

# **Phillips River Mining Limited**

ABN 61 004 287 790

## **Annual Financial Report**

for the financial year ended

30 June 2015

## Corporate Directory

### Directors

Chris West  
Timothy Koster  
Mark Sumner

Executive Chairman  
Executive Director  
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](mailto:chris.west@sparcapital.com.au)

### Registered Office

Level 7, 92 Pitt Street  
Sydney, NSW, 2000

### Solicitors

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

### Share Register

Advanced Share Registry Services Ltd  
110 Stirling Highway  
Nedlands WA 6009

### Auditors

Deloitte Touche Tohmatsu  
Level 1, 225 George Street  
Sydney,  
NSW, 2000

### Internet Address

[www.phillipsriver.com.au](http://www.phillipsriver.com.au)

**ASX Code:** PRH

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## Message from the Chairman

We are pleased to provide the 2015 Annual Report of your company, Phillips River Mining Limited ('Phillips River'). The year has been one of preparation for future events. Shareholders approved the acquisition of new assets in May 2015. Since then the company has been focused on achieving the various conditions attached to those approvals.

We are planning to have an Entitlements Issue to shareholders by the end of 2015, as a preamble to relisting the company shares.



Chris West  
Executive Chairman  
18 September 2015

## 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 financial year ended 30 June 2015 ("the Group" or "the Consolidated Entity").

### Directors

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

#### Chris West

Executive Chairman and Company Secretary  
Appointed 26 March 2014

Mr West has over 30 years of experience in corporate finance and resource funds management. Currently, he is the head of SPAR Capital, a boutique specialist fund manager with over \$600 million in assets under management. Between 1991 and 2007, he was the Global Head of Corporate Finance and Funds Management at Allco Finance Group, where he led a corporate finance and funds management team in over \$30 billion of public and private financings and had over \$15 billion in assets under management. Prior to Allco, he was the head of project finance and resources management at State Bank of New South Wales, where he led a team of 6 geologists and engineers managing a \$1.5 billion portfolio of resource assets across coal, iron ore, oil & gas, bauxite and copper.

Mr West holds a Bachelor of Commerce from the University of New South Wales and a Master of Business Administration from the University of Sydney, where he studied the coal industry of Australia.

Mr West has held no other Directorships in public listed companies in the last three years.

#### Mark Sumner

Managing Director  
Appointed 26 March 2014

Mr Sumner is the founder of Kiwanda Group LLC ("Kiwanda Group"). Prior to founding the Kiwanda Group in 2008, he was an investment specialist at Madison Avenue Financial Group, a private wealth boutique with approximately \$220 million in assets under management. Since 2008, Mr Sumner has been the Managing Director of the Kiwanda Group. As Managing Director of the Kiwanda Group, he has arranged private and public equity investments into oil, natural gas, gold, zinc/lead, iron ore and gold projects in Asia, South America and Sub-Saharan Africa.

Mr Sumner has held no other Directorships in public listed companies in the last three years.

#### Timothy Koster

Executive Director  
Appointed 26 March 2014

Mr Koster is an investment banking and business development professional with over 30 years of experience. He has a strong track record of establishing, financing and developing investment and operational businesses. Mr Koster established Azure Water and Energy Infrastructure Fund focused on Middle East water and energy utility assets. He also established Convergence Capital, a structured finance and business development investment bank, based in Australia and the Dubai International Finance Centre. He has funded several acquisitions and divestments of mining assets in Australia and China.

Mr Koster has held no other Directorships in public listed companies in the last three years.

## Directors' Report

### Company Secretary

Chris West

Appointed 26 March 2014

### Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company whilst they were a Director during the financial year are:

Board of Directors	Number of meetings held	Number of meetings attended
Chris West	1	1
Mark Sumner	1	1
Timothy Koster	1	1

### Directors' Interests

The relevant interest of each Director in the share capital as notified by the Directors to the Australian Securities Exchange in accordance with s205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

Name of Director	Fully Paid Ordinary Shares	Unlisted Options
Chris West <sup>^</sup>	159,450	-
Mark Sumner <sup>^</sup>	318,901	-
Timothy Koster <sup>^</sup>	159,450	-

<sup>^</sup> The shares in the Company are held by Kiwanda Group LLC, an entity jointly controlled by the directors.

### Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report section of this director's report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

### Share options granted to directors and senior management

There were no options over ordinary shares in Phillips River Mining Limited held directly, indirectly or beneficially by any key management personnel, including their related parties during the year ended 30 June 2015.

### Principal Activities

During the year, the Company's main activity has been the completion of the heads of agreement to acquire a number of phosphate and coal mining assets in Chile and Colombia.

### Corporate Structure

Phillips River is a company limited by shares and is domiciled and incorporated in Australia.

### 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'). A General Meeting of all shareholders was held in May 2015 and shareholder approval for the transaction was obtained. The acquisition is still subject to the completion of an equity capital raising by the Company (subject to compliance with the Corporations Act 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.

## Directors' Report

The completion date for the transaction has been extended to 30 November 2015. Upon completion the Company will be transformed into a South American mining house that produces and sells coal and phosphate rock.

### Financial Result

The loss of the Group for the financial year, after providing for income tax amounted to \$522,362 (2014: \$73,284).

At the end of the financial year the Group had \$106,809 in cash (2014: \$3,137).

### Significant Changes in State of Affairs

Other than noted in the Review of Operations, Events Subsequent to Reporting Date and Going Concern notes (refer note 3.3 of the Financial Statements) there are no other significant changes in the state of affairs of the consolidated entity during the financial year.

### Events Subsequent to Reporting Date

#### *Dilution of investment in Kiwanda Copper*

The Company's shareholding in Kiwanda Copper was reduced to 34% in August 2015, following a further equity raising by Kiwanda Copper.

There were no other material subsequent events between the reporting date and the date of signing this report.

### Environmental Regulations and Performance

The Company currently has no operations. Accordingly it is not subject to any environmental regulators or authorities.

### Share Options

During the financial year, no unlisted options to acquire ordinary shares were issued to directors or contractors of the Company. There are no unexpired share options over the ordinary shares of the Company at 30 June 2015.

### Employees

The consolidated entity had no employees as at 30 June 2015 (2014: Nil). Phillips River engages contractors and consultants.

### Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify the current Directors and Officers against any liability (other than the Company or related body corporate) that may arise from their position as Directors and Officers of the Company except where the liability arises out of conduct involving a lack of good faith. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Phillips River has not provided any insurance or indemnity to the auditor of the Company.

## Directors' Report

### Dividends

No dividends were paid or declared by the Company during or since the year ended 30 June 2015 (2014:\$nil).

### Proceedings on Behalf of the Company

At the date of this report there are no leave applications or proceedings brought on behalf of the Group under section 237 of the *Corporations Act 2001*.

### Corporate Governance

In recognising the need for high standards of corporate behaviour and accountability, the Directors of Phillips River support and have adhered to the principles of good corporate governance. The Company's corporate governance statement is contained on pages 12 to 17 of this annual 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 audit of the financial report for the year ended 30 June 2015. This Independence Declaration is included on page 18 of this annual report.

### Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 25 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the 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 25 to the financial statements do not compromise the external auditor's independence, 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 & 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.

### REMUNERATION REPORT – AUDITED

This remuneration report which forms part of the directors' report, sets out information about the remuneration of Phillips River Mining Limited's key management personnel for the financial year ended 30 June 2015. The term "key management personnel" refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity.

### Key management personnel

The following were key management personnel of the Group at any time during the reporting period:



## Directors' Report

### Executive Directors

Mr C West	Executive Chairman and Company Secretary
Mr M Sumner	Managing Director
Mr T Koster	Executive Director

### Principles of Compensation

The Company does not currently employ any staff but pays a fixed fee to each of the current Directors.

### Fixed Compensation

The Company does not currently employ any staff but pays Directors fees of \$80,000 per annum to each of the current Directors.

### Short-Term Incentives

The Company does not currently employ any staff and does not provide any short term incentive payments to the current Directors.

### Long-Term Incentives

The Company does not currently employ any staff and does not provide any long-term incentives to the current Directors.

### Special Benefits

The Company does not currently employ any staff and provides no special benefits to the current Directors.

### Service Contracts

The Company does not currently employ any staff.

### Employment Agreements

There are currently no employment agreements in place and the Directors are not entitled to any termination benefits.

### Non-Executive Directors

The Company did not have any Non-Executive Directors throughout the year ended 30 June 2015. No compensation payments were made to the Non-Executive Directors for the year ending 30 June 2014.

### Directors and Executive Officers' Remuneration

#### Year ended 30 June 2015

Details of the nature and amount of each element of remuneration of each Director of the Company for the year ended 30 June 2015 are as follows:

		Directors fees \$	Total \$	S300A(1)(e)(i)(vi) Proportion of remuneration performance related %
<b>Executive Directors</b>				
Mr C West	2015	80,000	80,000	-
Mr M Sumner	2015	80,000	80,000	-
Mr T Koster	2015	80,000	80,000	-
<b>Total Compensation:</b>	<b>2015</b>	<b>240,000</b>	<b>240,000</b>	<b>-</b>

## Directors' Report

### Year ended 30 June 2014

None of the directors or executive officers of the Group received any remuneration for the year ended 30 June 2014.

### Key management personnel equity holdings

Details of the movements in the holdings of key management personnel in the fully paid ordinary shares of the Company are:

	Balance at 1 July No	Shares acquired No	Balance at 30 June No
<b>2015:</b>			
Chris West <sup>^</sup>	159,450	-	159,450
Mark Sumner <sup>^</sup>	318,901	-	318,901
Timothy Koster <sup>^</sup>	159,450	-	159,450
<b>Total</b>	<b>637,801</b>	<b>-</b>	<b>637,801</b>
<b>2014:</b>			
Paul Chapman	-	-	-
Les Davis	-	-	-
Chris Banasik	-	-	-
David Griffiths	-	-	-
Peter Johnston	-	-	-
Brian Kennedy	-	-	-
Chris West <sup>^</sup>	-	159,450	159,450
Mark Sumner <sup>^</sup>	-	318,901	318,901
Timothy Koster <sup>^</sup>	-	159,450	159,450
<b>Total</b>	<b>-</b>	<b>637,801</b>	<b>637,801</b>

<sup>^</sup> The shares in the Company were acquired by Kiwanda Group LLC, an entity jointly controlled by the Directors and do not form part of any remuneration of the Directors.

### Options and rights over equity instruments granted as compensation

There were no options over ordinary shares in Phillips River Mining Limited held directly, indirectly or beneficially by any key management person, including their related parties at 30 June 2015.

### Other transactions with key management personnel of the Group

#### Acquisition of mining assets from Kiwanda Mines (NA) LLC

The Company has 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 the completion of an equity capital raising by the Company.

#### Acquisition of shareholding in Kiwanda Copper LLC.

The company has entered into an agreement to purchase 50% of the shares in a newly incorporated entity Kiwanda Copper LLC ('Kiwanda Copper') for USD 42,400. Kiwanda Copper is controlled by one of the Directors and is expected to acquire early stage mining exploration assets in Peru in the foreseeable future.

#### Loan Facility from related party

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

## Directors' Report

Kiwanda Assets. The facility replaces the 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) 28 February 2016 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.

### Loans to related parties

The company has made total loans of \$173,743 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.

Given the inherent uncertainty regarding the ability of the Company to raise sufficient equity capital to complete the Kiwanda Transaction, the Directors have adopted a prudent approach and have therefore taken the decision to treat the loans as fully impaired at 30 June 2015.

### Rent

The Company paid rent of \$60,000 (2014: Nil) to Spar Capital Partners in accordance with a rental agreement for the use of the Company's head office facilities. Spar Capital Partners is an entity controlled by two of the Directors. The arrangement is on a monthly basis and can be immediately terminated by the Company at any time.

### Placement fees

The Company paid placement fees of \$37,634 to Spar Capital Partners for the raising of funds which were lent to the Company as a shareholder loan by Kiwanda Australia Ltd - refer to note 17. Spar Capital Partners is an entity controlled by two of the Directors.

Apart from the details disclosed, no Director has entered into a material contract with the Company or the Group since the end of the financial year and there were no other material contracts involving Directors' interests existing at year end.

This Directors' Report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the Directors



Chris West  
Executive Chairman  
18 September 2015

## Corporate Governance Statement

Phillips River Mining Limited (**Company**) has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (2<sup>nd</sup> edition) with 2010 Amendments (Principles & Recommendations)*, the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. It should be noted that the Company is a small company with a strong commitment to containing costs. This commitment, when related to the relatively small size of the Company, makes it difficult to fully attain all of the recommended principles; indeed, many of the principles have limited relevance to the operation of a smaller entity.

Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and an explanation for the adoption of its own practice.

The Phillips River Board largely supports and is largely, though not totally in compliance with the ASX Recommendations published by the ASX Corporate Governance Council ("**ASXCGC**").

The following governance-related documents are maintained by the Company and can be reviewed on request:

### Charters

- Board Charter

### Policies and Procedures

- Policy and Procedure for Selection and Appointment of Directors
- Process for Performance Evaluation
- Code of Conduct
- Compliance Procedures for ASX Listing Rule Disclosure Requirements (summary)
- Procedure for the Selection, Appointment and Rotation of External Auditor
- Shareholder Communication Strategy
- Risk Management Policy (summary)
- Policy for Trading in Company Securities

The Company reports below on how it has followed, (or otherwise departed from), each of the recommendations during the 2014/2015 financial year (**Reporting Period**). The information in this statement is current at 18 September 2015.

## PRINCIPLE 1 — LAY SOLID FOUNDATION FOR MANAGEMENT AND OVERSIGHTS

### ***Recommendation 1.1 — Roles and responsibilities of the Board and Senior Executives***

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

## Corporate Governance Statement

Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chair or the lead independent director, as appropriate.

### ***Recommendation 1.2 — Performance evaluation for senior executives***

The Company does not currently employ any staff.

### ***Recommendation 1.3 — Role of the Board***

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall corporate governance of the Group including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for Directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

It is also responsible for approving and monitoring financial and other reporting. Details of the Board's charter can be reviewed on request.

### ***Recommendation 1.3 — Board processes***

The full Board currently holds discussions including strategy discussions, together with board meetings and extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in conjunction with the Chairperson, Managing Director and Company Secretary. Any submissions are circulated in advance.

## **PRINCIPLE 2 — STRUCTURE THE BOARD TO ADD VALUE**

### ***Recommendation 2.1 — A majority of the board should be independent directors***

The Company currently does not have any independent directors. Due to the very small size of the Company and the fact that it currently does not run an operating business, the Directors do not see any advantage to shareholders in appointing independent directors or re-structuring the board at this time. However it is the intention of the directors to review the composition of the Board upon the acquisition of the Kiwanda Assets to ensure that it remains appropriate and meets good corporate governance practices.

The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the *Principles & Recommendations* and the Company's materiality thresholds.

The Board has agreed on the following guidelines, as set out in the Company's Board Charter for assessing the materiality of matters:

- Balance sheet items are material if they have a value of more than 5% of pro-forma net assets.
- Profit and loss items are material if they will have an impact on the current year operating result of 5% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 5% or

## Corporate Governance Statement

more on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 5%.

- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

### ***Recommendation 2.2 — The chair should be an independent director***

The Chairman, Christopher West, is considered not to be independent within the meaning of Item 1 in Box 2.1 of the *Principles & Recommendations*. This is because of Mr West's shareholding interests in Kiwanda Group LLC, which is a substantial shareholder of the Company (holding an interest of 19.9%).

The Board considers Mr West the best person to lead the Board at this time, drawing on his 30 years of experience and skills in the resource funds management and corporate finance industries.

### ***Recommendation 2.3 — Chairman and Managing Director***

The roles of the Chairman and Managing Director are separate. Christopher West has been appointed Chairman of the Company. Mark Sumner has been appointed Managing Director.

### ***Recommendation 2.4 — The board should establish a nomination committee***

The Company is not currently considered to be of a size, nor are its affairs of such complexity to justify the establishment of separate committees (i.e. Audit or Remuneration or Nomination or Risk Management Committee). Accordingly, all matters which may be capable of delegation to a committee are dealt with by the full Board.

### ***Recommendation 2.5 — The board should disclose the process for evaluating the performance of the board, its committees and individual directors***

The Board has not established a formal evaluation process as it considers, having regard to the size of the Company and the Board, it would not improve the present operation of the Board and the Directors. The Board continues to monitor the need to formalise this process and will act accordingly when it deems the time appropriate.

### ***Recommendation: 2.6 — Skills, experience, expertise and period of office of each Director***

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report.

The Board considers that the mix of skills and diversity for which it is looking to achieve in membership of the Board is represented by the Board's current composition, as the directors possess the skills and expertise necessary to look at taking on new Company projects, improving the Company's projects and growing the Company.

### ***Recommendation: 2.6 — Independent professional advice and access to Company information***

Each Director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The Director must consult with an advisor suitably qualified in the relevant field, and obtain the Chairperson's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other members of the Board.



## Corporate Governance Statement

### ***Recommendation: 2.6 — Selection and Reappointment of Directors***

Directors are selected by reference to their background and experience which is relevant to the business needs of the Company. New directors are invited to join the Board by the chairperson, who makes the invitation based on recommendations made by the Nomination Committee and approved by the Board.

It is the Board's policy to determine the terms and conditions relating to the appointment and retirement of Non-Executive Directors on a case by case basis and in conformity with the requirements of the Listing Rules and the Corporations Act.

### **PRINCIPLE 3 — PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING**

#### ***Recommendation: 3.1 — Code of Conduct***

The Company's directors, officers, employees and key contractors / consultants are required to conduct themselves with the highest ethical standards. The Company's Code of Conduct Policy can be viewed upon request to the Company and covers the following items:

- Aligning the behaviour of the Board and management with the code of conduct by maintaining appropriate core Company values and objectives
- Fulfilling responsibilities to shareholders by delivering shareholder value
- Usefulness of financial information by maintaining appropriate accounting policies, practices and disclosure
- Fulfilling responsibilities to clients, customers and consumers by maintaining high standards of product quality, service standards, commitments to fair value, and safety of goods produced
- Employment practices such as occupational health and safety, employment opportunity, the community activities, sponsorships and donations
- Responsibilities to the individual, such as privacy, use of privileged or confidential information, and conflict resolution
- Compliance with legislation including policies on legal compliance in countries where the legal systems and protocols are significantly lower than Australia's
- Conflicts of interest
- Corporate opportunities such as preventing Directors and key executives from taking advantage of property, information or position for personal gain
- Confidentiality of corporate information
- Fair dealing
- Protection and proper use of the Company's assets
- Compliance with laws
- Reporting of unethical behaviour.

#### ***Recommendation: 3.2, 3.3 and 3.4 — Diversity***

The Company does not currently have a Diversity Policy.

The Board has not set measurable objectives for achieving gender diversity. Given its small size and the fact that the Company does not currently have any employees, the Company does not have and does not intend to adopt a specific diversity policy or quota in this area. It is the Company's intention however to provide equal opportunity in

## Corporate Governance Statement

respect to employment and ensure appropriate selection criteria based on diverse skills, experience and perspectives is used when hiring new staff.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board are set out in the following table:

	Proportion of women
Whole organisation	0 out of 3 (0%)
Board	0 out of 3 (0%)

### PRINCIPLE 4 — SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

#### ***Recommendation: 4.1, 4.2 and 4.3. - — Audit Committee***

The Company is not currently considered to be of a size, nor are its affairs of such complexity to justify the establishment of an Audit Committee.

For the 2015 financial year, the Managing Director and Chief Financial Officer have provided a statement to the Board in writing that in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity, together with the efficient and effective operation of the risk management and internal compliance and control systems.

The Company's auditor Deloitte attends the Company's Annual General Meeting and is available to answer questions from shareholders relevant to the audit from shareholders.

### PRINCIPLE 5 — MAKE TIMELY AND BALANCED DISCLOSURE

#### ***Recommendation: 5.1 and 5.2 — Continuous Disclosure***

The Company has established policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance. All Directors and the Company Secretary are responsible to ensure that disclosure policy is adhered to. The Managing Director works with the Chairman in dealing with media contact and any external communications.

Current and archived news items announced by the Company are available free of charge at [www.asx.com.au](http://www.asx.com.au).

### PRINCIPLE 6 —RESPECT THE RIGHTS OF SECURITY HOLDERS.

The Board aims to ensure that shareholders are kept fully informed at all times and have access to all information necessary to assess the performance and prospects of the Company.

#### ***Recommendation: 6.1 and 6.2 — Shareholder Communication***

The Board is committed to ensuring that shareholders are at all times provided with information sufficient to enable effective monitoring of the Company's performance by means of:

- The Annual Report and Half Yearly Report.
- Periodic reports and special reports when matters of material interest arise.
- The Annual General Meeting and other meetings called to obtain approval of any Board action as required.
- Continuous disclosure.



## Corporate Governance Statement

### PRINCIPLE 7 — RECOGNISE AND MANAGE RISK

#### ***Recommendation: 7.1, 7.2, 7.3 and 7.4 — Risk Management***

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks with the assistance of senior management. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board adopts practices designed to identify significant areas of business risks and to effectively manage those risks in accordance with the Company's risk profile. Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risks.

The Company's main areas of risks, and its approach to managing these risks, are set out as follows.

#### *Mining, exploration and development*

The Company's current major area of focus is to complete the acquisition of a number of phosphate and coal mining assets from Kiwanda Mines and Lara together with an equity capital raising by the Company. If these transactions do not occur, then it is likely that the Company will be wound up.

### PRINCIPLE 8 — REMUNERATE FAIRLY AND RESPONSIBLY

#### ***Recommendations 8.1, 8.2 and 8.3. —Remuneration***

The Company does not have any employees and so there are no remuneration policies currently in place. Upon the successful completion of the proposed acquisitions from Kiwanda Mines and Lara the Company will become a producing mining company and have numerous employees. It is the Directors' intention that suitable remuneration practices will be implemented at that time.

The Board of Directors  
Phillips River Mining Limited  
Level 4, 275 George Street  
SYDNEY NSW 2000

18 September 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 audit of the financial statements of Phillips River Mining Limited for the financial year ended 30 June 2015, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Jason Thorne  
Partner  
Chartered Accountants

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

### **Report on the Financial Report**

We have audited the accompanying financial report of Phillips River Mining Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 21 to 52.

#### *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 3.1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated 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 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.

## *Auditor's Independence Declaration*

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 Phillips River 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 Phillips River 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 2015 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 consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 3.1.

## *Material Uncertainty Regarding Continuation as a Going Concern*

Without modifying our opinion, we draw attention to Note 3.3 in the financial report, which indicates that the consolidated entity incurred a net loss of \$522,362, and had negative cash flows from operations of \$774,301 during year ended 30 June 2015 and, as of that date, the consolidated entity's current assets exceeded its current liabilities by \$41,992. These conditions, along with other matters as set forth in Note 3.3, indicate the existence of a material uncertainty that may cast significant doubt about the ability of the company and the consolidated entity to continue as going concerns and therefore, the company and the consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 8 to 11 of the directors' report for the year ended 30 June 2015. 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 Phillips River Mining Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



Jason Thorne  
Partner  
Chartered Accountants  
Sydney, 18 September 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;
- b) in the directors opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3.1 to the financial statements;
- c) 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; and
- d) the directors have been given the declarations required by s295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of Directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors



**Chris West**  
Executive Chairman  
18 September 2015

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015

	Note	30 June 2015 \$	30 June 2014 \$
Other income	6	-	75,634
Administrative expenses	6	(757,293)	(158,638)
Finance income		-	9,720
Finance expenses	6	(19,783)	-
Gain on extinguishment of financial liability	17	478,070	-
Share of loss of joint venture		(49,613)	-
Impairment of related party loans		(173,743)	-
<b>Loss before income tax expense</b>		<b>(522,362)</b>	<b>(73,284)</b>
Income tax (expense)/benefit	7	-	-
<b>Loss for the year</b>		<b>(522,362)</b>	<b>(73,284)</b>
Other comprehensive income, net of income tax		-	-
<b>Total comprehensive loss for the year</b>		<b>(522,362)</b>	<b>(73,284)</b>
<b>Loss attributable to:</b>			
Owners of the Company		(522,362)	(73,284)
<b>Total comprehensive loss attributable to:</b>			
Owners of the Company		(522,362)	(73,284)
<b>Loss per share</b>			
Basic (cents per share)	8	(16.2966)	(2.2863)
Diluted (cents per share)	8	(16.2966)	(2.2863)

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

## Consolidated Statement of Financial Position

At 30 June 2015

	Note	30 June 2015 \$	30 June 2014 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	20	106,809	3,137
Trade and other receivables	9	4,934	5,218
Prepayments & other assets	10	15,071	1,804
<b>Total current assets</b>		<b>126,814</b>	<b>10,159</b>
<b>Non-current assets</b>			
Investment in joint venture	12	7,438	-
<b>Total non-current assets</b>		<b>7,438</b>	<b>-</b>
<b>Total assets</b>		<b>134,252</b>	<b>10,159</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	14	84,822	55,478
<b>Total current liabilities</b>		<b>84,822</b>	<b>55,478</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	13	-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>-</b>
<b>Total liabilities</b>		<b>84,822</b>	<b>55,478</b>
<b>Net assets</b>		<b>49,430</b>	<b>(45,319)</b>
<b>Equity</b>			
Issued capital	16	58,593,923	58,593,923
Reserves	17	617,111	-
Accumulated losses		(59,161,604)	(58,639,242)
<b>Total equity</b>		<b>49,430</b>	<b>(45,319)</b>

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

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

	Issued capital \$	Shareholder loan \$	Options reserve \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2014</b>	58,593,923	-	-	(58,639,242)	(45,319)
Loss for the year	-	-	-	(522,362)	(522,362)
Other comprehensive loss for the year, net of income tax	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	-	(522,362)	(522,362)
Recognition of shareholder loan		654,745	-	-	654,745
Shareholder loan placement fees		(37,634)	-	-	(37,634)
<b>Balance at 30 June 2015</b>	<b>58,593,923</b>	<b>617,111</b>	<b>-</b>	<b>(59,161,604)</b>	<b>49,430</b>
<b>Balance at 1 July 2013</b>	58,593,923	-	1,206,080	(59,772,038)	27,965
Loss for the year	-	-	-	(73,284)	(73,284)
Other comprehensive loss for the year, net of income tax	-	-	-	-	-
<b>Total comprehensive loss for the year</b>	-	-	-	(73,284)	(73,284)
Transfer to accumulated losses	-	-	(1,206,080)	1,206,080	-
<b>Balance at 30 June 2014</b>	<b>58,593,923</b>	<b>-</b>	<b>-</b>	<b>(58,639,242)</b>	<b>(45,319)</b>

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



## Consolidated Statement of Cash Flows

For the year ended 30 June 2015

	Note	30 June 2015 \$	30 June 2014 \$
<b>Cash flows from operating activities</b>			
Cash receipts from customers		-	-
Cash payments to suppliers and employees		(754,518)	(56,412)
Cash used in operations		(754,518)	(56,412)
Interest received		-	9,720
Interest paid		(19,783)	-
Income tax paid		-	-
<b>Net cash used in operating activities</b>	20.1	(774,301)	(46,692)
<b>Cash flows from investing activities</b>			
Repayment of security bond		-	427,228
Loans to related parties		(173,743)	-
Investment in associated companies		(43,466)	-
<b>Net cash generated (used in)/from investing activities</b>		(217,209)	427,228
<b>Cash flows from financing activities</b>			
Proceeds from shareholder loan		1,132,816	-
Shareholder loan placement fees		(37,634)	-
Repayment of borrowings		-	(385,000)
<b>Net cash generated from/(used in) financing activities</b>		1,095,182	(385,000)
Net decrease in cash and cash equivalents		103,672	(4,464)
Cash and cash equivalents at 1 July		3,137	7,601
<b>Cash and cash equivalents at 30 June</b>	20	106,809	3,137

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

## Notes to the Consolidated Financial Statements

### 1. General information

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, 2000. The consolidated financial statements of the Company as at and for the year ended 30 June 2015 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group' or 'consolidated entity'). The Group is a resources company based in New South Wales however the Company has no mining assets at 30 June 2015. During the year, the Company's main activity has been the searching for a new project and the finalisation of the Kiwanda Transaction.

### 2. Application of new and revised Accounting Standards

#### 2.1 Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to AASBs and a new Interpretation issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2014, and therefore relevant for the current year end.

AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	<p>The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.</p> <p>The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.</p>
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	<p>The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 'Fair Value Measurements'.</p> <p>The application of these amendments does not have any material impact on the disclosures in the Group's consolidated financial statements.</p>
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	<p>The amendments to AASB 139 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.</p> <p>As the Group does not have any derivatives that are subject to novation, the application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.</p>
AASB 2013-5 'Amendments to Australian Accounting Standards –'	<p>The amendments to AASB 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. To qualify as an investment</p>

## Notes to the Consolidated Financial Statements

### Investment Entities'

entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to AASB 12 and AASB 127 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in AASB 10 as at 1 July 2014), the application of the amendments does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

### AASB 2014-1 'Amendments to Australian Accounting Standards' (Part A: Annual Improvements 2010–2012 and 2011– 2013 Cycles)

The Annual Improvements 2010-2012 has made a number of amendments to various AASBs, which are summarised below:

- The amendments to AASB 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to AASB 2 are effective for share based payment transactions for which the grant date is on or after 1 July 2014.
- The amendments to AASB 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of AASB 9 or AASB 139 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to AASB 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.
- The amendments to AASB 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
- The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.
- The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated

## Notes to the Consolidated Financial Statements

depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

- The amendments to AASB 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Annual Improvements 2011-2013 has made a number of amendments to various AASBs, which are summarised below.

- The amendments to AASB 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.
- The amendments to AASB 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, AASB 139 or AASB 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within AASB 132.
- The amendments to AASB 140 clarify that AASB 140 and AASB 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:
  - the property meets the definition of investment property in terms of AASB 140; and
  - the transaction meets the definition of a business combination under AASB 3.

The application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

AASB 2014-1  
'Amendments to  
Australian Accounting  
Standards' (Part B:  
Defined Benefit Plans:  
Employee  
Contributions  
Amendments to AASB  
119)

The amendments to AASB 119 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is

## Notes to the Consolidated Financial Statements

required to attribute them to the employees' periods of service.

The application of these amendments to AASB 119 does not have any material impact on the disclosures or on the amount recognised in the Group's consolidated financial statements.

### Interpretation 21 'Levies'

Interpretation 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

Interpretation 21 has been applied retrospectively. The application of this Interpretation does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

### AASB 1031 'Materiality', AASB 2013-9 'Amendments to Australian Accounting Standards' – Conceptual Framework, Materiality and Financial Instruments' (Part B: Materiality), AASB 2014-1 'Amendments to Australian Accounting Standards' (Part C: Materiality)

The revised AASB 1031 is an interim standard that cross-references to other Standards and the 'Framework for the Preparation and Presentation of Financial Statements' (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations. Once all of these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031, AASB 2013-9 (Part B) and AASB 2014-1 (Part C) does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

## 2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017	30 June 2018
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations'	1 January 2016	30 June 2017

## Notes to the Consolidated Financial Statements

AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016	30 June 2017
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016

At the date of publication, there have been no IASB Standards or IFRIC Interpretations that are issued but not yet effective. The impact of these recently issued or amended standards and interpretations have not been determined as yet by the Company.

### 3. Significant accounting policies

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

#### 3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 18 September 2015.

## Notes to the Consolidated Financial Statements

### 3.2 Basis of preparation

The 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. Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

### 3.3 Going concern

The financial report has been prepared on the going concern basis, which assumes the realisation of assets and the discharge of liabilities in the normal course of business.

At 30 June 2015, the Group's current assets exceed its current liabilities by \$41,992 and the Group has net assets of \$49,430. During the year ended 30 June 2015, the Group incurred a consolidated net loss of \$522,362 and has negative cash flows from operations of \$774,301. 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 14 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 through the issue of new shares at an expected value of \$0.25 per share. The Company has completed its explanatory memorandum document relating to the Kiwanda Transaction and obtained shareholder approval for the transaction at a meeting held in May 2015. The Kiwanda Transaction completion is contingent on the Company achieving the minimum equity capital raising of \$1,500,000, which the Company anticipates finalising by 30 November 2015.

Should the \$5,300,000 equity capital raising be successfully completed the Company and the Group expects to have sufficient funds to carry out development of the newly acquired assets and to continue as going concerns. The ability of the Company and the Group to continue as going concerns in this scenario is reliant on the following:

- i. the sufficient generation of 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 pursuant to the Escalones option agreement;
- iii. the conversion of the promissory notes detailed in the Definitive Agreement and explanatory memorandum 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 Company and the Group will cease to be going concerns.

## Notes to the Consolidated Financial Statements

A shareholder, Kiwanda Group LLC, through its related entity Kiwanda Australia Limited (the “Financier”), has provided funding of \$1,132,815 as at 30 June 2015. Further drawdowns totalling \$706,000 have taken place since 30 June 2015. Each drawing in accordance with the facility agreement is made at a 30% discount to the face value of the borrowing. The Company is able to repay the facility in either cash or by 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 a successful equity capital raising, 28 February 2016 or termination or cancellation of the funding agreement.

Committed expenditure prior to the Kiwanda Transaction date is limited, with expenditure being largely administrative costs associated with the Kiwanda Transaction.

The ability of the Company and the Group to continue as going concerns is primarily dependent on the ongoing financial support of the Financier, the ability of the Company and the Group to manage its cash flows in line with available cash resources during the period, the finalisation of the Kiwanda Transaction and completion of the equity capital raising described above by 30 November 2015.

If the matters set out above are not successfully achieved, the directors of the Company currently intend to wind up the Company and therefore the Company and the Group will cease to be going concerns. 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 Company and the Group will continue as a going concerns. However, if the Kiwanda Transaction does not complete there is material uncertainty about whether the Company and the Group will continue as going concerns and, therefore, whether they will realise their assets and discharge their liabilities in the normal course of business.

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 Company and the Group not continue as going concerns.

### **3.4 Foreign Currencies**

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

### **3.5 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:



## Notes to the Consolidated Financial Statements

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses and cash flows are eliminated in full on consolidation.

### **3.6 Investments in joint ventures**

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing joint control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any

## Notes to the Consolidated Financial Statements

reversal of that impairment loss is recognised in accordance with AASB136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with AASB139. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

### **3.7 Receivables**

Trade and other receivables are stated at amortised cost. Receivables are usually settled within no more than 30 days.

Receivables are reviewed on an ongoing basis. An impairment loss is recognised for debts which are known to be uncollectible. An impairment provision is raised for any doubtful accounts (see accounting policy 3.10).

### **3.8 Cash and cash equivalents**

Cash and cash equivalents comprise cash and bank balances.

### **3.9 Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

## Notes to the Consolidated Financial Statements

### **3.10 Impairment**

#### **(i) Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of comprehensive income.

#### **(ii) Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than exploration and evaluation, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash generating unit').

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### **3.11 Interest-bearing borrowings**

The financial assets and financial liabilities included in non-current assets and non-current liabilities approximate fair values. Fair value is calculated based on discounted expected future principal and interest cash flows.

### **3.12 Employee benefits**

#### **(i) Short-term benefits**

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within twelve months of the reporting date represent present obligations resulting from employee's services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

## Notes to the Consolidated Financial Statements

### (ii) Long-term benefits

Liabilities for employee benefits for long service leave that are not expected to be settled within twelve months of the reporting date represent present obligations resulting from employee's services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date.

### (iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

### 3.13 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### 3.14 Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services provided to the Group prior to the end of the reporting period and are stated at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

### 3.15 Revenue

#### (i) Goods sold

Revenue from the sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Revenues are recognised at fair value of the consideration received net of the amount of GST. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenue.

#### (ii) Interest

Interest income is recognised as it accrues using the effective interest method.

### 3.16 Finance income and expenses

Finance income comprises interest income on funds invested, dividend income, and foreign currency gains that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses and impairment losses recognised on financial assets that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

## Notes to the Consolidated Financial Statements

### 3.17 Taxes

#### (i) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities that affects both accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (ii) Tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Phillips River Mining Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised by the Company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

#### (iii) Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax

## Notes to the Consolidated Financial Statements

liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/ (payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

### **3.18 Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

### **3.19 Segment reporting**

A segment is a distinguishable component of the Group that is 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 Group's primary format for segment reporting is based on the type/nature of products and services provided.

### **3.20 Financial instruments**

#### **(i) Non-derivative financial instruments**

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

#### **Financial assets at fair value through profit or loss**

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

## Notes to the Consolidated Financial Statements

### Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

#### (ii) Derivative financial instruments

The Group does not use derivative financial instruments to hedge its foreign currency and interest rate risk exposures and is exposed to changes in foreign exchange rates and commodity prices from its activities. As at the end of the financial year the Group does not use gold derivatives or hedging and it does not hold or deal in financial instruments for speculative purposes.

Derivatives not used for hedging are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for immediately in profit or loss.

### 3.21 Share capital

#### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

## 4 Critical accounting judgments and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Management discusses with the Board of Directors the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

### 4.1 Recoverability of loans to related parties

The company has made total loans of \$173,743 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.

Given the inherent uncertainty regarding the ability of the Company to raise sufficient equity capital to complete the Kiwanda Transaction, the Directors have adopted a prudent approach and have therefore taken the decision to treat the loans as fully impaired at 30 June 2015.

As the company is not operating a trading business, there are not considered to be any other significant judgments or key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## Notes to the Consolidated Financial Statements

### 5 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 operate 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.

### 6 Loss before income tax expense

	30 June 2015	30 June 2014
	\$	\$
<b>Other income</b>		
Debt forgiveness from Silver Lake Resources Limited	-	65,000
FBT refund	-	10,332
Other miscellaneous income	-	302
<b>Total</b>	-	75,634

	30 June 2015	30 June 2014
	\$	\$
<b>Administrative expenses</b>		
External contractor and consultant fees	(76,242)	(19,636)
Share registry and listing costs	(65,625)	(53,441)
Rates, taxes and rental outgoings	(60,000)	-
Directors fees	(240,000)	-
Legal and other professional fees	(151,845)	(7,976)
Audit Fees	(60,395)	(47,357)
Marketing expenses	(55,600)	-
Other administrative expenses	(47,587)	(30,228)
<b>Total</b>	(757,293)	(158,638)

### Net finance income

	30 June 2015	30 June 2014
	\$	\$
<b>Finance Income</b>		
Interest income	-	9,720
<b>Finance expenses</b>		
Interest on hire purchase and loan	(19,783)	-
<b>Net finance income</b>	(19,783)	9,720

### 7 Income tax expense/(benefit)

	30 June 2015	30 June 2014
	\$	\$
<b>Income tax recognised in profit or</b>		
<b>Current tax</b>		
Current year benefit	-	-
<b>Deferred tax</b>		
Origination & reversal of temporary differences – current year	-	-
Origination & reversal of temporary differences – prior years	-	-
<b>Total income tax expense/(benefit) recognised</b>	-	-



## Notes to the Consolidated Financial Statements

### Numerical reconciliation between tax expense and pre-tax net profit

Loss before tax	(522,362)	(73,284)
Income tax using the domestic corporation tax rate of 30%	(156,709)	(21,985)
Increase in income tax expense due to:		
Expenditure not deductible for income tax purposes	-	714
Income not assessable for income tax purposes	(143,421)	-
Effect of tax losses not recognised	300,130	21,271
Adjustments for prior years	-	-
<b>Total income tax expense/(benefit)</b>	<b>-</b>	<b>-</b>

### 8 Loss per share

The calculation of basic loss per share at 30 June 2015 was based on total loss attributable to ordinary shareholders of \$522,362 (2014: \$73,284) and a weighted average number of ordinary shares of 3,205,339 (2014: 3,205,339) calculated as follows:

	30 June 2015 No.	30 June 2014 No.
<b>Weighted average number of ordinary shares:</b>		
Balance as at 1 July 2014	3,205,339	3,205,339
Weighted average number of ordinary shares at 30 June 2015	3,205,339	3,205,339
<b>Weighted average number of ordinary shares (diluted)</b>		
Balance as at 1 July 2014	3,205,339	3,205,339
Weighted average number of ordinary share (diluted) at 30 June 2015	3,205,339	3,205,339

	30 June 2015 \$	30 June 2014 \$
<b>Loss for the year:</b>		
Loss for the year	(522,362)	(73,284)
Loss attributable to owners of the Company	(522,362)	(73,284)

	30 June 2015 Cents	30 June 2014 Cents
<b>Loss per share:</b>		
Basic loss per share	(16.2966)	(2.2863)
Diluted loss per share	(16.2966)	(2.2863)

### 9 Trade and other receivables

	30 June 2015 \$	30 June 2014 \$
<b>Current</b>		
Trade receivables	-	-
Other receivables	4,934	5,218
	4,934	5,218

### 10 Prepayments and other assets

	30 June 2015 \$	30 June 2014 \$
<b>Current</b>		
Prepayments	15,071	1,804
	15,071	1,804

## Notes to the Consolidated Financial Statements

### 11 Loans to Related Parties

	30 June 2015	30 June 2014
Non-Current	\$	\$
Loans to related parties	173,743	-
Impairment losses	(173,743)	-
	-	-

The company has made total loans of \$173,743 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 anticipated 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.

Given the inherent uncertainty regarding the ability of the Company to raise sufficient equity capital to complete the Kiwanda Transaction, the Directors have adopted a prudent approach and have therefore taken the decision to treat the loans as fully impaired at 30 June 2015.

### 12 Investment in Joint Venture

			Proportion of ownership interest and voting power held by the Group		Carrying value	
	Principal activity	Place of incorporation and operation	30 June 2015	30 June 2014	30 June 2015 \$	30 June 2014 \$
Kiwanda Copper LLC	Minerals and mining exploration	Oregon, USA	50%	0%	7,438	-

Summarised financial information in respect of Kiwanda Copper is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with Australian Accounting Standards adjusted by the Group for equity accounting purposes.

	30 June 2015	30 June 2014
	\$	\$
Current assets	14,876	-
Non-current assets	-	-
Current liabilities	-	-
Non-current liabilities	-	-
Net assets	14,876	-

Current assets include cash of \$1,292 at 30 June 2015 (30 June 2014: Nil).

## Notes to the Consolidated Financial Statements

	30 June 2015	30 June 2014
	\$	\$
Revenue	-	-
Expenses	(49,613)	-
Loss from continuing operations	(49,613)	-
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(49,613)	-
Dividends received from joint venture for the year	-	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	30 June 2015	30 June 2014
	\$	\$
Net assets of the joint venture	14,876	-
Proportion of the group's ownership interest in the joint venture	50%	-
Carrying amount of the Group's interest in the joint venture	7,438	-

### 13 Deferred tax assets and liabilities

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
Accruals	4,521	-	-	-	4,521	-
Prepayments	-	-	(4,521)	-	(4,521)	-
Tax assets/(liabilities)	4,521	-	(4,521)	-	-	-

#### Deferred tax assets

A deferred tax asset of \$13,528,684 (2014: \$13,227,514) in relation to the tax value of losses carried forward has not been recognised in the accounts, as the Company does not expect to be in a position to utilise these losses in the foreseeable future. In addition an amount of \$80,186 for temporary differences has not been reflected as a deferred tax asset in the accounts.

#### Movement in temporary differences during the year

	Balance at 1 July	Recognised in income	Balance at 30 June
	\$	\$	\$
<b>2015:</b>			
Accruals	-	4,521	4,521
Prepayments	-	(4,521)	(4,521)
<b>Total</b>	-	-	-

## Notes to the Consolidated Financial Statements

### 2014:

Accruals	-	-	-
Prepayments	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 14 Trade and other payables

	30 June 2015	30 June 2014
	\$	\$
<b>Current</b>		
Trade payables	12,234	-
Other payables and accruals	72,588	55,478
	<b>84,822</b>	<b>55,478</b>

The average credit period on purchases of goods and services is 30 days. No interest is generally charged or imposed on the trade payables for the first 30 days from the date of the invoice or thereafter. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

### 15 Share-based payments

#### Share options granted in the year

No options were granted to the Directors during the year ended 30 June 2015.

#### Movements in share options during the year

The following table reconciles the share options outstanding at the beginning and end of the year:

	30 June 2015		30 June 2014	
	Number of options	Weighted average strike price	Number of options	Weighted average strike price
Balance at beginning of year	-	-	214,809	\$16.07
Lapsed/Forfeited during the year			(214,809)	\$16.07
Balance at end of year	-	-	-	-
Exercisable at end of year	-	-	-	-

All options refer to options over ordinary shares of Phillips River Mining Limited, which were exercisable on a one-for-one basis under the Employee and Consultant/Contractor Share Option Plan. The options were exercisable at any time between the issue date and the expiry date.

At 31 May 2014 the Directors made a determination (in accordance with the terms of the Employee Share Option Scheme) that as option holders were no longer employees of the group, that they had ceased to be an Eligible Person under the Employee Share Option Scheme and their options had therefore lapsed.

## Notes to the Consolidated Financial Statements

### 16 Issued Capital

	30 June 2015		30 June 2014	
	Number	\$	Number	\$
<b>Issued and paid up capital</b>	3,205,339	58,593,923	3,205,339	58,593,923
<b>Movements in ordinary share capital:</b>				
On issue at beginning of financial year	3,205,339	58,593,923	3,205,339	58,593,923
On issue at end of financial year	3,205,339	58,593,923	3,205,339	58,593,923

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore the company does not have a limited amount of authorised capital and issued shares do not have a par value.

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

#### *Repayment of shareholder loan through issue of ordinary shares*

The Company has the option to repay the shareholder loan through the issue of shares at a deemed issue price of \$0.25 per share. The choice of repayment 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. Based on the repayment amount plus accrued interest for the outstanding loan balance at 30 June 2015, this equates to options over 9,709,843 shares. Refer to note 17 for additional information on the shareholder loan. There were no other outstanding options over the Company's ordinary shares at 30 June 2015.

### 17 Reserves

	Shareholder loan reserve \$	Options reserve \$	Total reserves \$
<b>2015</b>			
Carrying amount at beginning of year	-	-	-
New shareholder loan	654,745	-	654,745
Shareholder loan placement fees	(37,634)	-	(37,634)
Carrying amount at end of year	617,111	-	617,111
<b>2014</b>			
Carrying amount at beginning of year	-	1,206,080	1,206,080
Option premium on convertible note	-	(1,206,080)	(1,206,080)
Carrying amount at end of year	-	-	-

#### *Shareholder loan reserve*

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.

## Notes to the Consolidated Financial Statements

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) 28 February 2016 (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. As the Company has the option of repaying the shareholder loan through the issue of shares, it has been accounted for as an equity instrument in accordance with *AASB 132: Financial instruments: Presentation*.

The difference of \$478,070 between the carrying value of the previous loan facility and the fair value of the new loan facility, represents a benefit to the Company as a result of the extinguishment of the previous facility. The benefit has been recognised in the profit and loss account.

### 18 Controlled entities

	Class of Share	%	Equity Interest		30 June 2014
			30 June 2015		
			\$	%	\$
<b>Controlled Entities:</b>					
Tectonic Systems Pty Ltd	Ordinary	100	Nil	100	Nil
Tectonic Management Pty Ltd	Ordinary	100	Nil	100	Nil
			Nil		Nil

Both controlled entities are incorporated in Australia and had no assets or liabilities at 30 June 2015.

### 19 Capital and other commitments

The Company no longer holds any mining tenements and therefore has no capital expenditure commitments.

### 20 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks.

	30 June 2015	30 June 2014
	\$	\$
Cash and bank balances	106,809	3,137

#### 20.1 Reconciliation of cash flows from operating activities

	30 June 2015	30 June 2014
	\$	\$
<b>Cash flows from operating activities</b>		
Loss for the year	(522,362)	(73,284)
<i>Adjustments for:</i>		
Extinguishment of financial liability	(478,070)	-
Share of losses from joint venture	49,613	-
Impairment of related party loans	173,743	-
<b>Operating loss before changes in working capital and provisions</b>	<b>(777,076)</b>	<b>(73,284)</b>

## Notes to the Consolidated Financial Statements

Change in trade and other receivables	284	(909)
Change in prepayments	(13,267)	(1,802)
Change in trade and other payables	15,758	29,303
<b>Net cash used in operating activities</b>	<b>(774,301)</b>	<b>(46,692)</b>

### 20.2 Non cash transactions

The Company has entered into a shareholder loan as disclosed in note 17. The loan is unsecured and has been provided at an interest rate of 15%. Interest is due at maturity of the loan which is the earlier of (i) the completion of a capital raising by the Company of sufficient funds to enable the Facility to be repaid, (ii) 28 February 2016, or (iii) termination or cancellation of the loan agreement by the Financier.

The Company has the option of repaying the loan by the issue of shares and so the loan has been accounted for as an equity instrument in accordance with *AASB 132: Financial instruments: Presentation*. As a result interest accrued at 30 June 2015 on the shareholder loan, has not been reflected in the financial statements.

During the current year, the Group did not enter into any other non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows.

## 21 Financial risk management and financial instruments

### Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk (including currency risk, equity price risk and interest rate risk)

This note presents information and quantitative disclosures about the Company and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

#### (i) Credit risk

Credit risk is the risk of financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group and Company's cash and cash equivalents and trade and other receivables.

#### *Exposure to credit risk*

The carrying amounts of the Group's financial assets represent the maximum credit exposure and were as follows at the reporting date:

## Notes to the Consolidated Financial Statements

	Note	30 June 2015 \$	30 June 2014 \$
<b>Current financial assets</b>			
Cash and cash equivalents	20	106,809	3,137
Trade and other receivables	9	4,934	5,218
<b>Total financial assets</b>		<b>111,743</b>	<b>8,355</b>

The Group and Company's short term cash surpluses are placed with banks that have investment grade ratings. The Board analyses each new customer individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Considering the nature of the Group's ultimate customers and the relevant terms and conditions entered into with such customers, the Group believes that its credit risk exposure is limited.

### Impairment losses

The Group believes that no impairment allowance is necessary in respect of trade and other receivables. The ageing of the Group's trade and other receivables at the reporting date was:

	Gross 2015 \$	Gross 2014 \$
Not past due	4,934	5,218
	<b>4,934</b>	<b>5,218</b>

### (ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient liquidity to meet expected operational expenses for a period of 180 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting arrangements:

	Carrying amount \$	Contractual cash flows \$	Within 1 year \$	1 to 5 years \$
<b>2015</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	84,822	84,822	84,822	-
	<b>84,822</b>	<b>84,822</b>	<b>84,822</b>	<b>-</b>
<b>2014</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	55,478	55,478	55,478	-
	<b>55,478</b>	<b>55,478</b>	<b>55,478</b>	<b>-</b>

The Group has access to a shareholder loan facility provided by Kiwanda Mines (NA) LLC. At 30 June 2015 \$1,132,815 (30 June 2014: Nil) of the loan facility had been drawn.

The loan is unsecured and has been provided at an interest rate of 15%. Interest is capitalised on the loan and repayable at maturity. 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) 28 February 2016 or (iii) termination or



## Notes to the Consolidated Financial Statements

cancellations of the loan agreement by the Financier.

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. As the Company has the option of repaying the shareholder loan through the issue of shares, it has been accounted for as an equity instrument in accordance with *AASB 132: Financial instruments: Presentation* and is therefore not included in the above table.

Refer to note 21 (iii) interest tables for the liquidity of assets

### (iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, equity prices and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### *Interest rate risk*

At 30 June 2015 the only financial instrument subject to interest rate risk was the Company's cash holdings.

	Weighted average interest rate	Fixed interest maturing in:		Non- interest bearing	Floating interest rate	Total
		1 year or less \$	1 to 5 years \$	\$	\$	\$
<b>2015</b>						
<b>Financial assets</b>						
Cash and cash equivalents	0%	-	-	-	106,809	106,809
Trade and other receivables	-	-	-	4,934	-	4,934
		-	-	4,934	106,809	111,743
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	84,822	-	84,822
		-	-	84,822	-	84,822
<b>2014</b>						
<b>Financial assets</b>						
Cash and cash equivalents	0%	-	-	-	3,137	3,137
Trade and other receivables	-	-	-	5,218	-	5,218
		-	-	5,218	3,137	8,355
<b>Financial liabilities</b>						
Trade and other payables	-	-	-	55,478	-	55,478
		-	-	55,478	-	55,478

#### *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates on fixed rate instruments at the reporting date would not affect profit or loss.

## Notes to the Consolidated Financial Statements

### Cash flow sensitivity analysis for variable rate instruments

A change of 1.00% in interest rates at the reporting date would have increased (decreased) equity and profit or loss of the Group and the Company by the amounts shown below.

	Profit or loss		Equity	
	1.00% increase \$	1.00% decrease \$	1.00% increase \$	1.00% decrease \$
<b>2015</b>				
Variable rate financial assets	1,068	-	1,068	-
<b>Cash flows sensitivity</b>	<b>1,068</b>	<b>-</b>	<b>1,068</b>	<b>-</b>
<b>2014</b>				
Variable rate financial assets	31	-	31	-
<b>Cash flows sensitivity</b>	<b>31</b>	<b>-</b>	<b>31</b>	<b>-</b>

### (iv) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated losses as described in notes 16 and 17 to the financial statements. The Company is currently in the process of an equity capital raising to increase its liquid funds and this will enable the Company to continue as a going concern for the foreseeable future.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

### (v) Fair values

The carrying amounts of financial assets and liabilities recognised in the consolidated financial statements approximate their fair values.

## 22 Key management personnel compensation

The aggregate compensation made to directors and other former key management personnel included in employee expenses (see the Remuneration Report) are as follows:

	30 June 2015 \$	30 June 2014 \$
Short term benefits	240,000	-
Post-employment benefits	-	-
Employment termination benefits	-	-
Equity compensation benefits	-	-
	<b>240,000</b>	<b>-</b>

## Notes to the Consolidated Financial Statements

Information regarding individual Director and executive's compensation and some equity instruments are permitted by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' Report on pages 8 to 11.

### 23 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.

#### Acquisition of shareholding in Kiwanda Copper LLC.

The company has entered into an agreement to purchase shares in a newly incorporated entity Kiwanda Copper LLC ('Kiwanda Copper') for USD 42,400. Kiwanda Copper is controlled by one of the Directors and is expected to acquire early stage mining exploration assets in Peru in the foreseeable future.

#### Loan facility from related party

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) 28 February 2016 or (iii) termination or cancellations of the loan agreement by the Financier.

#### Loans to related parties

The company has made total loans of \$173,743 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.

Given the inherent uncertainty regarding the ability of the Company to raise sufficient equity capital to complete the Kiwanda Transaction, the Directors have adopted a prudent approach and have therefore taken the decision to treat the loans as fully impaired at 30 June 2015.

#### Rent

The Company paid rent of \$60,000 (2014: Nil) to Spar Capital Partners under a rental agreement for the use of the Company's head office facilities. Spar Capital Partners is an entity controlled by two of the Directors. The arrangement is on a monthly basis and can be immediately terminated by the Company at any time.

#### Placement fees

The Company paid placement fees of \$37,634 to Spar Capital Partners for the raising of funds which were lent to the Company as a shareholder loan by Kiwanda Australia Ltd - refer note 17. Spar Capital Partners is an entity controlled by two of the Directors.

### 24 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 Consolidated Financial Statements

### 25 Auditors' remuneration

	30 June 2015 \$	30 June 2014 \$
<b>Audit and review of financial statements</b>		
Deloitte Touche Tohmatsu	60,395	45,357
	<u>60,395</u>	<u>47,357</u>

### 26 Events subsequent to balance date

#### *Dilution of investment in Kiwanda Copper*

The Company's shareholding in Kiwanda Copper was reduced to 34% in August 2015, following a further equity raising by Kiwanda Copper.

There were no other material subsequent events between the reporting date and the date of signing this report.

### 27 Parent entity disclosures

#### Financial position

	30 June 2015 \$	30 June 2014 \$
<b>Assets</b>		
Current assets	126,814	10,159
Non-current assets	7,438	-
Total assets	<u>134,252</u>	<u>10,159</u>
<b>Liabilities</b>		
Current liabilities	84,822	55,478
Non-current liabilities	-	-
Total liabilities	<u>84,822</u>	<u>55,478</u>
<b>Equity</b>		
Issued capital	58,593,923	58,593,923
Reserves	617,111	-
Retained losses	(59,161,604)	(58,639,242)
Total equity	<u>49,430</u>	<u>(45,319)</u>

#### Financial performance

	30 June 2015 \$	30 June 2014 \$
Loss for the year	(522,362)	(73,155)
Total comprehensive loss	<u>(522,362)</u>	<u>(73,155)</u>

#### Commitments and Contingencies

The parent entity no longer has any mining tenements and therefore has no capital expenditure commitments.

## Additional Securities Exchange Information

This additional information is included in accordance with the listing requirements of the Australian Securities Exchange Limited and is not disclosed elsewhere in the report. All information set out below was applicable at 18 September 2015.

### (a) Distribution of equity securities

Size of holdings of fully paid shares	No. of holdings	No of fully paid shares
1 – 1,000	1,840	366,913
1,001 – 5,000	197	439,613
5,001 – 10,000	34	242,606
10,001 – 100,000	42	999,465
100,001 and over	5	1,156,742
	<u>2,118</u>	<u>3,205,339</u>

### (b) Number of shareholdings holding less than a marketable parcel

Number of shareholdings holding less than a marketable parcel 2,118

### (c) Substantial shareholders

The number of shares held by shareholders holding more than 5%

Shareholders	No. of Shares	%
Kiwanda Group LLC	<u>637,801</u>	<u>19.90%</u>

Two companies with common directors, Royale Blue Pty Ltd and CTS Funds Pty Ltd as trustee for Civic Super Fund, hold an aggregate of 247,441 shares representing 7.72% of the issued fully paid shares in the Company.

### (d) Voting rights

Each member is entitled to vote in person or by proxy or by attorney and on show of hands every person who is a member or a representative or proxy of a member shall have one vote and on a poll each member present in person or by proxy or attorney or other authorised representative shall have one vote for each share held.

## Additional Securities Exchange Information

### (e) Twenty largest shareholders

Shareholders	No. of Shares	%
KIWANDA GROUP LLC	637,801	19.9%
JABIRU METALS LIMITED	151,500	4.7%
<CIVIC SUPER FUND A/C>	129,344	4.0%
CAPPIG FINANCE PTY LTD	120,000	3.7%
ROYALE BLUE PTY LTD	118,097	3.7%
PASSIO PTY LTD	88,354	2.8%
<A & M BRIEN SUPER FUND A/C>	58,891	1.8%
MINCOR RESOURCES NL\C	50,000	1.6%
<BLAIR ELLISON FAMILY A/C>	46,200	1.4%
<THE CK SUPER FUND A/C>	44,000	1.4%
C E CONSULTANTS PTY LTD	43,581	1.4%
<MELVILLE FAMILY SUPER A/C>	40,000	1.2%
<HALL SUPER FUND A/C>	40,000	1.2%
BARGOLD HOLDINGS PTY LTD	40,000	1.2%
<BOTICA FAMILY A/C>	35,952	1.1%
<SHEPPEARD FAMILY S/F A/C>	30,000	0.9%
<YANG'S SUPERANNUATION A/C>	27,000	0.8%
<BS PATTERSON FAMILY A/C>	25,115	0.8%
<SAMUEL TUSA SUPER FUND A/C>	24,000	0.7%
MR IANAKI SEMERDZIEV	24,000	0.7%
<b>Total</b>	<b>1,773,835</b>	<b>55.3%</b>