mining activities in the first half of 2014 and remains open along strike and down dip to the west.

A major highlight during the final stages of the SOZ drilling program was the discovery of the high grade polymetallic 'A' Lode in the footwall of the SOZ system (Figure 6). The target zone for A Lode now extends a further 300m to the north towards the Parkers Hill/Red Terror system and is the focus of current exploration activities (Figure 4).

The Mineral Hill mining leases and surrounding exploration licence remain highly under explored. Historical and recent drilling remains limited to relatively shallow levels with less than 1% of the drill hole database (3,000 holes for 230,000m drilling) testing the mineralised system below a depth of 350m from surface. Compared with regional peers now mining at depths greater than 1km, Mineral Hill is underexplored in the highly prospective world class Cobar basin.

Mineral Hill represents a very large mineralised epithermal system with historical production exceeding 370,000 ounces of gold and 20,000 tonnes of copper from ore deposits less than 300m from surface. KBL has significantly expanded the total metal content through maiden discoveries and resource expansions over the past 3 years. Significant potential exists to discover additional economic ore near all current Resources, which remain open in most directions. Activities in 2014 will focus on resource extension and upgrade drilling at SOZ, Parkers Hill North East and Pearse North in conjunction to applying geophysical (EM and IP) techniques to facilitate targeting.

Sorby Hills, Western Australia

KBL 75% Ownership

Background

The Sorby Hills project is located in the north-eastern corner of the Kimberley region of Western Australia. It is approximately 50 kilometres from the Kimberley regional centre, Kununurra and 150 kilometres by sealed road to the operational mineral export port at Wyndham.

Sorby Hills is the largest, undeveloped near surface silver-lead Resource in Australia and was discovered by Elf Aquitaine in 1971. From 1972 to 1988, 889 holes were drilled at Sorby Hills and three feasibility studies were completed between 1974 and 1979, which were closely followed by a collapse in the silver price in 1980 from \$50 per ounce to less than \$5.

KBL acquired the project in 2008, and the mining leases at Sorby Hills were renewed for a further 21 years in February 2010. The renewal of the leases together with on-going work with Ord River Scheme authorities has enabled the project to move to development. The economics of the project have been improved by strengthening silver prices and anticipated improvements in the price of lead, together with a change in mine plan from an underground operation to a shallow open pit operation.

Joint venture and offtake

In September 2010, a two part agreement was reached with the largest silver, gold and lead smelter group in China, Henan Yuguang Gold and Lead (Yuguang). Yuguang is located in Henan Province and was founded in 1957. The company listed on the Shanghai Stock Exchange in 2002 has an approximate market capitalisation of RMB 5.1 billion, assets of RMB 5 billion and revenue last year of RMB12 billion.

Under the agreement, Yuguang subscribed for \$5.2 million worth of KBL shares¹ and contributed \$5.0 million to earn a 25% joint venture interest in the project. KBL remains the joint venture

¹ At an issue price of \$0.25 per share

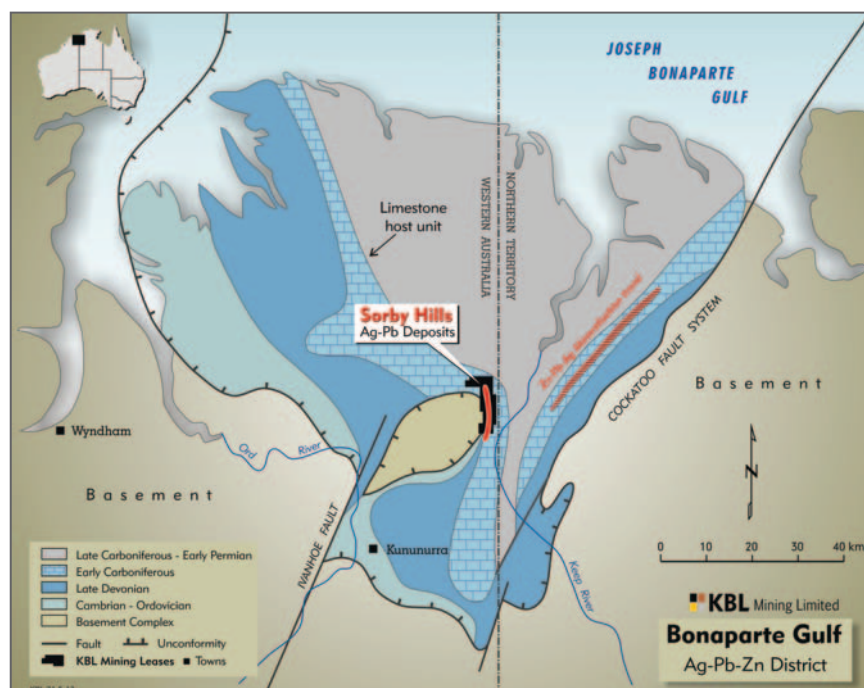


Figure 8 ■ Sorby Hills project location and geology

Sorby Hills DE Deposit Reserve ■ Cut-off Grade 2% Pb (As released on 29 November 2013)

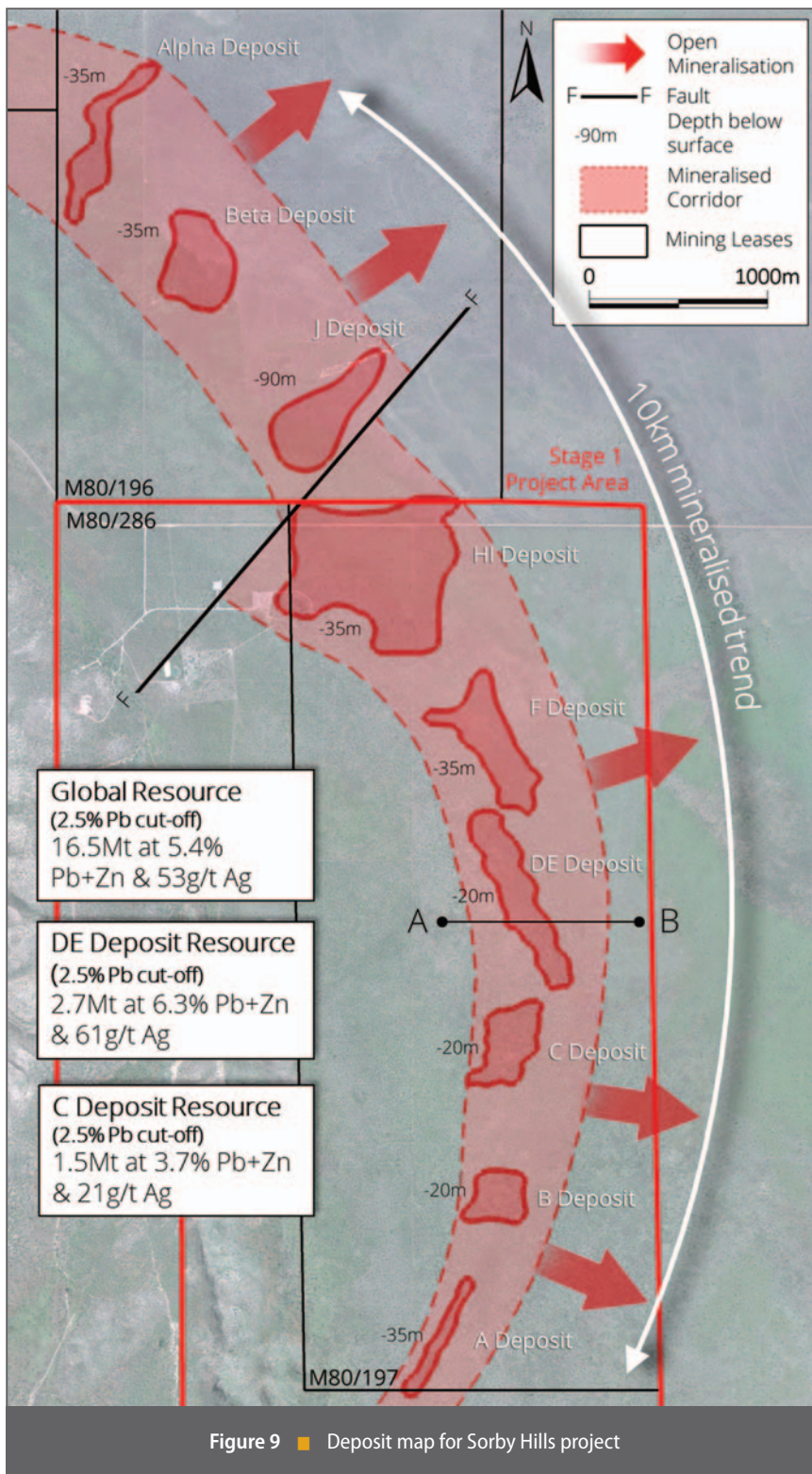
Category	Tonnes million	Grade Silver g/t	Grade Lead %	Contained Silver million oz	Contained Lead t
Probable	2.4	54	5	4.2	120,000
Total	2.4	54	5	4.2	120,000

Sorby Hills DE Deposit Resource ■ Cut-off Grade 1% Pb (As released on 29 November 2013)

Category	Tonnes million	Grade Silver g/t	Grade Lead %	Grade Zinc %	Contained Silver million oz	Contained Lead t	Contained Zinc t
Indicated	4.2	44	4.1	0.5	5.8	165,300	17,900
Inferred	1.7	31	2.2	0.2	1.6	36,700	3,600
Total	5.8	41	3.5	0.4	7.4	202,000	21,500

Sorby Hills Global Resource ■ Cut-off Grade 2.5% Pb (Updated to incorporate 29 November 2013 DE Resource Estimate)

Category	Tonnes million	Grade Silver g/t	Grade Lead %	Grade Zinc %	Contained Silver million oz	Contained Lead t	Contained Zinc t
Indicated	4.9	62	5.1	0.4	9.7	247,350	19,400
Inferred	11.6	49	4.6	0.8	18.3	534,980	93,040
Total	16.5	53	4.7	0.7	28.0	782,330	112,440



operator with Yuguang entitled to 25% of all minerals produced at Sorby Hills. In addition, it has the right to purchase on market terms a percentage of KBL's 75% entitlement to production, calculated as Yuguang's percentage shareholding in KBL, currently some 5.5%. Yuguang may be entitled to a higher portion production if it elects to assist KBL in funding its share of development costs. A Management Committee controls and oversees all business and affairs of the Joint Venture with one representative from Yuguang and two from KBL.

Resource and Mining Inventory

A maiden probable ore reserve estimate for the DE deposit was released in November 2013, consisting of 2.4Mt at 5% lead and 54g/t silver (applying a 2% lead cut-off) (Sorby Hills DE Deposit Reserve). This followed an updated resource estimate for the DE deposit, comprising Indicated and Inferred mineral resources of 5.8 million tonnes at 3.5% lead, 0.4% zinc and 41g/t silver (at a 1% lead cut-off grade) (Sorby Hills DE Deposit Resource).

The C Deposit to the South also contains a shallow Indicated and Inferred Resource of 1.5 million tonnes at 3.3% lead, 0.4% zinc and 21g/t silver. The combined C and D-E Deposits are expected to provide sufficient ore for a mine life in excess of 10 years at an extraction rate of 400,000 to 600,000 tonnes per annum.

The global Resource at Sorby Hills is 16.5 million tonnes at 4.7% lead, 0.7% zinc and 53g/t silver, at a 2.5% Pb cut-off, covering 10 kilometres of strike with the C and D-E deposits accounting for 1.5 kilometres of strike (Sorby Hills Global Resource).

Feasibility Study and Approvals

Following the environmental approvals received in April 2014, the Joint Venturers are aiming to commence Stage 1 development activities in 2016 targeting a 400,000 tonne per annum open pit mining operation producing 20,000t lead and 710,000oz silver in concentrates per annum over a 10 year mine life. This is based on the DE and C Deposits which will only utilise 27% of global resource base.

The scheduled development of the Sorby Hills Project has been based on an initial 10 year mine plan of the DE and C Deposits. These two deposits account for 1.5 kilometres of a 10 kilometre mineralised trend where a total of nine deposits have been identified.

The DE and C Deposits are located within 20 meters of surface and will be mined by shallow open cuts with lead-silver concentrates produced through a conventional sulphide flotation plant. The concentrates will be trucked some 150km via existing sealed roads to the port of Wyndham.

It is expected that the Project will create some 60–70 permanent jobs for Kununurra and during the construction phase some 95–105 personnel will be required. The Project will be an important anchor employer in the Kununurra/Wyndham area.

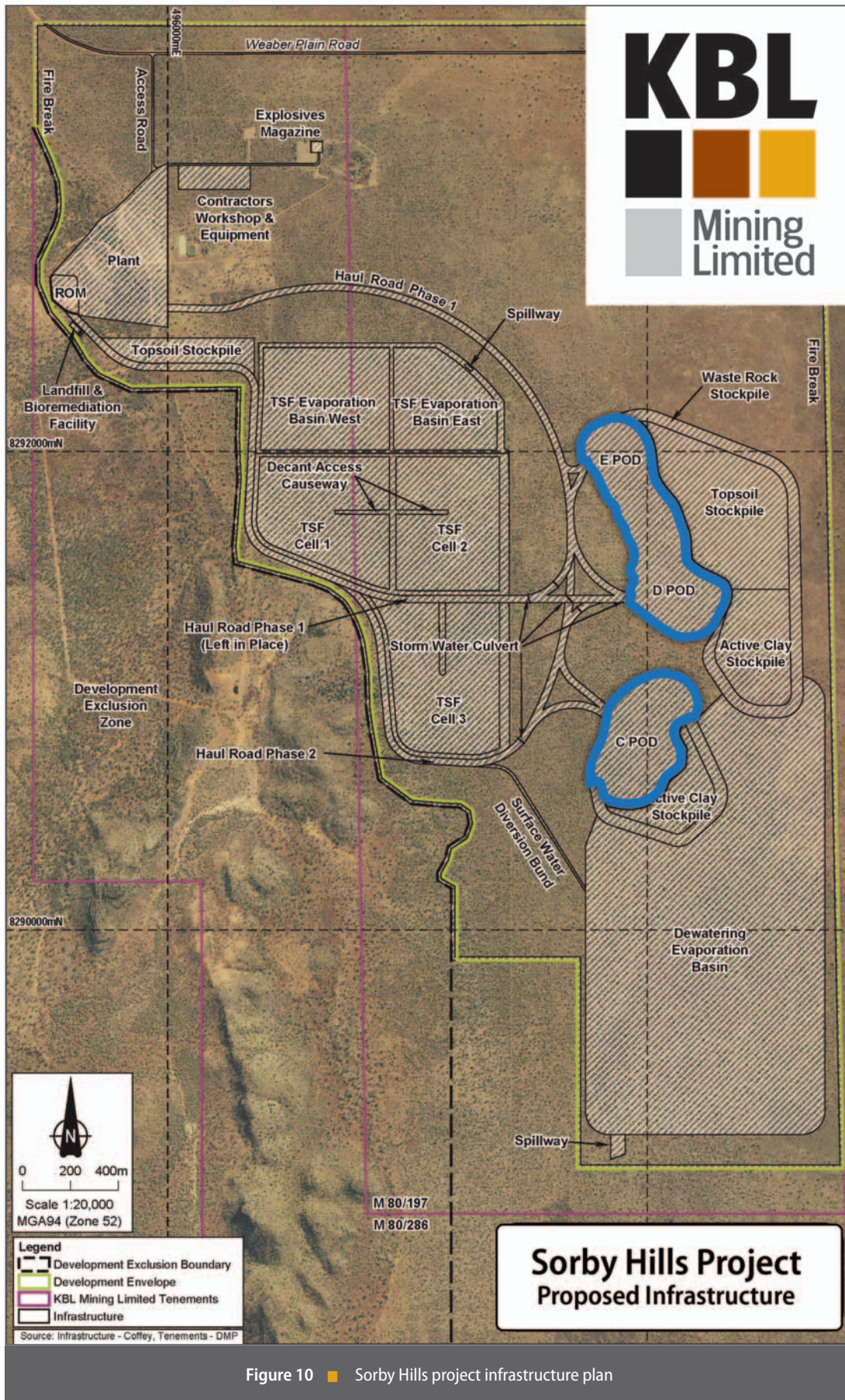


Figure 10 ■ Sorby Hills project infrastructure plan

The 400,000tpa Stage 1 development is expected to generate revenues of around \$60–70 million per year at current metal prices. It is anticipated that the production rate can be increased to over 600,000tpa ore as the remaining seven deposits are further defined and brought into production, subject to necessary Government approvals.

During 2014, the Joint Venturers are aiming to undertake a Bankable Feasibility Study and apply for mining permits and operational licences in preparation for financing, construction and operations to commence. Current timing expectations see the construction and commissioning phase scheduled for 2016.

KBL expects a range of funding options will be available for its share of the development costs due to the robust project economics, the low risk of development and operating parameters, well developed infrastructure, proximity to port, and strong international demand for the offtake. The development task will be assisted by the Company's operating experience and expertise already in place with the Mineral Hill operation and the support of its 25% Joint Venture partner, Yuguang with its large lead, zinc and copper smelting facilities in China.

Constance Range, Queensland

KBL 30% Ownership

Background

The Constance Range project is located in the north-western corner of Queensland, 30 kilometres west of Minmetals' Century Zinc mine. Constance Range was initially discovered by BHP in 1956, who undertook intensive exploration until 1963, producing an initial Inferred Resource of 296 million tonnes grading 53.1% Iron Ore (and 10.3% silica).

Project development

KBL has a 30% joint venture interest in the Constance Range project and estimates that an exploration target of approximately 10 million tonnes of 56.5% (non-JORC compliant) iron ore may be available for a direct shipping project using truck haulage to the coast and then barges to tranship ore from Burketown to ore carriers in the Gulf of Carpentaria.

During the 2012 financial year the operatorship of the joint venture reverted to 70% joint venturer Queensland Iron Pty Ltd (a wholly owned subsidiary of Viento Group Limited). Development options and infrastructure needs are being reviewed in discussions with relevant Queensland government authorities and other key stakeholders.

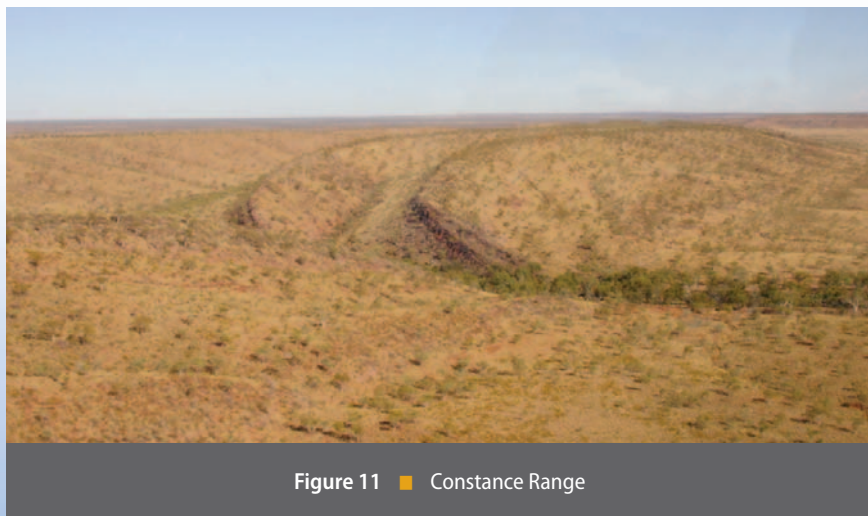
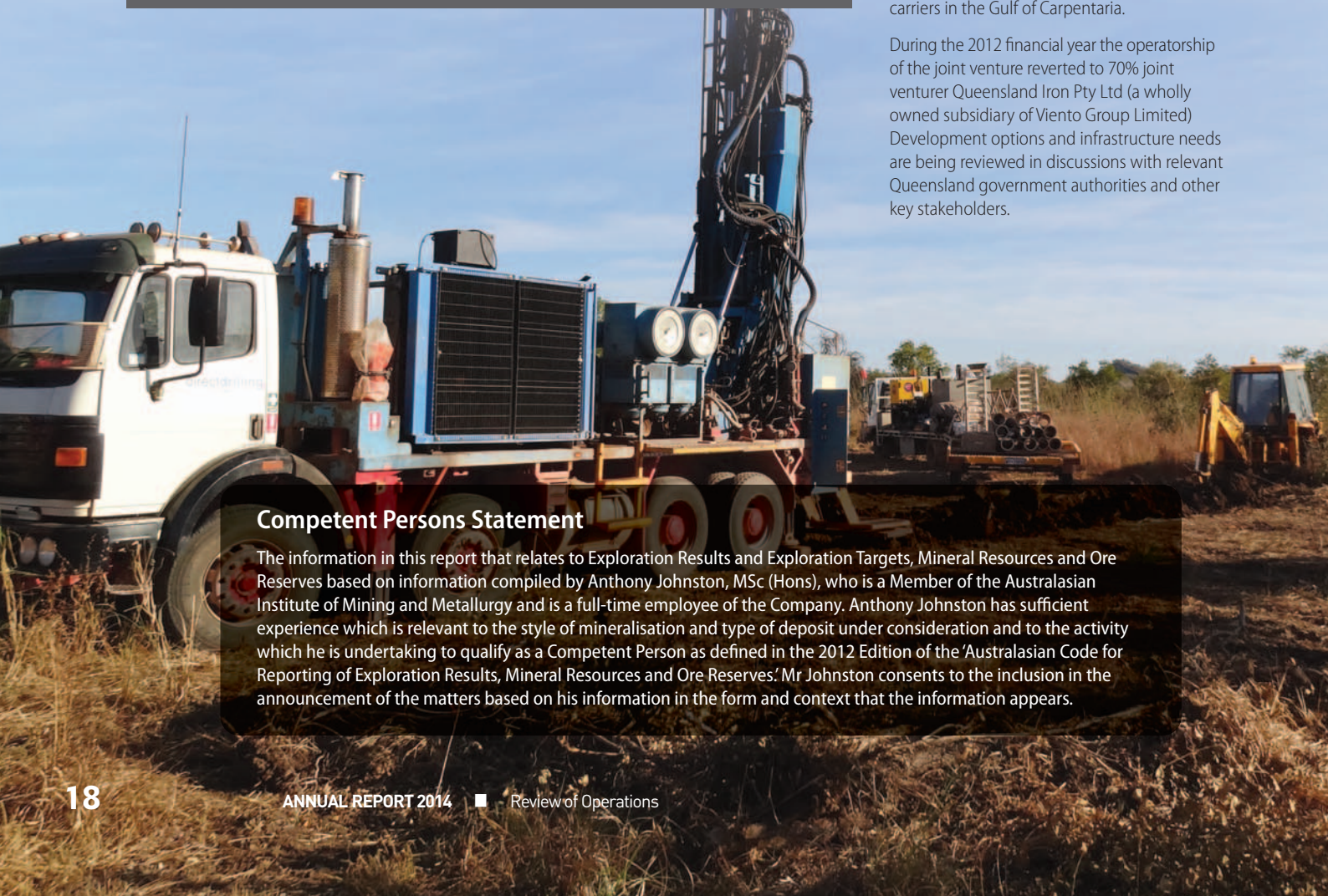


Figure 11 ■ Constance Range



Competent Persons Statement

The information in this report that relates to Exploration Results and Exploration Targets, Mineral Resources and Ore Reserves based on information compiled by Anthony Johnston, MSc (Hons), who is a Member of the Australasian Institute of Mining and Metallurgy and is a full-time employee of the Company. Anthony Johnston has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Johnston consents to the inclusion in the announcement of the matters based on his information in the form and context that the information appears.

Directors' Report

30 June 2014

The directors present their report, together with the financial statements, on the consolidated entity consisting of KBL Mining Limited (referred to hereafter as the 'company' or 'parent entity' or 'KBL') and the entities it controlled for the year ended 30 June 2014.

Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

- J A Wall
- R E Besley
- S J Lonergan (retired on 15 May 2014)
- G B Starr (appointed on 18 November 2013)
- B S Wesson (appointed on 1 July 2014)

Principal activities

The consolidated entity operates in the mining operations, resource development and mineral exploration industry in Australia.

Operating result

The profit of the consolidated entity for the year amounted to \$10,440,553 (2013 – loss of \$14,348,456).

Dividends

No dividends were paid or declared since the start of the financial year.

Review of operations

Please refer to the Review of operations on page 6.

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the consolidated entity other than those noted in the review of operations.

Events since the end of the financial year

On 28 August 2014 an agreement was signed with Capri Trading Pty Limited to extend the repayment date of the loan to 1 July 2015 subject to an agreed financing package.

Likely developments and expected results of operations

Except to the extent disclosed in the Review of operations, disclosure of further information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Environmental regulation

The consolidated entity participates in mining operations, resource development and mineral exploration activities covered by mineral exploration/mining licences governed by the relevant States. These licences specify the environmental regulations applicable to the mining, development and exploration of minerals. There have been no known material breaches of the environmental obligations of the consolidated entity's contracts or licences.

Information on directors

Name: JAMES WALL

Title: Chairman –
appointed 29 February 2008, Age 69.

Qualifications: Bachelor of Engineering
from the University of Western Australia

Experience and expertise: Mr Wall was Managing Director of Nicron Resources Limited during the 1980s and in 1991 became Executive Director of Aztec Mining Company Limited. From late 1991 until mid-1997, he was Managing Director of Savage Resources Limited during which time its market capitalisation on ASX increased by 40 times to over \$600 million. Under his management, Savage Resources was transformed from a loss making company into a profitable mining company with substantial operating assets in coal, copper/gold and zinc in Australia and zinc in the USA. He is a fellow of the Australasian Institute of Mining and Metallurgy and is the former Executive Chairman of CBH Resources Limited, retiring in March 2009. He was a non-executive Director of Ferraus Limited up until 13 September 2011 due to the completion of a takeover, and has previously been a director of other listed companies including Emperor Mines Limited (Chairman) and BMA Gold Limited.

Directorships (in the last 3 years):
Ferraus Limited from 8 November 2007 to 13 September 2011.

Special responsibilities:

Member of the Audit and Nomination Committees. Chairman Remuneration Committee.

Mr Wall is considered to be a non-independent director.

Name: BRIAN WESSON

Title: Managing Director – appointed
30 June 2014, Age 56.

Qualifications: Master of Business
Administration, Australia and Bachelor
of Engineering, South Africa

Experience and expertise: Mr Wesson has extensive experience spanning a career of over 30 years in the management, operation, design and construction of natural resource operations globally. He qualified as an engineer in South Africa, gained an MBA and is a fellow of the Australasian Institute of Mining and Metallurgy and a fellow of the Australian Institute of Company Directors. Mr Wesson has led and developed public and private companies in Australia, Canada, United Kingdom, Europe and Australasia. Most recently he was CEO/President of Woulfe Mining Corporation, a Canadian Stock Exchange (CSE) listed company (CSE Code WOF), which was taken from the brink of collapse to a market capitalisation of more than CAD 100 million. Prior to Woulfe Mining, the Wesson family companies (Lionsbridge, Westech International and Westech Energy) revived the Emperor Mine

in Fiji after taking control of the mine from DRD of South Africa and listing it in London for approximately USD 90 million.

Directorships (in the last 3 years):

Woulfe Mining Canada, Sangdong Mine South Korea, Muguk Mining Corporation South Korea, Mediterranean Resources Canada, Lionsbridge Capital Australia, Westech International Australia, Westech Energy Resources Australia.

Special responsibilities: Nil.

Mr Wesson is considered to be a non-independent director.

Name: ROBERT BESLEY

Title: Non-Executive director –
appointed 29 February 2008, Age 69.

Qualifications: Bachelor of Science with
Honours in Geology from The University
of Adelaide

Experience and expertise: Mr Besley has over 40 years experience in the minerals industry in Asia, The Middle East, North and South America, Australia and the Pacific Rim. Mr Besley was General Manager of Australmin Holdings Limited when that company developed a minerals sands project in eastern Australia and a gold mine in Western Australia. Mr Besley was Managing Director of CBH Resources Limited from its inception as an exploration company in October 1989 until 11 November 2008 when it was a significant producer of zinc, lead and silver. He is a fellow of the Australian Institute of Geoscientists.

Directorships (in the last 3 years):

Silver City Minerals Limited from 5 March 2010, Murray Zircon Pty Ltd from 1 November 2012, Queensland Mining Limited from 29 February 2012 until June 2013.

Special responsibilities:

Member of the Audit, Nomination and Remuneration Committees.

Mr Besley is considered to be a non-independent director.

Name: GREGORY STARR

Title: Non-Executive director –
appointed 18 November 2013, Age 49.

Qualifications: Certified Practising
Accountant, Bachelor of Business (UTS),
Australian Institute of Company Directors

Experience and expertise: Mr Starr has over 30 years experience in corporate and operational financial management, with the last 21 years focused on the resources and mining sector. Mr Starr is currently managing director of Crater Gold Mining Company Limited. He has previously been Chief Executive Officer/Managing Director of Golden China Resources Corporation, Michelago Limited and Emperor Mines Limited.

Mr Starr is a member of the Australian Society of Certified Practising Accountants and a member of the Australian Institute of Company Directors.

Directorships (in the last 3 years):

Crater Gold Mining Limited from February 2008 to present and Kenai Resources Limited from March 2011 to June 2013.

Special responsibilities:

Chairman of the Audit and Risk Committee.

Mr Starr is considered to be a non-independent director.

Above are directorships for ASX listed entities only and exclude directorships of all other types of entities, unless otherwise stated.

Name: STEPHEN LONERGAN

Title: Executive Director –
appointed 23 November 2011, retired
1 May 2014, Age 67.

Qualifications: Honours graduate in Law
from the Australian National University and
holds a Master's degree in Law from McGill
University, Montreal, Canada.

Experience and expertise: Mr Loneragan is a commercial lawyer based in Sydney with more than 30 years' experience in the Australian and international mining industry having been General Counsel of Pancontinental Mining Group, a partner at Baker and McKenzie Sydney, and General Counsel and Company Secretary of Savage Resources Limited. Mr Loneragan was until 2010 General Counsel and Company Secretary of CBH Resources Limited.

Directorships (in the last 3 years):

Paradigm Metals Limited from 15 November 2002 until 31 December 2012. Finders Resources Limited from 1 March 2005 until 20 August 2013.

Special responsibilities: No longer applicable.

Mr Loneragan was considered to be a non-independent director.

Company secretary

Stephen Loneragan (BA, LLB) held the role of Company Secretary from February 2008 and retired on 1 May 2014. Ivo Polovineo was appointed Company Secretary on 1 May 2014.

Information on company secretary

Name: IVO POLOVINEO

Title: Company Secretary –
appointed 1 May 2014, Age 63.

Qualifications: Fellow of the Institute
of Public Accounts – FIPA

Experience and expertise: Mr Polovineo has more than 30 years' experience as CFO and Company Secretary of listed public companies including over 25 years in the resources sector.

Mr Polovineo was previously CFO and Company Secretary of Sino Gold Mining Limited, formerly an ASX 100 company. He was with Sino Gold for 12 years forming part of the executive team that built the company from a market capitalisation of A\$100m before it was acquired by Eldorado Gold Corporation in December 2009 for approximately \$2.4 billion.

Mr Polovineo is a Fellow of the Institute of Public Accountants and is currently also Company Secretary of Variscan Mines Limited, Thomson Resources Ltd and Silver City Minerals Limited and is a Non-Executive Director of Eastern Iron Limited.

Above are directorships for ASX listed entities only and exclude directorships of all other types of entities, unless otherwise stated.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each board committee held during the year ended 30 June 2014, and the number of meetings attended by each director are set out in the table below.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and key management

personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information
- F Additional disclosures relating to key management personnel

A Principles used to determine the nature and amount of remuneration

Key Performance Indicator or KPI is a measure agreed between the company and an employee, or director as representing a key deliverable or result against which that employee's or director's performance is to be measured in a given period.

Long Term Incentive or LTI is the amount due to any employee or director as a long term incentive. LTIs will typically be payable in the form of equity (shares, options or performance

rights) and will typically relate to share price performance over a period greater than one year.

Short Term Incentive or STI is the amount payable to an employee or director in cash (or any other form) relating to performance against KPIs in a specific period.

Total Fixed Remuneration or TFR is the sum of all salary and related benefits, including company contributions to superannuation but excluding any STI and LTI payments.

Total Remuneration refers to the sum of the TFR, STI and LTI for an employee or director.

Total Shareholder Return or TSR is the company's share price accretion plus dividends which are assumed to have been reinvested.

Directors' remuneration and key management personnel remuneration costs totalling \$1,215,564 have been recognised in the year ended 30 June 2014 (2013 – \$1,612,392).

No director or executive of the company has received a benefit other than a benefit included in the aggregate amount of remuneration shown below.

Consolidated entity performance and link to remuneration

Remuneration is not directly linked to performance of the consolidated entity. STI payments are at the discretion of the Nomination and Remuneration Committee and the performance of the consolidated entity is considered when awarding these.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the key management personnel of consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of KBL Mining Limited:

- J A Wall – Chairman
- R E Besley – Non-Executive Director
- S J Lonergan – Executive Director/Company Secretary (retired 15 May 2014)
- G B Starr – Non-Executive Director (appointed 18 November 2013)
- B S Wesson – Managing Director (appointed 1 July 2014)

And the following persons:

- A Johnston – Chief Executive Officer (CEO)
- R Griffith – Chief Operating Officer (COO)
- I J Polovineo – Company Secretary (appointed 1 May 2014)

Meetings of Directors

Director	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
J A Wall	11	11	2	2	–	–
R E Besley	11	11	2	2	–	–
S L Lonergan	9	9	2	2	2	2
G B Starr	7	7	–	–	1	1
B S Wesson	–	–	–	–	–	–

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Name	Title	Remuneration
J J A Wall	Non-executive Chairman	\$100,000 per annum plus statutory superannuation
R E Besley	Non-executive Director	\$50,000 per annum plus statutory superannuation
G B Starr	Non-executive Director	\$55,000 per annum plus statutory superannuation
I J Polovineo	Company Secretary	\$33,600 per annum
B S Wesson	Managing Director	\$360,000 per annum
A Johnston	CEO	\$333,125 per annum plus statutory superannuation
R Griffith	COO	\$333,125 per annum plus statutory superannuation

Remuneration costs included in the financial report for directors and key management personnel during the year were as follows:

Name	Title	Year	Primary Benefits Cost			Superannuation Cost \$	Equity Compensation Cost and (%) \$	Total Cost \$
			Salaries and Fees \$	Consulting Fees \$	Cash Bonus \$			
DIRECTORS:								
J A Wall	Chairman	2014	100,000	–	10,000	9,000	23,267 (16.35)	142,267
		2013	266,667	–	–	24,000	23,267 (7.41)	313,934
R E Besley	Non-Executive Director	2014	46,667	–	5,000	4,364	4,230 (7.02)	60,261
		2013	60,000	43,600	–	5,400	4,230 (3.74)	113,230
J Richards	Non-Executive Director	2014	–	–	–	–	– (–)	–
		2013	51,290	–	–	4,616	20,549 (26.88)	76,455
G B Starr	Non-Executive Director	2014	33,753	37,500	–	3,375	– (–)	74,628
		2013	–	–	–	–	– (–)	–
EXECUTIVE DIRECTORS:								
S J Lonergan	Executive Director	2014	–	123,990	5,000	–	12,691 (8.96)	141,681
	Company Secretary	2013	–	224,667	–	–	12,691 (5.35)	237,358
B S Wesson	Managing Director	2014	–	–	–	–	– (–)	–
		2013	–	–	–	–	– (–)	–
OTHER KEY MANAGEMENT PERSONNEL:								
A Johnston	Chief Executive Officer	2014	350,729	–	–	17,775	28,241 (7.12)	396,745
		2013	303,333	–	–	26,550	53,871 (14.04)	383,754
R Griffith	Chief Operating Officer	2014	350,729	–	–	17,775	25,878 (6.56)	394,382
		2013	180,227	–	–	16,133	19,643 (9.09)	216,003
S Matthews	Chief Operating Officer	2014	–	–	–	–	– (–)	–
		2013	179,009	–	–	15,000	– (–)	194,009
R Sheridan	Chief Financial Officer	2014	–	–	–	–	– (–)	–
		2013	94,488	–	–	6,600	(23,439) (-30.19)	77,649
I Polovineo	Company Secretary	2014	5,600	–	–	–	– (–)	5,600
		2013	–	–	–	–	– (–)	–
Totals		2014	887,478	161,490	20,000 ^a	52,289	94,307 ^b	1,215,564 ^c
		2013	1,135,014	268,267	–	98,299	110,812	1,612,392

- a) Discretionary bonuses totalling \$20,000 were granted on 28 August 2013 in lieu of a 20% reduction in remuneration during FY2013. No bonuses were forfeited during the financial year.
- b) Remuneration costs totalling \$94,307 for directors and key management personnel for equity compensation was due to the amortisation of the fair value determined by Black-Scholes Option Pricing Model.
- c) 100% of remuneration was fixed and not linked to the performance of the consolidated entity.

Remuneration paid to Directors during the year was as follows:

Name	Title	Year	Director Fees \$	Consulting Fees \$	Cash Bonus \$	Superannuation Cost \$	Total Cost \$
R E Besley	Non-Executive Director	2014	46,667	43,600	5,000	4,364	56,031
		2013	60,000	65,514	–	5,400	109,000
J Richards	Non-Executive Director	2014	–	–	–	–	–
		2013	51,290	–	–	4,616	55,906
J A Wall	Executive Chairman	2014	100,000	–	10,000	9,000	119,000
		2013	266,667	–	–	24,000	290,667
S J Lonergan	Executive Director	2014	–	123,990	5,000	–	128,990
	Company Secretary	2013	–	224,667	–	–	224,667
G B Starr	Non-Executive Director	2014	33,753	37,500	–	3,375	74,628
		2013	–	–	–	–	–
B S Wesson	Managing Director	2014	–	–	–	–	–
		2013	–	–	–	–	–
Totals		2014	180,420	161,490	20,000	16,739	378,649
		2013	377,957	268,267	–	34,016	680,240

The company aims that employees' and directors' Total Remuneration (including STI and LTI where appropriate) will fall in the third (i.e. second highest) quartile of industry remuneration. However, it is recognised that in a competitive environment for talent where the company cannot offer a career path or diversity of opportunity as offered by larger resources companies, a flexible approach needs to be maintained.

The company has a preference for a higher than normal percentage of Total Remuneration to be in the form of STI and LTI. This reflects the company's size, the importance of minimising fixed costs and the desire for performance-oriented pay structures. This also recognises that the company has more flexibility in offering equity based LTI's than its larger competitors and this will be used by the company as a differentiator.

In particular, it is the Board's view that the company's executives should receive Total Remuneration which is heavily weighted to performance-related pay (STI and LTI) to ensure a dynamic focus. The current TFR of the CEO and COO is understood to be approximately at the midpoint of remuneration levels for comparable sized mining/exploration companies and STI and LTI remuneration is estimated to be currently in the third quartile.

The Board has adopted the policy that Total Remuneration should be subject to annual review. Except where particular anomalies are identified, salary review increments will be consistent with industry averages with the Board retaining flexibility to ensure a competitive remuneration plan. To identify prevailing industry averages, the company is guided by independent remuneration data received on a subscription basis.

STI's are paid in cash following year end and are based on performance against agreed KPI's. Where an employee's TFR is in the top or second top quartile of industry remuneration, the maximum STI for that person will normally be 33% of TFR recognising that payments outside this parameter may nevertheless be required to address market circumstances. Where an employee's TFR is in a lower quartile, the employee's STI will be a maximum of 50% of TFR.

With respect to directors, the company believes that any equity based plan should be aligned with shareholder interests and therefore only reward directors by reference to the company's TSR bettering its peers.

The company's 2011 Annual General Meeting approved a new Long Term Incentive Plan for director's ('2011 Plan'), the terms of which largely follow the terms of a plan approved in 2009 ('the 2009 Plan'), as follows

- the participants in the 2011 Plan are the directors of the company as of the date of the 2011 Annual General Meeting;
- the reference index for the assessment of TSR will be the S&P/ASX 300 Metals and Mining Index as of 1 January 2012 but excluding from the Index those companies which derive, or expect to derive, the

majority of their revenue from iron ore or coal mining operations ('Reference Index');

- the measurement period during which the company's TSR performance will be assessed will run from 1 January 2012 until 1 November 2014 ('Reference Period');
- if at the end of the Reference Period the TSR of the company is in the highest quartile of the Reference Index, then the company will forthwith issue to the directors the following shares for nil consideration:
 - Mr Wall 550,000 shares
 - Mr McDonald 100,000 shares
 - Mr Besley 100,000 shares
 - Mr Lonergan 300,000 shares
 - Mr Richards 100,000 shares;
- however, if the TSR of the company is in the second highest quartile of the Reference Index at the end of the Reference Period then the company will issue to each such director half the number of shares above. If the TSR of the company is in any other quartile, then the company shall not issue any shares to the directors;
- if any director named above ceases to be a director during the Reference Period and at the end of the Reference Period a number of shares would have been awarded to that director (as provided above) had he remained as a director, then the company shall allot to the former director a proportion of such number of shares. The proportion shall be the number of days service of the former director during the Reference Period divided by the total number of days in the Reference Period;
- if, following a Change of Control and prior to the end of the Reference Period, the company's shares cease to be listed on the Australian Securities Exchange ('Delisting Date'), then the Reference Period shall be deemed terminate on the Delisting Date and if the TSR performance of the company requires shares to be issued to directors then a proportion of those shares shall be issued

within 7 days after the Delisting Date. The proportion shall be the number of days in the Reference Period up to the Delisting Date divided by the total number of days in the Reference Period. For the purposes of the Plan 'Change of Control' means that a person has acquired voting power in the company in excess of 50% as determined in accordance with Section 610 of the Corporations Act 2001;

- the company is to enter into a legally binding Participation Agreement with each of the directors to give effect to the Plan which shall contain such other terms and conditions not inconsistent with the above as the Board reasonably determines are in the interests of the company.

One director, Mr Richards, held 500,000 options exercisable at 42 cents but these expired on 27 August 2013. These options did not have performance conditions other than that inherent in an exercise price of 42 cents.

C Service agreements

With respect to contractual arrangements, all employment contracts with key management personnel are on-going and have no set duration. Contracts do not provide for payment of termination benefits other than accrued entitlements. Employment contracts are terminable on between one and three months' notice.

D Share-based compensation

Issue of shares

There were no shares issued in financial year 2014 as part of KMP remuneration.

Options

There were no options issued in financial year 2014 as part of KMP remuneration.

E Additional information

The earnings of the consolidated entity for the five years to 30 June 2014 are summarised below:

	2014 \$	2013 \$	2012 \$	2011 \$	2010 \$
Sales revenue	31,928,034	42,251,538	18,296,735	—	—
EBITDA	16,249,772	(8,858,913)	(20,497,000)	(2,936,502)	(50,851)
EBIT	13,329,333	(11,807,306)	(21,914,611)	(3,201,298)	(198,240)
Profit/(loss) after income tax	10,440,553	(14,348,456)	(22,858,427)	(3,213,290)	(360,592)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2014	2013	2012	2011	2010
Share price at financial year end (\$)	0.04	0.05	0.12	0.30	0.17
Basic earnings per share (cents per share)	2.73	(4.93)	(10.10)	(2.00)	(0.30)

F Additional disclosures relating to key management personnel

Shareholding

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	On market additions	Other movements	Balance at the end of the year
<i>Ordinary shares</i>	No.	No.	No.	No.	No.
J A Wall	5,395,169	—	1,526,876	—	6,922,045
R E Besley	1,720,251	—	199,469	—	1,919,720
S J Lonergan	949,400	—	199,469	(1,148,869)*	—
A Johnston	1,800,000	—	899,469	—	2,699,469
R Griffith	1,050,000	—	199,469	—	1,249,469
G B Starr	—	—	—	—	—
I J Polovineo	—	—	—	—	—
B S Wesson	—	—	—	—	—
	10,914,820	—	3,024,752	(1,148,869)	12,790,703

* Mr Lonergan retired on 15 May 2014 and the movement represents the fact he is no longer a director and therefore his holdings are removed from this table.

Convertible notes

The number of convertible notes in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Other movements	Balance at the end of the year
<i>Convertible notes</i>	No.	No.	No.	No.	No.
J A Wall	1,800,000	—	—	—	1,800,000
R E Besley	188,577	—	—	—	188,577
S J Lonergan	277,989	—	—	(277,989)*	—
A Johnston	—	—	—	—	—
R Griffith	—	—	—	—	—
G B Starr	—	—	—	—	—
I Polovineo	—	—	—	—	—
B Wesson	—	—	—	—	—
	2,266,566	—	—	(277,989)	1,988,577

* Mr Lonergan retired on 15 May 2014 and the movement represents the fact he is no longer a director and therefore his holdings are removed from this table.

Performance rights and option holdings

The number of options over ordinary shares in the parent entity held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Granted	Other movements	Balance at the end of the year
<i>Performance rights and option holdings</i>	No.	No.	No.	No.	No.
J A Wall	550,000	—	—	—	550,000
R E Besley	100,000	—	—	—	100,000
S J Lonergan	300,000	—	—	(300,000)*	—
A Johnston	—	—	—	—	—
R Griffith	—	—	—	—	—
G B Starr	—	—	—	—	—
I Polovineo	—	—	—	—	—
B Wesson	—	—	—	—	—
	950,000	—	—	(300,000)	650,000

* Mr Lonergan retired on 15 May 2014 and the movement represents the fact he is no longer a director and therefore his holdings are removed from this table.

Other transactions with key management personnel and their related parties

During the financial year, invoices for engineering services from Westech International Pty Limited (director-related entity of Brian Wesson) were received, see note 28 for details. All transactions were made on normal commercial terms and conditions and at market rates.

Use of remuneration consultants

During the financial year ended 30 June 2014 no remuneration consultants were used.

Voting and comments made at the company's 2013 Annual General Meeting ('AGM')

At the 2013 AGM, 93% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2013. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of KBL Mining Limited under option at the date of this report are shown in the table below.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options

During the year no shares were issued under the exercise of options.

Indemnity and insurance of Directors and Officers

Pursuant to Clause 12 of the company's Constitution, the company must indemnify certain directors, officers and executives of the company for certain costs incurred, in their capacity as a director or executive, for which they may be held personally liable.

During the financial year, the company paid a premium in respect of a contract to insure the directors and officers of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor. During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 26 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 26 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and

- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former audit partners of BDO East Coast Partnership

There are no officers of the company who are former audit partners of BDO East Coast Partnership.

Auditor's independence declaration

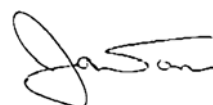
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



James A Wall
Chairman

29 August 2014
Sydney

Grant date	Expiry date	Exercise price \$	Number under option
20/07/2010	20/07/2015	0.20	1,650,000
01/01/2012	01/11/2014	0.24	1,050,000
14/03/2013	14/03/2020	0.11	44,000,000



Auditor's Independence Declaration



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Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF KBL MINING LIMITED

As lead auditor of KBL Mining Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of KBL Mining Limited and the entities it controlled during the period.

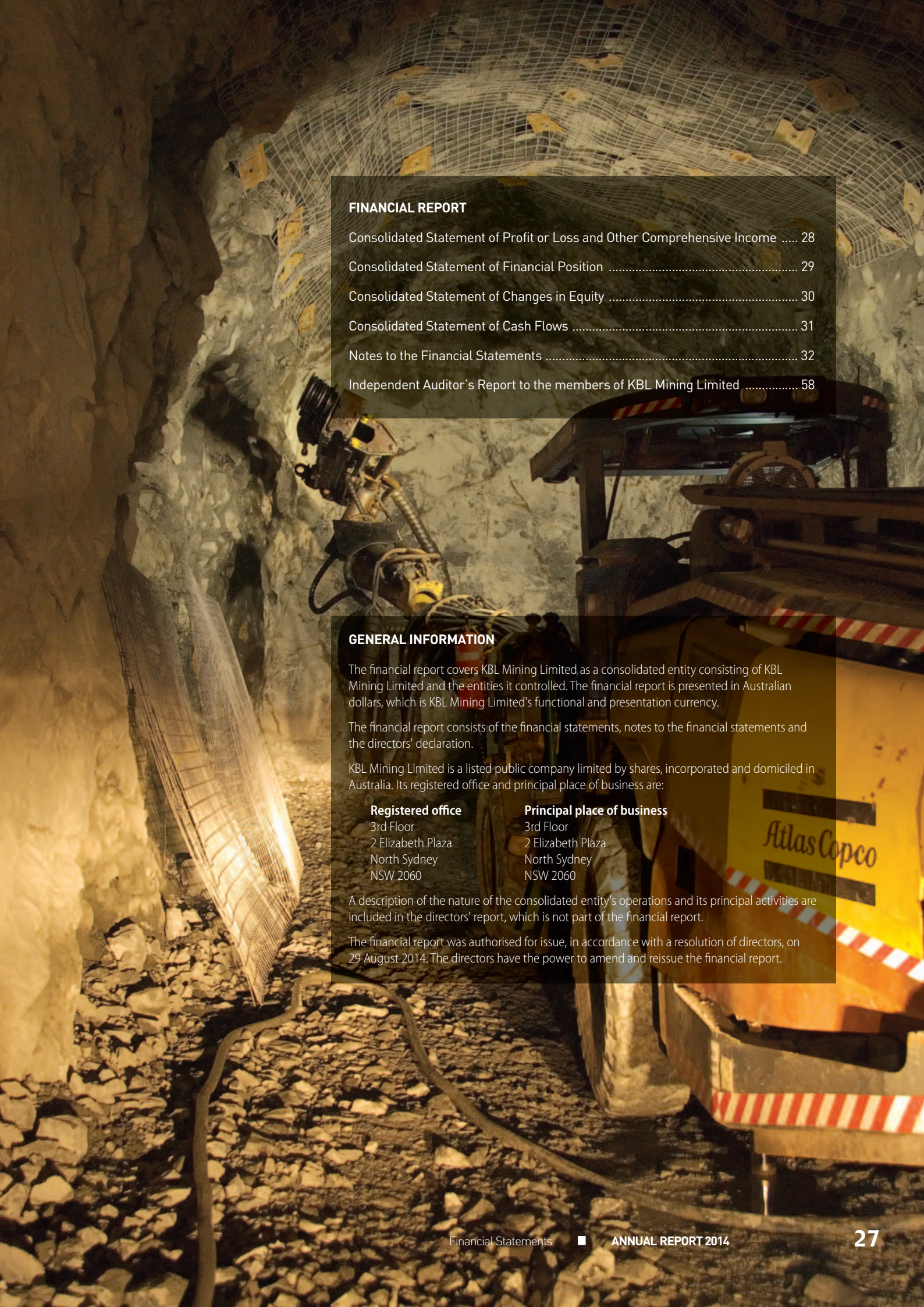
Gareth Few
Partner

BDO East Coast Partnership

Sydney, 29 August 2014

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.





FINANCIAL REPORT

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GENERAL INFORMATION

The financial report covers KBL Mining Limited as a consolidated entity consisting of KBL Mining Limited and the entities it controlled. The financial report is presented in Australian dollars, which is KBL Mining Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

KBL Mining Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

3rd Floor
2 Elizabeth Plaza
North Sydney
NSW 2060

Principal place of business

3rd Floor
2 Elizabeth Plaza
North Sydney
NSW 2060

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 29 August 2014. The directors have the power to amend and reissue the financial report.



Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2014

	Note	CONSOLIDATED	
		2014	2013
		\$	\$
Revenue from continuing operations	4	32,156,105	42,319,463
Other income	4	8,670,629	873,800
Expenses			
Raw materials and consumables used	6	(23,101,138)	(41,001,295)
Employee benefits expense	6	(5,135,765)	(7,947,107)
Depreciation and amortisation expense	6	(2,888,780)	(2,960,831)
General and administration expense		(1,580,986)	(2,109,981)
Finance costs	6	(2,920,439)	(2,948,393)
Impairment of exploration assets	13	(2,629)	(975,974)
Share of joint venture loss	5	(14,932)	(17,819)
Loss on sale of assets		(97,623)	–
Loss from foreign exchange and hedging		(922,196)	–
Reversal of impairment	14	6,278,307	–
Profit/(loss) before income tax from continuing operations		10,440,553	(14,768,137)
Income tax benefit	7	–	419,681
Profit/(loss) after income tax from continuing operations		10,440,553	(14,348,456)
Profit/(loss) after income tax for the year attributable to members of the parent entity		10,440,553	(14,348,456)
Other comprehensive income for the year		–	–
Total comprehensive income for the year attributable to members of the parent entity		10,440,553	(14,348,456)
		Cents	Cents
Earnings per share from continuing operations attributable to the owners of KBL Mining Limited			
Basic earnings per share	33	2.73	(4.93)
Diluted earnings per share	33	2.73	(4.93)

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



Consolidated statement of financial position

as at 30 June 2014

		CONSOLIDATED	
	Note	2014	2013
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	8	7,285,309	5,305,089
Trade and other receivables	9	1,720,487	2,469,894
Inventories	10	2,795,445	1,316,036
Total current assets		11,801,241	9,091,019
Non-current assets			
Other financial assets	11	1,497,000	1,114,700
Property, plant and equipment	12	10,648,748	11,804,464
Mining property	14	31,060,382	21,597,682
Investment in joint ventures	15	11,782,380	11,057,174
Exploration and evaluation	13	2,419,130	6,881,265
Total non-current assets		57,407,640	52,455,285
Total assets		69,208,881	61,546,304
Liabilities			
Current liabilities			
Trade and other payables	16	5,904,383	8,556,266
Financial liabilities	17	12,070,135	4,821,071
Provisions	19	332,404	365,128
Total current liabilities		18,306,922	13,742,465
Non-current liabilities			
Financial liabilities	18	289,322	10,480,097
Convertible notes	21	10,270,459	10,655,276
Provisions	20	860,506	853,977
Total non-current liabilities		11,420,287	21,989,350
Total liabilities		29,727,209	35,731,815
Net assets		39,481,672	25,814,489
Equity			
Issued capital	22	67,846,445	64,744,734
Reserves	23	2,651,120	2,526,201
Accumulated losses		(31,015,893)	(41,456,446)
Total equity		39,481,672	25,814,489

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

Consolidated statement of changes in equity

for the year ended 30 June 2014

	Issued capital \$	Reserves \$	Accumulated losses \$	Total \$
CONSOLIDATED				
Balance at 1 July 2013	64,744,734	2,526,201	(41,456,446)	25,814,489
Profit after income tax benefit for the year	–	–	10,440,553	10,440,553
Other comprehensive income for the year net of tax	–	–	–	–
Total comprehensive income for the year	–	–	10,440,553	10,440,553
<i>Transactions with owners in their capacity as owners:</i>				
Ordinary shares issued	3,157,805	–	–	3,157,805
Transactions costs	(56,094)	–	–	(56,094)
Share-based payments	–	124,919	–	124,919
Total	3,101,711	124,919	–	3,226,630
As at 30 June 2014	67,846,445	2,651,120	(31,015,893)	39,481,672
CONSOLIDATED				
Balance at 1 July 2012	63,716,920	1,851,984	(27,107,990)	38,460,914
Loss after income tax benefit for the year	–	–	(14,348,456)	(14,348,456)
Other comprehensive income for the year net of tax	–	–	–	–
Total comprehensive income for the year	–	–	(14,348,456)	(14,348,456)
<i>Transactions with owners in their capacity as owners:</i>				
Ordinary shares issued	1,081,909	–	–	1,081,909
Transactions costs	(54,095)	–	–	(54,095)
Share-based payments	–	674,217	–	674,217
Total	1,027,814	674,217	–	1,702,031
As at 30 June 2013	64,744,734	2,526,201	(41,456,446)	25,814,489

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

Consolidated statement of cash flows

for the year ended 30 June 2014

		CONSOLIDATED	
	Note	2014	2013
		\$	\$
Cash flows from operating activities			
Cash receipts during the course of operations		31,783,193	42,681,776
Payments to suppliers and employees		(33,055,850)	(47,462,323)
Interest received		238,176	73,425
Interest paid		(1,757,943)	(2,595,584)
Research and development tax claim	4	14,968,017	419,681
Net cash provided by/(used in) operating activities	32	12,175,593	(6,883,025)
Cash flows from investing activities			
Payments for development		(5,348,980)	(8,619,153)
Payments for plant and equipment		(726,058)	(433,692)
Payments for exploration and evaluation		(1,413,762)	(4,153,069)
Receipts from sale of property		285,637	—
Payments for other financial assets		(382,300)	—
Payments for investment in joint venture		(740,137)	(959,851)
Net cash used in investing activities		(8,325,600)	(14,165,765)
Cash flows from financing activities			
Proceeds from issue of equity securities		3,157,807	1,081,909
Proceeds from borrowings		160,172	17,158,322
Repayment of borrowings		(5,131,658)	(3,736,828)
Payment of share issue costs		(56,094)	(54,095)
Net cash (used in)/provided by financing activities		(1,869,773)	14,449,308
Net increase/(decrease) in cash and cash equivalents		1,980,220	(6,599,482)
Cash at the beginning of the financial year		5,305,089	11,904,571
Cash at the end of the financial year	8	7,285,309	5,305,089

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

Notes to the Financial Statements

for the year ended 30 June 2013

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements

The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and

rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

AASB 11 Joint Arrangements

The consolidated entity has applied AASB 11 from 1 July 2013. The standard defines which entities qualify as joint arrangements and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets are accounted for using the equity method. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities, will account for its share of the assets, liabilities, revenues and expenses separately under the appropriate classifications.

AASB 12 Disclosure of Interests in Other Entities

The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to

measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel

Disclosure Requirement

The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of KBL Mining Limited ('company' or 'parent entity') as

at 30 June 2014 and the results of all subsidiaries for the year then ended. KBL Mining Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Board of Directors, who are the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial report is presented in Australian dollars, which is KBL Mining Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of copper and other metals

Sales of copper concentrates are recognised when the risk has passed to the customer and the provisional selling price can be determined with reasonable accuracy. Sales of copper are based on prices in United States Dollars and all revenue is recognised in Australian Dollars based on a reasonable estimate of the amount that will be received on the date revenue is recognised.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered

or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

KBL Mining Limited (the 'head entity') and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by

the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Research and development tax refunds are recognised on a cash basis. They are recognised on a cash basis as recoverability is not deemed sufficiently probable due to the inherent uncertainty surrounding the timing and quantum of the amount of refund to be received. Research and development tax refunds are apportioned between income and mining assets based on the split of expenditure in the claim.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement upon submission of the final invoice.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories

Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable,

transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated future selling price in the ordinary course of business, based on prevailing metal prices, less the estimated costs of completion and the estimated costs necessary to make the sale.

Joint ventures

Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associates. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to

eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Impairment of financial assets

The consolidated entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Mine buildings	10 years
Treatment plant	10 years
Mobile equipment	5–10 years
Office/IT equipment	3–5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Mining assets

Capitalised mining development costs include expenditures incurred to develop new ore bodies to define further mineralisation in existing ore bodies, to expand the capacity of a mine and to maintain production. Mining development also includes costs transferred from exploration and evaluation phase once production commences in the area of interest less a proportionate amount of research and development tax refunds derived from the value of mining assets. Research and development tax refunds are apportioned between income and mining assets based on the split of expenditure in the claim.

Amortisation of mining development is computed by the units of production basis over the estimated proved and probable reserves. Proved and probable mineral reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. These reserves are

amortised from the date on which production commences. The amortisation is calculated from recoverable proven and probable reserves and a predetermined percentage of the recoverable measured, indicated and inferred resource. This percentage is reviewed annually.

Restoration costs expected to be incurred are provided for as part of development phase that give rise to the need for restoration.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders' equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the

subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on the bank overdraft;
- interest on short-term and long-term borrowings;
- interest on finance leases; and
- unwinding of the discount on provisions.

Provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Employee benefits

Short term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market

condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of KBL Mining Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Derivatives and hedging activities

Hedges are initially recognised at fair value on the date a contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The consolidated entity only hedges copper metal over the quotation period specified in the off take agreements which commences from the date of shipment.

Changes in the fair value of hedges that are designated and qualify as fair value hedges are recorded in the consolidated statement of profit or loss and other comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Going concern

These financial statements have been prepared on the going basis which contemplates the consolidated entity's ability pay its debts as and when they become due and payable for a period of at least 12 months from the date of authorising the financial report for issue.

As at 30 June 2014, the consolidated entity's current liabilities exceeded its current assets by \$6,945,681. Note 17 Current liabilities – financial liabilities to the financial statements presents a debt which is repayable to Capri Trading Pty Ltd in March 2015 with a carrying value of \$11,510,898 and a maturity value of \$12,600,000.

The consolidated entity has prepared a cash flow forecast which indicates that it will not have sufficient cash from operations to meet its debt repayment obligation to Capri Trading Pty Ltd. Based upon the cash flow forecast; the consolidated entity is dependent upon restructuring of debt or the deferral of the Capri Trading Pty Ltd debt repayment obligation or the raising of replacement equity finance.

These conditions indicate the existence of a material uncertainty that may cast significant doubt over the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors are confident they will be successful in either restructuring debt or deferring the Capri Trading Pty Ltd debt repayment obligation or raising replacement finance. As such, these financial statements have been presented on a going concern basis.

At the date of approval of these financial statements, the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded. Accordingly, these financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Comparative figures

Where required by Accounting Standards the reclassification of comparatives has been performed in order to conform to the changes in presentation for the current financial year.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments and its consequential amendments

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and amends AASB 139 'Financial Instruments: Recognition and Measurement' to permit continuation of hedge accounting in circumstances where a derivative (designated as hedging instrument) is novated from one counterparty to a central counterparty as a consequence of laws or regulations. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and allow entities that meet the definition of an 'investment entity' to account for their investments at fair value through profit or loss. An investment entity is not required to consolidate investments in entities it controls, or apply AASB 3 'Business Combinations' when it obtains control of another entity, nor is it required to equity account or proportionately consolidate associates and joint ventures if it meets the criteria for exemption in the standard. The adoption of these amendments from 1 July 2014 will have no impact on the consolidated entity.

Annual Improvements to IFRSs 2010-2012 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the

segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 16 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Annual Improvements to IFRSs 2011-2013 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Note 2. **Critical accounting judgements, estimates and assumptions**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates

and assumptions on historical experience and on other various factors, including expectations of future events; management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors' financial position.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. Costs incurred in or benefits of the productive process are accumulated as stockpiles, copper and other metals in process, ore on leach pads and product inventory. Net realisable value tests are performed at least annually and represent the estimated future sales price of the product based on prevailing metal prices, less estimated costs to complete production and bring the product to sale.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number contained metal ounces based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

Although the quantity of recoverable metal is reconciled by comparing the grades of the ore to the quantities of metals actually recovered (metallurgical balancing), the nature of the process inherently limits the ability to precisely monitor recoverability levels. As a result the metallurgical balancing process is constantly monitored and the engineering estimates are refined based on actual results over time.

Fair value and hierarchy of financial instruments

The consolidated entity is required to classify financial instruments, measured at fair value, using a three level hierarchy, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgement is required to determine what is significant to fair value and therefore which category the financial instrument is placed in can be subjective.

The fair value of financial instruments classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of mining assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amounts of the mining assets are determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

It is reasonably possible that the underlying metal price assumption may change which may then impact the estimated life of mine determinant and may then require a material adjustment to the carrying value of mining plant and equipment, mining infrastructure and mining development assets. Furthermore, the expected future cash flows used to determine the value-in-use of these assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including reserves and production estimates, together

with economic factors such as metal spot prices, discount rates, estimates of costs to produce reserves and future capital expenditure.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Research and development tax refunds are recognised on a received basis.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Rehabilitation provision

A provision has been made for the present value of anticipated costs for future rehabilitation of land explored or mined. The consolidated entity's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The consolidated entity recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

Exploration and evaluation costs

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in

the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity operates in mining and exploration operations in Australia. Three reportable segments have been identified, they are; Mineral Hill, Sorby Hills and other exploration assets. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM') in assessing performance and in determining the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

Types of products and services

The company produces both copper and lead concentrate with gold and silver credits.



Note 3. Operating segments continued

Major customers

During the year ended 30 June 2014 the consolidated entity's external revenue was derived as follows:

	2014 \$	2013 \$	2014 %	2013 %
Daye Nonferrous Metals Co., Ltd (China)	–	26,693,508	0.0%	63.2%
MRI Trading AG (Switzerland)	24,701,927	10,342,926	77.4%	24.5%
Ocean Partners (UK)	–	5,215,104	0.0%	12.3%
Henan Yuguang Co., Ltd (China)	6,747,223	–	21.1%	0.0%
Ausinmet Pte Ltd	478,885	–	1.5%	0.0%
	31,928,035	42,251,538	100%	100%

	Mineral Hill \$	Sorby Hills \$	Other Exploration \$	Unallocated \$	Total \$
2014					
Sales to customers	31,928,035	–	–	–	31,928,035
Other income	8,670,629	–	–	–	8,670,629
Revenue	40,598,664	–	–	–	40,598,664
Segment results	11,341,942	–	–	(1,580,986)	9,260,956
Depreciation and amortisation	(2,888,780)	–	–	–	(2,888,780)
Reversal of impairment	6,278,307	–	–	–	6,278,307
Impairment of exploration	–	–	(2,629)	–	(2,629)
Interest revenue	–	–	–	228,070	228,070
Finance costs	–	–	–	(2,920,439)	(2,920,439)
Other costs	–	(14,932)	–	–	(14,932)
Profit/(Loss) before income tax	14,731,469	(14,932)	(2,629)	(4,273,355)	10,440,553
Income tax	–	–	–	–	–
Profit/(Loss) after income tax	14,731,469	(14,932)	(2,629)	(4,273,355)	10,440,553
Segment assets	45,384,250	11,782,380	2,419,130	400,812	59,986,572
Cash and cash equivalents					7,285,309
Security deposits					1,497,000
Total assets					68,768,881
Segment liabilities	6,657,292	–	–	–	6,657,292
Financial liabilities					12,359,458
Convertible notes					10,270,459
Total liabilities					29,287,209

Note 3. Operating segments continued

2013

Sales to customers	42,251,538	–	–	–	42,251,538
Other income	873,800	–	–	–	873,800
Revenue	43,125,338	–	–	–	43,125,338
Segment results	(5,823,064)	–	–	(2,109,981)	(7,933,045)
Depreciation and amortisation	(2,960,831)	–	–	–	(2,960,831)
Impairment of exploration	–	–	(975,974)	–	(975,974)
Interest revenue	–	–	–	67,925	67,925
Finance costs	–	–	–	(2,948,393)	(2,948,393)
Other costs	–	(17,819)	–	–	(17,819)
Loss before income tax	(8,783,895)	(17,819)	(975,974)	(4,990,449)	(14,768,137)
Income tax	419,681	–	–	–	419,681
Loss after income tax	(8,364,214)	(17,819)	(975,974)	(4,990,449)	(14,348,456)
Segment assets	35,858,770	11,057,174	6,881,265	1,329,306	55,126,515
Cash and cash equivalents					5,305,089
Security deposits					1,114,700
Total assets					61,546,304
Segment liabilities	9,775,371	–	–	–	9,775,371
Financial liabilities					15,301,168
Convertible notes					10,655,276
Total liabilities		–	–		35,731,815

CONSOLIDATED
2014 2013
\$ \$

Note 4. Revenue

From continuing operations

Sales revenue

Sale of concentrates	31,928,035	42,251,538
Interest revenue	228,070	67,925
	32,156,105	42,283,463

Other income

Gain from foreign exchange and hedging	–	868,300
Other income ¹	8,670,629	5,500
	8,670,629	873,800

- 1) On 16 July 2013 the company received a research and development tax claim totalling \$14,968,017; this has been split between income and capital based on the expenditure in the claim in accordance with Australian Accounting Standards. Note 14 includes the balance of \$6,297,588 being allocated to the mining property asset which effectively reduces the asset value by the same amount.

Note 5. Share of loss of joint ventures accounted for using the equity method

Share of loss – joint ventures	14,932	17,819
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CONSOLIDATED
2014 **2013**
\$ **\$**

Note 6. Expenses

Loss before income tax from continuing operations includes the following specific expenses:

Raw materials and consumables used

Mineral Hill purchases including freight	24,444,630	35,527,219
Change in inventory	(1,343,492)	5,474,076

Total raw materials and consumables used	23,101,138	41,001,295
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Finance costs

Interest costs	2,755,727	2,365,397
Unwinding of discount on restoration provision	6,529	93,897
Unwinding of discount on amount due to Triako Resources Pty Ltd	–	253,825
Unwinding of discount on amount under convertible notes	158,183	235,274

Total finance costs	2,920,439	2,948,393
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Employee benefits expense

Wages and Salaries	4,714,719	7,255,054
Contributions to employee superannuation plans	296,127	499,406
Share based payments	124,919	192,647

Total employee benefits expense	5,135,765	7,947,107
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Depreciation and amortisation expense

Depreciation	1,498,513	1,455,597
Amortisation	1,390,267	1,505,234

Total depreciation and amortisation expense	2,888,780	2,960,831
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Note 7. Income tax

Current tax	–	419,681
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Income tax benefit	–	419,681
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Reconciliation between pre-tax net loss and income tax benefit

Profit/(loss) before tax	10,440,553	(14,768,137)
Income tax (benefit)/expense at the statutory rate of 30%	3,132,166	(4,430,441)
Tax effect of non-assessable/non-deductible items	(2,601,189)	59,594
Tax effect of equity raising costs debited to equity	(159,439)	(156,073)
Tax effect due to R&D activities	–	419,681
Current year (gain)/losses for which no tax benefit has been recognised	(371,538)	4,526,920

Income tax benefit	–	419,681
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Unused tax losses for which a deferred tax benefit has not been recognised total \$37,056,880 (2013: \$27,859,846), this has a tax effect of \$11,117,064 (2013: \$8,357,954).

Note 8. Current assets – cash and cash equivalents

Cash at bank and on hand	7,285,309	5,305,089
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Balance as per statement of cash flows	7,285,309	5,305,089
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CONSOLIDATED
2014 **2013**
\$ **\$**

Note 9. Current assets – trade and other receivables

Trade receivables	1,319,675	1,523,848
Other receivables	167,794	422,494
GST receivables	233,018	282,557
Financial instruments QP hedge	–	240,995
	1,720,487	2,469,894

Past due but not impaired

The trade receivables owing from customers relate to the difference between provisional shipment value and final shipment value. Final shipment value is a contractual determination by the final weight and assay that are exchanged and agreed between seller and buyer. As at 30 June 2014 no amount (2013: Nil) was past due.

Refer to note 24 for the risk exposure analysis.

Note 10. Current assets – inventories

Metal concentrates and ore on hand – cost	2,006,270	662,778
Mining and maintenance stock – cost	729,798	583,342
Bulk fuel - cost	59,377	69,916
	2,795,445	1,316,036

Note 11. Non-Current assets – other financial assets

Security deposit	1,497,000	939,000
Volvo Loader guarantee deposit	–	85,700
Rental guarantee deposit	–	90,000
	1,497,000	1,114,700

Note 12. Non-current assets – property, plant and equipment

Property at cost	–	383,260
Plant and equipment at cost	13,355,152	12,726,881
Less: Accumulated depreciation	(3,523,104)	(2,225,230)
	9,832,048	10,501,651
Mining building at cost	146,998	146,998
Less: Accumulated depreciation	(42,574)	(27,874)
	104,424	119,124
Mobile plant at cost	831,153	817,594
Less: Accumulated depreciation	(255,893)	(144,201)
	575,260	673,393
Office equipment at cost	327,578	243,350
Less: Accumulated depreciation	(190,562)	(116,314)
	137,016	127,036
Total property, plant & equipment	10,648,748	11,804,464

Note 12. Non-current assets – property, plant and equipment continued

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Property \$	Plant and equipment \$	Mine buildings \$	Mobile plant \$	Office equipment \$	Total \$
Consolidated						
Balance at 1 July 2012	383,260	11,432,402	133,824	785,478	109,019	12,843,983
Additions	–	326,554	–	–	91,401	417,955
Disposals	–	–	–	(18,549)	–	(18,549)
Depreciation expense	–	(1,257,305)	(14,700)	(110,208)	(73,384)	(1,455,597)
Depreciation disposal	–	–	–	16,672	–	16,672
Balance at 30 June 2013	383,260	10,501,651	119,124	673,393	127,036	11,804,464
Additions	–	628,271	–	13,559	84,227	726,057
Disposal	(383,260)	–	–	–	–	(383,260)
Depreciation expense	–	(1,297,874)	(14,700)	(111,692)	(74,247)	(1,498,513)
Depreciation disposal	–	–	–	–	–	–
Balance at 30 June 2014	–	9,832,048	104,424	575,260	137,016	10,648,748

Plant and equipment with a carrying value of \$799,364 (2013: \$780,275) are encumbered by the leases as disclosed in note 24 and note 27 for HP facilities.

	CONSOLIDATED	
	2014 \$	2013 \$

Note 13. Non-current assets – exploration and evaluation

Exploration and evaluation – at cost	2,419,130	6,881,265
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Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Movement in carrying amounts:

Balance at beginning of year	6,881,265	3,704,169
Additions	1,263,762	4,153,070
Transfer to mining property	(5,723,267)	–
Impairment	(2,629)	(975,974)
Carrying amount at end of year	2,419,130	6,881,265

Recoverability of the carrying amount of exploration and evaluation assets is dependent on successful development and commercial exploration or sale of the respective areas of interest.

Note 14. Non-current assets – mining property

Mining property – at cost	43,412,622	38,837,962
Less: Accumulated amortisation	(3,710,467)	(2,320,200)
Less: Impairment	(8,641,773)	(14,920,080)
	31,060,382	21,597,682

Note 14. Non-current assets – mining property continued

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	CONSOLIDATED	
	2014 \$	2013 \$
Movement in carrying amounts:		
Balance at beginning of year	21,597,682	15,249,230
Additions	5,148,981	7,853,686
Transfer from exploration	5,723,267	–
Amortisation	(1,390,267)	(1,505,234)
Reversal of impairment	6,278,307	–
Allocation of research and development tax claim	(6,297,588)	–
Carrying amount at end of year	31,060,382	21,597,682

The recoverable amount of the mining property has been determined by a value-in-use calculation. Management believe that the carrying value is fully recoverable.

Key assumptions used 2014:

- Life of mine remaining – 8.5 years
- Pre-tax discount rate of 15.2%
- Exchange rate of AUD/USD FY2015 0.925; FY2016 0.900; FY2017 0.875; FY2018 0.850
- Commodity prices:
 - Copper US\$7,100 per tonne
 - Gold US\$1,300 per ounce
 - Silver US\$20 per ounce
 - Lead US\$2,250 per tonne
- Sensitivity:

As discussed above the directors have made judgements and estimates in respect of the impairment testing of the mining property. Should the judgements and estimates not occur, the value of the mining property may vary from the carrying amount. These sensitivities are as follows:

 - +/- 1% change in FX over life of mine: +/- \$1.7m
 - +/- 1% change in commodity prices over life of mine: +/- \$2.1m
 - +/- 1% change in discount rate over life of mine: +/- \$0.2m

Key assumptions used 2013:

- Life of mine remaining – 9 years
- Pre-tax discount rate of 15%
- Exchange rate of AUD/USD 0.85
- Commodity prices:
 - Copper US\$7,000 per tonne
 - Gold US\$1,400 per ounce
 - Silver US\$23 per ounce
- Sensitivity:

As discussed above the directors have made judgements and estimates in respect of the impairment testing of the mining property. Should the judgements and estimates not occur, the value of the mining property may vary from the carrying amount. These sensitivities are as follows:

 - +/- 1% change in FX over life of mine: +/- \$1.1m
 - +/- 1% change in commodity prices over life of mine: +/- \$1.2m
 - +/- 1% change in discount rate over life of mine: +/- \$0.1m

The recoverable amount of the mining property has been determined by a value-in-use calculation, and during the year the company recognised a reversal of impairment amounting to \$6,278,307. The relevant impairment was recorded in the 30 June 2012 financial statements. Management believe that the revised carrying value is fully recoverable.

Management believe that other changes in the key assumptions on which the recoverable amount of mining property is based would not cause the carrying amount to exceed its recoverable amount.

CONSOLIDATED
2014 **2013**
\$ **\$**

Note 15. Non-current assets – investment in joint venture

Balance at the beginning of the year	11,057,174	10,115,142
Joint venture contribution	740,138	959,851
Share of joint venture loss	(14,932)	(17,819)

Carrying amount at end of year	11,782,380	11,057,174
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During the year the company held a 75% interest in the Sorby Hills Joint Venture, an entity domiciled in Australia, and accounted for this interest using the equity method. The joint venture is seeking necessary government approvals to commence a mining project at Sorby Hills. The assets and liabilities of the joint venture are as follows:

Current assets

Cash and cash equivalents	9,478	21,497
Other	5,200	28,368
	14,678	49,865

Non-current assets

Property, plant and equipment	25,251	33,668
Deferred exploration	17,421,396	16,612,285
	17,446,647	16,653,133

Total assets	17,461,325	16,702,998
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Current liabilities

Trade payables	49,249	111,151
	49,249	111,151

Net assets	17,412,076	16,591,847
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Contribution

Contributions by joint venture partners	17,300,284	16,460,146
Retained earnings	111,792	131,701
	17,412,076	16,591,847

Earnings by the joint venture

Revenue	1,284	–
Interest	1,069	15
Expenses	(22,262)	(33,629)

Net loss	(19,909)	(33,614)
-----------------	-----------------	-----------------

Note 16. Current liabilities – trade and other payables

Trade payables	4,250,688	7,821,194
Other payables	1,653,695	735,072
	5,904,383	8,556,266

Refer to note 24 for further information on financial instruments.

CONSOLIDATED
2014 **2013**
\$ **\$**

Note 17. Current liabilities – financial liabilities

Amount due to Triako Resources Pty Ltd	–	1,313,189
Amount due to St George HP Facility (note 27)	274,745	157,588
Amount due to insurance premium funding	51,433	65,503
Amount due to MRI Trading AG	–	3,284,791
Amount due to Capri Trading Pty Ltd	11,510,898	–
Financial instrument QP hedge	233,059	–
	12,070,135	4,821,071

The liability to Capri Trading Pty Limited has been varied to be repayable 1 July 2015 subject to an agreed refinancing package. If there is an agreed refinancing package the amount payable at any point before 1 July is \$13.085 million otherwise \$12.6 million is payable on 14 March. The loan is secured by a mortgage over the Mineral Hill assets and over the Company's shares in wholly owned subsidiary, KBL Sorby Hills Pty Ltd, which since August 2013 holds the Company's 75% joint venture interest in the Sorby Hills silver lead project.

Refer to note 24 for further information on financial instruments.

Refer to note 27 for future minimum lease payments.

Note 18. Non-current liabilities – financial liabilities

Amount due to St George HP Facility (note 27)	289,322	509,985
Amount due to Capri Trading Pty Ltd	–	9,970,112
	289,322	10,480,097

Refer to note 24 for further information on financial instruments.

Refer to note 27 for future minimum lease payments.

Note 19. Current liabilities – provisions

Employee benefits	332,404	365,128
	332,404	365,128

Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the consolidated entity does not have an unconditional right to defer settlement. However, based on past experience, the consolidated entity expects all employees to take the full amount of accrued leave or require payment within the next 12 months.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Employee benefits		
Balance at the beginning of the year	365,128	314,716
Charge to profit or (loss)	(32,724)	50,412
Carrying amount at the end of the year	332,404	365,128

	CONSOLIDATED	
	2014	2013
	\$	\$
Note 20. Non-current liabilities – provisions		
Restoration provision	860,506	853,977
	8860,506	853,977

Restoration

The provision represents the present value of estimated costs for future restoration of land explored or mined by the consolidated entity at the end of the exploration or mining activity.

The provision is reviewed annually by the Directors. The present value of the restoration provision was determined based on the following assumptions:

- Undiscounted rehabilitation costs: \$1,477,000;
- Time until payment required – 9 years;
- Annual growth rate: 2.5%; and
- Pre-tax discount rate of 10%.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below.

Balance at the beginning of the year	853,977	525,546
Increase in provision	–	234,534
Unwinding of discount	6,529	93,897
Carrying amount at the end of the year	860,506	853,977

Note 21. Convertible notes

Balance at the beginning of the year	10,655,276	9,877,002
Unwinding of finance costs	158,183	235,274
Interest accrual	(543,000)	543,000
Carrying amount at the end of the year	10,270,459	10,655,276

The notes are unsecured and have a 5 year term and bear interest at a rate of 10% per annum. The notes can be converted into ordinary shares of the company on a 1 note for 1 share basis at the option of the note holder at quarterly conversion points and certain other times.

Refer to note 23 for details on the equity component of the convertible note.

Note 22. Equity – issued capital

	CONSOLIDATED		CONSOLIDATED	
	2014	2013	2014	2013
	Shares	Shares	\$	\$
Ordinary shares – fully paid	393,535,629	293,535,629	67,846,445	64,744,734

Details	No of shares	\$
Movements in ordinary share capital		
Carrying amount at 1 July 2012	283,921,456	63,716,920
Shares issued during the year	6,364,173	1,081,909
Shares issued in terms of employee incentive plans	3,250,000	–
Share issue transaction costs, net of tax	–	(54,095)
Carrying amount at 30 June 2013	293,535,629	64,744,734
Shares issued during the year	100,000,000	3,157,805
Share issue transaction costs, net of tax	–	(56,094)
Carrying amount at 30 June 2014	393,535,629	67,846,445

Note 22. Equity – issued capital continued

Movements during the year:

- 5 August 2013 – 80,079,143 shares issued at 3.01 cents;
- 29 August 2013 – 19,920,857 shares issued at 3.76 cents.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The consolidated entity's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the prior year.

	CONSOLIDATED	
	2014	2013
	\$	\$
Share based payment reserve	1,734,293	1,609,374
Convertible notes reserve	916,827	916,827
	2,651,120	2,526,201

Reserves

Balance at the beginning of the year	1,609,374	935,157
Amounts recognised in relation to share options issued	–	16,319
Amounts recognised in relation to share options issued to employees and directors	79,063	131,909
Amounts recognised in relation to performance rights 2011 plan	45,856	44,419
Amounts recognised in relation to Capri Trading Pty Ltd options	–	481,570
Carrying amount at the end of the year	1,734,293	1,609,374

	No.	No.
Employee share options		
Balance at the beginning of the year	2,150,000	2,150,000
Expired options	(500,000)	–
Balance at the end of the year	1,650,000	2,150,000
Performance rights		
Balance at the beginning of the year	1,050,000	1,050,000
Balance at the end of the year	1,050,000	1,050,000
Exempt employee share plan		
Balance at the beginning of the year	76,659	76,659
Balance at the end of the year	76,659	76,659

CONSOLIDATED
2014 **2013**
\$ **\$**

Note 23. Equity – reserves continued

Non-exempt employee share plan

Balance at the beginning of the year	5,950,000	2,700,000
Share options issued	450,000	3,550,000
Share options transferred	(450,000)	(300,000)
Balance at the end of the year	5,950,000	5,950,000

Australian opportunity fund

Balance at the beginning of the year	2,800,000	2,800,000
Balance at the end of the year	2,800,000	2,800,000

Capri Trading Pty Ltd

Balance at the beginning of the year	–	–
Share options issued	44,000,000	44,000,000
Balance at the end of the year	44,000,000	44,000,000

The share based payment reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised; and
- the grant date fair value of shares issued to employees which have restrictions on their transferability.

Fair value of options granted

Ordinary shares were issued during the year, funded by a limited recourse loan pursuant to the employee share plan. The effect of the employee share plan is akin to an option.

Fair values at grant date are independently determined using a Black-Scholes Option Pricing Model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at the grant date, the expected volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option.

The model inputs for options granted during the year ended 30 June 2014 are noted below:

Grant date	Expiry date	Vesting period	Exercise price	Share price	Expected volatility	Expected dividend yield	Risk free rate
2 Sep 2013	1 Sep 2017	4 months	4.2 cents	4.2 cents	137%	0%	3.0%

Expected volatility is based on the historic volatility of the market price of the company's shares, based on three year's historic volatility data. The dividend rate is based on past company practice and the risk free rate is determined with reference to medium term government bonds.

Note 24. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('Finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Note 24. Financial instruments continued

Market risk

Foreign currency risk

Currency risk is the risk that the receivable of United States Dollars will change over the period to which the company is exposed. The consolidated entity manages this risk by entering into a forward rate contract to convert all provisional receipts of shipments to Australian dollars on the shipment date. The provisional receipt is 95% of the total amount received for the sale of concentrates.

Price risk

Commodity risk is that metal prices (Copper, Gold and Silver) vary over time. The consolidated entity manages this risk by hedging at the date the shipment its cash exposure to copper prices over the quotational period specified in the offtake agreement. The company policy is to hedge the commodity in Australian Dollars to cover its exposure to commodities and currency risk simultaneously.

Interest rate risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's fair value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Non-interest bearing \$	1 year or less \$	1-5 years \$	More than 5 years \$	Floating interest rate \$	Total \$	Weighted average interest rate %
2014							
Financial assets							
Cash	–	–	–	–	7,285,309	7,285,309	2.35
Receivables	1,720,487	–	–	–	–	1,720,487	–
Security deposits	–	–	–	–	1,497,000	1,497,000	3.45
	1,720,487	–	–	–	8,792,309	10,512,796	
Financial liabilities							
Trade and other payables	4,757,999	1,146,384	–	–	–	5,904,383	6.00
Financial liabilities	233,059	11,837,076	289,322	–	–	12,359,457	12.00
Convertible notes	–	–	10,270,459	–	–	10,270,459	10.00
	4,991,058	12,983,460	10,559,781	–	–	28,534,299	
2013							
Financial assets							
Cash	–	–	–	–	5,305,089	5,305,089	2.40
Receivables	2,260,867	–	–	–	209,027	2,469,894	6.65
Security deposits	–	–	–	–	1,114,700	1,114,700	3.85
	2,260,867	–	–	–	6,628,816	8,889,683	
Financial liabilities							
Trade and other payables	8,556,266	–	–	–	–	8,556,266	–
Financial liabilities	–	4,821,071	10,480,097	–	–	15,301,168	9.00
Convertible notes	–	–	10,655,276	–	–	10,655,276	10.00
	8,556,266	4,821,071	21,135,373	–	–	34,512,710	

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Financial assets exposed to credit risk are neither past due or impaired at year end and relates predominantly to cash and security deposits invested with financial institutions of appropriate creditworthiness limiting the amount of credit exposure to any one counterparty.

Note 24. Financial instruments continued

Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	6 months or less \$	6–12 months \$	1–2 years \$	2–5 years \$
2014				
Trade and other payables	5,904,383	–	–	–
Financial liabilities	421,865	11,648,270	289,322	–
Convertible note	–	–	–	10,270,459
	6,326,248	11,648,270	289,322	10,270,459
2013				
Trade and other payables	8,556,266	–	–	–
Financial liabilities	4,742,277	78,794	13,109,985	–
Convertible note	–	–	–	11,001,895
	13,298,543	78,794	13,109,985	11,001,895

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

The following details the consolidated entity's fair values of financial instruments categorised by the following levels; Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities, Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) and Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Liabilities amounting to \$233,059 (2013: \$240,995 receivable) are classed as Level 2, all other amounts are classed as Level 3. There were no transfers between levels during the financial year.

Changing one or more inputs would not significantly change the fair value of level 3 financial instruments.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 25. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	CONSOLIDATED	
	2014 \$	2013 \$
Short-term employee benefits	1,068,968	1,403,281
Post-employment benefits	52,289	98,299
Share-based payments	94,307	110,812
	1,215,564	1,612,392

Related party transactions

Related party transactions are set out in note 28.

CONSOLIDATED	
2014	2013
\$	\$

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO East Coast Partnership, the auditor of the company, its network firms and unrelated firms:

Audit services – BDO East Coast Partnership

Audit or review of the financial statements	70,200	68,000
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Other services – BDO East Coast Partnership

Taxation services in relation to research and development tax claim	58,390	163,568
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Note 27. Commitments and contingencies

(a) Operating lease commitments

The company has entered into a lease for office accommodation. The lease has a remaining term of 2 years to 30 June 2016. During the current year the following minimum lease payments were incurred:

Lease commitments – operating

Committed at the reporting date but not recognised as liabilities, payable:

Within one year	162,855	162,855
One to five years	182,658	345,513
	345,513	508,368

(b) Finance lease commitments

Future minimum lease payments under non-cancellable leases at the year-end are as follows:

Lease commitments – finance

Committed at the reporting date and recognised as liabilities, payable:

Within one year	308,509	279,615
One to five years	325,919	470,609
Total commitment	634,428	750,224
Less: Future finance charges	(70,361)	(82,651)
Net commitment recognised as liabilities	564,067	667,573
Representing:		
Lease liability – current (note 17)	274,745	157,588
Lease liability – non-current (note 18)	289,322	509,985
	564,067	667,573

Leases are in respect of fixed assets for Mineral Hill mine site and have a maximum period of 5 years. All leases are amortised over the life in equal instalments and have no residual payments.

(c) Contingencies

On 22 August 2014 the Company pleaded guilty in the NSW Land and Environment Court to a charge brought by the Environment Protection Agency (EPA) of polluting waters contrary to Section 120 of the Protection of the Environment Operations Act 1997 arising out of a rupture of the tailings line at Mineral Hill Mine in June 2013. The EPA and the Company are settling a Statement of Agreed Facts for presentation to the Court and it is currently expected the Court will have a penalty hearing in November 2014. The penalty cannot be quantified at this point but it is not expected, based on analogous cases, that the penalty will be sufficiently material to adversely affect its Financial Statements.

(d) Capital commitments

There were no capital commitments as at 30 June 2014.

Note 28. Related party transactions

Parent entity

KBL Mining Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Joint ventures

Interests in joint ventures are set out in note 15.

Key management personnel

Disclosures relating to key management personnel are set out in note 25 and the remuneration report in the directors' report.

	CONSOLIDATED	
	2014	2013
	\$	\$
Transactions with related parties		
Expenses recovered from Sorby Hills Joint Venture	127,266	75,267
Expenses paid to Sorby Hills Joint Venture	44,424	–
Engineering services paid to Westech International Pty Limited	91,215	–

Westech International Pty Limited is a director-related entity of Brian Wesson.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 29. Parent entity information

Set out below is the supplementary information about the parent entity.

	PARENT	
	2014	2013
	\$	\$
Statement of profit or loss and other comprehensive income		
Profit/(loss) after income tax	10,440,553	(14,348,456)
Total comprehensive income	10,618,647	(14,348,456)
Statement of financial position		
Total current assets	11,361,241	9,091,019
Total assets	68,768,881	61,546,304
Total current liabilities	18,306,922	13,742,465
Total liabilities	29,287,209	35,731,815
Equity		
Issued capital	67,846,445	64,744,734
Reserves	2,651,120	2,526,201
Accumulated losses	(31,015,893)	(41,456,446)
Total equity	39,481,672	25,814,489

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2014.

Contingent liabilities

On 22 August 2014 the Company pleaded guilty in the NSW Land and Environment Court to a charge brought by the EPA of polluting waters contrary to Section 120 of the Protection of the Environment Operations Act 1997 arising out of a rupture of the tailings line at Mineral Hill Mine in June 2013. The EPA and the Company are settling a Statement of Agreed Facts for presentation to the Court and it is currently expected the Court will have a penalty hearing in November 2014. The penalty cannot be quantified at this point but it is not expected, based on analogous cases, that the penalty will be sufficiently material to adversely affect its Financial Statements.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2014.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1.

Note 30. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Country of incorporation	Equity Holding	
		2014 %	2013 %
KBL Sorby Hills Pty Ltd	Australia	100.00	100.00
Sorby Management Pty Ltd	Australia	100.00	100.00

Note 31. Events since the end of the financial year

On 28 August 2014 an agreement was signed with Capri Trading Pty Limited to extend the repayment date of the loan to 1 July 2015 subject to an agreed refinancing package.

	CONSOLIDATED	
	2014 \$	2013 \$

Note 32. Reconciliation of loss after income tax to net cash from operating activities

Profit/(loss) after income tax expense for the year	10,440,553	(14,348,456)
Adjustments for:		
Depreciation and amortisation	2,888,780	2,960,831
Reversal of impairment	(6,278,307)	–
Impairment of exploration asset	2,629	975,974
Net fair value loss/(gain) on other financial liabilities	–	253,825
Share of loss – joint venture	14,932	17,819
Share-based payments	124,919	674,217
Unwinding of finance cost discounts	1,188,121	564,002
Loss on disposal of property, plant and equipment	97,623	–
Insurance	230,305	–
Increase in working capital for exploration and development	–	605,141
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	309,407	(396,915)
(Increase)/decrease in inventories	(1,479,409)	2,123,290
(Decrease)/increase in trade and other payables	(1,861,883)	(363,164)
Decrease in mining property	6,297,588	–
Increase in financial liabilities	233,059	–
(Decrease)/increase in employee benefits	(32,724)	50,411
Net cash provided by/(used in) operating activities	12,175,593	(6,883,025)

There were no (2013: Nil) non-cash investing or financing activities during the financial year.

Note 33. Earnings per share

Profit/(loss) per share from continuing operations

Profit/(loss) after income tax	10,440,553	(14,348,456)
Profit/(loss) after income tax attributable to the owners of KBL Mining Limited	10,440,553	(14,348,456)
	No.	No.
Weighted average number of ordinary shares used in calculating basic loss per share	382,362,751	291,213,406
Options over ordinary shares	10,461	–
Weighted average number of ordinary shares used in calculating diluted loss per share	382,373,212	291,213,406
	Cents	Cents
Basic earnings/(loss) per share	2.73	(4.93)
Diluted earnings/(loss) per share	2.73	(4.93)



Note 34. Share-based payments

Ordinary shares were issued during the year, funded by a limited recourse loan pursuant to the employee share plan. The effect of the employee share plan is akin to an option. The fair value is determined using the Black-Scholes Option Pricing Model.

Set out below are summaries of 'options' granted under the plan:

Date	Vesting Date	Exercise price	Granted/transferred
30/06/12	Various	22.0 cents	9,150,000
02/09/13	31/12/13	4.2 cents	450,000
02/09/13	N/A	15.5 cents	(450,000)

The weighted average option price during the financial year was \$0.21 (2013: \$0.22).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.39 years (2013: 1.22 years).

The limited recourse loan is repayable on the earlier of:

- the 4th anniversary of the date of allotment of the Placement of the Shares; and
- the date on which the facility is terminated or cancelled by the lender. The amount to be repaid is equal to the issue price.





Directors' Declaration

The directors of the company declare that:

- the financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
 1. comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional requirements; and
 2. give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date;
- the company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards;
- in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- the directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

James A Wall
Director

29 August 2014

Sydney





Independent Auditor's Report



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To the members of KBL Mining Limited

Report on the Financial Report

We have audited the accompanying financial report of KBL Mining Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of KBL Mining Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of KBL Mining Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity's current liabilities exceeded its current assets by \$6,505,681 as at 30 June 2014. This condition, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 25 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of KBL Mining Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership




Gareth Few

Partner

Sydney, 29 August 2014



Shareholder Information

30 June 2013

The shareholder information set out below was applicable as at 24 September 2014.

Distribution of equity securities

Distribution schedules in respect of the company's two classes of equity securities as of 24 September 2014 are as follows:

Holdings Range	Holders	Total Units	%
i) Ordinary Shares			
1 to 1,000	546	175,348	0.045
1,001 to 5,000	1,572	4,449,506	1.131
5,001 to 10,000	616	4,420,317	1.123
10,001 to 100,000	1,594	58,059,581	14.753
100,001 and over	637	326,430,877	82.948
Totals	4,965	393,535,629	100.000
ii) Convertible notes			
1 to 1,000	303	150,647	0.520
1,001 to 5,000	249	660,781	2.282
5,001 to 10,000	224	1,568,732	5.418
10,001 to 100,000	297	7,923,104	27.364
100,001 and over	41	18,651,252	64.416
Totals	1,114	28,954,516	100.000

**Equity security holders***Twenty largest quoted equity security holders*

	Ordinary shares	
	Number held	% of total shares issued
TANJONG PAGAR PTE LTD	43,130,684	10.960
CAPRI TRADING PTY LTD <THE CAPRI FAMILY A/C>	38,225,836	9.713
YUGUANG (AUSTRALIA) PTY LIMITED	20,813,626	5.289
JP MORGAN NOMINEES AUSTRALIA LIMITED	7,321,072	1.860
MR MATTHEUS C M GROOT	6,364,173	1.617
MR ARCHIBALD GEOFFREY LOUDON	5,833,462	1.482
JIM WALL & ASSOCIATES PTY LTD	4,105,143	1.043
WALLFMLY PTY LTD <THE WALL SUPER FUND A/C>	3,282,923	0.834
MR IAN DAVIES	3,202,120	0.814
LEET INVESTMENTS PTY LIMITED <SUPERANNUATION FUND A/C>	3,100,000	0.788
LEET INVESTMENTS PTY LIMITED	2,950,000	0.750
HOLDEX NOMINEES PTY LTD <NO 314 A/C>	2,541,667	0.646
CH GLOBAL PTY LTD <THE ABC INVESTMENT A/C>	2,285,000	0.581
CITICORP NOMINEES PTY LIMITED	2,017,190	0.513
MRS JUN CAI	2,004,826	0.509
PRECINCT INTERNATIONAL LTD	2,000,000	0.508
ANTHONY JOHNSTON	1,999,469	0.508
MRS GAYLENE SUE MCLEAN	1,980,000	0.503
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,979,070	0.503
KAMPAR PTY LTD <MICHAEL WONG FAMILY SUP A/C>	1,896,296	0.482
Total top 20	157,032,557	39.903
Total issued capital	393,535,629	

	Number held	Convertible notes % of total notes issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,771,971	9.574
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	2,500,000	8.634
WALLFMY PTY LTD <THE WALL SUPER FUND A/C>	1,800,000	6.217
R & L DAHL ENTERPRISES PTY LIMITED <DAHL SUPER FUND A/C>	1,647,646	5.690
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	1,167,025	4.031
DENDULLA PTY LIMITED	951,874	3.287
BERNE NO 132 NOMINEES PTY LTD <152417 A/C>	857,895	2.963
KAMPAR PTY LTD <MICHAEL WONG FAMILY SUP A/C>	738,041	2.549
MR GABRIEL BERGER	467,211	1.614
CAPITAL ENTERPRISES (WA) PTY LTD <J R WILSON SUPER FUND A/C>	460,000	1.589
HOLDEX NOMINEES PTY LTD <NO 314 A/C>	423,612	1.463
BERGER EQUITIES PTY LTD <BERGER SUPER FUND A/C>	357,959	1.236
MR DAVID GORDON & MS RUTH GORDON <GORDON SUPER FUND A/C>	325,195	1.123
CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	200,000	0.691
MR STEPHEN LONERGAN & MRS DENYSE LONERGAN <LONERGAN FAMILY S/FUND AC>	200,000	0.691
MR WERNER ULRICH & MRS URSULA ULRICH	200,000	0.691
MRS JANE MARION BESLEY & MR ROBERT ELLIS BESLEY <R & J BESLEY SUPER FUND A/C>	188,577	0.651
SOFEW ASSETS PTY LTD <SOFEW PASTORAL A/C>	185,000	0.639
MR DAVID GORDON	180,000	0.622
MR DONALD ANDREW POOLE	175,299	0.605
Total top 20	15,797,305	54.559
Total convertible notes	28,954,516	

Substantial holders

Substantial holders in the company are set out below:

	Number held	Ordinary shares % of total shares issued
TANJONG PAGAR PTE LTD	43,130,684	10.960
CAPRI TRADING PTY LTD <THE CAPRI FAMILY A/C>	38,225,836	9.713
YUGUANG (AUSTRALIA) PTY LIMITED	20,813,626	5.289

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options

Do not have voting rights

Convertible notes

Do not have voting rights

Marketable parcels

3,037 holders of an aggregate of 10,696,212 shares being 2.71798% of the company's issued shares, held less than a marketable parcel of the company's ordinary shares at 24 September 2014.

Market buyback

There is no current market buyback.

The company had the following interests in the following exploration and mining tenements:

Description	Tenement number	Interest owned
Sorby Hills		
Kununurra – WA	M80/196	75%
Kununurra – WA	M80/197	75%
Kununurra – WA	M80/285	75%
Kununurra – WA	M80/286	75%
Kununurra – WA	M80/287	75%
Mineral Hill		
Condobolin – NSW	EL1999	100%
Condobolin – NSW	EL6064	100%
Condobolin – NSW	ML332	100%
Condobolin – NSW	ML333	100%
Condobolin – NSW	ML334	100%
Condobolin – NSW	ML335	100%
Condobolin – NSW	ML336	100%
Condobolin – NSW	ML337	100%
Condobolin – NSW	ML338	100%
Condobolin – NSW	ML339	100%
Condobolin – NSW	ML340	100%
Condobolin – NSW	ML5240	100%
Condobolin – NSW	ML5267	100%
Condobolin – NSW	ML5278	100%
Condobolin – NSW	ML5499	100%
Condobolin – NSW	ML5261	100%
Condobolin – NSW	ML5632	100%
Condobolin – NSW	ML6329	100%
Condobolin – NSW	ML6365	100%
Constance Range		
Mt Isa – QLD	EPM14479	30%



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