Phillips River Mining Limited

ABN 61 004 287 790

Half-Year Financial Report

for the half year ended

31 December 2014

Corporate Directory

Directors

Chris West	Executive Chairman
Timothy Koster	Executive Director
Mark Sumner	Managing Director

Company Secretary

Chris West

Principal Office

Level 7, 92 Pitt Street
Sydney, NSW, 2000

Tel: +61 2 9236 4000
Email: chris.west@sparcapital.com.au

Registered Office

Level 4, 275 George Street
Sydney, NSW, 2000

Solicitors

K&L Gates
Level 31
1 O'Connell Street
Sydney, NSW, 2000

Share Register

Advanced Share Registry Services Ltd
150 Stirling Highway
Nedlands WA 6009

Auditors

Deloitte Touche Tohmatsu
Grosvenor Place
225 George Street
Sydney, NSW, 2000

Internet Address

www.phillipsriver.com.au

ASX Code: PRH

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Directors' Report

The Directors present their report on the consolidated entity consisting of Phillips River Mining Limited ("Phillips River" or "the Company") and the entities it controlled at the end of, or during the period ended 31 December 2014 ("the Group").

Directors

The names of the Company's Directors in office during the period and until the date of this report are detailed below. The Directors were in office for the entire period.

Chris West	Executive Chairman
Timothy Koster	Executive Director
Mark Sumner	Managing Director

Review of Operations

During the period the Company focused on the completion of the heads of agreement signed in May 2014 to acquire a number of phosphate and coal mining interests in Chile and Colombia ('Kiwanda Assets' or 'Kiwanda Transaction'). The acquisition is subject to shareholder approval and the completion of an equity capital raising by the Company (subject to compliance with the *Corporations Act 2001* and Chapters 1 & 2 of the ASX Listing Rules), to fund the further development of these projects for the benefit of the Company and its shareholders.

The initial deadline for completion of the transaction was 15 February 2015 however all parties to the transaction have since agreed to extend the deadline to 31 May 2015, to allow further time for the transaction to be completed.

If the transaction successfully completes then the Company will be transformed into a South American mining house that produces and sells coal and phosphate rock. If the transaction does not complete then it is likely that the directors will seek to wind up the company.

Financial Result

The loss of the Group for the half-year ended 31 December 2014, after providing for income tax, amounted to $500,053 (31 December 2013: profit of $2,446). The loss was primarily due to the Company incurring operating, consultancy and advisory fees whilst working on the acquisition of the Kiwanda Assets.

At the end of the period the Group had $27,153 in cash (30 June 2014: $3,137).

Significant Changes in the State of Affairs

Other than noted in the Review of Operations, Events Subsequent to Reporting Date and Going Concern notes (refer Note 2.3 of the Financial Statements), there are no other material future developments of the Company to be disclosed.

Events Subsequent to Reporting Date

Acquisition of the Kiwanda Assets
The Company continues to work on finalising the Kiwanda Transaction. At the date of this report a draft Notice of General Meeting and Explanatory Memorandum in relation to the Kiwanda Transaction, has been lodged with the ASX for their review. A General Meeting of all shareholders will be called to approve the Kiwanda Transaction, once regulatory approval has been received on these documents. The Directors currently expect to hold the General Meeting on 30 April 2015.

Directors' Report

Events Subsequent to Reporting Date (continued)

New Loan Facility
On 16 February 2015 the Company entered into a new short term loan agreement with Kiwanda Australia Ltd (the "Financier") to enable the Company to pay its ongoing operating expenses whilst finalising the acquisition of the Kiwanda Assets. The facility replaces the previous loan facility with Kiwanda Australia Ltd entered into in October 2014.

The loan is unsecured and has been provided at an interest rate of 15%. The loan is repayable upon the earlier of (i) the completion of a capital raising by the Company of sufficient funds to enable the Facility to be fully repaid, (ii) 31 October 2015 or (iii) termination or cancellations of the loan agreement by the Financier.

Each drawing under the facility is made at a 30% discount to the face value of the borrowing. The loan is repayable in cash or by the Company issuing new ordinary shares to the Financier at a deemed issue price of $0.25 per share. The choice of repayment method is at the discretion of the Company and each repayment is required to be at 150% of the face value of the initial advance plus accrued interest.

Directors' Report

Auditor's Independence

Section 307C of the *Corporations Act 2001* requires Phillips River's auditors, Deloitte Touche Tohmatsu, to provide the Directors of Phillips River with an Independence Declaration in relation to the review of the financial report for the half-year ended 31 December 2014. This Independence Declaration is included on page 6 of the Directors' Report and forms a part of the Directors' Report.

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

On behalf of the Directors

....
Chris West
Executive Chairman
16 March 2015

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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225 George Street
Sydney NSW 2000
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The Board of Directors
Phillips River Mining Limited
Level 7, 92 Pitt Street
SYDNEY NSW 2000

16 March 2015

Dear Board Members

Phillips River Mining Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Phillips River Mining Limited.

As lead audit partner for the review of the financial statements of Phillips River Mining Limited for the financial half-year ended 31 December 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Review Report to the Members of Phillips River Mining Limited

We have reviewed the accompanying half-year financial report of Phillips River Mining Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2014, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and its entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 19.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* , in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Phillips River Mining Limited's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of Phillips River Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our review, 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 Phillips River Mining Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Phillips River Mining Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

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

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 2.3 in the financial report, which indicates that the consolidated entity incurred a net loss of $500,053 and has negative cash flows from operations of $448,527 during the half-year ended 31 December 2014 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by $545,372 and it has a net asset deficiency of $545,372. These conditions, along with other matters as set forth in Note 2.3, indicate the existence of a material uncertainty that may cast significant doubt about the ability of the consolidated entity 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Jason Thorne
Partner
Chartered Accountants
Sydney, 16 March 2015

Directors' Declaration

The directors declare that:

a) 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

b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001,* including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors

Chris West
Executive Chairman
16 March 2015

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2014

	Note	31 Dec 14 $	31 Dec 13 $
Other income	4	2,252	92,588
Administrative expenses	4	(490,886)	(99,861)
Finance income	4	-	9,719
Finance expenses	4	(11,419)	-
(Loss)/Profit before income tax expense		(500,053)	2,446
Income tax expense		-	-
(Loss)/Profit for the period		(500,053)	2,446
Other comprehensive income, net of income tax		-	-
Total comprehensive (loss)/income for the period		(500,053)	2,446
(Loss)/Profit attributable to:			
Owners of the Company		(500,053)	2,446
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(500,053)	2,446
(Loss)/Profit per share			
Basic (cents per share)		(15.60)	0.08
Diluted (cents per share)		(15.60)	0.08

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Financial Position

As at 31 December 2014

	Note	31 Dec 14 $	30 June 14 $
Assets			
Current assets			
Cash and cash equivalents		27,153	3,137
Trade and other receivables		2,820	5,218
Loans to related parties	8	65,652	-
Prepayments & other assets		-	1,804
Total current assets		95,625	10,159
Total assets		95,625	10,159
Liabilities			
Current liabilities			
Trade and other payables		91,384	55,478
Interest-bearing loans and borrowings	5	549,613	-
Total current liabilities		640,997	55,478
Total liabilities		640,997	55,478
Net assets		(545,372)	(45,319)
Equity			
Issued capital	6	58,593,923	58,593,923
Accumulated losses		(59,139,295)	(58,639,242)
Total equity		(545,372)	(45,319)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2014

	Issued capital $	Options reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2014	58,593,923	-	(58,639,242)	(45,319)
Loss for the period	-	-	(500,053)	(500,053)
Other comprehensive income, net of income tax	-	-	-	-
Total comprehensive loss for the period	-	-	(500,053)	(500,053)
Balance at 31 Dec 2014	58,593,923	-	(59,139,295)	(545,372)
Balance at 1 July 2013	58,593,923	1,206,080	(59,772,038)	27,965
Loss for the period	-	-	2,446	2,446
Other comprehensive income, net of income tax	-	-	-	-
Total comprehensive income for the period	-	-	2,446	2,446
Balance at 31 Dec 2013	58,593,923	1,206,080	(59,769,592)	30,411

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2014

	31 Dec 14 $	31 Dec 13 $
Cash flows from operating activities		
Cash payments to suppliers and employees	(448,527)	(11,493)
Interest received	-	9,719
Net cash used in operating activities	(448,527)	(1,774)
Cash flows from investing activities		
Proceeds on release of security bond	-	427,228
Loans to related parties	(65,652)	-
Net cash (used in)/generated from investing activities	(65,652)	427,228
Cash flows from financing activities		
Proceeds from borrowings	538,195	-
Repayment of borrowings	-	(385,000)
Net cash generated from/(used in) financing activities	538,195	(385,000)
Net increase in cash and cash equivalents	24,016	40,454
Cash and cash equivalents at 1 July	3,137	7,601
Cash and cash equivalents at 31 December	27,153	48,055

The accompanying notes are an integral part of these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

1. Reporting entity

Phillips River Mining Limited (the “Company”) is a company domiciled in Australia. The Company's registered office address is Level 7, 92 Pitt Street, Sydney, NSW. The condensed consolidated financial statements of the Company as at and for the half-year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated financial statements, and have been applied consistently by Group entities.

2.1 Statement of compliance

These half-year financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year financial statements do not include notes of the type normally included in an annual report and should be read in conjunction with the most recent annual financial statements as at 30 June 2014. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The financial statements were authorised for issue by the Directors on 16 March 2015.

2.2 Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in preparation of the half-year financial report are consistent with those adopted and disclosed in the Company’s 2014 annual financial report for the financial year ended 30 June 2014, except for the impact of the accounting standards and interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

2.3 Going concern

The half-year financial report has been prepared on the going concern basis, which assumes that the Group will be able to realise its assets and discharge its liabilities in the normal course of business.

At 31 December 2014, the Group’s current liabilities exceed its current assets by, and the Group has a net asset deficiency of $545,372. During the half-year ended 31 December 2014, the Group incurred a consolidated net loss of $500,053 and has negative cash flows from operations of $448,527. The Group has not generated cash inflows from operations and has relied upon a shareholder loan to fund its operations.

In considering the appropriateness of the going concern assumption, the Directors have considered the facts and circumstances presented below, which include a proposed transaction with Lara Exploration Ltd and Kiwanda Mines (NA) LLC (the “Vendors”) together with an associated equity capital raising (the “Kiwanda Transaction”).

On 15 October 2014, the Company announced it had entered into a Definitive Agreement to purchase from the Vendors, rights and options over early stage coal and phosphate rock production and exploration assets located in Colombia and Chile. As part of the Kiwanda Transaction the Company intends to undertake an equity capital raising to fund the continued development and operations of the acquired assets. The target amount to be raised initially is $5,300,000, with a minimum amount of $1,500,000 which will be raised through the issue of new shares at an expected value of $0.25 per share. The Kiwanda Transaction and equity capital raising is subject to shareholder approval. The Company is in the process of completing its explanatory memorandum document relating to the Kiwanda Transaction and is intending to seek shareholder approval through a general meeting expected to be held on 30 April 2015.

Notes to the Condensed Consolidated Financial Statements

2.3 Going concern (continued)

Should the Kiwanda Transaction be approved on 30 April 2015 and the subsequent target amount of equity capital raising of $5,300,000 be completed, the Group expects to have sufficient funds to carry out development of the newly acquired assets and to continue as a going concern, but is reliant on the following:

i. the generation of sufficient cash inflows from the operations of the assets acquired in the Kiwanda Transaction to contribute to ongoing production and development costs of the acquired assets;
ii. the part payment of the initial payment required under the Escalones option agreement;
iii. the conversion of the amounts payable to Lara Exploration Ltd as detailed in the Definitive Agreement and ASX announcement dated 15 October 2014 to equity capital of the Company;
iv. additional equity raising or debt raising of capital; or
v. a combination of the above.

Should any amounts less than the target amount of $5,300,000 be raised, in addition to the above the Group would be reliant on the deferral of the exercise of one or more of the rights or options over mining or exploration rights acquired as part of the Kiwanda Transaction and/or the reduction of planned exploration spend on the mining and/or exploration rights in the Kiwanda Transaction.

If the minimum amount of $1,500,000 is not raised, the directors of the Company currently intend to wind up the Company and therefore the Group will cease to be a going concern.

A shareholder, Kiwanda Group LLC, through its related entity Kiwanda Australia Limited (the "Financier"), has provided funding to the Company of $549,613 as at 31 December 2014. On 16 February 2015, the Company renewed its facility with the Financier. Since December 2014, further drawdowns totalling $135,000 have taken place. Each drawing under the facility is made at a 30% discount to the face value of the borrowing. The repayment terms are consistent with the existing facility, with the exception of the ability of the Company to repay the outstanding amount in cash or by the Company issuing new ordinary shares to the Financier at a deemed issue price of $0.25 per share. The choice of repayment method is at the discretion of the Company and each repayment is required to be at 150% of the face value of the initial advance plus accrued interest. The facility expires at the earlier of completion of an equity capital raising sufficient to repay the outstanding amounts, 31 October 2015 or termination or cancellation of the funding agreement.

The Financier has provided a letter to the Directors of the Company detailing its commitment to funding the Company until the date of the general meeting.

Committed expenditure prior to the Kiwanda Transaction date is limited, with expenditure being largely administrative costs associated with the Kiwanda Transaction. The Definitive Agreement requires the Vendors to use commercially reasonable efforts to assist Phillips River Mining, including providing financing up to the date of the general meeting.

The ability of the Group to continue as a going concern is primarily dependent on the ongoing financial support of the Financier up until the date of the general meeting, the finalisation of the Kiwanda Transaction and completion of the equity capital raising described above. In addition, the Group will be dependent on one or more of the following:

i. the generation of sufficient cash inflows from the operations of the assets acquired;
ii. the ability to part pay the Escalones initial payment under the option agreement;
iii. the conversion of the promissory notes into equity capital of the Company; or
iv. the ability of the Company to raise additional equity and/or debt finance.

At the date of this report, the directors are of the view that there is a reasonable basis upon which to form the opinion that the Company will complete the Kiwanda Transaction and associated equity capital raising and that the Group will continue as a going concern. However, if the Group is unable to achieve successful outcomes in relation to the matters detailed above, there is material uncertainty about whether the Group will continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business. In particular, if the minimum $1,500,000 equity raising is not successful, the directors of the Company currently intend to wind up the Company and therefore the Group will cease to be a going concern.

Notes to the Condensed Consolidated Financial Statements

2.3 Going concern (continued)

The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

2.4 *Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period.*

A number of new and revised accounting standards and amendments and Interpretations became mandatory for the first time for the half year ended 31 December 2014.

- AASB 1031 *Materiality* (2013)
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
- AASB 2013-3 *Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets.*
- AASB 2013-9 *Amendments to Australian Accounting Standards – Part B Materiality*
- AASB 2014-1 *Amendments to Australian Accounting Standards*
    - Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles
    - Part B: Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)
    - Part C: Materiality
- Interpretation 21 *Levies*

These Standards became applicable to the Group for the first time in the current half-year reporting period 1 July 2014 to 31 December 2014. The Group has adopted all of the new and revised accounting standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current reporting period.

The adoption of all new and revised accounting standards and Interpretations has not resulted in any changes to the Group's accounting policies and has had no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations have not had a material impact and not resulted in changes in the Group's presentation of, or disclosure in, its half-year financial statements.

3. Segment information

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Company does not currently have a trading business. Its results and financial position are therefore reported to the chief operating decision maker on a single segment basis being that of the overall company.

Notes to the Condensed Consolidated Financial Statements

4. Other income and expenses

	31 Dec 2014 $	31 Dec 2013 $
Debt forgiveness from Silver Lake Resources Limited	-	65,000
FBT refund	-	10,332
Other	2,252	17,256
	2,252	92,588

Administrative expenses	31 Dec 2014 $	31 Dec 2013 $
External contractor fees	(57,742)	-
Share registry and listing costs	(36,335)	(45,592)
Directors fees	(150,000)	-
Rates, taxes and rental outgoings	(36,000)	-
Insurance	(9,481)	(605)
Audit fees	(29,620)	(46,380)
Legal and professional fees	(117,903)	(6,684)
Marketing expenses	(37,000)	-
Other administrative expenses	(16,805)	(600)
Total	(490,886)	(99,861)

Net finance income

	31 Dec 2014 $	31 Dec 2013 $
Finance Income		
Interest income	-	9,719
Finance expenses		
Interest on borrowings – Kiwanda Australia Limited	(11,419)	-
Net finance income	(11,419)	9,719

5. Interest-bearing loans and borrowings

	31 Dec 2014 $	30 June 2014 $
Current		
Loan from related party - Kiwanda Australia Ltd	549,613	-
	549,613	-

The loan from Kiwanda Australia Ltd (the "Financer") relates to a short term loan facility to enable the Company to continue to pay its ongoing operating expenses whilst finalising the acquisition of the Kiwanda mining assets. The loan has been provided at an interest rate of 10% and is repayable upon the earlier of (i) the completion of a capital raising by the Company of sufficient funds to enable the Facility to be repaid, (ii) 31 October 2015 or (iii) termination or cancellation of the loan agreement by the Financer.

6. Issued capital

	31 Dec 2014		30 June 2014	
	Number	$	Number	$
Issued and paid up capital	3,205,339	58,593,923	3,205,339	58,593,923

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

There were no outstanding options over the Company's ordinary shares at 31 December 2014.

Notes to the Condensed Consolidated Financial Statements

7. Financial risk management and financial instruments

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2014. The Group's financial instruments consist of those which are measured at amortised cost including trade and other receivables, and trade and other payables. The carrying amounts of these financial assets and liabilities approximate fair value. The Consolidated Entity does not hold any financial instruments which are measured at fair value.

8. Related party transactions

Acquisition of mining assets from Kiwanda Mines (NA) LLC

In May 2014 the Company entered into a Heads of Agreement with Kiwanda Mines (NA) LLC ('Kiwanda Mines') and Lara Exploration Ltd ("Lara") to acquire a number of phosphate and coal mining interests in Chile and Colombia. Kiwanda Mines is an entity that is controlled by the directors of the Company. The acquisition is subject to shareholder approval and the completion of an equity capital raising by the Company.

Loan facility from related party

On 1 October 2014, the company entered into a short term loan facility from Kiwanda Australia Ltd (the "Financer") for up to $1.0 million to enable the Company to continue to pay its ongoing operating expenses whilst finalising the acquisition of the Kiwanda Assets. The facility replaces a previous loan facility provided by Kiwanda Mines (NA) LLC. The loan is unsecured and has been provided at an interest rate of 10%. The loan is repayable upon the earlier of (i) the completion of a capital raising by the Company of sufficient funds to enable the Facility to be repaid, (ii) 31 October 2015 or (iii) termination or cancellation of the loan agreement by the Financer.

The total amount drawn down from the loan facility at 31 December 2014 was $549,613 consisting of $538,194 in principal and $11,419 in accrued interest

Loan to related parties

In October 2014 the company made a $35,000 loan to SPAR Capital Partners Pty Ltd, an entity controlled by two of the Directors. The loan is interest free and unsecured and was fully repaid on 5 March 2015.

The company has made total loans of $30,652 to two entities related to Mark Sumner. The loans are interest free and unsecured and were made to enable the entities to meet their ongoing operating costs whilst the acquisition of the Kiwanda Assets is being finalised. Upon completion of the Kiwanda Transaction, these entities will become fully owned subsidiaries of the Company. The loans are expected to be repaid from cash flows received from the mining assets owned by these entities. In the event the Kiwanda Transaction does not eventuate, it is unlikely these loans will be recoverable.

Other related party transactions

Related parties to the Group from time to time pay expenses on behalf of the Company. The expenses are funded through the loan facility or are reimbursed to the related parties.

The Company leases its principal place of business from a related party, SPAR Capital Partners Pty Ltd ("SPAR"), an entity controlled by two of the Directors. Rental amounts for the period paid to SPAR amounted to $36,000. The rental amounts paid are at market rates.

9. Contingent assets or liabilities

The Directors are of the opinion that there are no contingent assets or liabilities which may have a material effect on the Group's financial position.

Notes to the Condensed Consolidated Financial Statements

10. Events subsequent to reporting date

Acquisition of the Kiwanda Assets

The Company continues to work on finalising the Kiwanda Transaction. At the date of this report a draft Notice of General Meeting and Explanatory Memorandum in relation to the Kiwanda Transaction, has been lodged with the ASX for their review. A General Meeting of all shareholders will be called to approve the Kiwanda Transaction, once regulatory approval has been received on these documents. The Directors currently expect to hold the General Meeting on 30 April 2015.

New Loan Facility

On 16 February 2015 the Company entered into a new short term loan agreement with Kiwanda Australia Ltd (the “Financier”) to enable the Company to pay its ongoing operating expenses whilst finalising the acquisition of the Kiwanda Assets. The facility replaces the previous loan facility with Kiwanda Australia Ltd entered into in October 2014.

The loan is unsecured and has been provided at an interest rate of 15%. The loan is repayable upon the earlier of (i) the completion of a capital raising by the Company of sufficient funds to enable the Facility to be fully repaid, (ii) 31 October 2015 or (iii) termination or cancellations of the loan agreement by the Financier.

Each drawing under the facility is made at a 30% discount to the face value of the borrowing. The loan is repayable in cash or by the Company issuing new ordinary shares to the Financier at a deemed issue price of $0.25 per share. The choice of repayment method is at the discretion of the Company and each repayment is required to be at 150% of the face value of the initial advance plus accrued interest.