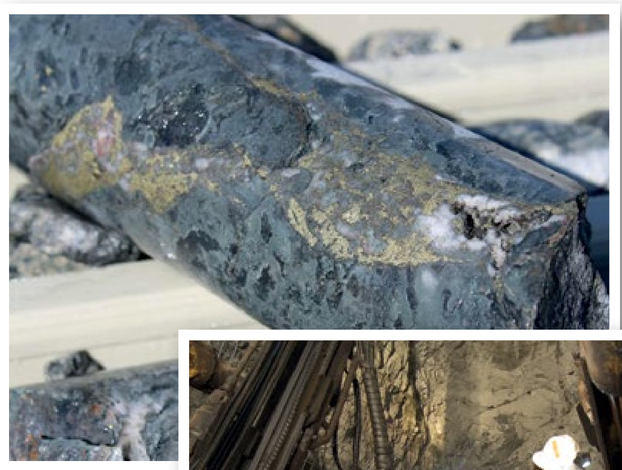
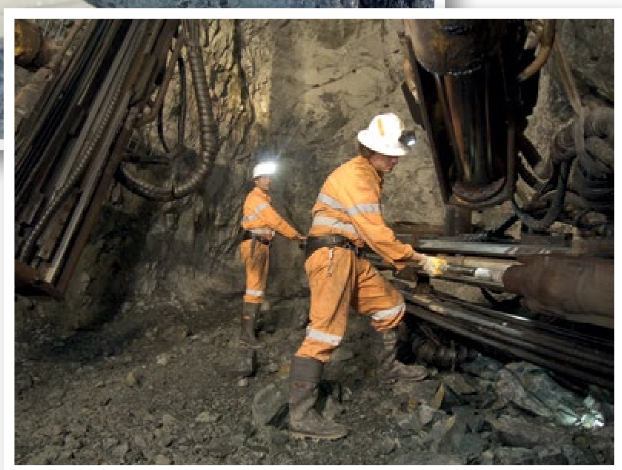
Annual Report
2015





KBL
Mining Limited

Corporate Directory

Directors

J Wall
B Wesson
R Besley
G Starr
O Rodz
L Roulston
D Laing

Company Secretary

I Polovineo

Registered Office and Principal Place of Business

Level 3, 2 Elizabeth Plaza
NORTH SYDNEY NSW 2060

Telephone: +61 2 9927 2000
Facsimile: +61 2 9927 2050
Email: info@kblmining.com.au

Share Registry

Boardroom Pty Limited

Level 12, 225 George Street
SYDNEY NSW 2000

Telephone: 1300 737 760
Facsimile: 1300 653 459

Auditors

BDO East Coast Partnership

Level 11, 1 Margaret Street
SYDNEY NSW 2000

Bankers

St. George Bank

Level 3, 1 Chifley Square
SYDNEY NSW 2000

ASX Codes

KBL – Shares
KBLGA – Convertible Notes

Website

www.kblmining.com.au

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Chairman's Letter

Dear Shareholder

The past financial year for your Company has been dominated by, once again, extremely low commodity prices, as well as the need to refinance the Capri loan of $12.6 million. The appointment of Brian Wesson as Managing Director at the beginning of the financial year was an important step to refinance the Capri debt as well as securing sufficient funds for the building of the CIL gold plant at Mineral Hill to enable the opening of the high grade gold Pearse open cut. These challenges dominated the 12 months and I am pleased to advise that these endeavours were successfully carried out in adverse circumstances. The owners of the Capri debt mounted an action to hinder the refinancing and it was only with legal action that the Company was able to successfully refinance through the Quintana metal streaming facility of US$23 million. This facility enabled the retirement of the Capri debt, and sufficient funds to finance the building of the $9 million CIL plant, and the opening of the Pearse open cut. The CIL gold plant should be completed prior to the AGM meanwhile the Pearse open cut has commenced ore production from the primary sulphide zone and first gold concentrates are scheduled to be sold during September. These achievements are attributable to Brian Wesson and his strong management team.

Mine production during the year was focussed in the underground workings of the Southern Ore Zone with disappointing production results due to a combination of low commodity prices, and below budget head grades of contained metal. The low grades of mining are due to insufficient underground drilling to properly establish economic stopes as well as the need for additional development to give more mining flexibility.

In the coming year with the opening of the Pearse open cut production from the underground will cease. This will allow a focus on underground development and additional detailed drilling to ensure that when underground mining restarts operations will be profitable. The high grade gold production from the Pearse open cut should ensure significant cash flow generation for the mine and overall profitable operations. During this year additional drilling will be done at Pearse North with the intention of bringing this also into production, subject to favourable drilling results.

As reported last year, the Sorby Hills silver lead project received environmental approval and with our 25% joint venture partner, Yuguang (Australia) Pty Ltd we intend to complete the Bankable Feasibility Study for this project during the current year such that construction and production can commence during the next financial year.

Finally, I would like to thank Quintana for their support, and welcome the 3 Quintana directors to our Board of Directors. They have demonstrated in the past 6 months their dedication to ensuring that the Company is successful. To the shareholders of the Company and to the shareholders of all mining Companies, it has been a difficult year due to the slowdown in China, resulting in over capacity and lower prices in most minerals. Fortunately the gold price in Australian dollars is attractive, and we are confident that the Pearse gold project will give significant benefit to shareholders.

Sincerely

Jim Wall
Chairman

Financial Review

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

KBL incurred a post-tax loss of $34.2 million for the year. This includes an impairment of $17.3 million in respect of the Mineral Hill mine and $1.4 million in respect of exploration assets. The Mineral Hill underground mine is carried on KBL's books at a value of $34.1 million.

At the EBITDA level, the Mineral Hill mine made a loss of $6.1 million on sales revenue of $26.2 million.

Due to the above performance, KBL's net asset position reduced during the year, from $39.5 million to $8.3 million. KBL made capital investments at Mineral Hill of $12.6 million including $6.2 million on the new CIL gold plant. Gross assets at 30 June 2015 were $56.6 million and gross liabilities of $48.3 million. Cash at balance date was $4.1 million.

Gross income for the year was $27.2 million, comprising:

- $26.2 million of copper concentrate sales
- $0.8 million foreign exchange and hedging gains
- $0.2 million revenue was delivered from interest earned and other income

Cash and cash equivalents of $4.1 million at year end (2013: $7.3m), the increase was generated by:

- Cash used in operating activities: $(6.6) million
- Cash used in investing activities: $(13.2) million
- Cash provided by financing activities: $16.6 million

Cash used in investing activities included:

- $5.3 million for mine development
- $0.8 million for plant and equipment
- $6.2 million for the new CIL gold plant
- $0.3 million for exploration
- $0.2 million for other financial assets
- $0.4 million for investment in the Sorby Hills project

Cash used in financing activities included:

- $2.1 million equity issuance
- $23.6 million from deferred revenue
- $(9.0) million net repayment of borrowings

Other items:

- Available tax losses of $55.0 million are not included in the financial statements

Review of Operations

Mineral Hill Mine, NSW

KBL 100% Ownership

Background

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

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

Underground and open cut operations at Mineral Hill are conventional in nature, and are currently focusing on the SOZ Lodes and Pearse deposit respectively. Extraction rates are currently around 250,000 tonnes per annum, however the current fleets and manning have a maximum extraction capacity of 330,000 tonnes per annum.

Ore is processed using a conventional grinding and flotation circuit into concentrate products. Depending on the ore being fed, products can range from a +25% copper concentrate with gold and silver credits, a +45% lead concentrate with gold and silver credits and a +45% zinc concentrate with silver credits. Recent plant modifications will allow all three base metals to be processed sequentially. Plans are also well underway to use the current plant to produce a high grade gold-silver concentrate from the Pearse.

Figure 1 ■ Aerial View of the Mineral Hill Operation

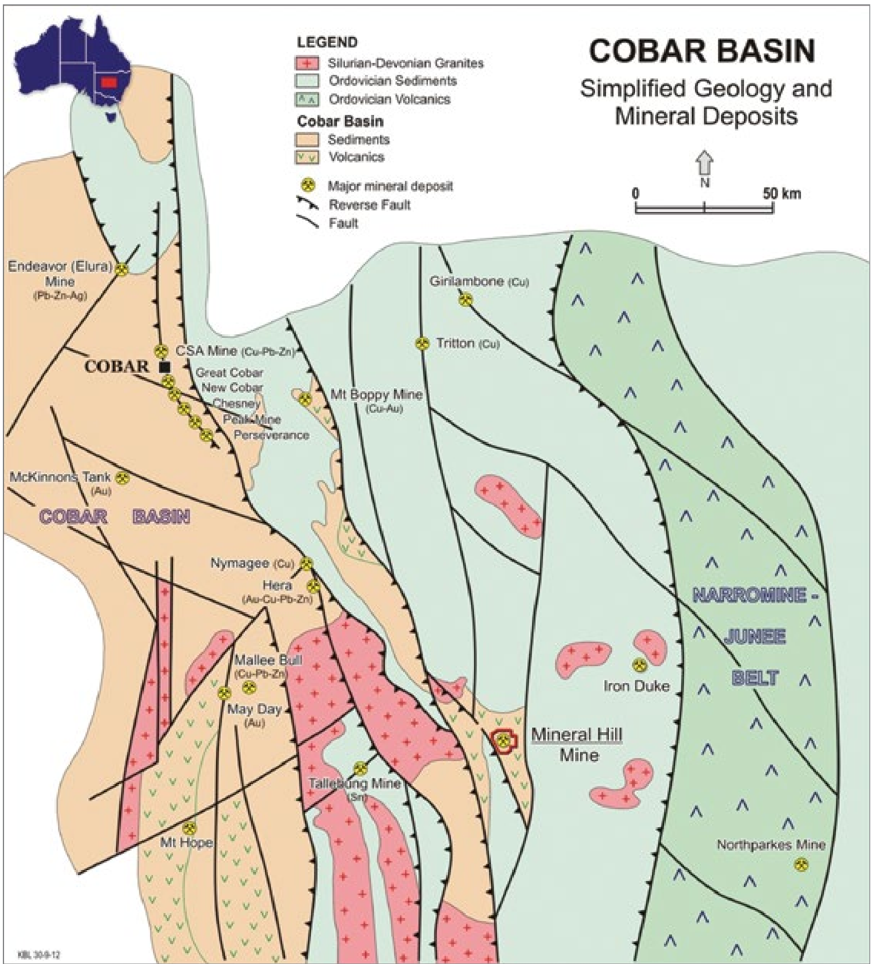

Figure 2 ■ Cobar Basin Geology and Deposits

Safety and human resources

Mineral Hill site employee and contractor personnel numbers currently total 88. Site employee numbers have increased from the last reporting period, with the commencement of the Pearse Open cut pit.

Safety remains a key priority in operational performance. The site recorded two Lost Time Injuries ("LTI") for the reporting period resulting in a LTI Frequency rate of 4.9. Whilst this is still in line with industry averages, the operation is firmly committed to continuous improvement and the aspiration of Zero Harm. In line with legislative changes and continuous improvement, the site has undergone a formal review and implemented respective system updates.

Environment

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

Operations at Mineral Hill are subject to stringent environmental regulation. It is a no release site and water retention and tailings security are particular concerns. Annually, an environmental management review (AEMR) is required to be prepared and submitted to regulators and this is assessed by site inspection. An updated 2014 Mining Operations Plan was submitted and accepted by the Department of Industry and Investment including the Pearse Project. As such an environmental bond of $1.477m is current in place for the Mineral Hill site.

Recoveries for copper vary but are averaging above 85%, while the lead and zinc recoveries are closer to 80% and +55% respectively. The Pearse gold and silver concentrates recoveries are expected to range up to 70%.

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

For the past year, Mineral Hill has processed 251,529 tonnes of ore recovering 1,867 tonnes of copper, 1,912 tonnes of lead, 941 tonnes of zinc, 3,944 ounces of gold and 89,433 ounces of silver. Ore sources included the Southern Ore Zone (SOZ), with minor amounts from the Parkers Hill – North East lodes.

Sales arrangements

In total 6,856 tonnes of copper concentrates, 4,435 tonnes of lead concentrates and 1,850 tonnes of zinc concentrates were sold to MRI.

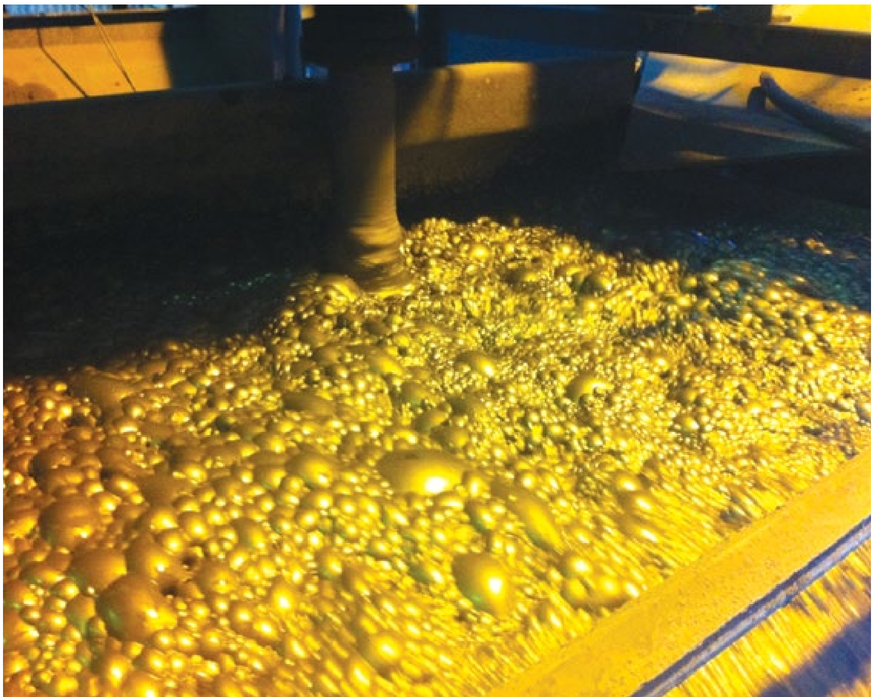

Figure 3 ■ Flotation operations at Mineral Hill

Litigation

The Company was prosecuted in August 2014, by the NSW EPA for a tailings line spill in 2013 at Mineral Hill. The Company fine was $52,000 and an order to pay the EPA's costs of $61,390.

On 7 May 2015, the Supreme Court of New South Wales found, in favour of KBL, that RIKID511 Pty Limited (RIKID) had no right to claim an additional $3.12 million in interest from KBL, on top of the $12.6 million loan that KBL had repaid to RIKID. KBL was awarded its costs of the proceedings, payment of which has now been settled, and $36,670.40 in damages for being required to set aside money as security for RIKID's claim. To date, RIKID has not satisfied the order of damages and as a result, KBL is applying to the Federal Court for the winding up of RIKID.

Mine and mill production

Pearse Open Pit

Development of the Pearse gold-silver open pit commenced in May 2015, and has since progressed with topsoil removal completed and waste stripping undertaken. Gold-silver ore is currently being delivered to the ROM for processing from the start of September 2015. Oxide ore from the Pearse open pit is being stockpiled commensurate with the commissioning of the CIL ("carbon-in-leach") plant which began construction at the start of June and is currently on schedule for completion in November 2015.

A total of 19,000 BCM of topsoil and subsoil was successfully moved to topsoil stockpiles. A total of 5,290 BCM of waste material was moved to the Pearse waste dump, up until the end of June 2015.

Mineral Hill Underground

Over the past year development and stoping has primarily operated within the SOZ. Mining has been progressed on all levels from the 1080 down to the 1020 mRL horizons within the SOZ lodes. The decline has now approached the 1000 mRL horizon and is poised for development down to the 925 mRL in pursuit of higher grade G and H Lodes.

The yearly production ore has been mainly sourced from the A, B, C and D Lodes within the SOZ mineralisation envelopes. Waste continues to be predominantly backfilled into stoping voids underground in preference to trucking it to surface waste storage facilities.

Concentrate production continued from the sequential flotation process implemented in February 2014 enabling saleable copper, lead and zinc concentrates to be produced (with gold and silver credits). This process has continued to give the site great flexibility to process both the copper-gold, copper-gold-lead-silver polymetallic zones and lead-zinc-silver-gold zones within the SOZ underground deposits.

June 2015 ■ Open cut footprint cleared

June 2015 ■ Top soil removal

June/July 2015 ■ Pearse open pit mining activities at Mineral Hill

For the 2014-2015 financial year, process plant throughputs have averaged 42tph, while recoveries for copper, lead and zinc have increased to average 84.3%, 65.5% and 54.2% respectively. Gold and silver recoveries stand at 55.4% and 67.3% respectively.

The manning numbers at Mineral Hill totals 88 personnel, of which 31 are underground mining contractors and a further 19 are surface mining contractors. KBL administers the site and carries out all processing and planning operations while the physical mining activities are performed by Pybar Mining Service Pty Ltd (underground), MAAS Group Holdings Pty Ltd (surface) and Mays Earthmoving (surface). To date, the site has maintained a high standard of productivity and efficiency while maintaining a relatively low cost base.

Production for the year totalled 1,867 tonnes of copper, 1,912 tonnes of lead, 941 tonnes of zinc, 89,433 ounces of silver and 3,944 ounces of gold (all in concentrates) as shown in Table 1.

Future mine plan

Underground feed to the Mineral Hill processing plant will continue until the end August 2015, from early September 2015, underground mining was suspended in favour of open pit production. The Pearse deposit will sustainably supply all mill feed (gold-silver ore) at a processing rate of 30kt per month.

During the Pearse mining phase, underground development and further resource definition drilling is planned to continue.

Table 1 Mineral Hill – 2015 Financial Year and Historical Production

	Quarter	June–15	Mar–15	Dec–14	Sep–14	Jun–14	Mar–14	Dec–13	Sep–13
Ore Mined	t	**73,892**	**59,460**	**61,569**	**56,550**	**54,415**	**64,501**	**52,614**	**66,379**
Development metres	m	566	508	470	301	332	238	236	79
Ore Treated (Cu/Pb/Au)	t	**42,809**	**42,636**	**53,102**	**55,346**	**66,526**	**51,382**	**59,449**	**62,596**
Cu Grade	%	1.0	0.9	1.0	1.5	2.0	1.4	1.5	1.6
Recovery	%	87.1	87.8	78.7	85.0	83.2	80.9	87.9	94.4
Au Grade	g/t	1.3	0.7	1.0	0.7	1.2	0.9	0.6	1.1
Recovery (by weight)	%	57.2	63.1	54.8	59.0	54.5	56.5	67.6	73.5
Ag Grade	g/t	9.1	8.6	14.9	20.0	35.0	22.3	10.9	3.2
Recovery (by weight)	%	51.4	65.7	58.3	68.7	65.0	51.8	68.0	67.0
Pb Grade	%	0.5	0.6	0.8	1.1	2.2	3.0	–	–
Recovery	%	2.4	29.0	47.6	52.8	50.9	41.0	–	–
Ore Treated (Pb/Zn)	t	**32,690**	**18,778**	**6,168**	**–**	**–**	**–**	**–**	**–**
Pb Grade	%	3.0	2.3	3.4	–	–	–	–	–
Recovery	%	78.5	82.4	83.0	–	–	–	–	–
Zn Grade	%	3.3	2.3	2.1	–	–	–	–	–
Recovery	%	54.3	66.6	50.0	–	–	–	–	–
Au Grade	g/t	0.6	0.5	0.6	–	–	–	–	–
Recovery (by weight)	%	41.2	55.9	55.0	–	–	–	–	–
Ag Grade	g/t	29.6	20.8	24.0	–	–	–	–	–
Recovery (by weight)	%	74.1	76.9	65.0	–	–	–	–	–
Cu Concentrate Production	DMT	**1,483**	**1,336**	**1,478**	**2,559**	**3,957**	**2,176**	**3,082**	**4,091**
Cu Grade	%	25.9	25.5	27.6	27.7	28.1	26.2	24.8	23.2
Au Grade	g/t	21.6	14.1	17.2	8.1	9.7	13.8	8.3	12.7
Ag Grade	g/t	135	136	212	201	230	264	140	30
Pb Concentrate Production	DMT	**1,690**	**1,049**	**923**	**773**	**1,498**	**473**	**–**	**–**
Pb Grade	%	46.0	41.5	40.3	42.1	43.5	45.6	0.0	0.0
Au Grade	g/t	4.6	7.1	7.9	4.0	3.3	2.2	0.0	0.0
Ag Grade	g/t	378	310	257	332	358	382	0	0
Zn Concentrate Production	DMT	**1,121**	**552**	**177**					
Zn Grade	%	52	52	37					
Ag Grade	g/t	74	56	54					
Contained Metal									
Cu	t	386	365	407	709	1,111	570	765	948
Pb	t	778	436	372	326	729	216	–	–
Zn	t	586	289	66					
Au	oz	1,279	844	1,053	768	1,410	966	827	1,671
Ag	oz	29,352	17,289	17,970	24,822	48,716	18,480	13,878	3,959

Figure 4 ■ Underground Mining Operations at Mineral Hill

Depending on drilling results, development will continue to focus on the Southern Ore Zone (SOZ) decline to the 925 mRL horizon and the SOZ incline up towards the 1180 mRL horizon. The decline will give access to the high grade copper-gold mineralisation within G and H Lodes while also providing entry to the A, B, C and D lode material on the subsequent intervening levels. The incline is then planned to access the higher grade A Lode and B Lode mineralisation between the 1120 and 1180 mRL horizons.

Additional underground ore sources are currently being delineated, while similarly open pit targets including Jack's Hut and the Pearse North deposits are also being evaluated.

Key steps post 2015/2016 include:

1. Explore and define current and potential ore sources within the Mineral Hill field to optimise the future plant feed sequences.
2. Finalise open-cut resource evaluations. These deposits have the potential to provide additional higher value gold-silver and/or copper-gold feed to the newly installed plant – at a low operating cost.
3. Continue mining the upper and lower extents of the Southern Ore Zone (SOZ) polymetallic mineralisation.

Southern Ore Zones (SOZ) – Background

The Southern Ore Zone is a low sulphidation, structurally controlled mesothermal to epithermal deposit, comprising six, generally north-south trending, steeply west-dipping domains ('lodes') of breccia and stockwork mineralisation;

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

The mineralogy of the SOZ lodes comprises relatively simple sulphide phases with chalcopyrite–galena–sphalerite dominant with minor pyrite in the polymetallic lodes and chalcopyrite–pyrite in the Cu–Au lodes. The lodes record complex overprinting of many generations of hydrothermal activity that involved brecciation, veining, alteration and sulphide mineralisation. All lodes remain open down-dip/plunge with exploration expected to continue to target extensions to the system as underground development advances below 1020RL level (approximately 300m below surface).

Drilling for resource definition continued in 2014, primarily at A, B and D Lodes. Grade control and stope definition drilling commenced in April 2015 and continued for the remainder of the year. Using small diameter, cost-effective, LTK48 coring, this program secured continuous SOZ ore supply up until commencement of processing sulphide ore from the new Pearse open cut.

The Pearse open cut Au–Ag phase at Mineral Hill in FY2016 is expected to afford KBL the necessary time to generate and test new resource targets which are currently being generated through a systematic targeting project (involving CSA Global Pty Ltd consultants) focused on structural geology and geochemistry of economic and pathfinder elements.

Pearse Gold-Silver project – Background

Following the culmination of extensive planning and approvals, development of the Pearse Gold–Silver deposit commenced during May 2015. Further drilling (four drill holes for 414.1m) was completed during the year to obtain metallurgical sample for optimisation of the process plant flow sheet.

KBL recently released the results of this drilling[1] confirming the shallow, high grade nature of the Pearse deposit with significant intersections including:

- 18.5m at 13 g/t Au and 182 g/t Ag; and
- 32.1m at 6.4 g/t Au and 131 g/t Ag (KMHDD024)
- 6.5m at 16.2 g/t Au and 11 g/t Ag; and
- 37m at 13 g/t Au and 99 g/t Ag; (KMHDD025)
- 26m at 7 g/t Au and 218 g/t Ag; and
- 10.1m at 11.2 g/t Au and 172 g/t Ag (KMHDD026)
- 27m at 9.3 g/t Au and 158.3 g/t Ag (KHMDD027)

The Pearse ore reserve estimate comprises 235kt at 6.9g/t Au and 71.7g/t Ag for an estimated contained metal inventory of 52,000 ounces of gold and 540,000 ounces of silver[2].

1 *See ASX announcement 'KBL Pearse Gold Project: Drilling, Optimising Metallurgy and First Gold Production' released 14 July 2015*

2 *Inclusive of Proven and Probable ore reserve categories. As released 20 October 2011 and detailed on page 12)*

Resources & Reserves at Mineral Hill

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

Pearse

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

Category	Tonnes (thousands)	Grade Silver g/t	Grade Gold g/t	Contained Silver (oz)	Contained Gold (oz)
Measured	226	84.0	6.7	611,430	48,769
Indicated	71	67.0	5.7	153,803	13,085
Total	**298**	**80.0**	**6.5**	**765,232**	**61,853**

Pearse North

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

Category	Tonnes (thousands)	Grade Silver g/t	Grade Gold g/t	Contained Silver (oz)	Contained Gold (oz)
Inferred	203	21.1	2.1	137,711	13,706
Total	**203**	**21.1**	**2.1**	**137,711**	**13,706**

Parkers Hill Sulphide

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

Category	Tonnes (thousands)	Grade Copper %	Grade Lead %	Grade Zinc %	Grade Silver g/t	Grade Gold g/t	Contained Copper (kt)	Contained Lead (kt)	Contained Zinc (kt)	Contained Silver (oz)	Contained Gold (oz)
Indicated	1,128	1.8	1.3	1.2	37.0	0.3	20.0	14.2	13.7	1,357,806	9,415
Inferred	50	1.6	1.1	2.4	48.0	0.2	0.8	0.6	1.2	77,162	322
Total	**1,178**	**1.8**	**1.3**	**1.3**	**38.0**	**0.3**	**20.8**	**15.0**	**14.9**	**1,434,968**	**9,737**

Parkers Hill Oxide

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

Category	Tonnes (thousands)	Grade Copper %	Grade Lead %	Grade Zinc %	Grade Silver g/t	Grade Gold g/t	Contained Copper (kt)	Contained Lead (kt)	Contained Zinc (kt)	Contained Silver (oz)	Contained Gold (oz)
Indicated	900	0.7	3.7	0.4	66.6	0.04	5.9	33.6	3.4	1,925,957	1,157
Inferred	200	1.8	3.9	0.3	86.0	0.05	3.6	7.8	0.6	552,992	302
Total	**1,100**	**0.9**	**3.7**	**0.4**	**70.0**	**0.05**	**9.5**	**41.4**	**4.0**	**2,478,949**	**1,460**

Red Terror

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

Category	Tonnes (thousands)	Grade Copper %	Grade Lead %	Grade Zinc %	Grade Silver g/t	Grade Gold g/t	Contained Copper (kt)	Contained Lead (kt)	Contained Zinc (kt)	Contained Silver (oz)	Contained Gold (oz)
Measured	132	1.8	0.2	0.4	2.3	2.8	2.4	0.2	0.5	9,765	11,939
Indicated	53	1.5	0.1	0.2	1.8	1.2	0.8	0.1	0.1	3,067	2,045
Inferred	1	0.7	0.0	0.2	1.4	2.6	0.0	0.0	0.0	45	84
Total	**186**	**1.7**	**0.1**	**0.3**	**2.2**	**2.4**	**3.2**	**0.3**	**0.6**	**12,877**	**14,068**

SOZ

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

Category	Tonnes (thousands)	Grade Copper %	Grade Lead %	Grade Zinc %	Grade Silver g/t	Grade Gold g/t	Contained Copper (kt)	Contained Lead (kt)	Contained Zinc (kt)	Contained Silver (oz)	Contained Gold (oz)
Measured	553	1.2	0.6	0.5	12.0	2	6.5	3.0	2.5	213,352	35,559
Indicated	705	1.1	1.6	1.3	22.0	1.6	7.5	11.5	9.4	498,658	36,266
Inferred	726	1.2	1.7	1.4	21.0	1.8	8.7	12.1	10.4	490,170	42,015
Total	**1,985**	**1.2**	**1.4**	**1.1**	**19.0**	**1.8**	**22.8**	**26.7**	**22.2**	**1,202,180**	**113,839**

The SOZ resource estimate tabulated above requires depletion for material mined since 31 May 2014. Production records from 2014–15 indicate that approximately 274kt at 1.0% Cu, 1.3% Pb, 1.1% Zn, 18.3g/t Ag and 0.8g/t Au has been mined at the SOZ since estimation of the resource, predominantly from a mix of Measured and Indicated resource categories. An updated resource estimate is expected to be undertaken in the following reporting period to incorporate new drilling and take account of the material mined.

Iron Duke

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

Category	Oxidation	Tonnes (thousands)	Grade Copper %	Grade Gold g/t	Contained Copper (kt)	Contained Gold (oz)
Inferred	Oxidised	22	1.4	0.4	0.3	283
Inferred	Transitional	164	1.5	0.6	2.5	3,164
Inferred	Fresh	308	1.5	0.9	4.6	8,912
Total		**494**	**1.5**	**0.8**	**7.4**	**12,359**

Pearse Reserves

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

Category	Oxidation	Tonnes (thousands)	Grade Silver g/t	Grade Gold g/t	Contained Silver (oz)	Contained Gold (oz)
Probable	Primary	28	76.0	6.9	68,417	6,212
	Oxide	18	14.0	4.4	8,102	2,546
Sub Total		**47**	**51.7**	**5.9**	**76,519**	**8,758**
Proven	Primary	152	91.0	7.3	444,709	35,674
	Oxide	36	16.1	6.5	18,519	7,523
Sub Total		**189**	**77.0**	**7.2**	**463,228**	**43,198**
Total		**235**	**71.7**	**6.9**	**539,746**	**51,956**

Annual Review of Mineral Resources and Ore Reserves

Material changes from the Resource and Reserves declared in the 2014 Annual Report are summarised below, by geographic area.

Pearse

The Pearse Mineral Resource and Ore Reserve have remained unchanged from the 2014 Annual Report.

Pearse North

The Pearse North Mineral Resource has remained unchanged from the 2014 Annual Report.

Iron Duke

The Iron Duke Mineral Resource has remained unchanged from the 2014 Annual Report.

Parkers Hill Oxide

The Parkers Hill Oxide Mineral Resource has remained unchanged from the 2014 Annual Report.

Parkers Hill Sulphide Resource and Reserve

Sulphide Resource

The Parkers Hill Sulphide Mineral Resource estimate of 1,178 thousand tonnes at 1.8% copper, 1.3% lead, 1.3% zinc, 38.0g/t silver and 0.3g/t gold was adjusted for mining at Parkers Hill up until November 2013. Production records and a survey of mine voids indicate that an additional 25 thousand tonnes at 1.1% Cu, 1.3% Pb, 0.8% An, 16.8g/t Ag and 0.43g/t Au was mined up to June 30 2015.

Sulphide Lead–Zinc–Low Copper Reserve

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

Red Terror

The Red Terror Mineral Resource estimate has been adjusted for depletion from mining activities until 30 November 2013. Production records indicate that a further 21,875 tonnes with modelled (unreconciled) grade of 1.2% copper, 0.4% lead, 0.3% zinc, 1.2g/t silver and 1.4 g/t gold was mined during 2014 from a combination of Measured and Indicated resource categories. It is expected that a new Mineral Resource estimate will be undertaken in the 2016 reporting period to incorporate new drilling results, newly recognised geological controls and fully deplete the resource for all mining up until the present.

Southern Ore Zone (SOZ)

The SOZ Mineral Resource estimate (released 19 August 2014) has been depleted for mining up until 31 May 2014.

Production records from 2014–15 indicate that approximately 274kt at 1.0% Cu, 1.3% Pb, 1.1% Zn, 18.3g/t Ag and 0.8g/t Au has been mined at the SOZ since estimation of the resource, predominantly from a mix of measured and indicated resource categories.

The SOZ ore was periodically blended with Parkers Hill Northeast (PHNE) Lodes — however a relatively small amount of PHNE was mined and this is not regarded as material. For resource depletion purposes, total Mineral Hill production from the year is attributed to the SOZ.

Depletion of the SOZ Mineral Resource by resource category for all recent mining will require the acquisition of accurate complete void surveys and is expected to be undertaken in FY2016 in conjunction with re-estimation of the Mineral Resource to incorporate new drilling.

Sorby Hills

DE Deposit

The Sorby Hills DE Deposit Mineral Resource and Ore Reserve estimates have remained unchanged from the 2014 Annual Report.

Governance Arrangements and Internal Controls

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

Drilling methods used to obtain grade data for resource estimation purposes are restricted to diamond core and reverse circulation percussion (RC). Samples are submitted for assay at NATA accredited laboratories, typically ALS Global in Orange, NSW and Perth, WA. Sampling techniques are industry standard, including riffle splitting of RC chips and cutting ½ diamond core samples (HQ and NQ diameter). Certified analytical standards (obtained from Geostats Pty Ltd, selected for gold and base metals) are inserted by KBL every 30 samples in the sample stream to ALS, and the laboratories conduct their own internal QA/QC procedures with results provided as QA/QC reports to KBL. Should a trend develop of standard analyses returning values considered anomalously low or high for a particular element, the batch of samples are to be resubmitted for analysis of the element in question. To date, routine analysis of standards by KBL has not resulted in the need to reassay.

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

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

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

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

Exploration

Exploration activities during the 2014–15 financial year saw the completion of 5,077 metres of drilling primarily focussed on resource infill/expansion at the Southern Ore Zone (SOZ) and shallow, near mine open-cut targets on the existing Mineral Hill mining leases.

At SOZ, drilling targeted the polymetallic (Cu–Pb–Zn–Ag–Au) A, B and D lodes to capitalise on the improved production profile and advancement of underground access below 20RL level. A total of 3,121 metres were drilled from underground and an additional 459 metres from surface.

The exploration team are continuing to exploit the extensive historical drilling database (+210,000m) for strategic reassessment of near-surface sulphide and oxide copper–gold mineralisation located on the existing Mineral Hill mining leases.

Mineral Hill represents a large hydrothermal system and metal inventory defined by numerous high grade-low tonnage deposits. Significant potential for discovery exists and in consideration of recent upgrades to the process plant, KBL are positioned to capitalise on the complete metal endowment of the polymetallic system. The Mineral Hill mining leases and surrounding exploration tenure remain underexplored with just 3% of drill holes extending beyond the depth of current operations (300m below surface). Furthermore KBL have continued to develop a strategic exploration holding in the region through the addition of the Walkers Hill exploration licence (EL8334) in late 2014. Situated at the juncture of two regionally important geological structures (Gilmore Suture and Lachlan Transfer Zone) the Company's exploration footprint surrounding the Mineral Hill Mine has increased to 339km^2.

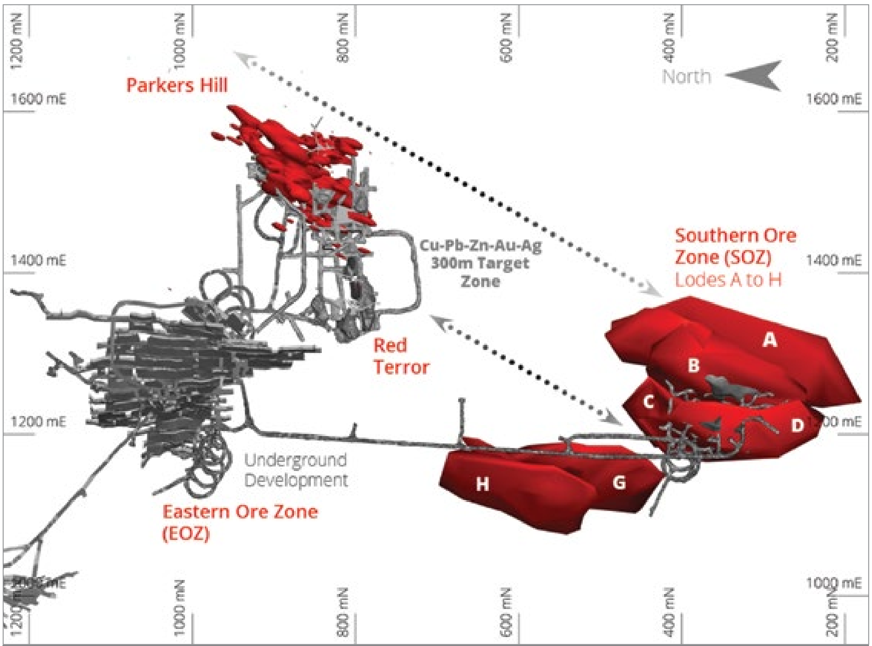

Figure 5 ■ Plan view of the underground development (grey) and selected lodes (red) at Mineral Hill. The discovery of the high grade polymetallic A Lode has made the 300+m between the SOZ and Parkers Hill deposits a high priority exploration target zone.

Sorby Hills, Western Australia

KBL 75% Ownership

Background

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

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

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

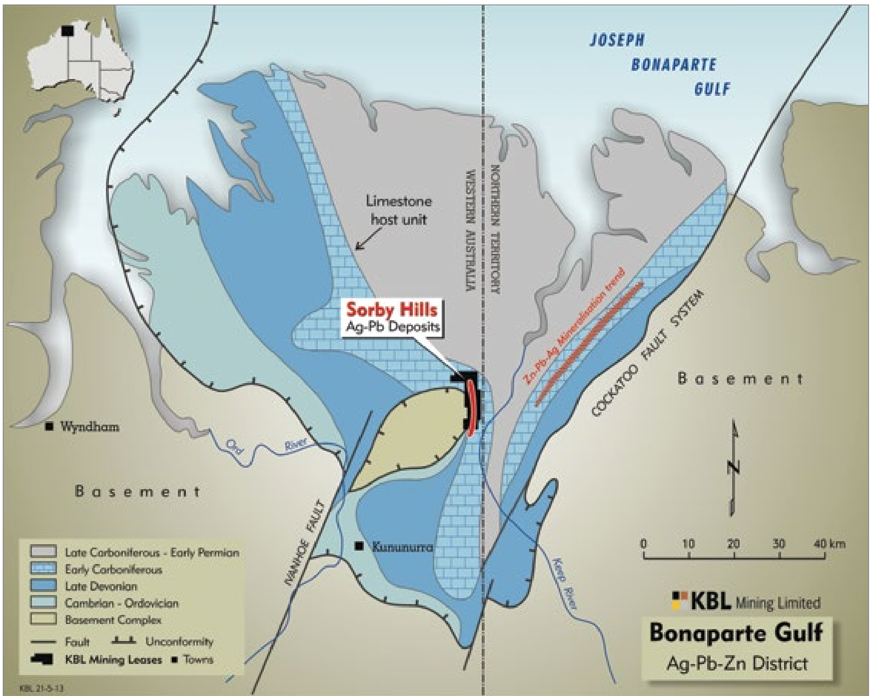

Figure 6 ■ Sorby Hills project location and geology

Joint venture and offtake

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

Under the agreement, Yuguang subscribed for $5.2 million worth of KBL shares[3] and contributed $5.0 million to earn a 25% joint venture interest in the project. KBL remains the joint venture operator with Yuguang entitled to 25% of all minerals produced at Sorby Hills. In addition, it has the right to purchase on market terms a percentage of KBL's 75% entitlement to production, calculated as Yuguang's percentage shareholding in KBL, currently some 5.5%. Yuguang may be entitled to a higher portion production if it elects to assist KBL in funding its share of development costs. A Management Committee controls and oversees all business and affairs of the Joint Venture with one representative from Yuguang and two from KBL.

3 *At an issue price of $0.25 per share*

Sorby Hills DE Deposit Reserve

Cut-off Grade 2% Pb (As released on 29 November 2013)

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

Sorby Hills DE Deposit Resource

Cut-off Grade 1% Pb (As released on 29 November 2013)

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

Sorby Hills Global Resource

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

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

Resource and mining inventory

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

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

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

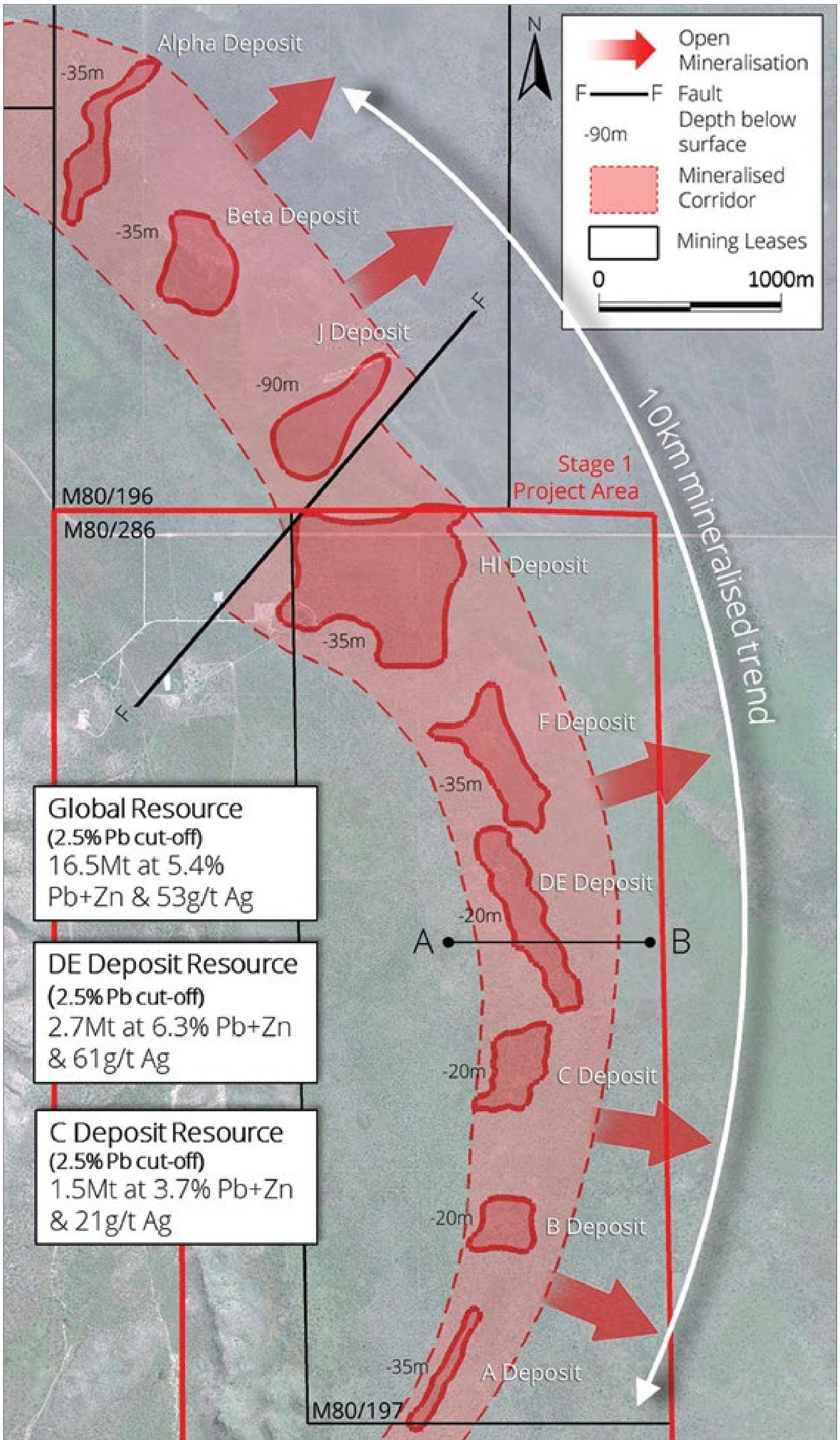

Figure 7 ■ Deposit map for Sorby Hills project

Feasibility study and approvals

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

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

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

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

During 2016, the Joint Venturers are aiming to undertake a Bankable Feasibility Study and apply for mining permits and operational licences in preparation for financing, construction and operations to commence.

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

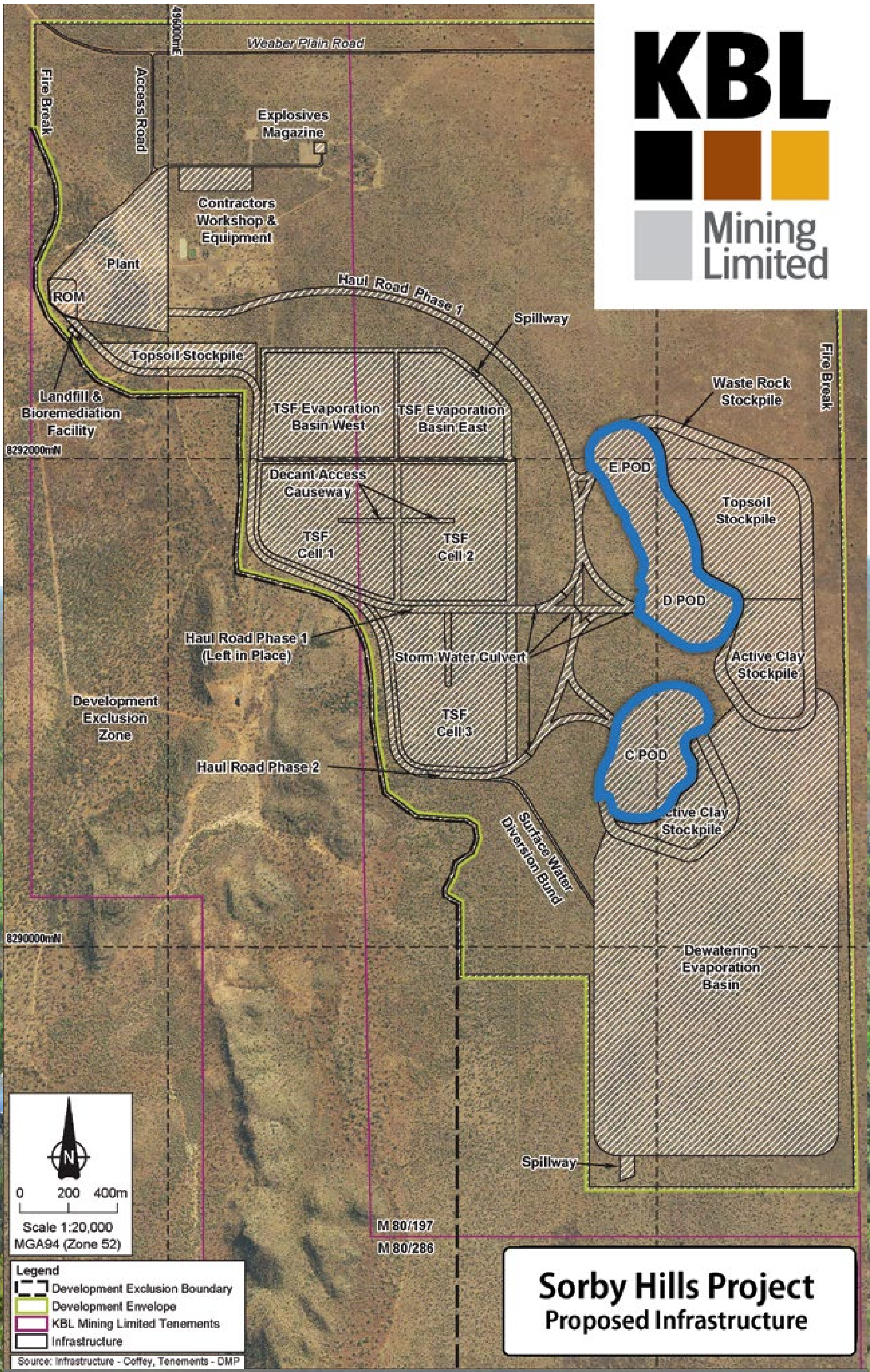

Figure 8 ■ Sorby Hills project infrastructure plan

Figure 9 Constance Range

Constance Range, Queensland

KBL 30% ownership

Background

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

Project development

KBL has a 30% joint venture interest in the Constance Range project and estimates that a conceptual exploration target of 8-12 million tonnes of 55–58% iron ore may be available for a direct shipping project using truck haulage to the coast and then barges to tranship ore from Burketown to ore carriers in the Gulf of Carpentaria.

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

Competent Persons Statement

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

Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity consisting of KBL Mining Limited (referred to hereafter as the 'company' or 'parent entity' or 'KBL') and the entities it controlled for the year ended 30 June 2015.

Directors

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

- J Wall
- R Besley
- G Starr
- B Wesson (appointed on 1 July 2014)
- O Rodz (appointed on 16 March 2015)
- L Roulston (appointed on 16 March 2015)
- D Laing (appointed on 16 March 2015)

Principal activities

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

Operating result

The loss of the consolidated entity for the year amounted to $34,240,088 (2014 – profit of $10,440,553).

Dividends

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

Review of operations

Please refer to the Review of Operations on pages 4 to 16

Significant changes in the state of affairs

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

Events since the end of the financial year

On 20 July 2015 the company announced the issue of 91,145,834 shares at 2.88 cents per share raising $2,625,000 and on 30 July 2015 announced the issue of 22,569,440 shares at 2.88 cents per share raising $650,000.

Likely developments and expected results of operations

The company recently announced production from underground has ceased and ore from the Pearse open cut gold/silver deposit has been stockpiled ready for processing. Pearse ore will provide the plant with ore for the next ten months, where ore is sourced after this will depend on drill results in the coming months.

The construction of the CIL plant is progressing ahead of schedule and is expected to be completed in October, after commissioning is completed we will be able to maximise our gold and silver recoveries.

Environmental regulation

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

Information on directors

Name: **JAMES WALL**

Title: **Chairman – appointed 29 February 2008, age 70**

Qualifications: **Bachelor of Engineering from the University of Western Australia**

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

Special responsibilities: Member of the Audit and Nomination Committees. Chairman Remuneration Committee.

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

Name: **BRIAN WESSON**

Title: **Managing Director – appointed 30 June 2014, age 56**

Qualifications: **MBA, Australia and Be South Africa**

Experience and expertise: Mr Wesson has extensive experience spanning a career of over 30 years in the management, operation, design and construction of natural resource operations globally. He qualified as an engineer in South Africa, gained an MBA and is a fellow of the Australasian Institute of Mining and Metallurgy and a fellow of the Australian Institute of Company Directors. Mr Wesson has led and developed public and private companies in Australia, Canada, United Kingdom, Europe and Australasia. Most recently he was CEO/President of Woulfe Mining Corporation, a Canadian Stock Exchange (CSE) listed company (CSE Code WOF), which was taken from the brink of collapse to a market capitalisation of more than CAD 100 million. Prior to Woulfe Mining, the Wesson family companies (Lionsbridge, Westech International and Westech Energy) revived the Emperor Mine in Fiji after taking control of the mine from DRD of South Africa and listing it in London for approximately USD 90 million.

Directorships (in the last 3 years): Woulfe Mining Canada and Mediterranean Resources Canada.

Special responsibilities: Nil.

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

Name: **ROBERT BESLEY**

Title: **Non-Executive director – appointed 29 February 2008, age 70**

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

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

Directorships (in the last 3 years): Silver City Minerals Limited, Murray Zircon Pty Ltd, Queensland Mining Limited.

Special responsibilities: Member of the Nomination and Remuneration Committee.

Mr Besley is considered to be an independent director.

Name: **GREGORY STARR**

Title: **Non-Executive director – appointed 18 November 2013, age 50**

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

Experience and expertise: Mr Starr has over 30 years experience in corporate and operational financial management. He has previously been Chief Executive Officer/Managing Director of listed companies Crater Gold Mining Company Limited, Golden China Resources Corporation, Michelago Limited and Emperor Mines Limited.

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

Directorships (in the last 3 years): Crater Gold Mining Limited and Kenai Resources Limited.

Special responsibilities: Chairman of the Audit and Risk Committee.

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

Name: **OLIVER RODZ**

Title: **Non-Executive Director – appointed 16 March 2015, age 43**

Qualifications: **B.A. International Relations (U of South Florida) and a JD (Northwestern School of Law at Lewis and Clark College)**

Experience and expertise: Mr Rodz is an energy and natural resources executive and investment professional with an extensive background in corporate and field operations, cross-border transactions, M&A, P&L management and board governance.

Mr Rodz is a member of the Oregon State Bar.

Directorships (in the last 3 years): Western Pacific Resources (TSXV) and Arian Silver Corp. (LSE and TSXV)

Special responsibilities: Audit and Risk Committee

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

Name: **LAWRENCE ROULSTON**

Title: **Non-Executive Director – appointed 16 March 2015, age 63**

Qualifications: **B.Sc. in Geology from the University of British Columbia**

Experience and expertise: Mr Roulston is a geologist, with engineering and business training, and more than 25 years of hands-on-experience in the resource industry. He earned a B.Sc. in Geology from the University of British Columbia in 1973 and then completed 2 years of business training. Mr. Roulston worked as an analyst for Cominco Ltd. and for a mid-sized Calgary oil group for several years. In 1984 he became the CFO for a group of mineral exploration companies. He was also vice-president in an investment management firm focused on the resource industry. From 1994 to 1997, he was CEO and director of a mineral exploration company. He was a resource industry consultant and independent mining analyst until August 2014 when he took on his current position as President of Quintana Resources Capital.

Directorships (in the last 3 years): Western Pacific Resources Corp. (TSXV)

Special responsibilities: N/A

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

Name: **DAVID LAING**

Title: **Non-Executive Director – appointed 16 March 2015, age 59**

Qualifications: **B.Sc. Mining Engineering (University of London) and is a graduate of the Royal School of Mines.**

Experience and expertise: Mr Laing is a mining engineer with over 35 years of experience in diverse mining operations, project development, engineering studies, mining finance, investor relations, M&A and corporate development, in both base and precious metals.

Directorships (in the last 3 years): CB Gold Inc. (TSXV), Arian Silver Corp. (LSE and TSXV)

Special responsibilities: N/A

Mr Laing is considered to be an independent director.

Information on company secretary

Name: **IVO POLOVINEO**

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

Qualifications: **Fellow of the Institute of Public Accounts – FIPA**

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

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

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

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

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each board committee held during the year ended 30 June 2015, and the number of meetings attended by each director is set out in the table above.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

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

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

Meetings of directors

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
J Wall	13	13	2	2	–	–
R Besley	13	13	2	2	–	–
G Starr	12	13	–	–	2	2
B Wesson	13	13	–	–	–	–
O Rodz	3	3	–	–	1	1
L Roulston	3	3	–	–	–	–
D Laing	3	3	–	–	–	–

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

A Principles used to determine the nature and amount of remuneration

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

Long Term Incentive or **LTI** is the amount due to any employee or director as a long term incentive. LTIs will typically be payable in the form of equity (shares, options or performance rights) and will typically relate to share price performance over a period greater than one year.

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

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

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

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

Director's remuneration and key management personnel remuneration costs totalling $1,864,655 have been recognised in the year ended 30 June 2015 (2014 – $1,215,564).

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

Consolidated entity performance and link to remuneration

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

B Details of remuneration

Amounts of remuneration

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

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

- J Wall – Chairman
- R Besley – Non-Executive Director
- G Starr – Non-Executive Director
- B Wesson – Managing Director (appointed 1 July 2014)
- O Rodz – Non-Executive Director (appointed 16 March 2015)
- L Roulston – Non-Executive Director (appointed 16 March 2015)
- D Laing – Non-Executive Director (appointed 16 March 2015)

Amounts of remuneration

Name	Title	Remuneration
J Wall	Non-executive Chairman	$100,000 per annum plus statutory superannuation
R Besley	Non-executive Director	$50,000 per annum plus statutory superannuation
G Starr	Non-executive Director	$50,000 per annum plus statutory superannuation
B Wesson	Managing Director	$500,000 per annum
O Rodz	Non-executive Director	$50,000 per annum
L Rouston	Non-executive Director	$50,000 per annum
D Laing	Non-executive Director	$50,000 per annum
R Griffith	COO	$333,125 per annum plus statutory superannuation
D Midgley	CFO	$230,000 per annum plus statutory superannuation
I Polovineo	Company Secretary	$33,600 per annum

Details of remuneration

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

			Primary benefits cost						
Name	Title	Year	Salaries and fees $	Consulting fees $	Cash bonus $	Super-annuation cost $	Equity compensation cost and (%) $		Total cost $
DIRECTORS:									
J Wall	Non-Executive Chairman	**2015**	**100,000**	**–**	**–**	**9,000**	**7,904**	**(6.76)**	**116,904**
		2014	100,000	–	10,000	9,000	23,267	(16.35)	142,267
R Besley	Non-Executive Director	**2015**	**50,000**	**–**	**–**	**4,750**	**1,437**	**(2.56)**	**56,187**
		2014	46,667	–	5,000	4,364	4,230	(7.02)	60,261
G Starr	Non-Executive Director	**2015**	**46,933**	**96,000**	**79,000**	**4,693**	**–**	**(–)**	**226,626**
		2014	33,753	37,500	–	3,375	–	(–)	74,628
O Rodz[h]	Non-Executive Director	**2015**	**14,651**	**–**	**–**	**–**	**–**	**(–)**	**14,651**
		2014	–	–	–	–	–	(–)	–
L Roulston[h]	Non-Executive Director	**2015**	**14,651**	**–**	**–**	**–**	**–**	**(–)**	**14,651**
		2014	–	–	–	–	–	(–)	–
D Laing[h]	Non-Executive Director	**2015**	**14,651**	**–**	**–**	**–**	**–**	**(–)**	**14,651**
		2014	–	–	–	–	–	(–)	–
EXECUTIVE DIRECTORS:									
B Wesson	Managing Director	**2015**	**402,903**	**–**	**237,000**	**–**	**45,469**	**(6.63)**	**685,372**
		2014	–	–	–	–	–	(–)	–
S Lonergan[d]	Executive Director	**2015**	**–**	**–**	**–**	**–**	**–**	**(–)**	**–**
		2014	–	123,990	5,000	–	12,691	(8.96)	141,681
OTHER KEY MANAGEMENT PERSONNEL:									
A Johnston[e]	Chief Executive Officer	**2015**	**247,095**	**–**	**–**	**9,392**	**11,442**	**(4.27)**	**267,929**
		2014	350,729	–	–	17,775	28,241	(7.12)	396,745
R Griffith	Chief Operating Officer	**2015**	**333,125**	**–**	**–**	**18,783**	**13,133**	**(3.60)**	**365,041**
		2014	350,729	–	–	17,775	25,878	(6.56)	394,382
D Midgley[f]	Chief Financial Officer	**2015**	**57,500**	**–**	**–**	**5,463**	**480**	**(0.76)**	**63,443**
		2014	–	–	–	–	–	(–)	–
I Polovineo[g]	Company Secretary	**2015**	**33,600**	**5,600**	**–**	**–**	**–**	**(–)**	**39,200**
		2014	5,600	–	–	–	–	(–)	5,600
Totals		**2015**	**1,315,109**	**101,600**	**316,000[a]**	**52,081**	**79,865[b]**		**1,864,655[c]**
		2014	887,478	161,490	20,000	52,289	94,307		1,215,564

a) *Discretionary bonuses totalling $316,000 were granted in relation to the Quintana funding package. No bonuses were forfeited during the financial year.*

b) *Remuneration costs totalling $79,865 for directors and key management personnel for equity compensation was due to the amortisation of the fair value determined by Black-Scholes Option Pricing Model.*

c) *100% of remuneration was fixed and not linked to the performance of the consolidated entity.*

d) *Mr Lonergan retired on 15 May 2014.*

e) *Mr Johnston left the company on 31 December 2014.*

f) *Mr Midgley became a KMP on 1 April 2015.*

g) *Mr Polovineo was appointed on 1 May 2014*

h) *Appointed 16 March 2015.*

And the following persons:

- T Johnston – Chief Executive Officer (CEO) (left 31 December 2014)
- R Griffith – Chief Operating Officer (COO)
- D Midgley – Chief Financial Officer (CFO) (appointed 1 April 2015)
- I Polovineo – Company Secretary

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

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

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

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

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

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

C Service agreements

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

D Share-based compensation

Issue of shares

During the year 3,000,000 shares at 2.8 cents were issued to Brian Wesson via a non-recourse loan as part of KMP remuneration. The fair value of these shares is $84,295.

Options

There were no options issued in financial year 2015 as part of KMP remuneration.

E Additional information

The earnings of the consolidated entity for the five years to 30 June 2015 are summarised in the table below.

F Additional disclosures relating to key management personnel

Shareholding

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

Convertible notes

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

	2015 $	2014 $	2013 $	2012 $	2011 $
Sales revenue	26,214,990	31,928,034	42,251,538	18,296,735	–
EBITDA	(28,043,833)	16,249,772	(8,858,913)	(20,497,000)	(2,936,502)
EBIT	(31,684,892)	13,329,333	(11,807,306)	(21,914,611)	(3,201,298)
Profit/(loss) after income tax	(34,240,088)	10,440,553	(14,348,456)	(22,858,427)	(3,213,290)

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

	2015	2014	2013	2012	2011
Share price at financial year end ($)	0.03	0.04	0.05	0.12	0.3
Basic earnings per share (cents per share)	(7.91)	2.73	(4.93)	(10.1)	(2)

ORDINARY SHARES	Balance at the start of the year No.	Received as part of remuneration No.	On market additions No.	Other movements No.	Balance at the end of the year No.
J Wall	6,922,045	–	1,580,307	–	8,502,352
R Besley	1,919,720	–	892,929	–	2,812,649
G Starr	–	–	–	–	–
B Wesson	–	3,000,000	–	–	3,000,000
O Rodz	–	–	–	–	–
L Roulston	–	–	–	–	–
D Laing	–	–	–	–	–
A Johnston	2,699,469	–	–	(2,699,469)	–
R Griffith	1,249,469	–	100,000	–	1,349,469
D Midgley	326,596	–	–	–	326,596
I Polovineo	–	–	–	–	–
	13,117,299	**3,000,000**	**2,573,236**	**(2,699,469)**	**15,991,066**

CONVERTIBLE NOTES	Balance at the start of the year No.	Received as part of remuneration No.	Additions No.	Other movements No.	Balance at the end of the year No.
J Wall	1,800,000	–	–	–	1,800,000
R Besley	188,577	–	–	–	188,577
G Starr	–	–	–	–	–
B Wesson	–	–	–	–	–
O Rodz	–	–	–	–	–
L Roulston	–	–	–	–	–
D Laing	–	–	–	–	–
A Johnston	–	–	–	–	–
R Griffith	–	–	–	–	–
D Midgley	–	–	–	–	–
I Polovineo	–	–	–	–	–
	1,988,577	**–**	**–**	**–**	**1,988,577**

PERFORMANCE RIGHTS AND OPTION HOLDINGS	Balance at the start of the year No.	Received as part of remuneration No.	Granted No.	Other movements No.	Balance at the end of the year No.
J Wall	550,000	–	–	(550,000)	–
R Besley	100,000	–	–	(100,000)	–
G Starr	–	–	–	–	–
B Wesson	–	–	–	–	–
O Rodz	–	–	–	–	–
L Roulston	–	–	–	–	–
D Laing	–	–	–	–	–
A Johnston	–	–	–	–	–
R Griffith	–	–	–	–	–
D Midgley	–	–	–	–	–
I Polovineo	–	–	–	–	–
	650,000	**–**	**–**	**(650,000)**	**–**

Performance rights and option holdings

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

Other transactions with key management personnel and their related parties

During the financial year, invoices for engineering services from Westech International Pty Limited and Westech International (HK) Limited (director-related entities of Brian Wesson) were received, see note 30 for details. All transactions were made on normal commercial terms and conditions and at market rates.

Use of remuneration consultants

During the financial year ended 30 June 2015 no remuneration consultants were used.

Voting and comments made at the company's 2014 Annual General Meeting ('AGM')

At the 2014 AGM, 81.81% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2014. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

This concludes the remuneration report, which has been audited.

Shares under option

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

Grant date	Expiry date	Exercise price ($)	Number under option
20/07/10	20/07/15	0.20	1,650,000
14/03/13	14/03/20	0.11	44,000,000
13/11/14	14/03/20	0.11	8,000,000
16/03/15	16/03/18	0.025	49,080,785

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

Shares issued on the exercise of options

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

Indemnity and insurance of Director and Officers

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

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

Indemnity and insurance of auditor

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

Proceedings on behalf of the company

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

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 28 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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

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

Auditor's independence declaration

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

Auditor

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

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

On behalf of the directors

James A Wall
Chairman

31 August 2015
Sydney

Auditor's Independence Declaration

BDO

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000

Australia

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

As lead auditor of KBL Mining Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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

Gareth Few

Gareth Few
Partner

BDO East Coast Partnership
Sydney, 31 August 2015

Financial Report

General information

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

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

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

Registered office	Principal place of business
3rd Floor	3rd Floor
2 Elizabeth Plaza	2 Elizabeth Plaza
North Sydney	North Sydney
NSW 2060	NSW 2060

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

The financial report was authorised for issue, in accordance with a resolution of directors, on 31 August 2015. The directors have the power to amend and reissue the financial report.

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2015

	Note	CONSOLIDATED 2015 $	2014 $
Revenue from continuing operations	**4**	**26,281,978**	**32,156,105**
Other income	4	885,548	8,670,629
Expenses			
Raw materials and consumables used	6	(27,256,873)	(23,101,138)
Employee benefits expense	6	(5,985,481)	(5,264,755)
Depreciation and amortisation expense	6	(3,641,059)	(2,888,780)
General and administration expense	6	(3,291,000)	(1,451,996)
Finance costs	6	(2,555,196)	(2,920,439)
Impairment of exploration assets	13	(1,390,141)	(2,629)
Impairment/(reversal) of impairment of mining assets	14	(17,275,640)	6,278,307
Share of joint venture loss	5	(12,224)	(14,932)
Loss on sale of assets		–	(97,623)
Loss from foreign exchange and hedging		–	(922,196)
(Loss)/profit before income tax from continuing operations		**(34,240,088)**	**10,440,553**
Income tax benefit	7	–	–
(Loss)/profit after income tax from continuing operations		(34,240,088)	10,440,553
(Loss)/profit after income tax for the year attributable to members of the parent entity		**(34,240,088)**	**10,440,553**
Other comprehensive income for the year		–	–
Total comprehensive income for the year attributable to members of the parent entity		**(34,240,088)**	**10,440,553**
		Cents	Cents
Earnings per share from continuing operations attributable to the owners of KBL Mining Limited			
Basic earnings per share	35	(7.91)	2.73
Diluted earnings per share	35	(7.91)	2.73

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

Consolidated statement of financial position

As at 30 June 2015

	Note	CONSOLIDATED 2015 $	2014 $
Assets			
Current assets			
Cash and cash equivalents	8	4,139,475	7,285,309
Trade and other receivables	9	2,149,378	1,720,487
Other financial assets		200,000	–
Inventories	10	2,004,891	2,795,445
Total current assets		8,493,744	11,801,241
Non-current assets			
Other financial assets	11	1,497,000	1,497,000
Property, plant and equipment	12	16,039,693	10,648,748
Mining property	14	18,091,942	31,060,382
Investment in joint ventures	15	12,168,406	11,782,380
Exploration and evaluation	13	311,248	2,419,130
Total non-current assets		48,108,289	57,407,640
Total assets		**56,602,033**	**69,208,881**
Liabilities			
Current liabilities			
Trade and other payables	16	9,838,128	5,904,383
Financial liabilities	17	2,925,414	12,070,135
Deferred revenue	19	3,988,485	–
Provisions	21	397,865	332,404
Total current liabilities		17,149,892	18,306,922
Non-current liabilities			
Financial liabilities	18	1,723,834	289,322
Deferred revenue	20	18,251,098	–
Convertible notes	23	10,524,332	10,270,459
Provisions	22	645,115	860,506
Total non-current liabilities		31,144,379	11,420,287
Total liabilities		**48,294,271**	**29,727,209**
Net assets		**8,307,762**	**39,481,672**
Equity			
Issued capital	24	69,930,268	67,846,445
Reserves	25	3,253,515	2,651,120
Accumulated losses		(64,876,021)	(31,015,893)
Total equity		**8,307,762**	**39,481,672**

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

Consolidated statement of changes in equity

For the year ended 30 June 2015

	Issued capital $	Reserves $	Accumulated losses $	Total $
CONSOLIDATED				
Balance at 1 July 2014	67,846,445	2,651,120	(31,015,893)	39,481,672
Loss after income tax benefit for the year	–	–	(34,240,088)	(34,240,088)
Transfer between reserves	–	(379,960)	379,960	–
Total comprehensive income for the year	–	(379,960)	(33,860,128)	(34,240,088)
Transactions with owners in their capacity as owners:				
Ordinary shares issued	2,083,823	–	–	2,083,823
Share-based payments	–	982,355	–	982,355
Total	2,083,823	982,355	–	3,066,178
As at 30 June 2015	**69,930,268**	**3,253,515**	**(64,876,021)**	**8,307,762**
CONSOLIDATED				
Balance at 1 July 2013	64,744,734	2,526,201	(41,456,446)	25,814,489
Profit after income tax benefit for the year	–	–	10,440,553	10,440,553
Other comprehensive income for the year net of tax	–	–	–	–
Total comprehensive income for the year	–	–	10,440,553	10,440,553
Transactions with owners in their capacity as owners:				
Ordinary shares issued	3,157,805	–	–	3,157,805
Transactions costs	(56,094)	–	–	(54,094)
Share-based payments	–	124,919	–	124,919
Total	3,101,711	124,919	–	3,226,630
As at 30 June 2014	**67,846,445**	**2,651,120**	**(31,015,893)**	**39,481,672**

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

Consolidated statement of cash flows

For the year ended 30 June 2015

	Note	CONSOLIDATED 2015 $	2014 $
Cash flows from operating activities			
Cash receipts during the course of operations		27,585,925	31,783,193
Payments to suppliers and employees		(32,891,657)	(33,055,850)
Interest received		169,182	238,176
Interest paid		(1,427,611)	(1,757,943)
Research and development tax claim	4	–	14,968,017
Net cash (used in)/provided by operating activities	**34**	**(6,564,161)**	**12,175,593**
Cash flows from investing activities			
Payments for development		(5,313,162)	(5,348,980)
Payments for plant and equipment		(818,772)	(726,058)
Payments for assets under construction		(6,149,609)	–
Payments for exploration and evaluation		(339,921)	(1,413,762)
Receipts from sale of property		–	285,637
Payments for other financial assets		(200,000)	(382,300)
Payments for investment in joint venture		(398,250)	(740,137)
Net cash used in investing activities		**(13,219,714)**	**(8,325,600)**
Cash flows from financing activities			
Proceeds from issue of equity securities		2,083,822	3,157,807
Proceeds from deferred revenue		23,586,588	–
Proceeds from borrowings		5,768,667	160,172
Repayment of borrowings		(14,801,036)	(5,131,658)
Payment of share issue costs		–	(56,094)
Net cash provided/(used in) by financing activities		**16,638,041**	**(1,869,773)**
Net (decrease)/increase in cash and cash equivalents		(3,145,834)	1,980,220
Cash at the beginning of the financial year		7,285,309	5,305,089
Cash at the end of the financial year	**8**	**4,139,475**	**7,285,309**

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

Consolidated notes to the financial statements

30 June 2015

Note 1. Significant accounting policies

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

New, revised or amending Accounting Standards and Interpretations adopted

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

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

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

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

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

The consolidated entity has applied AASB 2012-3 from 1 July 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement.

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

The consolidated entity has applied AASB 2013-3 from 1 July 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed.

AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)

The consolidated entity has applied Parts A to C of AASB 2014-1 from 1 July 2014. These amendments affect the following standards: AASB 2 'Share-based Payment': clarifies the definition of 'vesting condition' by separately defining a 'performance condition' and a 'service condition' and amends the definition of 'market condition'; AASB 3 'Business Combinations': clarifies that contingent consideration in a business combination is subsequently measured at fair value with changes in fair value recognised in profit or loss irrespective of whether the contingent consideration is within the scope of AASB 9; AASB 8 'Operating Segments': amended to require disclosures of judgements made in applying the aggregation criteria and clarifies that a reconciliation of the total reportable segment assets to the entity's assets is required only if segment assets are reported regularly to the chief operating decision maker; AASB 13 'Fair Value Measurement': clarifies that the portfolio exemption applies to the valuation of contracts within the scope of AASB 9 and AASB 139; AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets': clarifies that on revaluation, restatement of accumulated depreciation will not necessarily be in the same proportion to the change in the gross carrying value of the asset; AASB 124 'Related Party Disclosures': extends the definition of 'related party' to include a management entity that provides KMP services to the entity or its parent and requires disclosure of the fees paid to the management entity; AASB 140 'Investment Property': clarifies that the acquisition of an investment property may constitute a business combination.

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of KBL Mining Limited ('company' or 'parent entity') as at 30 June 2015 and the results of all subsidiaries for the year then ended. KBL Mining Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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

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

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

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

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

Operating segments

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

Foreign currency translation

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

Foreign currency transactions

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

Revenue recognition

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

Sale of metals

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

Deferred revenue

Deferred revenue is brought to account each period by amortising the deferred revenue liability when metals are delivered.

Interest

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

Other revenue

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

Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

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

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

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

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

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

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

Cash and cash equivalents

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

Trade and other receivables

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

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

Joint ventures

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

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

Investments and other financial assets

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss.

Impairment of financial assets

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

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

Property, plant and equipment

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

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

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

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

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

Leases

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

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

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

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

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

Exploration and evaluation assets

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

Mining assets

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

Amortisation of mining development is computed by the units of production basis over the estimated proved and probable reserves. Proved and probable mineral reserves reflect estimated quantities of economically recoverable reserves which can be recovered in the future from known mineral deposits. These reserves are amortised from the date on which production commences. The amortisation is calculated from recoverable proven and probable reserves and a predetermined percentage of the recoverable measured, indicated and inferred resource. This percentage is reviewed annually.

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

Impairment of non-financial assets

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

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

Trade and other payables

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

Borrowings

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

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

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

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

Finance costs

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

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

Provisions

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

Employee benefits

Short term employee benefits

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

Other long term employee benefits

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

Defined contribution superannuation expense

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

Share-based payments

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

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

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

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

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

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

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

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

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

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

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

Issued capital

Ordinary shares are classified as equity.

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

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Derivatives and hedging activities

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

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

Going concern

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

As at 30 June 2015, the consolidated entity's current liabilities exceeded its current assets by $8,656,148, although this includes $3,988,484 deferred revenue that is a non-cash current liability item.

The consolidated entity has prepared a cash flow forecast which indicates it will have sufficient cash from operations to meet its liabilities. The cash flow is based on the mining of the Pearse gold and silver open-cut pit and production of gold concentrate with the first shipment in September 2015.

The directors are confident that the Pearse gold and silver open-cut pit will provide sufficient cash flows for the consolidated entity to continue as a going concern. The consolidated entity has undertaken significant test work which supports this view. As such, these financial statements have been presented on a going concern basis.

Comparative figures

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

Fair value measurement

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

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

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

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

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

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

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

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

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events; management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

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

Provision for impairment of receivables

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

Provision for impairment of inventories

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

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

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

Fair value and hierarchy of financial instruments

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

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

Estimation of useful lives of assets

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

Deferred revenue

The consolidated entity allocates revenue received in advance based on the Mineral Hill mine life. The revenue is released based on an equivalent gold ounce calculation using commodity prices at the time of the initial transaction. The amortisation of the revenue could materially change over time. It is are significantly affected by a number of factors including reserves and production estimates.

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

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

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

Income tax

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

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

Employee benefits provision

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

Rehabilitation provision

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

Exploration and evaluation costs

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

Note 3. Operating segments

Identification of reportable operating segments

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

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

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

Types of products and services

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

Major customers

During the year ended 30 June 2015 the consolidated entity's external revenue was derived as follows:

	2015 $	2014 $	2015 %	2014 %
MRI Trading AG (Switzerland)	23,787,264	24,701,927	90.70%	77.4%
Traxys North America LLC	2,427,726	–	9.30%	0%
Henan Yuguang Co., Ltd (China)	–	6,747,223	0%	21.1%
Ausinmet Pte Ltd	–	478,885	0%	1.5%
	26,214,990	**31,928,035**	**100%**	**100%**

	Mineral Hill $	Sorby Hills $	Other Exploration $	Total $
2015				
Sales to customers	26,214,990	–	–	26,214,990
Other income	885,548	–	–	885,548
Revenue	**27,100,538**	**–**	**–**	**27,100,538**
Segment EBITDA	**(6,141,816)**	**–**	**–**	**(6,141,816)**
Depreciation and amortisation	(3,641,059)	–	–	(3,641,059)
Impairment of mining asset	(17,275,640)	–	–	(17,275,640)
Impairment of exploration	–	–	(1,390,141)	(1,390,141)
Share of joint venture loss	–	(12,224)	–	(12,224)
Segment result	**(27,058,515)**	**(12,224)**	**(1,390,141)**	**(28,460,880)**
General and administration costs				(3,291,000)
Interest revenue				66,988
Finance costs				(2,555,196)
(Loss) before income tax				**(34,240,088)**
Income tax				–
(Loss) after income tax				**(34,240,088)**
Segment assets	**38,285,903**	**12,168,406**	**311,249**	**50,765,558**
Cash and cash equivalents				4,139,475
Security deposits				1,697,000
Total assets				**56,602,033**
Segment liabilities	**33,120,691**	**–**	**–**	**33,120,691**
Financial liabilities				4,649,248
Convertible notes				10,524,332
Total liabilities				**48,294,271**

Note 3. Operating segments continued

	Mineral Hill $	Sorby Hills $	Other Exploration $	Total $
2014				
Sales to customers	31,928,035	–	–	31,928,035
Other income	8,670,629	–	–	8,670,629
Revenue	**40,598,664**	**–**	**–**	**40,598,664**
Segment EBITDA	**11,341,942**	**–**	**–**	**11,341,942**
Depreciation and amortisation	(2,888,780)	–	–	(2,888,780)
Impairment of exploration	–	–	(2,629)	(2,629)
Reversal of impairment	6,278,307	–	–	6,278,307
Share of joint venture loss	–	(14,932)	–	(14,932)
Segment result	**14,731,469**	**(14,932)**	**(2,629)**	**14,713,908**
General and administration costs				(1,580,986)
Interest revenue				228,070
Finance costs				(2,920,439)
Profit before income tax				**10,440,553**
Income tax				–
Profit after income tax				**10,440,553**
Segment assets	**45,785,062**	**11,782,380**	**2,419,130**	**59,986,572**
Cash and cash equivalents				7,285,309
Security deposits				1,497,000
Total assets				**68,768,881**
Segment liabilities	**6,657,292**	**–**	**–**	**6,657,292**
Financial liabilities				12,359,458
Convertible notes				10,270,459
Total liabilities		**–**	**–**	**29,287,209**

	CONSOLIDATED 2015 $	2014 $
Note 4. Revenue		
From continuing operations		
Sales revenue		
Sale of concentrates	26,214,990	31,928,035
Interest revenue	66,988	228,070
	26,281,978	**32,156,105**
Other income		
Gain from foreign exchange and hedging	789,226	–
Other income	96,322	–
Government grant - research and development income	–	8,670,629
	885,548	**8,670,629**
Note 5. Share of loss of joint ventures accounted for using the equity method		
Share of loss – joint ventures	**12,224**	**14,932**

	CONSOLIDATED 2015 $	2014 $

Note 6. Expenses

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

	2015 $	2014 $
Raw materials and consumables used		
Mineral Hill purchases including freight	26,178,804	24,444,630
Change in inventory	1,078,068	(1,343,492)
Total raw materials and consumables used	**27,256,872**	**23,101,138**
Finance costs		
Interest costs	2,337,624	2,755,727
Unwinding of discount on restoration provision	(215,391)	6,529
Unwinding of discount on amount under convertible notes	432,963	158,183
Total finance costs	**2,555,196**	**2,920,439**
Employee benefits expense		
Wages and Salaries	5,540,671	4,843,709
Contributions to employee superannuation plans	359,195	296,127
Share based payments	85,615	124,919
Total employee benefits expense	**5,985,481**	**5,264,755**
Depreciation and amortisation expense		
Depreciation	1,577,436	1,498,513
Amortisation	2,063,623	1,390,267
Total depreciation and amortisation expense	**3,641,059**	**2,888,780**
General and administration expense		
Non-executive directors fees	240,886	180,420
Other non-executive director fees	175,000	37,500
Investor relations and share registry costs	646,611	205,122
Legal fees	1,057,630	50,326
Other costs	1,170,873	978,628
Total general and administration expense	**3,291,000**	**1,451,996**

Note 7. Income tax

	2015 $	2014 $
Current tax	–	–
Income tax benefit	**–**	**–**
Reconciliation between pre-tax net (loss)/profit and income tax benefit		
(Loss)/profit before tax	(34,240,088)	10,440,553
Income tax (benefit)/expense at the statutory rate of 30%	(10,272,026)	(4,430,441)
Tax effect of non-assessable/non-deductible items	6,547,438	(2,601,189)
Tax effect of equity raising costs debited to equity	(103,226)	(159,439)
Current year losses for which no tax benefit has been recognised	3,827,814	4,526,920
Income tax benefit	**–**	**–**

Unused tax losses for which a deferred tax benefit has not been recognised total $55,035,678 (2014: $42,276,298), this has a tax effect of $16,510,703 (2014: $12,682,889).

Note 8. Current assets – cash and cash equivalents

	2015 $	2014 $
Cash at bank and on hand	4,139,475	7,285,309
Balance as per statement of cash flows	**4,139,475**	**7,285,309**

Refer to note 26 for the risk exposure analysis.

	CONSOLIDATED	
	2015 $	2014 $

Note 9. Current assets – trade and other receivables

Trade receivables	1,293,868	1,319,675
Other receivables	234,346	167,794
GST receivables	621,164	233,018
	2,149,378	**1,720,487**

Past due but not impaired

The trade receivables owing from customers relate to the difference between provisional shipment value and final shipment value. Final shipment value is a contractual determination by the final weight and assay that are exchanged and agreed between seller and buyer. As at 30 June 2015 no amount (2014: Nil) was past due.

Refer to note 26 for the risk exposure analysis.

Note 10. Current assets – inventories

Metal concentrates and ore on hand – cost	928,202	2,006,270
Mining and maintenance stock – cost	1,019,406	729,798
Bulk fuel – cost	57,283	59,377
	2,004,891	**2,795,445**

Note 11. Non-current assets – other financial assets

Security deposit	1,497,000	1,497,000
	1,497,000	**1,497,000**

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

Plant and equipment at cost	13,481,326	13,355,152
Less: Accumulated depreciation	(4,897,666)	(3,523,104)
	8,583,660	9,832,048
Assets under construction at cost	6,815,287	–
Less: Accumulated depreciation	–	–
	6,815,287	–
Mining building at cost	148,068	146,998
Less: Accumulated depreciation	(57,483)	(42,574)
	90,585	104,424
Mobile plant at cost	852,509	831,153
Less: Accumulated depreciation	(366,252)	(255,893)
	486,257	575,260
Office equipment at cost	332,072	327,578
Less: Accumulated depreciation	(268,168)	(190,562)
	63,904	137,016
Total property, plant & equipment	**16,039,693**	**10,648,748**

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

Reconciliations

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

	Plant and equipment $	Assets under construction $	Mine buildings $	Mobile plant $	Office equipment $	Total $
Consolidated						
Balance at 1 July 2013	10,501,651	–	119,124	673,393	127,036	11,804,464
Additions	628,271	–	–	13,559	84,227	726,057
Disposals	–	–	–	–	–	–
Depreciation expense	(1,297,874)	–	(14,700)	(111,692)	(74,247)	(1,498,513)
Depreciation disposal	–	–	–	–	–	–
Balance at 30 June 2014	**9,832,048**	**–**	**104,424**	**575,260**	**137,016**	**10,648,748**
Additions	126,175	6,815,287	1,070	21,355	4,494	6,968,381
Disposal	–	–	–	–	–	–
Depreciation expense	(1,374,563)	–	(14,909)	(110,358)	(77,606)	(1,577,436)
Depreciation disposal	–	–	–	–	–	–
Balance at 30 June 2015	**8,583,660**	**6,815,287**	**90,585**	**486,257**	**63,904**	**16,039,693**

Plant and equipment with a carrying value of $2,145,570 (2014: $799,364) are encumbered by the leases as disclosed in note 26 and note 29 for HP facilities.

	CONSOLIDATED 2015 $	2014 $

Note 13. Non-current assets – exploration and evaluation

Exploration and evaluation – at cost	311,248	2,419,130

Reconciliations

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

Movement in carrying amounts:		
Balance at beginning of year	2,419,130	6,881,265
Additions	339,920	1,263,762
Transfer to mining property	(1,057,661)	(5,723,267)
Impairment	(1,390,141)	(2,629)
Carrying amount at end of year	**311,248**	**2,419,130**

Recoverability of the carrying amount of exploration and evaluation assets is dependent on successful development and commercial exploration or sale of the respective areas of interest. During the year the company impaired the Constance Range project to zero.

Note 14. Non-current assets – mining property

Mining property – at cost	49,783,445	43,412,622
Less: Accumulated amortisation	(5,774,090)	(3,710,467)
Less: Impairment	(25,917,413)	(8,641,773)
	18,091,942	**31,060,382**

Note 14. Non-current assets – mining property continued

Reconciliations

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

	CONSOLIDATED	
	2015 $	2014 $
Movement in carrying amounts:		
Balance at beginning of year	31,060,382	21,597,682
Additions	5,313,162	5,148,981
Transfer from exploration	1,057,661	5,723,267
Amortisation	(2,063,623)	(1,390,267)
Impairment	(17,275,640)	6,278,307
Allocation of research and development tax claim	–	(6,297,588)
Carrying amount at end of year	**18,091,942**	**31,060,382**

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

Key assumptions used 2015:

- Life of mine remaining – 9.0 years
- Pre-tax discount rate of 18.9%
- Exchange rate of AUD/USD 0.74
- Commodity prices:
  - Copper US$5,150 per tonne
  - Gold US$1,100 per ounce
  - Silver US$15 per ounce
  - Lead US$1,650 per tonne
  - Zinc US$1,900 per tonne
- Sensitivity:

  As discussed above the directors have made judgements and estimates in respect of the impairment testing of the mining property. Should the judgements and estimates not occur, the value of the mining property may vary from the carrying amount. These sensitivities are as follows:
  - +/- 1% change in FX over life of mine: +/- $1.3m
  - +/- 1% change in commodity prices over life of mine: +/- $1.5m
  - +/- 1% change in discount rate over life of mine: +/- $0.1m

Key assumptions used 2014:

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

  As discussed above the directors have made judgements and estimates in respect of the impairment testing of the mining property. Should the judgements and estimates not occur, the value of the mining property may vary from the carrying amount. These sensitivities are as follows:
  - +/- 1% change in FX over life of mine: +/- $1.7m
  - +/- 1% change in commodity prices over life of mine: +/- $2.1m
  - +/- 1% change in discount rate over life of mine: +/- $0.2m

The recoverable amount of the mining property has been determined by a value-in-use calculation, and during the year the company recognised an impairment amounting to $17,275,640 . The impairment loss has arisen due to falling metal prices as well as now making payments in respect of the Metal Purchase Agreement disclosed in note 19. Management believe that the revised carrying value is fully recoverable. As the CIL plant was not completed at the year-end, the additional gold and silver recoveries from the CIL plant are not included within the value-in-use calculation.

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

	CONSOLIDATED 2015 $	2014 $

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

	2015 $	2014 $
Balance at the beginning of the year	11,782,380	11,057,174
Joint venture contribution	398,250	740,138
Share of joint venture loss	(12,224)	(14,932)
Carrying amount at end of year	**12,168,406**	**11,782,380**

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

	2015 $	2014 $
Current assets		
Cash and cash equivalents	6,114	9,478
Other	10,634	5,200
	16,748	14,678
Non-current assets		
Property, plant and equipment	25,356	25,251
Deferred exploration	17,960,944	17,421,396
	17,986,300	17,446,647
Total assets	**18,003,048**	**17,461,325**
Current liabilities		
Trade payables	65,637	49,249
	65,637	49,249
Net assets	**17,937,411**	**17,412,076**
Contribution		
Contributions by joint venture partners	17,838,284	17,300,284
Retained earnings	99,127	111,792
	17,937,411	**17,412,076**
Earnings by the joint venture		
Revenue	–	1,284
Interest	1	1,069
Expenses	(12,666)	(22,262)
Net loss	**(12,665)**	**(19,909)**

Note 16. Current liabilities – trade and other payables

	2015 $	2014 $
Trade payables	6,404,613	4,250,688
Other payables	3,433,515	1,653,695
	9,838,128	**5,904,383**

Refer to note 26 for further information on financial instruments.

Note 17. Current liabilities – financial liabilities

	2015 $	2014 $
Amount due in hire purchase facilities (note 29)	257,152	274,745
Amount due to insurance premium funding	66,805	51,433
Amount due to MRI Trading AG	2,601,457	–
Amount due to Capri Trading Pty Ltd	–	11,510,898
Financial instrument QP hedge	–	233,059
	2,925,414	**12,070,135**

Refer to note 26 for further information on financial instruments.

Refer to note 29 for future minimum lease payments.

	CONSOLIDATED	
	2015 $	2014 $

Note 18. Non-current liabilities – financial liabilities

Amount due in hire purchase facilities (note 29)	1,723,834	289,322
	1,723,834	**289,322**

Refer to note 26 for further information on financial instruments.

Refer to note 29 for future minimum lease payments.

Note 19. Current liabilities – revenue in advance

Revenue in advance	3,988,484	–
	3,988,484	**–**

During the year Newincco 1347 Limited entered into a Metal Purchase Agreement ("MPA") with Quintana Mineral Hill Streaming Company Limited which provided the company with USD23 million on account of future sales of base metals, silver and gold to be produced at KBL's Mineral Hill Mine for the life of Mine.

The metal which will be streamed to Quintana under the MPA will represent some 24.1 % of payable copper, lead, zinc, silver and gold produced at Mineral Hill until a specified delivery hurdle quantity has been met for each metal (Delivery Hurdle) and then the streaming percentage for that metal will reduce to 12.1%. Under current production forecasts the Delivery Hurdle will be met following approximately 4 years of production. KBL will be paid for metal streamed to Quintana at the prevailing market price for that metal, except that if the market price is more than a specified fixed price then the lower fixed price is to be paid.

The revenue in advance is amortised over the life of Mineral Hill on gold equivalent production calculation. The equivalent gold ounces at the year-end was 401,938 ounces, the current balance represents forecast production in FY2016 of 69,290 gold equivalent ounces.

Note 20. Non-current liabilities – revenue in advance

Revenue in advance	18,251,098	–
	18,251,098	**–**

Note 21. Current liabilities – provisions

Employee benefits	397,865	332,404
	397,865	**332,404**

Amounts not expected to be settled within the next 12 months

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

Movements in provisions

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

Employee benefits		
Balance at the beginning of the year	332,404	365,128
Charge to profit or (loss)	65,461	(32,724)
Carrying amount at the end of the year	**397,865**	**332,404**

	CONSOLIDATED	
	2015 $	2014 $

Note 22. Non-current liabilities – provisions

Restoration provision	645,115	860,506
	645,115	**860,506**

Restoration

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

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

- Undiscounted rehabilitation costs: $1,477,000;
- Time until payment required – 9 years;
- Annual growth rate: 2.5%; and
- Pre-tax discount rate of 13%.

Movements in provisions

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

Balance at the beginning of the year	860,506	853,977
Unwinding of discount	(215,391)	6,529
Carrying amount at the end of the year	**645,115**	**860,506**

Note 23. Convertible notes

Balance at the beginning of the year	10,270,459	10,655,276
Unwinding of finance costs	253,873	158,183
Interest accrual	–	(543,000)
Carrying amount at the end of the year	**10,524,332**	**10,270,459**

The notes are unsecured, have a 5.5 year term (February 2017) and bear interest at a rate of 12% per annum. The notes can be converted into ordinary shares of the company on a 1 note for 1 share basis at the option of the note holder at quarterly conversion points and at certain other times.

Refer to note 27 for details on the equity component of the convertible note.

Note 24. Equity – issued capital

	CONSOLIDATED		CONSOLIDATED	
	2015 Shares	2014 Shares	2015 $	2014 $
Ordinary shares - fully paid	495,765,509	393,535,629	69,930,268	67,846,445

Details	No of shares	$
Movements in ordinary share capital		
Carrying amount at 1 July 2013	293,535,629	64,744,734
Shares issued during the year	100,000,000	3,157,805
Share issue transaction costs, net of tax	–	(56,094)
Carrying amount at 30 June 2014	393,535,629	67,846,445
Shares issued in terms of employee incentive plans	3,000,000	–
Shares issued during the year	99,229,880	2,083,823
Carrying amount at 30 June 2015	**495,765,509**	**69,930,268**

Note 24. Equity – issued capital continued

Movements during the year:

- 23 December 2014 – 3,000,000 shares issued at 2.9 cents;
- 12 February 2015 – 99,229,880 shares issued at 2.1 cents.

Ordinary shares

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

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

Capital risk management

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

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

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

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

Note 25. Equity – reserves

	CONSOLIDATED 2015 $	CONSOLIDATED 2014 $
Share based payment reserve	2,336,688	1,734,293
Convertible notes reserve	916,827	916,827
	3,253,515	**2,651,120**
Reserves		
Balance at the beginning of the year	1,734,293	1,609,374
Amounts recognised in relation to share options issued to employees and directors	71,963	79,063
Amounts recognised in relation to performance rights 2011 plan	13,652	45,856
Amounts recognised in relation to the MPA agreement with Quintana	896,740	–
Expired options transferred to accumulated losses	(379,960)	–
Carrying amount at the end of the year	**2,336,688**	**1,734,293**

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

Note 25. Equity – reserves continued	CONSOLIDATED 2015 No.	2014 No.
Non-exempt employee share plan		
Balance at the beginning of the year	5,950,000	5,950,000
Share options issued	3,000,000	450,000
Share options transferred	–	(450,000)
Balance at the end of the year	**8,950,000**	**5,950,000**
Australian opportunity fund		
Balance at the beginning of the year	2,800,000	2,800,000
Expired options	(2,800,000)	–
Balance at the end of the year	**–**	**2,800,000**
Capri Trading Pty Ltd		
Balance at the beginning of the year	44,000,000	–
Share options issued	–	44,000,000
Balance at the end of the year	**44,000,000**	**44,000,000**
BBY Asia Pacific Group Pty Ltd		
Balance at the beginning of the year	–	–
Share options issued	8,000,000	–
Balance at the end of the year	**8,000,000**	**–**
Quintana Mineral Hill Streaming Company LLC		
Balance at the beginning of the year	–	–
Share options issued	49,080,785	–
Balance at the end of the year	**49,080,785**	**–**

The share based payment reserve is used to recognise:

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

Fair value of options granted

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

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

The model inputs for options granted during the year ended 30 June 2015 are noted below:

Grant date	Expiry date	Vesting period	Exercise price	Share price	Expected volatility	Expected dividend yield	Risk free rate	Fair value
1 July 2014	23 Dec 2017	1 Year	2.8 cents	2.8 cents	201%	0%	3.0%	$42,148
1 July 2014	23 Dec 2017	2 Years	2.8 cents	2.8 cents	201%	0%	3.0%	$42,148
16 Mar 2015	16 Mar 2018	0 Years	2.5 cents	2.0 cents	201%	0%	3.0%	$896,740

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

Note 26. Financial instruments

Financial risk management objectives

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

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

Market risk

Foreign currency risk

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

The consolidated entity had net assets denominated in foreign currencies of $671,078 (2014: $4,928,064), a 10% movement in exchange rate would have a $67,108 (2014: $492,806) effect on the exchange gain in the year.

Price risk

Commodity risk is that metal prices vary over time. The consolidated entity does not believe the current level of risk in AUD terms warrants specific action; this is reviewed by management frequently.

Interest rate risk

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

	Non-interest bearing $	1 year or less $	1–5 years $	More than 5 years $	Floating interest rate $	Total $	Weighted average interest rate %
2015							
Financial assets							
Cash	–	–	–	–	4,139,475	4,139,475	2.1
Receivables	2,149,378	–	–	–	–	2,149,378	–
Other	200,000	–	–	–	–	200,000	–
Security deposits	–	–	–	–	1,497,000	1,497,000	3.4
	2,349,378	**–**	**–**	**–**	**5,636,475**	**7,985,853**	
Financial liabilities							
Trade and other payables	9,838,128	–	–	–	–	9,838,128	–
Financial liabilities	–	2,925,414	1,723,834	–	–	4,649,248	8.1
Convertible notes	–	–	10,524,332	–	–	10,524,332	12.0
	9,838,128	**2,925,414**	**12,248,166**	**–**	**–**	**25,011,708**	
2014							
Financial assets							
Cash	–	–	–	–	7,285,309	7,285,309	2.35
Receivables	1,720,487	–	–	–	–	1,720,487	–
Security deposits	–	–	–	–	1,497,000	1,497,000	3.45
	1,720,487	**–**	**–**	**–**	**8,792,309**	**10,512,796**	
Financial liabilities							
Trade and other payables	4,757,999	1,146,384	–	–	–	5,904,383	6.00
Financial liabilities	233,059	11,837,076	289,322	–	–	12,359,457	12.00
Convertible notes	–	–	10,270,459	–	–	10,270,459	10.00
	4,991,058	**12,983,460**	**10,559,781**	**–**	**–**	**28,534,299**	

Note 26. Financial instruments continued

The consolidated entity's bank balances with floating rates total $5,636,475 (2014: $8,792,309). An official increase/decrease in interest rates of 100 (2014: 100) basis points would have an adverse/favourable effect on profit before tax of $56,365 (2014: $87,923) per annum.

Credit risk

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

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

Liquidity risk

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

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

Remaining contractual maturities

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

	6 months or less	6–12 months	1–2 years	2–5 years
2015				
Trade and other payables	9,838,128	–	–	–
Financial liabilities	2,796,838	195,366	1,952,382	–
Convertible note	665,589	658,354	11,794,912	–
	13,300,555	**853,720**	**13,747,294**	**–**
2014				
Trade and other payables	5,904,383	–	–	–
Financial liabilities	421,865	12,719,703	325,919	–
Convertible note	553,142	544,123	1,100,272	11,107,933
	6,879,390	**13,263,826**	**1,426,191**	**11,107,933**

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

Fair value of financial instruments

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

Liabilities amounting to $nil (2014: $233,059 receivable) are classed as Level 2, all other amounts are classed as Level 3. There were no transfers between levels during the financial year.

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

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

Note 27. Key management personnel disclosures

Compensation

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

	CONSOLIDATED	
	2015 $	2014 $
Short-term employee benefits	1,732,709	1,068,968
Post-employment benefits	52,081	52,289
Share-based payments	79,865	94,307
	1,864,655	**1,215,564**

Related party transactions

Related party transactions are set out in note 30.

Note 28. Remuneration of auditors

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

Audit services – BDO East Coast Partnership		
Audit or review of the financial statements	**73,000**	**70,200**
Other services – BDO East Coast Partnership		
Taxation services in relation to research and development tax claim	**–**	**58,390**

Note 29. Commitments and contingencies

(a) Operating lease commitments

The company has entered into a lease for office accommodation. The lease has a remaining term of 1 year to 30 June 2016. During the current year the following minimum lease payments were incurred:

Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	182,658	162,855
One to five years	–	182,658
	182,658	**345,513**

(b) Finance lease commitments

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

Lease commitments – finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	323,942	308,509
One to five years	1,952,382	325,919
Total commitment	2,276,234	634,428
Less: Future finance charges	(295,248)	(70,361)
Net commitment recognised as liabilities	**1,980,986**	**564,067**
Representing:		
Lease liability – current (note 17)	257,152	274,745
Lease liability – non-current (note 18)	1,723,834	289,322
	1,980,986	**564,067**

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

Note 29. Commitments and contingencies continued

(c) Contingencies

During the year 23 tonnes of SMBS were disposed of into the tailings dam, an investigation was undertaken and subsequent reports recommended the product remained insitu. We have not had any acceptance or rejection from the EPA on the documents provided. In addition a small amount of process water seeped through the side of the fresh water drain in March 2015, an investigation were undertaken and subsequent reports to the EPA suggested the impacts were very minor. However the water quality above and below the seepage area would be monitored. We have not had any acceptance or rejection from the EPA on the documents provided.

Both these incidents are considered relatively minor in nature. There have been no penalty notices regarding these incidents, but, based on analogous cases, any penalty would not be sufficiently material to adversely affect the Financial Statements.

(d) Capital commitments

At the year end the company had committed to purchasing a loader for $408,500 which had not been delivered and therefore not recognised as a liability.

Note 30. Related party transactions

Parent entity

KBL Mining Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 32.

Joint ventures

Interests in joint ventures are set out in note 15.

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report in the directors' report.

	CONSOLIDATED	
	2015 $	2014 $
Transactions with related parties		
Expenses recovered from Sorby Hills Joint Venture	41,806	127,266
Expenses paid to Sorby Hills Joint Venture	4,069	44,424
Engineering services paid to Westech International Pty Limited	660,000	91,215
Engineering services paid to Westech International (HK) Limited	506,611	–

Westech International Pty Limited and Westech International (HK) Limited are director-related entities of Brian Wesson.

Terms and conditions

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

Note 31. Parent entity information

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

	PARENT	
	2015 $	2014 $
Statement of profit or loss and other comprehensive income		
(Loss)/profit after income tax	(34,240,088)	10,440,553
Total comprehensive income	**(34,240,088)**	**10,440,553**

Note 31. Parent entity information continued

	PARENT 2015 $	PARENT 2014 $
Statement of financial position		
Total current assets	8,493,474	11,361,241
Total assets	56,602,033	68,768,881
Total current liabilities	17,149,892	18,306,922
Total liabilities	48,294,271	29,727,209
Equity		
Issued capital	69,930,268	67,846,445
Reserves	3,253,515	2,651,120
Accumulated losses	(64,876,021)	(31,015,893)
Total equity	**8,307,762**	**39,481,672**

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

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2015.

Contingent liabilities

During the year 23 tonnes of SMBS were disposed of into the tailings dam, an investigation was undertaken and subsequent reports recommended the product remained insitu. We have not had any acceptance or rejection from the EPA on the documents provided. In addition a small amount of process water seeped through the side of the fresh water drain in March 2015, an investigation were undertaken and subsequent reports to the EPA suggested the impacts were very minor. However the water quality above and below the seepage area would be monitored. We have not had any acceptance or rejection from the EPA on the documents provided.

Both these incidents are considered relatively minor in nature. There have been no penalty notices regarding these incidents, but, based on analogous cases, any penalty would not be sufficiently material to adversely affect the Financial Statements.

Capital commitments – Property, plant and equipment

At the year end the parent company had committed to purchasing a loader for $408,500 which had not been delivered and therefore not recognised as a liability.

Significant accounting policies

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

Note 32. Subsidiaries

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

Name of entity	Country of incorporation	EQUITY HOLDING 2015 %	EQUITY HOLDING 2014 %
KBL Sorby Hills Pty Ltd	Australia	100.00	100.00
Sorby Management Pty Ltd	Australia	100.00	100.00
Newincco 1347 Ltd	United Kingdom	100.00	–

Note 33. Events since the end of the financial year

On 20 July 2015 the company announced the issue of 91,145,834 shares at 2.88 cents per share raising $2,625,000 and on 30 July 2015 announced the issue of 22,569,440 shares at 2.88 cents per share raising $650,000.

	CONSOLIDATED 2015 $	2014 $

Note 34. Reconciliation of loss after income tax to net cash from operating activities

	2015 $	2014 $
(Loss)/profit after income tax expense for the year	(34,240,088)	10,440,553
Adjustments for:		
Depreciation and amortisation	3,641,059	2,888,780
Reversal of impairment	–	(6,278,307)
Impairment of mining asset	17,275,640	–
Impairment of exploration asset	1,390,141	2,629
Share of loss – joint venture	12,224	14,932
Share-based payments	85,616	124,919
Unwinding of finance cost discounts	(215,391)	1,188,121
Loss on disposal of property, plant and equipment	–	97,623
Insurance	–	230,305
Deferred revenue	(450,267)	–
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(428,891)	309,407
Decrease/(increase) in inventories	790,555	(1,479,409)
Increase/(decrease) in trade and other payables	3,933,744	(1,861,883)
Decrease in mining property	–	6,297,588
Increase in convertible notes	253,873	–
Increase in financial liabilities	1,322,162	233,059
Increase/(decrease) in employee benefits	65,462	(32,724)
Net cash (used in)/provided by operating activities	**(6,564,161)**	**12,175,593**

There were no (2014: Nil) non-cash investing or financing activities during the financial year.

Note 35. Earnings per share

(Loss)/profit per share from continuing operations

	2015 $	2014 $
(Loss)/profit after income tax	(34,240,088)	10,440,553
(Loss)/profit after income tax attributable to the owners of KBL Mining Limited	(34,240,088)	10,440,553

	No.	No.
Weighted average number of ordinary shares used in calculating basic loss per share	432,606,104	382,362,751
Options over ordinary shares	–	10,461
Weighted average number of ordinary shares used in calculating diluted loss per share	432,606,104	382,373,212

	Cents	Cents
Basic earnings per share	(7.91)	2.73
Diluted earnings per share	(7.91)	2.73

Note 36. Share-based payments

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

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

Date	Vesting date	Exercise price	Granted/ (transferred)
30/06/12	Various	22.0 cents	9,150,000
02/09/13	31/12/13	4.2 cents	450,000
02/09/13	N/A	15.5 cents	(450,000)
01/07/14	Various	2.8 cents	3,000,000

The weighted average option price during the financial year was $0.16 (2014: $0.21).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.70 years (2014: 0.39 years).

The limited recourse loan is repayable on the earlier of:

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

Directors' Declaration

The directors of the company declare that:

- the financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the *Corporations Act 2001* and:
  1. comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional requirements; and
  2. give a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date;
- the company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards;
- in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- the directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

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

James A Wall
Director

31 August 2015
Sydney

Independent Auditor's Report

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

To the members of KBL Mining Limited

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

BDO

Independence

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

Opinion

In our opinion:

(a) the financial report of KBL Mining Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 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 financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 23 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 KBL Mining Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 31 August 2015

Shareholder Information

For the year ended 30 June 2015

The shareholder information set out below was applicable as at 23 September 2015.

Distribution of equity securities

Distribution schedules in respect of the company's two classes of equity securities as of 23 September 2015 are as follows:

Holders range	Holders	Total units	%
i) Ordinary Shares			
1 to 1,000	538	169,732	0.027
1,001 to 5,000	1,492	4,197,855	0.676
5,001 to 10,000	558	3,973,972	0.640
10,001 to 100,000	1,513	55,552,299	8.947
100,001 and over	846	557,036,925	89.710
Totals	4,947	620,930,783	100.000
ii) Convertible Notes			
1 to 1,000	297	147,391	0.509
1,001 to 5,000	241	640,944	2.214
5,001 to 10,000	215	1,497,503	5.172
10,001 to 100,000	273	7,380,047	25.488
100,001 and over	39	19,288,631	66.617
Totals	1,065	28,954,516	100.000

Equity security holders

Twenty largest quoted equity security holders

	Ordinary shares	
	Number held	% of total shares issued
CITICORP NOMINEES PTY LIMITED	67,609,144	10.888
BNP PARIBAS NOMINEES PTY LTD <GLOBAL PRIME OMNI DRP>	45,572,917	7.339
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	45,363,008	7.306
YUGUANG (AUSTRALIA) PTY LIMITED	20,813,626	3.352
MR MATTHEUS C M GROOT	6,364,173	1.025
J P MORGAN NOMINEES AUSTRALIA LIMITED	5,967,995	0.961
MR ARCHIBALD GEOFFREY LOUDON	5,833,462	0.939
PERSHING AUSTRALIA NOMINEES PTY LTD <APP SECURITIES A/C>	5,208,332	0.839
BERGER EQUITIES PTY LTD <BERGER SUPER FUND A/C>	5,197,005	0.837
JIM WALL & ASSOCIATES PTY LTD	4,919,429	0.792
BASILDENE PTY LTD <WARREN BROWN SUPER FUND A/C>	4,599,227	0.741
LEET INVESTMENTS PTY LIMITED <SUPERANNUATION FUND A/C>	4,114,286	0.663
MR JOHN ROSTYN HOMEWOOD	4,000,000	0.644
WALLFMLY PTY LTD <THE WALL SUPER FUND A/C>	3,582,923	0.577
MRS GAYLENE SUE MCLEAN	3,093,243	0.498
LEET INVESTMENTS PTY LIMITED	3,022,211	0.487
AMELIA WESSON <THE WESSON FAMILY A/C>	3,000,000	0.483
MR RUSSELL GREGORY GARROD	2,600,000	0.419
MR RODNEY GRAHAM GRIFFITH	2,599,469	0.419
HOLDEX NOMINEES PTY LTD <NO 314 A/C>	2,541,667	0.409
Total top 20	246,002,117	39.618
Total issued capital	620,930,783	

	Convertible notes	
	Number held	% of total notes issued
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,771,971	9.574
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	2,500,000	8.634
WALLFMLY PTY LTD <THE WALL SUPER FUND A/C>	1,800,000	6.217
R & L DAHL ENTERPRISES PTY LIMITED <DAHL SUPER FUND A/C>	1,762,346	6.087
MR GABRIEL BERGER	1,318,164	4.553
J P MORGAN NOMINEES AUSTRALIA LIMITED	1,237,025	4.272
DENDULLA PTY LIMITED	1,013,836	3.501
BERNE NO 132 NOMINEES PTY LTD <152417 A/C>	857,895	2.963
KAMPAR PTY LTD <MICHAEL WONG FAMILY SUP A/C>	723,489	2.499
HOLDEX NOMINEES PTY LTD <NO 314 A/C>	423,612	1.463
BERGER EQUITIES PTY LTD <BERGER SUPER FUND A/C>	388,459	1.342
MR DAVID GORDON & MS RUTH GORDON <GORDON SUPER FUND A/C>	350,195	1.209
MR DAVID GORDON	230,000	0.794
CUSTODIAL SERVICES LIMITED <BENEFICIARIES HOLDING A/C>	200,000	0.691
MYCOS PTY LTD <THE SIMMS SUPER FUND A/C>	200,000	0.691
MR ANGUS DOUGLAS & MRS SUSAN-JANE DOUGLAS <DFC SUPER FUND ACCOUNT>	194,737	0.673
MRS JANE MARION BESLEY & MR ROBERT ELLIS BESLEY <R & J BESLEY SUPER FUND A/C>	188,577	0.651
SOFEW ASSETS PTY LTD <SOFEW PASTORAL A/C>	185,000	0.639
MR ALLAN PETER COX & MRS VERONICA IRENE COX <COX FAMILY SUPER FUND A/C>	180,000	0.622
MR DONALD ANDREW POOLE	175,299	0.605
Total top 20	16,700,605	57.679
Total convertible notes	28,954,516	

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
CITICORP NOMINEES PTY LIMITED	67,609,144	10.888
BNP PARIBAS NOMINEES PTY LTD <GLOBAL PRIME OMNI DRP>	45,572,917	7.339
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	45,363,008	7.306

Voting rights

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

Ordinary shares

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

Options

Do not have voting rights

Convertible notes

Do not have voting rights

Marketable parcels

3,025 holders with an aggregate of 14,220,395 shares representing 2.290% of the company's issued shares hold less than a marketable parcel of ordinary shares at 23 September 2015.

Market buyback

There is no current market buyback.

Corporate Governance Statement

KBL Mining Limited is committed to ensuring that its policies and practices reflect a high standard of corporate governance.

The Board has adopted a comprehensive framework of Corporate Governance Guidelines. The Group's Corporate Governance Statement can viewed at www.kblmining.com.au/wp-content/uploads/2015/09/kbl-corp-governance-2015.pdf

Tenements

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

Description	Tenement number	Interest owned
Sorby Hills		
Kununurra – WA	M80/196	75%
Kununurra – WA	M80/197	75%
Kununurra – WA	M80/285	75%
Kununurra – WA	M80/286	75%
Kununurra – WA	M80/287	75%
Mineral Hill		
Condobolin - NSW	EL1999	100%
Condobolin - NSW	EL8334	100%
Condobolin - NSW	EL6064	100%
Condobolin - NSW	ML332	100%
Condobolin - NSW	ML333	100%
Condobolin - NSW	ML334	100%
Condobolin - NSW	ML335	100%
Condobolin - NSW	ML336	100%
Condobolin - NSW	ML337	100%
Condobolin - NSW	ML338	100%
Condobolin - NSW	ML339	100%
Condobolin - NSW	ML340	100%
Condobolin - NSW	ML5240	100%
Condobolin - NSW	ML5267	100%
Condobolin - NSW	ML5278	100%
Condobolin - NSW	ML5499	100%
Condobolin - NSW	ML5261	100%
Condobolin - NSW	ML5632	100%
Condobolin - NSW	ML6329	100%
Condobolin - NSW	ML6365	100%
Condobolin - NSW	ML1695	100%
Condobolin - NSW	ML1712	100%
Constance Range		
Mt Isa – QLD	EPM14479	30%

KBL Mining Ltd
ABN 38 129 954 365

Level 3, 2 Elizabeth Plaza
NORTH SYDNEY NSW 2060
Telephone: +61 2 9927 2006
Facsimile: +61 2 9927 2050
info@kblmining.com.au

KBL
Mining
Limited