

Phillips River Mining Limited

ABN 61 004 287 790

Half-Year Financial Report

for the half year ended
31 December 2015

Corporate Directory

Directors

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

Company Secretary

Chris West

Principal Office

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Sydney, NSW, 2000

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Registered Office

Level 7, 92 Pitt Street
Sydney, NSW, 2000

Solicitors

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

Share Register

Advanced Share Registry Services Ltd
150 Stirling Highway
Nedlands WA 6009

Auditors

Nexia Court & Co
Level 16
1 Market Street
Sydney, NSW, 2000

Internet Address

www.phillipsriver.com.au

ASX Code: PRH

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Directors Report

The Directors present their report on the consolidated entity consisting of Phillips River Mining Limited (“Phillips River” or “the Company”) and the entities it controlled at the end of, or during the period ended 31 December 2015 (“the Group”).

Directors

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

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

Review of Operations

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

If the transaction successfully completes then the Company will be transformed into a South American mining house that produces and sells coal and phosphate rock.

Financial Result

The loss of the Group for the half-year ended 31 December 2015, after providing for income tax, amounted to \$798,045 (31 December 2014: Loss \$500,053). The loss was primarily due to the Company incurring operating, consultancy and advisory fees whilst working on the acquisition of the Kiwanda Assets.

At the end of the period the Group had \$2,503 in cash (30 June 2015: \$106,809).

Significant Changes in the State of Affairs

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

Events Subsequent to Reporting Date

The Entitlement Issue was due to close on 29 January 2016 but the closing date was extended several times due to the requirement of the Supplementary Prospectus to further disclose various matters requested by the ASX. On 17 March 2016 the Directors decided to no longer accept applications under the Replacement Prospectus dated 24 December 2015. Given that the conditions contained in the Replacement Prospectus were not satisfied, application moneys which had been received from existing shareholders of the Company pursuant to that Replacement Prospectus are being returned by the Company to those shareholders.

On 21 March 2016 the Company has issued a new Entitlement Issue Prospectus to shareholders of the Company and it is due to close on 12 April 2016. Key terms of this prospectus are per below:

- Each Eligible Shareholder is offered an Entitlement to 10,000 new shares at an issue price of \$0.25.
- Shareholder approval has been given to issue up to 30,000,000 New Shares under the Replacement Prospectus;
- The Offer issued under the Replacement prospectus is underwritten to \$2,500,000 and if fully subscribed, will raise \$5,300,000;
- The Company will use the proceeds for general working capital requirements, repayment of loans and the development of the Company assets. This is detailed as per the next page:

Directors Report

Proceeds of the offer:	Fully Subscribed	Underwritten Shares
Development of the Kiwanda assets and Working Capital	\$2,280,000	\$0
Repayment of Loans	\$2,500,000	\$2,500,000
Expenses of the Offers	\$520,000	\$150,000
Estimated total	\$5,300,000	\$2,350,000

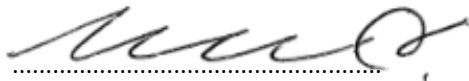
For full details of the Entitlement Issue Prospectus refer to the ASX announcement dated 21 March 2016.

Auditor's Independence

Section 307C of the *Corporations Act 2001* requires Phillips River's auditors, Nexia Court & Co, to provide the Directors of Phillips River with an Independence Declaration in relation to the review of the financial report for the half-year ended 31 December 2015. This Independence Declaration is included on page 5 of the Directors' Report and forms a part of the Directors' Report.

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

On behalf of the Directors



Chris West
Executive Chairman
31 March 2016

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

31 March 2016

Dear Board Members

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead audit partner for the review of the financial statements of Phillips River Mining Limited for the half year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

Yours sincerely



Nexia Court & Co
Chartered Accountants



Joseph Santangelo
Partner

Sydney Office

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Independent member of Nexia International



Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Phillips River Mining Limited, which comprises the Condensed Consolidated Statement of Financial Position as at 31 December 2015, the Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income, Condensed Consolidated Statement of Changes in Equity and Condensed Consolidated statement of Cash Flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, of the group comprising Phillips River Mining Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Phillips River Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been given to the directors of Phillips River Mining Limited.

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Independent member of Nexia International



**Independent Auditor's Review Report
To the members of Phillips River Mining Limited (continued)**

Conclusion

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

- i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Going Concern

Without modifying our conclusion, we draw your attention to Note 2.3 'Going concern' and consequently Note 12 'Subsequent events' of the financial report, which indicates the consolidated entity has current liabilities exceeding its current assets by \$61,408, and the consolidated entity has a net asset deficiency of \$56,822 and additionally the consolidated entity incurred a net loss of \$798,045 and has negative cash flows from operations of \$529,607 during the half-year ended 31 December 2015.

But for the above, the directors have prepared the financial report on a going concern basis which assumes continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary courses of business.

In Note 2.3, the directors state why they consider the going concern basis used in the preparation of the financial report is appropriate. As discussed in that note, if the equity raising is not successful in order to complete the Kiwanda Transaction or if the continued financial support of Kiwanda Australia Limited is not available, there exists material uncertainty as to whether the company and the consolidated entity will be able to continue as a going concern. Therefore, the company may be unable to realize its assets and discharge its liabilities in the normal course of business and pay its debts as and when they become due and payable.



Nexia Court & Co
Chartered Accountants



Joseph Santangelo
Partner

Sydney
31 March 2016

Directors' Declaration

The directors declare that:

- a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors



Chris West
Executive Chairman
31 March 2016

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2015

	Note	31 Dec 15 \$	31 Dec 14 \$
Other income		472	2,252
Administrative expenses	4	(526,422)	(490,886)
Finance expenses	4	(167,553)	(11,419)
Exploration expenses		(6,846)	-
Share of loss of joint venture		(8,630)	-
Impairment of related party loans	5	(89,066)	-
(Loss)/Profit before income tax expense		<u>(798,045)</u>	<u>(500,053)</u>
Income tax expense		-	-
(Loss)/Profit for the period		<u>(798,045)</u>	<u>(500,053)</u>
Other comprehensive income, net of income tax		-	-
Total comprehensive (loss)/income for the period		<u>(798,045)</u>	<u>(500,053)</u>
(Loss)/Profit per share			
Basic (cents per share)		(24.90)	(15.60)
Diluted (cents per share)		<u>(24.90)</u>	<u>(15.60)</u>

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

Condensed Consolidated Statement of Financial Position

As at 31 December 2015

		31 Dec 15	30 June 15 restated
	Note	\$	\$
Assets			
Current assets			
Cash and cash equivalents		2,503	106,809
Trade and other receivables		21,608	4,934
Other assets		1,462	15,071
Total current assets		25,573	126,814
Non-current assets			
Property, plant & equipment		4,586	-
Investment in joint venture		-	7,438
		4,586	7,438
Total assets		30,159	134,252
Liabilities			
Current liabilities			
Trade and other payables		86,981	84,822
Total current liabilities		86,981	84,822
Total liabilities		86,981	84,822
Net assets		(56,822)	49,430
Equity			
Issued capital	6	58,593,923	58,593,923
Reserves	7	1,603,133	911,340
Accumulated losses		(60,253,878)	(59,455,833)
Total equity		(56,822)	49,430

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

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2015

	Issued capital \$	Shareholder loan \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	58,593,923	617,111	(59,161,604)	49,430
Adjustment on error correction	-	294,229	(294,229)	-
Loss for the period	-	-	(798,045)	(798,045)
Other comprehensive income, net of income tax	-	-	-	-
Total comprehensive loss for the period	-	-	(798,045)	(798,045)
Recognition of shareholder loan	-	759,755	-	759,755
Shareholder loan placement fees	-	(67,962)	-	(67,962)
Balance at 31 Dec 2015	58,593,923	1,603,133	(60,253,878)	(56,822)
Balance at 1 July 2014	58,593,923	-	(58,639,242)	(45,319)
Loss for the period	-	-	(500,053)	(500,053)
Other comprehensive income, net of income tax	-	-	-	-
Total comprehensive income for the period	-	-	(500,053)	(500,053)
Balance at 31 Dec 2014	58,593,923	-	(59,139,295)	(545,372)

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

Condensed Consolidated Statement of Cash Flows

For the half-year ended 31 December 2015

	31 Dec 15	31 Dec 14
	\$	\$
Cash flows from operating activities		
Cash payments to suppliers and employees	(530,079)	(448,527)
Interest received	472	-
Net cash used in operating activities	<u>(529,607)</u>	<u>(448,527)</u>
Cash flows from investing activities		
Purchase of property , plant & equipment	(4,640)	-
Loans to related parties	(108,090)	(65,652)
Net cash (used in)/generated from investing activities	<u>(112,730)</u>	<u>(65,652)</u>
Cash flows from financing activities		
Proceeds from borrowings	651,828	538,195
Repayment of borrowings	(113,797)	-
Net cash generated from/(used in) financing activities	<u>538,031</u>	<u>538,195</u>
Net increase in cash and cash equivalents	(104,306)	24,016
Cash and cash equivalents at 1 July	106,809	3,137
Cash and cash equivalents at 31 December	<u>2,503</u>	<u>27,153</u>

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

Notes to the Condensed Consolidated Financial Statements

1. Reporting entity

Phillips River Mining Limited (the “Company”) is a company domiciled in Australia. The Company's registered office address is Level 7, 92 Pitt Street, Sydney, NSW. The condensed consolidated financial statements of the Company as at and for the half-year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

2. Significant accounting policies

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

2.1 Statement of compliance

These half-year financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year financial statements do not include notes of the type normally included in an annual report and should be read in conjunction with the most recent annual financial statements as at 30 June 2015. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

The financial statements were authorised for issue by the Directors on 31 March 2016.

2.2 Basis of preparation

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

The accounting policies and methods of computation adopted in preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2015 annual financial report for the financial year ended 30 June 2015, except for the impact of the accounting standards and interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

2.3 Going concern

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

At 31 December 2015, the Group's current liabilities exceed its current assets by \$61,408, and the Group has a net asset deficiency of \$56,822. During the half-year ended 31 December 2015, the Group incurred a consolidated net loss of \$798,045 and has negative cash flows from operations of \$529,607. The Group has not generated cash inflows from operations and has relied upon a shareholder loan to fund its operations.

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

On 14 October 2014, the Company announced it had entered into a Definitive Agreement to purchase from the Vendors, rights and options over early stage coal and phosphate rock production and exploration assets located in Colombia and Chile. As part of the Kiwanda Transaction the Company intends to undertake an equity capital raising to fund the continued development and operations of the acquired assets. The target amount to be raised initially is \$5,300,000, with a minimum amount of \$2,500,000 through the issue of new shares at \$0.25 per share.

Notes to the Condensed Consolidated Financial Statements

2.3 Going concern (continued)

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

- i. the sufficient generation of cash inflows from the operations of the assets acquired in the Kiwanda Transaction to contribute to ongoing production and development costs of the acquired assets;
- ii. the part payment of the initial payment required pursuant to the Escalones option agreement;
- iii. the conversion of the promissory notes detailed in the Definitive Agreement and explanatory memorandum to equity capital of the Company;
- iv. additional equity raising or debt raising of capital; or
- v. a combination of the above.

Should any amounts less than the target amount of \$5,300,000 be raised, the Group would be reliant on the deferral of the exercise of one or more of the rights or options over mining or exploration rights acquired as part of the Kiwanda Transaction and/or the reduction of planned exploration spend on the mining and/or exploration rights in the Kiwanda Transaction. (Refer to Note 12 'Subsequent events' for further details regarding the status of the equity capital raising.)

If the minimum amount of \$2,500,000 is not raised, the directors of the Company currently intend to wind up the Company and therefore the Company and the Group will cease to be going concerns.

A shareholder, Kiwanda Group LLC, through its related entity Kiwanda Australia Pty Limited (the "Financier"), has provided funding of \$1,789,032 as at 31 December 2015. Further drawdowns totalling \$182,598 have taken place since 31 December 2015. Each drawing in accordance with the facility agreement is made at a 30% discount to the face value of the borrowing. The Company is able to repay the facility in either cash or by issuing new ordinary shares to the Financier at a deemed issue price of \$0.25 per share. The choice of repayment method is at the discretion of the Company and each repayment is required to be at 150% of the face value of the initial advance plus accrued interest. The facility expires at the earlier of completion of a successful equity capital raising or termination or cancellation of the funding agreement.

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

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

If the matters set out above are not successfully achieved, the directors of the Company currently intend to wind up the Company and therefore the Company and the Group will cease to be going concerns. At the date of this report, the directors are of the view that there is a reasonable basis upon which to form the opinion that the Company will complete the Kiwanda Transaction and associated equity capital raising and that the Company and the Group will continue as a going concerns. However, if the Kiwanda Transaction does not complete there is material uncertainty about whether the Company and the Group will continue as going concerns and, therefore, whether they will realise their assets and discharge their liabilities in the normal course of business.

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

Notes to the Condensed Consolidated Financial Statements

3. Segment information

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

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

4. Other income and expenses

	31 Dec 2015	31 Dec 2014
	\$	\$
Administrative expenses		
Consultants and advisory expenses	(179,876)	(212,645)
Share registry and listing costs	(116,457)	(36,335)
Directors fees	(117,000)	(150,000)
Rates, taxes and rental outgoings	(48,000)	(36,000)
Insurance	(6,717)	(9,481)
Audit fees	(27,000)	(29,620)
Other administrative expenses	(31,318)	(16,805)
Depreciation	(54)	-
Total	(526,422)	(490,886)

Net finance income

	31 Dec 2015	31 Dec 2014
	\$	\$
Finance expenses		
Interest on borrowings – Kiwanda Australia Pty Limited	(167,553)	(11,419)
Net finance income	(167,553)	(11,419)

5. Impairment of related party loans

The Company has impaired loans given to two entities that are related to one of the Company's Directors. The loans were interest free and unsecured and were made to enable the entities to meet their ongoing operating costs whilst the acquisition of the Kiwanda assets is being finalised. Upon completions of the Kiwanda transaction, these entities will become fully owned subsidiaries of the Company.

	31 Dec 2015	31 Dec 2014
	\$	\$
Impairment loans	(89,066)	-
Total	(89,066)	-

6. Issued capital

	31 Dec 2015		30 June 2015	
	Number	\$	Number	\$
Issued and paid up capital	3,205,339	58,593,923	3,205,339	58,593,923

Notes to the Condensed Consolidated Financial Statements

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

There were no outstanding options over the Company's ordinary shares at 31 December 2015.

7. Reserves

	Shareholder loan reserve \$
31 Dec. 2015	
Carrying amount at beginning of year	617,111
Adjustment on error correction	294,229
New shareholder loan	759,755
Shareholder loan placement fees	(67,962)
Carrying amount at end of period	<u>1,603,133</u>
30 June 2015	
Carrying amount at beginning of year	-
New shareholder loan	948,974
Shareholder loan placement fees	(37,634)
Carrying amount at end of period	<u>911,340</u>

Shareholder loan reserve

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

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

Each drawing under the facility is made at a 30% discount to the face value of the borrowing. The loan is repayable in cash or by the Company issuing new ordinary shares to the Financier at a deemed issue price of \$0.25 per share. The choice of repayment method is at the discretion of the Company and each repayment is required to be at 150% of the face value of the initial advance plus accrued interest. As the Company has the option of repaying the shareholder loan through the issue of shares, it has been accounted for as an equity instrument in accordance with *AASB 132: Financial instruments: Presentation*.

8. Financial risk management and financial instruments

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial report as at and for the year ended 30 June 2015. The Group's financial instruments consist of those which are measured at amortised cost including trade and other receivables, and trade and other payables. The carrying amounts of these financial assets and liabilities approximate fair value. The Consolidated Entity does not hold any financial instruments which are measured at fair value.

9. Related party transactions

Acquisition of mining assets from Kiwanda Mines (NA) LLC

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

Notes to the Condensed Consolidated Financial Statements

Acquisition of shareholding in Kiwanda Copper LLC.

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

Loan facility from related party

On 16 February 2015 the Company entered into a new short term loan agreement with Kiwanda Australia Pty Ltd (the "Financier") to enable the Company to pay its ongoing operating expenses whilst finalising the acquisition of the Kiwanda Assets. The facility replaces the previous loan facility with Kiwanda Australia Pty Ltd entered into in October 2014. Kiwanda Australia Pty Ltd has a common director with the Company, being Chris West.

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

Loans to related parties

The company has made total loans of \$89,066 to two entities related to Mark Sumner. The loans are interest free and unsecured and were made to enable the entities to meet their ongoing operating costs whilst the acquisition of the Kiwanda Assets is being finalised. Upon completion of the Kiwanda Transaction, these entities will become fully owned subsidiaries of the Company. The loans are expected to be repaid from cash flows received from the mining assets owned by these entities. In the event the Kiwanda Transaction does not eventuate, it is unlikely these loans will be recoverable.

Given the inherent uncertainty regarding the ability of the Company to raise sufficient equity capital to complete the Kiwanda Transaction, the Directors have adopted a prudent approach and have therefore taken the decision to treat the loans as fully impaired at 31 December 2015.

Rent

The Company paid rent of \$48,000 to Spar Capital Partners under a rental agreement for the use of the Company's head office facilities. Spar Capital Partners is an entity controlled by two of the Directors. The arrangement is on a monthly basis and can be immediately terminated by the Company at any time.

Placement fees

The Company paid placement fees of \$54,171 to Spar Capital Partners for the raising of funds which were lent to the Company as a shareholder loan by Kiwanda Australia Pty Ltd. Spar Capital Partners is an entity controlled by two of the Directors.

10. Contingent assets or liabilities

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

11. Prior period error

The Company has restated the prior period by correcting the fair value of the shareholder loan impact on the Reserves resulting from the difference in the price of the options over shares to be issued. The option price originally used was \$1.00 instead of \$0.25. In addition the company has amended the shareholder loan interest impact on the finance expense resulting from the difference in the accrued interest to 30 June 2015. The finance expense originally used was \$19,783 instead of \$88,176.

	30 Jun 2015 \$	Change	30 Jun 2015 \$ restated
Equity			
Issued capital	58,593,923	-	58,593,923
Reserves	617,111	294,229	911,340
Accumulated losses	(59,161,604)	(294,229)	(59,455,833)
Total	(49,430)	-	(49,430)

Notes to the Condensed Consolidated Financial Statements

The prior period error has had impact on the consolidated statement of financial position. The originally loss for the period was \$522,362 instead of \$816,591.

	30 Jun 2015 \$	Change	30 Jun 2015 \$ restated
Other income	-		-
Administrative expenses	(757,293)	(225,836)	(983,129)
Finance expenses	(19,783)	(68,393)	(88,176)
Gain on extinguishment of financial liability	478,070		478,070
Share of loss of joint venture	(49,613)		(49,613)
Impairment of related party loans	(173,743)		(173,743)
(Loss)/Profit before income tax expense	(522,362)	(294,229)	(816,591)

12. Events subsequent to reporting date

The Entitlement Issue was due to close on 29 January 2016 but the closing date was extended several times due to issue of Supplementary Prospectus to disclose various matters requested. On 17 March 2016 the Directors decided to no longer accept applications under the Replacement Prospectus dated 24 December 2015. Given that the conditions contained in the Replacement Prospectus were not satisfied, application moneys which had been received from existing shareholders of the Company pursuant to that Replacement Prospectus are being returned by the Company to those shareholders.

On 21 March 2016 the Company has issued its Entitlement Issue Prospectus to shareholders of the Company and is due to close on 12 April 2016. Key terms of this prospectus are per below:

- Each Eligible Shareholder is offered an Entitlement to 10,000 new shares at an issue price of \$0.25.
- Shareholder approval has been given to issue up to 30,000,000 New Shares under the Replacement Prospectus;
- The Offer issued under the Replacement prospectus is underwritten to \$2,500,000 and if fully subscribed, will raise \$5,300,000;
- The Company will use the proceeds for general working capital requirements, repayment of loans and the development of the Company assets. This is detailed as per below:

Proceeds of the offer:	Fully Subscribed	Underwritten Shares
Development of the Kiwanda assets and Working Capital	\$2,280,000	\$0
Repayment of Loans	\$2,500,000	\$2,500,000
Expenses of the Offers	\$520,000	\$150,000
Estimated total	\$5,300,000	\$2,350,000

For full details of the Entitlement Issue Prospectus refer to the ASX announcement dated 21 March 2016.