

**Interim Financial Report  
for the half-year ended 30 June 2014**

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2013 and any public announcements made by Australian Bauxite Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

## CORPORATE DIRECTORY

### Australian Bauxite Limited

ACN 139 494 885  
ABN 14 139 494 885

### Registered and Corporate Office

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131 Macquarie Street  
Sydney NSW 2000  
Telephone: +61 2 9251 7177  
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Email: [corporate@australianbauxite.com.au](mailto:corporate@australianbauxite.com.au)  
Website: [www.australianbauxite.com.au](http://www.australianbauxite.com.au)

### Auditor

K.S. Black & Co  
Level 6  
350 Kent Street  
Sydney NSW 2000  
Telephone: +61 2 8839 3000

### Lawyers

Piper Alderman  
Level 23, Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000  
Telephone: +61 2 9253 9999

### Bankers

Australia & New Zealand Banking Group Limited  
20 Martin Place  
Sydney NSW 2000  
Telephone: +61 2 9227 1818

St George Bank Limited  
Level 14, 182 George St  
Sydney NSW 2200  
Telephone: +61 2 9236 2230

### Directors

Paul Lennon (Non-Executive Chairman)  
Ian Levy (Managing Director and CEO)  
Ken Boundy  
Kon Tsiakas

### Joint Company Secretaries

Henry Kinstlinger  
Julian Rockett

### Share Registry

Computershare Investor Services Pty Limited  
Level 3  
60 Carrington Street  
Sydney NSW 2000, Australia  
Telephone: 1300 327 328 (within Australia)

### ASX Code – ABX

#### Previously ABZ

Australian Bauxite Limited shares are listed on the Australian Securities Exchange.

This financial report covers the Consolidated Entity consisting Australian Bauxite Limited and its controlled entities.

Australian Bauxite Limited is a company limited by shares, incorporated and domiciled in Australia.

## Review of Operations

### Corporate

In January 2014 Australian Bauxite Limited (the Company or ABX) raised \$563,000 via a placement with AAM Alpha Funds Plc for working capital purposes.

In March 2014 the Company completed its share purchase plan raising \$850,000 to progress the Tasmanian trial mining, mine establishment, development programs and working capital.

On 18 March 2014 Rado Jacob Rebek retired as an Executive Director of the Company but he continues as Chief Geologist.

On 31 March 2014 Kon Tsiakis was appointed a director of the Company.

On 28 May 2014 at the end of the AGM, John Dawkins retired as Chairman and a director of the Company.

On 18 June 2014 Paul Lennon was appointed Chairman of the board of directors of the Company.

On 4 July 2014 the ASX Code for the Company changed from "ABZ" to "ABX".

### Exploration: Tasmanian Project

**Bald Hill Bauxite Project. 1<sup>st</sup> mine project.** The Company has been advised that the Tasmanian government is prepared to grant Mining Lease ML1961 for the first Tasmanian bauxite mine at the Bald Hill Bauxite Project near Campbell Town (see location map Figure 1), subject to payment of an environmental security bond and finalisation of the full land access agreements with landholders. Landholder arrangements have recently been agreed for the Mining Lease area and the security bond has been agreed to. The Mining Lease is now in final stages of grant, which is satisfactory for commencement of production in late 2014 as planned.

The Company has received all expert reports required and final comments from the Tasmanian Environmental Protection Agency in response to the penultimate draft of the Company's Development Plan and Environmental Management Plan (**DPEMP**). It is intended to place the final DPEMP report on public display in September 2014. Should objections be raised, there is a satisfactory timetable for mediation and if needed, arbitration. However, the Company has been impressed by the community and government support to date in Tasmania and expects a positive community response to this project which is the commencement of a new industry for Tasmania at an environmentally ideal site.

#### Locations & infrastructure in Tasmania

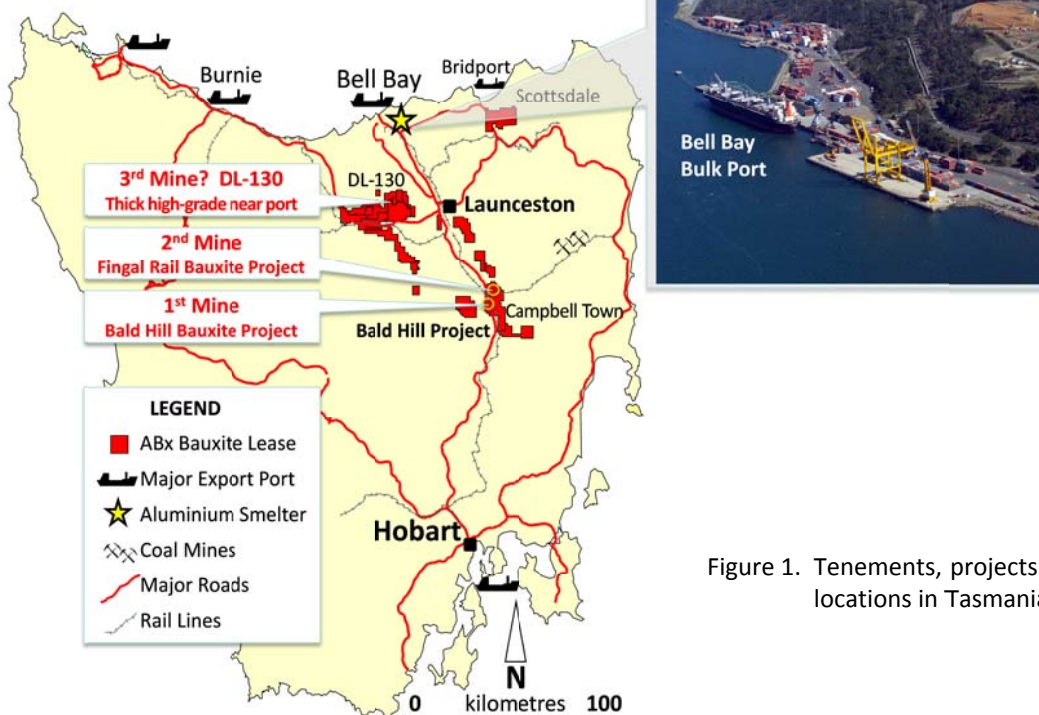


Figure 1. Tenements, projects & infrastructure locations in Tasmania

**Tasmanian Bauxite Product Definition Sheet: Planned Screened Production Case**

As at August 2014

Chemistry	Total Al <sub>2</sub> O <sub>3</sub>	39% to 45%
	Available Al <sub>2</sub> O <sub>3</sub>	36% to 39% at 143 degrees C digestion (low temperature)
	Total SiO <sub>2</sub>	3.5% to 5.0%
	Reactive SiO <sub>2</sub>	2.5% to 4.5% at 143 degrees C (low temperature)
	Fe <sub>2</sub> O <sub>3</sub>	23% to 28%
	TiO <sub>2</sub>	3.3% to 4.2%
	LOI <sub>1000</sub>	23% loss on ignition at +1,000 degrees C
Minerals	Gibbsite	58% (trihydrate alumina)
	Boehmite	less than 1.8% (monohydrate)
	Kaolinite-halloysite clay	less than 8%
	Quartz	less than 2.5%
	Hematite	15% to 18%
	Goethite*	8% to 11%*
	Anatase	4%

\* Goethite has no negative impacts on (1) settling rates of the mud;  
 (2) overflow liquor clarities;  
 (3) flocculent dosage rates; or  
 (4) entrained Al<sub>2</sub>O<sub>3</sub> (nil Al-entrainment in this goethite).

Free Moisture	10% or less
Sizing	90% passing 100mm & 90% + 7.5mm = coarse gravel
Organic Carbon	0.15% to 0.17% - better than most Australian bauxites
Calcium	generally below detection: maximum 0.05% CaO
Caustic soda consumption:	120 to 125 kg NaOH per tonne alumina Al <sub>2</sub> O <sub>3</sub>

**Planned production:** It is planned to screen the Tasmanian bauxite to achieve the following:

Screened Bauxite Averaging	38% avl Al <sub>2</sub> O <sub>3</sub> at 143° digestion temperature
Alumina extraction:	88% to 91% of total Al <sub>2</sub> O <sub>3</sub>
Bauxite to Alumina Ratio (BAR):	2.60 to 2.95 tonnes of bauxite per tonne alumina
Caustic soda consumption:	120 to 125 kg NaOH per tonne alumina Al <sub>2</sub> O <sub>3</sub> at 143° low-temperature digestion.
Red Mud Loading (RML):	1.42 to 1.65 tonnes mud per tonne alumina Al <sub>2</sub> O <sub>3</sub>

Settling: Settling performance of red muds is good with low flocculent dosage required. Overflow clarities are generally good. Goethite has no negative impact on settling behaviour.

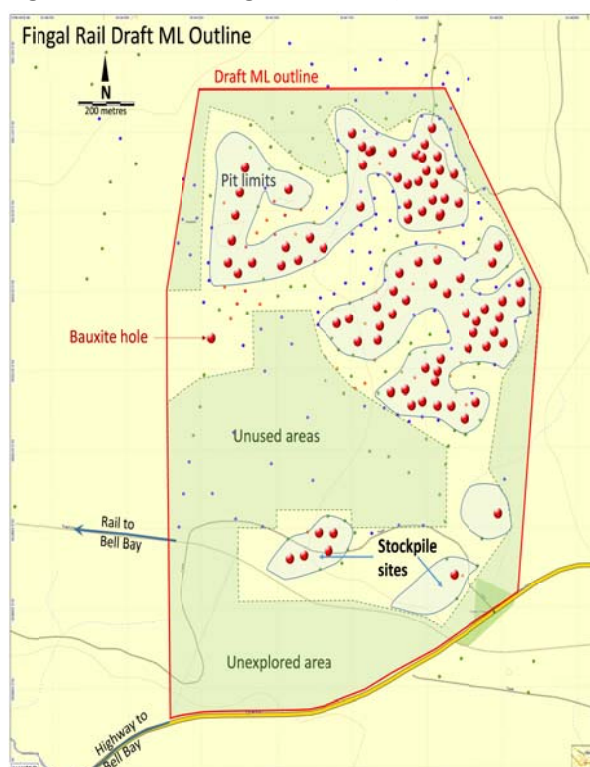
**Fingal Rail Bauxite Project: 2<sup>nd</sup> mine project.** The Company has defined a second Mining Lease boundary for the Fingal Rail Bauxite Project area in Tasmania (see Figure 1 above and Figure 2 below) which shows the proposed mining lease outline at Fingal Rail.

Land access agreements have been concluded and recent environmental and historical surveys have returned satisfactory results so that a Notice of Intent can be submitted to the relevant government departments.

Fingal Rail is intended to be the Company's second mining lease and is located east of Conara township, some 11 km north of Campbell Town where the first mining lease at the Bald Hill Bauxite Project is located in the northern midlands of Tasmania (Figure 1).

ABx considers Fingal Rail to be a simple quarrying and rehabilitation project, feeding bauxite stockpiles at Bell Bay Port which will blend bauxite from several quarries for export. Fingal Rail is ideally located to be transported either by existing highways or rail that run through the proposed lease area.

Figure 2: Fingal Rail Bauxite Project Area & Draft Mining Lease



**DL-130: 3<sup>rd</sup> project.** As reported, the Company has also discovered a zone of higher grade, thicker bauxite at its DL-130 prospect in northern Tasmania, located within 75 kilometres of the Bell Bay Export Port and with bauxite zones up to 14 metres thick. Exploration fieldwork has identified a line-of-lode of bauxite outcrops extending over more than 12 kilometres and more than 5 kilometres wide – see Figure 3.

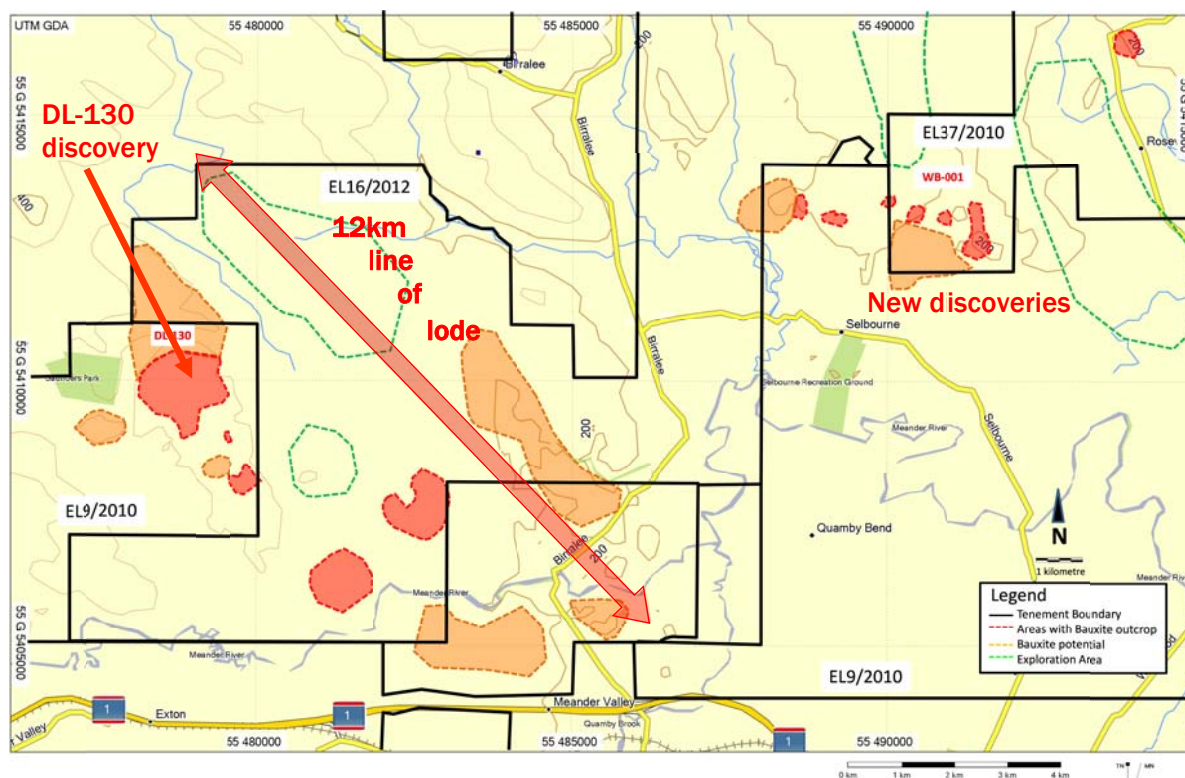


Figure 3. DL-130 Bauxite Prospect & recently discovered extensions of outcropping bauxite (red), potential concealed bauxite (orange) & new exploration targets (green) identified by ABX's exploration technology



Table 1 lists recent high-grade drill holes at DL-130 prospect. Figure 4 show the holes' locations at DL-130.

A significant proportion of the bauxite lies within hardwood plantations that were developed by Gunns Limited (in Liquidation) and access was delayed for 15 months until recently. The sale of these areas to a new forestry company has been announced and further drilling is planned.

The discovery of thick bauxite zones, up to 14 metres thick is a positive development because of improved economics and the potential to extract significant tonnages from a small area, thus reducing the rehabilitation footprint. For customers of Tasmanian bauxite, DL-130's thicker, higher bauxite grades demonstrates the potential for blending bauxite from up to 3 mining centres to achieve consistent grades and specifications for years to come. DL-130 and extension areas are ideally located to be transported either by existing highways or rail to Bell Bay Port.

Table 1: Thick bauxite intercepts in holes from the Northwest of DL-130 Prospect to date.

				Sieved at 0.26mm <sup>1</sup>										
Hole	From m	To m	Thick- ness	Al <sub>2</sub> O <sub>3</sub>	SiO <sub>2</sub>	Avl/Rx	Al <sub>2</sub> O <sub>3</sub>	SiO <sub>2</sub>	A/S	Fe <sub>2</sub> O <sub>3</sub>	TiO <sub>2</sub>	LOI	Lab <sup>1</sup>	
				Avl % <sup>1</sup>	Rx % <sup>1</sup>	Ratio <sup>1</sup>	%	%	Ratio	%	%	%	%	Yield%
DL158	3	6	3	42.4	6.0	7.1	50.3	8.9	5.6	11.0	1.4	27.8	40.2	Assays for whole samples pending
DL272	1	6	5	32.7	2.7	12.1	39.8	3.5	11.4	29.1	3.6	23.2	51.3	Assays for whole samples pending
DL273	1	5	4	29.0	3.4	8.6	36.2	6.6	5.5	32.0	4.4	20.0	63.5	Assays for whole samples pending
DL313	0	2	2	38.3	3.7	10.4	47.0	7.8	6.0	16.4	0.9	27.5	66.6	Assays for whole samples pending
DL314	0	4	4	43.6	2.5	17.4	49.1	4.5	10.8	15.9	1.2	28.6	47.3	Assays for whole samples pending
Length-yield weighted avg	3.6			35.9	3.4	10.6	43.0	5.8	7.4	23.2	2.7	24.6	54.5	

				Sieved at 0.26mm <sup>1</sup>											Whole Sample								
Hole	From m	To m	Thick- ness	Al <sub>2</sub> O <sub>3</sub>	SiO <sub>2</sub>	Avl/Rx	Al <sub>2</sub> O <sub>3</sub>	SiO <sub>2</sub>	A/S	Fe <sub>2</sub> O <sub>3</sub>	TiO <sub>2</sub>	LOI	Lab <sup>1</sup>	Al <sub>2</sub> O <sub>3</sub>	SiO <sub>2</sub>	Avl/Rx	Al <sub>2</sub> O <sub>3</sub>	SiO <sub>2</sub>	A/S	Fe <sub>2</sub> O <sub>3</sub>	TiO <sub>2</sub>	LOI	
				Avl % <sup>1</sup>	Rx % <sup>1</sup>	Ratio <sup>1</sup>	%	%	Ratio	%	%	%	%	%	%	Yield%	Avl % <sup>1</sup>	Rx % <sup>1</sup>	Ratio <sup>1</sup>	%	%	Ratio	%
DL160	7	9	2	32.7	5.2	6.3	43.3	11.4	3.8	18.7	0.9	25.0	70.3	29.4	9.5	3.1	41.5	15.2	2.7	18.4	1.3	23.0	
DL282	3	6	3	38.5	2.1	18.1	42.8	4.3	10.0	24.2	2.9	25.1	55.4	Assays for whole samples pending									
DL295	1	9	8	34.8	5.9	5.9	43.6	7.8	5.6	21.9	0.8	25.2	43.3	31.3	9.9	3.2	42.9	12.3	3.5	19.0	1.2	23.9	
DL296*	4	14	10	41.5	4.3	9.6	48.3	8.1	6.0	13.9	2.1	27.0	50.6	34.9	9.3	3.8	45.0	13.0	3.4	14.0	3.0	24.4	
DL291	1	2	1	25.9	3.0	8.6	31.9	4.0	8.0	39.0	5.0	19.3	39.7	Assays for whole samples pending									
Length-yield weighted avg	4.8			37.6	4.5	8.3	45.0	7.7	5.8	19.0	1.8	25.7	51.1	27.4	7.9	3.4	36.5	10.8	3.4	13.7	1.8	20.1	

\* The top 4 metres of DL296 is iron-rich bauxite for which sieved assays are awaited. The unsieved, whole-sample grades of the top 4 metres and full 14 metres are as follows

DL296	0	4	4	Assays for sieved samples pending											26.0	4.9	5.3	33.6	12.1	2.8	31.4	4.0	18.1
DL296	0	14	14	Assays for sieved samples 1 to 4 metres pending											32.3	8.0	4.0	41.8	12.8	3.3	18.9	3.3	22.6

\* The top 4 metres of DL296 is iron-rich bauxite for which sieved assays are awaited. The unsieved, whole-sample grades of the top 4 metres and full 14 metres are as follows:

<sup>1</sup> Leach conditions to measure available alumina "Al<sub>2</sub>O<sub>3</sub> Avl" & reactive silica "Rx SiO<sub>2</sub>" are 1g leached in 10ml of 90gpl NaOH at 143 degrees C for 30 mins. "Avl/Rx" ratio is (Al<sub>2</sub>O<sub>3</sub> Avl)/(Rx SiO<sub>2</sub>) and "A/S" ratio is Al<sub>2</sub>O<sub>3</sub>/SiO<sub>2</sub>. Values above 10 are excellent. Lab Yield is for screening the relatively pulverised RC-air core drill samples at 0.26mm. Dry screening tests on bulk-mined bauxite in Tasmania have achieved yields exceeding 75%. The significant tonnages requiring no upgrade will have 100% yield. Average intercept grades are length-grade weighted averages.

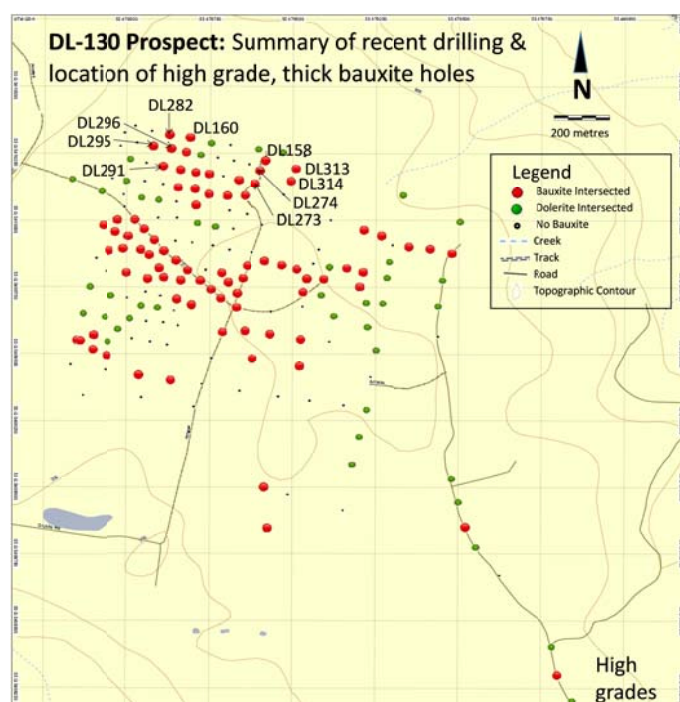


Figure 4. DL-130 Bauxite Prospect

DL-130 bauxite discovery zone & location of recent drill holes containing thick intercepts of high-grade bauxite

### Exploration: Binjour Project, Queensland

The Company has secured additional tenements in the Binjour district, located 115km inland from Bundaberg Port (see Figure 5 below).

Recent field exploration has identified Binjour-styled bauxite extending over an area large enough to confirm that ABX now has sufficient high grade, trihydrate gibbsite bauxite at Binjour to warrant the commencement of engineering studies. These engineering studies will commence once bauxite production from the Company's Tasmanian mines is operating satisfactorily.



Figure 5: Major Bauxite Projects

ABX's 3 State-Significant Bauxite Projects are, from south to north:

1. Tasmania
2. Goulburn, Southern NSW
3. Binjour in Queensland

Tasmania is the first project to be put into production because of low capital cost requirements and existing infrastructure with ample spare capacity.

### Bauxite Market Commentary

- Total tonnages rose from 1.58 million tonnes in April to 3.1 million tonnes in July 2014
- Zero Indonesian tonnes after bans imposed 12 January & new Indonesian President may hold firm
- Prices continue to rise around trend, averaging US\$58.61/t CIF China, 25% higher than 2 years ago
- A\$ prices average A\$62.85, 30% higher than 2 years ago when ABX commenced project approvals
- China is sourcing bauxite from non-traditional suppliers at prices up to US\$95/t.
- Very low shipping costs are masking the true high costs of bauxite from Africa, Brazil & Caribbean.

**Indonesia:** Indonesian bauxite shipments to China have ceased and the newly elected Indonesian President Joko Widodo is considered more likely to continue the bans.

**Australia:** Rio's Australian tonnages shipped to China are growing, reaching 1.655Mt in July.

**India:** Indian tonnages are recovering, reaching 0.9Mt in July at US\$57.05/t. The new Indian export taxes of 20% on bauxite are about to take effect in earnest – next 2 months will be "interesting".

**Others:** "Other bauxite" comes at high prices from Dominica, Guinea, Ghana, Brazil, Fiji and others.

This purchase pattern is a sign of stressed buying which may not be sustainable because the transport costs from West Africa, Dominica & Brazil are punitive in normal times. However, shipping costs were unusually low in July and because bauxite prices quoted CIF China include the shipping costs, the underlying rising bauxite price trend is stronger than shown in the price graphs below.

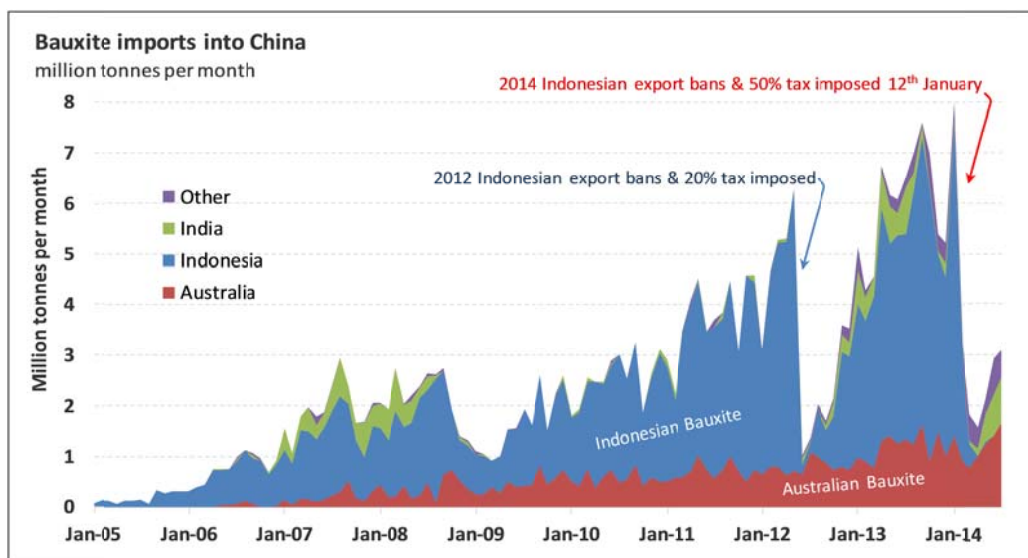


Figure 6

Bauxite imports into China in millions of tonnes per month

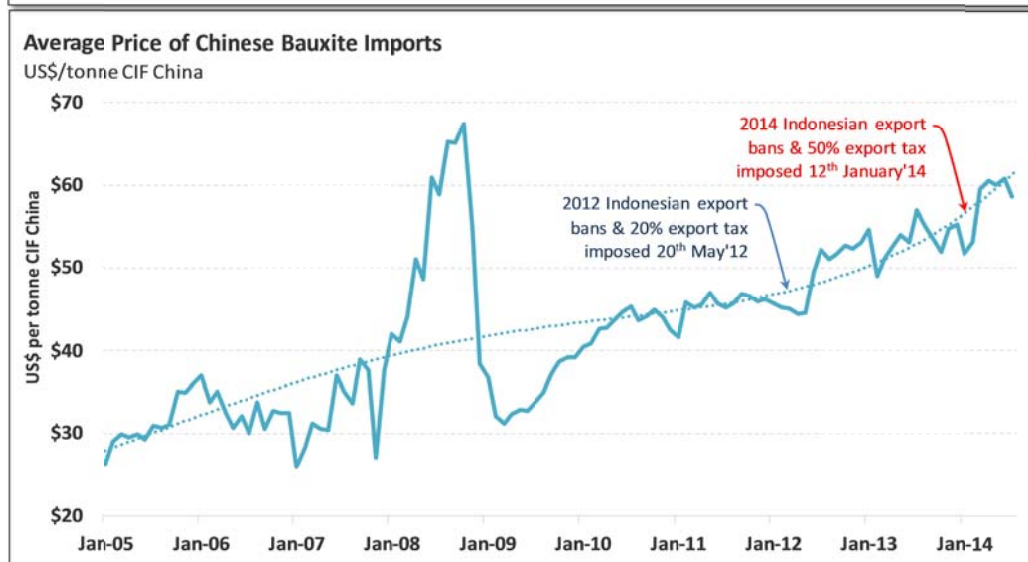


Figure 7

Average prices of bauxite imports into China in US\$ per tonne

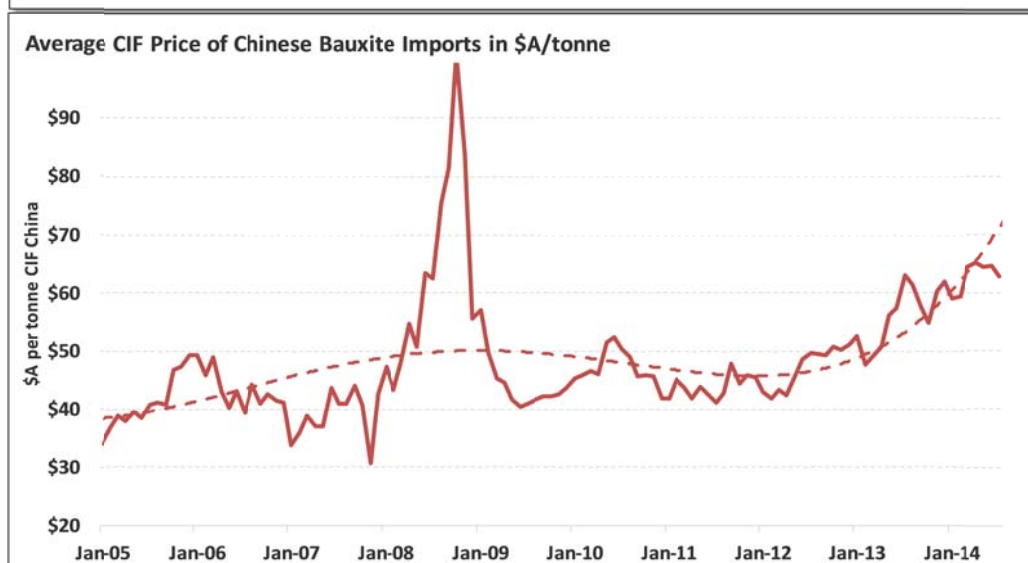


Figure 8

Average prices of bauxite imports into China in A\$ per tonne

Source of data for Figures 6, 7 & 8: Chinese customs, Bloomberg



### Short-Term Volatility Ahead – Indonesia is Holding Firm on Bans

Chinese alumina refineries are using bauxite that was stockpiled before Indonesian bans took effect on 12 January. As these stockpiles are consumed (see Figure 9 below), market tensions will increase, especially if shipping costs from western Africa and South-Central America rise.

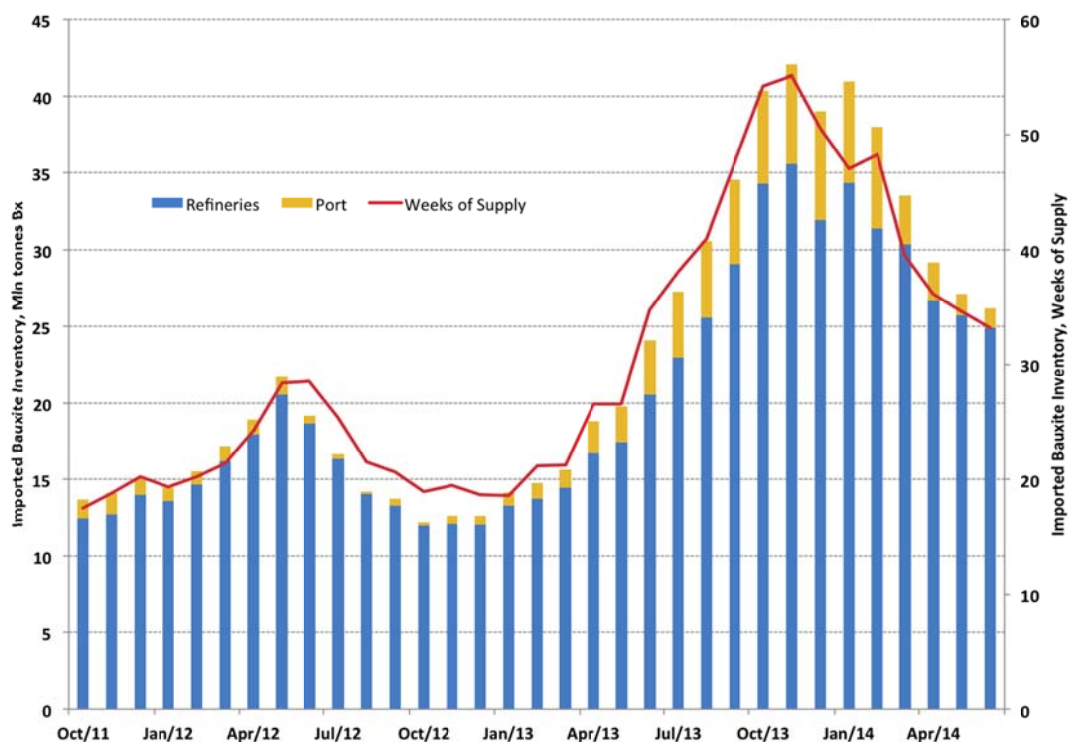


Figure 9: China's imported bauxite inventory – tonnes and weeks of supply. Source: CM, Aladdiny

As Indonesia maintains export bans, Chinese stockpiles will deplete and other sources may become prohibitively expensive. A tight supply situation may prevail when ABx will commence production in late 2014. ABx had predicted prices reaching above US\$60/t in 2015 and that was exceeded in April'14. A major alumina company, Alumina Limited, has predicted bauxite prices will reach US\$80/t by 2019.

### Gibbsite Bauxite Demand Will Tighten Most

Gibbsite-rich bauxite like bauxite from Indonesia, India and ABx's Australian bauxite, is premium-priced because it is "low-temperature" gibbsite-rich bauxite, often called THA or trihydrate bauxite. Refineries using gibbsite bauxite achieve significant cost benefits because of the low-temperature refining process that is only achievable with this type of bauxite. All other types of bauxite require processing at more than 100°C higher temperatures.

Gibbsite is an alumina trihydrate mineral which dissolves at 140°C in low-temperature alumina refineries (the lowest cost refineries) whilst the mineral boehmite in the high-temperature bauxite type is alumina monohydrate which dissolves at 240°C. Chinese domestic bauxite comprises the more refractory alumina mineral diasporite which dissolves at 290° to 350°C in Chinese high-temperature refineries.

Many of China's largest alumina refineries are low-temperature types of refineries which have until now, relied on imports of gibbsite bauxite from Indonesia. Last year, China imported 72 million tonnes of bauxite, of which 49 million tonnes or 68% came from Indonesia. Supplies from Indonesia have now been stopped.

Chinese buyers want alternative suppliers and Australia is the logical new supplier country. ABx is the only potential near-term new supplier of trihydrate gibbsite bauxite into the Indo-Pacific Basins.

ABx plans to ship gibbsite bauxite, initially from its Tasmanian mines and aspires to become the third largest supplier of bauxite into China over the next 6 years, specialising in the gibbsite trihydrate bauxite market niche so as to not compete with Chinese domestic bauxite suppliers and to not compete with Australian suppliers of boehmite-rich bauxite. ABx's emergence will help make Australia a reliable supplier of all types of bauxite for the seaborne bauxite trade in the Pacific Basin.



Figure 10. ABX Project Tenements and Major Infrastructure

## Directors' Report

Your directors present their report together with the financial statements of the parent entity and the consolidated entity (referred to hereafter as the **Group**) consisting of Australian Bauxite Limited (the **Company**) and the entities it controlled at the end of or during the period ended 30 June 2014 and the Auditor's Review Report thereon.

<b>Principal activities</b>	The principal continuing activities of the Group during the reporting period were conducting the bauxite exploration and development programs.
<b>Financial performance</b>	<p>The net consolidated loss of the Group for the six months ended 30 June 2014 was \$1,640,635 (2013: Loss \$168,227).</p> <p>Cash holding of the Group at 30 June 2014 was \$2.3 million. The Group will have sufficient cash reserves to fund its current exploration and development programs.</p>
<b>Review of operations</b>	Information on the operations and financial position of the Group and its business strategies and prospects are set out in the Review of Operations on pages 2 to 9 of this report.
<b>Dividends</b>	The Directors of the Company do not recommend that any amount be paid by way of dividend. The Company has not paid or declared any amount by way of dividend since the commencement of the financial year.

### Directors

The following persons were directors of Australian Bauxite Limited during the whole of the period and up to the date of this report, unless otherwise stated:

Paul Lennon	Non-Executive Chairman (Appointed 18 June 2014)
Ian Levy	Managing Director / CEO
Ken Boundy	Non-Executive Director
Kon Tsiakis	Non-Executive Director (Appointed 31 March 2014)
Rado Jacob Rebek	Executive Director (Retired 18 March 2014)
Hon. John S Dawkins AO	Non-Executive Chairman (Retired 28 May 2014)

### Subsequent Events

At the date of this report there are no matters or circumstances which have arisen since 30 June 2014 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2014, of the Group;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2014, of the Group.

### Environmental Regulations

The Group is subject to significant environmental regulation in respect of its exploration activities as follows:

- The Company's operations in the State of Queensland involve drilling operations. These operations are governed by the *Environmental Protection Act (1994)*.
- The Company's operations in the State of NSW involve exploration activities. These operations are governed by the *Environment Planning and Assessment Act 1979*.
- The Company's operations in the State of Tasmania involve drilling operations. These operations are governed by the *Environmental Management and Pollution Control Act 1994*.
- The Company operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of the shareholders, employees and suppliers.
- The Company aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are mindful of the regulatory regime in relation to the impact of the Company's activities on the environment.
- To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

## Directors' Report (continued)

### Environmental Code of Practice for Bauxite Mineral Exploration, adopted 1 March 2010

The Company is committed to conducting its exploration programs by following industry best practice in accordance with published government guidelines and codes.

The following policy is specific to bauxite exploration on the Company's east Australian bauxite province.

#### Access to Land

Prior to the commencement of any work, the Company makes contact with landholders/leaseholders and discusses the general aims and types of work likely to be conducted.

Discussion with landowners, leaseholders and Native Title Claimants is ongoing. It commences prior to any work being conducted and continues throughout the program and beyond the cessation of exploration work.

The Company establishes conditions of access with landholders and where practicable, signs a written access agreement that sets out conditions and includes a schedule of agreed compensation payments.

The Company endeavours to provide landholders with ample warning prior to commencing any work and landholders are kept informed upon commencement, during and upon completion of an exploration program.

#### Type of Land

The type of land is determined and its inhabitants are assessed to identify areas of particular environmental concern including identification of sensitive areas or areas prone to erosion, water catchment, heritage sites, and areas home to vulnerable and endangered species.

Land use is taken into consideration and land under cultivation is not disturbed without the express consent of the landholder.

### Mineral Exploration Programs

#### Access

The Company utilises existing tracks for access where possible. Climatic conditions are considered when assessing areas to avoid access during extreme conditions such as during bush fire risk during hot, windy conditions and damage to tracks after heavy rain. Surface disturbances are kept to a minimum.

#### Drilling

Drilling programs include rehabilitation and where possible holes are positioned in areas requiring little or no clearing. Small, manoeuvrable drill rigs are used to minimise the need for track clearing and to reduce ground compaction. Where required, topsoil is removed and stored separately so that it can be replaced during rehabilitation of the site. Ground sheets are used where required to avoid oil/fuel spills contaminating the soil.

#### Rehabilitation

Drill sites are rehabilitated as soon as practicable and drill holes are filled and capped where necessary. Landholders are asked to confirm at the end of each program that exploration has been conducted to their satisfaction and that sites have been rehabilitated.

## Directors' Report (continued)

### Qualifying Statements

#### With respect to Exploration Results:

*The information is extracted from the following reports entitled:*

31 March 2014    Quarterly report

15 May 2014    3rd Mine Target Area Enlarged 12 km

*which are available to view on [www.australianbauxite.com.au/Media.htm](http://www.australianbauxite.com.au/Media.htm). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.*

The information in this announcement that relate to Exploration Information and Mineral Resources are based on information compiled by Jacob Rebek and Ian Levy who are members of The Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr Rebek and Mr Levy are qualified geologists and Mr Levy is a director of Australian Bauxite Limited.

Mr Rebek and Mr Levy have sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity, which they are 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 Resources. Mr Rebek and Mr Levy have consented to the inclusion in this announcement of the Exploration Information in the form and context in which it appears.



## Directors' Report (continued)

### TENEMENT LIST (as at 5 August 2014)

Licence No	Project	Status	Date Granted	Expiry Date	Size Sq km
<b>ABx1 Pty Ltd</b>			<b>New South Wales</b>		
EL 6997	Inverell	Granted	24-Dec-07	24-Dec-14	297
EL 7361	Guyra	Renewal pending	17-Jul-09	17-Jul-14	138
EL 7597	Merriwa - 2	Granted	18-Aug-10	18-Aug-14	318
EL 7598	Merriwa - 3	Granted	18-Aug-10	18-Aug-14	195
EL 7950	Merriwa Extension	Renewal pending	21-Jun-12	21-Jun-14	111
EL 7858	Stannifer	Granted	2-Nov-11	2-Nov-15	147
EL 8097	Coolah	Granted	3-Jun-13	3-Jun-16	300
EL 8130	Old Mill	Granted	8-Jul-13	8-Jul-16	201
Total					1707
<b>ABx2 Pty Ltd</b>					
EL 7269	Windellama	Granted	23-Dec-08	23-Dec-14	51
EL 7279	Wingello West	Granted	30-Jan-09	30-Jan-16	21
*ELA 4038	Wingello Extended	Application			39
EL 7357	Taralga	Granted	1-Jul-09	1-Jul-16	246
EL 7681	Taralga Extension	Granted	11-Jan-11	11-Jan-16	300
EL 7912	Taralga 3rd Ext	Granted	28-Feb-12	28-Feb-16	309
EL 7546	Penrose	Renewal pending	11-May-10	11-May-14	18
Total					984
<b>ABx3 Pty Ltd</b>			<b>Queensland</b>		
EPM 17790	Hampton	Granted	28-Apr-09	27-Apr-15	90
EPM 17830	Haden	Granted	25-Feb-09	24-Feb-16	24
EPM 17831	Hillgrove	Granted	25-Feb-09	24-Feb-16	18
EPM 18014	Binjour	Granted	9-Oct-09	8-Oct-18	126
EPM 18772	Binjour Extension	Granted	31-Jan-11	30-Jan-15	123
EPM 19582	Binjour 2nd Ext	Granted	13-Dec-12	12-Dec-14	69
EPM 19742	Binjour 3rd Ext (Binjour South)	Granted	13-Dec-12	12-Dec-14	108
*EPMA 25146	Toondoon EPM	Application			9
EPM 19390	Brovinia	Granted	2 Oct 13	1 Oct 15	147
*EPMA 19427	Brovinia 2	Application			141
Total QLD					855
<b>ABx4 Pty Ltd</b>			<b>Tasmania</b>		
EL 4/2010	Evandale	Granted	14-Sep-10	13-Sep-15	83
EL 6/2010	Cleveland	Granted	14-Sep-10	13-Sep-15	34
EL 7/2010	Conara	Granted	14-Sep-10	13-Sep-15	154
EL 9/2010	Deloraine	Granted	14-Sep-10	13-Sep-15	168
EL 37/2010	Westbury	Granted	7-Nov-11	6-Nov-16	107
EL 3/2012	Ross	Granted	11-Sep-12	10-Sep-17	103
EL 12/2012	Scottsdale	Granted	12-Dec-12	11-Dec-17	82
EL 16/2012	Reedy Marsh	Granted	16-Jun-13	15-Jun-18	109
*ELA 4/2013	Tunross West 1	Application			136
*ELA 5/2013	Tunross West 2	Application			184
ML 1961P/M					
*ELA 18/2014	Prossers Road	Application			137
Total TAS					1,297
<b>TOTAL</b>					<b>4,843</b>

\*Application

## DIRECTORS' REPORT (continued)

### Auditor's Independence Declaration

A copy of the independence declaration by the auditor K.S. Black and Co. under section 307C is included on page 15 of this half year financial report.

Signed in accordance with a resolution of the Directors:



**Ian Levy**  
Managing Director



**Paul Lennon**  
Chairman

Sydney  
29 August 2014

Level 6, 350 Kent Street  
Sydney NSW 2000

87-91 Lyons Road  
Drummoyle NSW 2047

# K.S. Black & Co.

**Chartered Accountants**

ABN 57 446 398 808

20 Grose Street  
North Parramatta NSW 2151

PO Box 2210  
North Parramatta NSW 1750

## **AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

### **TO THE DIRECTORS OF AUSTRALIAN BAUXITE LIMITED**

In connection with the review of Australian Bauxite Limited for the half year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of Australian Bauxite Limited and the entities it controlled during the half year ended 30 June 2014.

**KS Black & Co**  
**Chartered Accountants**

**Faizal Ajmat**  
**Partner**

Sydney, 29 August 2014



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**Chartered  
Accountants**

## INDEPENDENT AUDITOR'S REVIEW REPORT

### TO THE MEMBERS OF AUSTRALIAN BAUXITE LIMITED

#### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Australian Bauxite Limited (the company) and Australian Bauxite Limited and Controlled Entities (the consolidated entity) which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the half year ended on that date, notes comprising a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year 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 (including the Australian Accounting Interpretations) and the Corporations Act 2001 (as applicable) and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2014, and of their performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 (as applicable). As the auditor of Australian Bauxite 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 enquires, 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, which has been given to the directors of Australian Bauxite Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Level 6, 350 Kent Street  
Sydney NSW 2000

87-91 Lyons Road  
Drummoyne NSW 2047

# K.S. Black & Co.

**Chartered Accountants**

ABN 57 446 398 808

20 Grose Street  
North Parramatta NSW 2151

PO Box 2210  
North Parramatta NSW 1750

## INDEPENDENT AUDITOR'S REVIEW REPORT

### TO THE MEMBERS OF AUSTRALIAN BAUXITE LIMITED (Cont'd)

#### 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 Australian Bauxite Limited and Australian Bauxite Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

**KS Black & Co**  
**Chartered Accountants**

**Faizal Ajmat**  
**Partner**

Sydney, 29 August 2014



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Accountants**



## DECLARATION BY DIRECTORS

The Directors of the Company declare that:

1. The financial statements and notes, set out on pages 19 to 31, are in accordance with the *Corporations Act 2001*, and:
  - i give a true and fair view of the financial position of the consolidated entity as at 30 June 2014 and of its performance for the half-year ended on that date; and
  - ii comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
2. 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.

Signed in accordance with a resolution of the Directors:



**Ian Levy**  
Managing Director



**Paul Lennon**  
Chairman

Sydney  
29 August, 2014

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the Half-Year Ended 30 June 2014

		Consolidated	
	Notes	30 Jun 2014	30 Jun 2013
		\$	\$
<b>REVENUE</b>			
Other income	3	406,847	507,161
Administration and exploration expenses	3	(1,621,112)	(654,282)
Finance expenses	3	(426,370)	(21,106)
<b>PROFIT/(LOSS) FROM OPERATIONS BEFORE INCOME TAX</b>		<b>(1,640,635)</b>	<b>(168,227)</b>
<b>EXPENSE</b>			
Income tax expense		-	-
<b>NET PROFIT/(LOSS) FOR THE PERIOD</b>		<b>(1,640,635)</b>	<b>(168,227)</b>
Other comprehensive income		-	-
Other comprehensive income before income tax		-	-
Income tax expenses		-	-
Other comprehensive income for the period		-	-
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>(1,640,635)</b>	<b>(168,227)</b>
<b>EARNINGS PER SHARE</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings/(losses) per share (cents per share)		<b>(1.32)</b>	(0.15)
Diluted earnings/(losses) per share (cents per share)		<b>(1.30)</b>	(0.15)

This Statement of Profit or Loss and other Comprehensive Income is to be read in conjunction with the notes to the interim financial report.

**STATEMENT OF FINANCIAL POSITION**

as at 30 June 2014

		<b>Consolidated</b>	
	Notes	<b>30 Jun 2014</b>	<b>31 Dec 2013</b>
		<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	2,322,307	1,323,559
Trade and other receivables		110,444	722,406
Financial assets		15,000	15,000
Other current assets		21,831	8,927
Total current assets		2,469,582	2,069,892
<b>Non-current assets</b>			
Trade and other receivables		114,770	356,001
Plant and equipment		47,037	63,356
Mining tenements		12,965,383	13,117,454
Total non-current assets		13,127,190	13,536,811
<b>Total Assets</b>		15,596,772	15,606,703
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		(27,521)	22,909
Employee benefits provision		76,643	35,082
Other Liabilities		12,000	11,130
Total current liabilities		61,122	69,121
<b>Non-current liabilities</b>			
Employee benefits provision		51,641	27,113
Total non-current liabilities		51,641	27,113
<b>Total Liabilities</b>		112,763	96,234
<b>Net Assets</b>		15,484,009	15,510,469
<b>EQUITY</b>			
Issued capital		21,369,854	19,755,679
Reserves		593,250	593,250
Accumulated losses		(6,479,095)	(4,838,460)
<b>Total Equity</b>		15,484,009	15,510,469

This Statement of Financial Position is to be read in conjunction with the notes to the interim financial report.

**STATEMENT OF CHANGES IN EQUITY**

for the Half-Year Ended 30 June 2014

	Notes	Issued Capital \$	Options Reserve \$	(Accumulated Losses) \$	Total Equity \$
<b>Consolidated</b>					
<b>At 31 December 2012</b>		16,796,000	593,250	(3,119,446)	14,269,804
Share placement		1,625,000	-	-	1,625,000
Share issuing costs		(118,800)	-	-	(118,800)
Loss for the period		-	-	(168,227)	(168,227)
<b>At 30 June 2013</b>		18,302,200	593,250	(3,287,673)	15,607,777
<b>At 30 June 2013</b>		18,302,200	593,250	(3,287,673)	15,607,777
Share placement		1,510,000	-	-	1,510,000
Share issuing costs		(56,521)	-	-	(56,521)
Loss for the period		-	-	(1,550,787)	(1,550,787)
<b>At 31 December 2013</b>	6	19,755,679	593,250	(4,838,460)	15,510,469
<b>At 31 December 2013</b>		19,755,679	593,250	(4,838,460)	15,510,469
Share placement		1,656,952	-	-	1,656,952
Share issuing costs		(42,777)	-	-	(42,777)
Loss for the period		-	-	(1,640,635)	(1,640,635)
<b>At 30 June 2014</b>	6	21,369,854	593,250	(6,479,095)	15,484,009

This Statement of Changes in Equity is to be read in conjunction with the notes to the interim financial report.

**STATEMENT OF CASH FLOW**

for the Half-Year Ended 30 June 2014

		<b>Consolidated</b>	
	Notes	<b>30 Jun 2014</b>	<b>30 Jun 2013</b>
		<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		<b>28,965</b>	55,032
Payment for exploration and evaluation expenditures		<b>(671,764)</b>	(1,540,007)
Payments for administration expenses		<b>(314,928)</b>	(173,988)
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>		<b>(957,727)</b>	(1,658,963)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Repayment/advance to other party		-	(75,000)
Payments for plant and equipment		-	(1,625)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		-	(76,625)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from share issues/placements		<b>1,999,252</b>	1,625,000
Share issuing costs		<b>(42,777)</b>	(118,800)
Deposits received – exclusivity payment on future share placement		-	500,000
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>1,956,475</b>	2,006,200
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>998,748</b>	270,612
Cash and cash equivalents at the beginning of the reporting period		<b>1,323,559</b>	2,016,870
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD</b>	4	<b>2,322,307</b>	2,287,482

This Statement of Cash Flow is to be read in conjunction with the notes to the interim financial report.



## NOTES TO THE FINANCIAL STATEMENTS

for the Half-Year Ended 30 June 2014

### 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

#### Reporting Entity

Australian Bauxite Limited (the "**Company**") is a company domiciled in Australia. The consolidated interim financial report of the Company as at and for the six months ended 30 June 2014 comprises the Company and its subsidiaries (together referred to as the "**consolidated entity**").

#### Statement of Compliance

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

#### Estimates

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporation Act 2001*.

##### *Statement of Compliance*

Compliance with Australian Accounting Standards ensures that the financial report of Australian Bauxite Limited complies with International Financial Reporting Standards ("IFRS").

##### *Critical to accounting estimates*

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### (i) Options valuation

Refer to Note for estimates and assumptions used to calculate the valuation of options.

##### *Critical judgements*

Management have made the following judgements when applying the Group's accounting policies:

#### (i) Capitalisation of exploration costs

The Group follows the guidance of AASB 6 Exploration for and Evaluation of Mineral Resources when determining if exploration costs incurred can be capitalised. This determination requires significant judgement. In making this judgement, the Group evaluates if any one of the following conditions is met:

- The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and

## NOTES TO THE FINANCIAL STATEMENTS continued

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

- Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

If one of the above conditions is met then the Group has made the judgement to capitalise the associated exploration expenses.

#### *Historical cost convention*

These financial statements have been prepared on an accruals basis and are based on the historical cost convention except where noted in these accounting policies.

#### *Material accounting policies*

The policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

### **(b) Principles of consolidation**

#### *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Bauxite Limited ("parent entity") as at 30 June 2014 and the results of all subsidiaries for the period then ended.

Subsidiaries are all those entities over which the parent entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the parent entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the parent entity. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity entities 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.

#### *Business Combination*

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or business under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent arrangement is also included, subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

## NOTES TO THE FINANCIAL STATEMENTS continued

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

#### *Goodwill*

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- The consideration transferred;
- Any non-controlling interest; and
- The acquisition date fair value of any previously held equity for a business combination plus the acquisition date fair value of any previously held equity holdings shall form the cost of the investment in the separate financial statements.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity holdings shall form the cost of the investment in the separate financial statements.

Fair value remeasurements in any pre-existing equity holding are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the Group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The purchase method of accounting is used to account for the acquisitions of subsidiaries by the Group.

Under the full goodwill method, the fair value of the non-controlling interests is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposal of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

#### **(c) Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

**NOTES TO THE FINANCIAL STATEMENTS continued****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****(d) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

*Interest Revenue*

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

*Other Income*

Income from other sources is recognised when proceeds or the fee in respect of other products or service provided is receivable.

**(e) Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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 which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**(f) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis except for the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

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

## NOTES TO THE FINANCIAL STATEMENTS continued

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

#### (g) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and in at call deposits with banks or financial institutions, investment in money market instruments maturing within less than two months, net of bank overdrafts.

#### (h) Trade and other receivables

Trade receivables are recognised initially at original invoice amounts and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that entities in the Group will not be able to collect all amounts due according to the original terms of receivables.

#### (i) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

#### (j) Tenement exploration, evaluation and development costs

Costs incurred in the exploration for, and evaluation of, tenements for suitable resources are carried forward as assets provided that one of the following conditions is met:

- the carrying values are expected to be justified through successful development and exploitation of the area of interest; or
- exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable mineral resources, and active and significant operations in relation to the area are continuing.

Expenses failing to meet at least one of the aforementioned conditions are written off as incurred.

Costs associated with the commercial development of resources are deferred to future periods, provided they are, beyond any reasonable doubt, expected to be recoverable. These costs are amortized from the commencement of commercial production of the product to which they relate on a straight-line basis over the period of the expected benefit.

Costs associated with the development of resources are expensed as incurred if their recoverability is unlikely or unable to be determined.

#### (k) Impairment of assets

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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### (l) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.



**NOTES TO THE FINANCIAL STATEMENTS continued****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued****(m) Restoration and rehabilitation provisions**

Both for close down and restoration and for environmental clean-up costs from exploration programs, if any, a provision will be made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs.

**(n) Employee Benefits****(i) Wages, salaries and annual leave**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables 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.

**(ii) Long service leave**

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

**(o) Share based payments**

Ownership-based remuneration is provided to employees via an employee share option plan.

Share-based compensation is recognised as an expense in respect of the services received, measured on a fair value basis.

The fair value of the options at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, 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.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

**(p) Earnings per share (EPS)**

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for costs of servicing equity (other than dividends), the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**NOTES TO THE FINANCIAL STATEMENTS** Continued**3. REVENUE AND EXPENSES****Specific Items**

Profit/(loss) before income tax expense/(benefit) includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the consolidated entity:

	<b>Consolidated</b>	
	<b>30 Jun 2014</b>	<b>30 Jun 2013</b>
	<b>\$</b>	<b>\$</b>
<b>Other income</b>		
Interest income	59,562	102,029
Cost recovery and others	347,285	405,132
	<b>406,847</b>	<b>507,161</b>
<b>Administration and exploration expenses</b>		
Exploration cost not capitalised	1,024,773	30,554
Consultancy and professional fees	198,531	53,753
Director and employee expenses	150,040	145,331
Other administrative expenses	247,768	424,644
	<b>1,621,112</b>	<b>654,282</b>
<b>Finance expenses</b>		
Depreciation	16,320	16,273
Others	410,050	4,833
	<b>426,370</b>	<b>21,106</b>

**4. CASH AND CASH EQUIVALENTS**

	<b>Consolidated</b>	
	<b>30 Jun 2014</b>	<b>31 Dec 2013</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on deposit	2,071,421	1,072,673
Cash held in trust – tenement guarantees and deposits	250,886	250,886
	<b>2,322,307</b>	<b>1,323,559</b>

**5. MINING TENEMENT**

	<b>Consolidated</b>	
	<b>30 June 2014</b>	<b>31 Dec 2013</b>
	<b>\$</b>	<b>\$</b>
Tenement interest and capitalised exploration expenditures	12,965,383	13,117,454

The ultimate recoupment of costs carried forward for exploration and evaluation assets is dependent on the successful development and commercial exploration or sale of the respective areas.

## NOTES TO THE FINANCIAL STATEMENTS Continued

## 6 ISSUED CAPITAL

	Consolidated		Consolidated	
	30 Jun 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
	Number of Shares	Number of Shares	\$	\$
<b>Ordinary Shares</b>				
Issued	<b>127,007,730</b>	120,189,060	<b>21,369,854</b>	19,755,679
<b>(a) Movements during the period</b>				
Balance at beginning of the period	<b>120,189,060</b>	107,211,160	<b>19,755,679</b>	16,796,000
Share placement	<b>3,320,791</b>	6,500,000	<b>806,952</b>	1,625,000
Share purchase plan	<b>3,497,879</b>	657,900	<b>850,000</b>	250,000
Exercise option - employee share option	-	420,000	-	126,000
Share Placement	-	5,400,000	-	1,134,000
Share issued cost	-	-	<b>(42,777)</b>	(175,321)
Balance at the end of the period	<b>127,007,730</b>	120,189,060	<b>21,369,854</b>	19,755,679

**(b) Options**

There have been no options issued or granted over unissued shares during the reporting period.

**(c) Terms and Conditions**

Each ordinary share participates equally in the voting rights of the Company. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

## 7. COMMITMENTS AND CONTINGENT LIABILITIES

**Tenement expenditure commitments**

	Consolidated	
	30 Jun 2014	31 Dec 2013
	\$	\$
Minimum tenement exploration	<b>1,426,880</b>	1,361,030
Tenement lease payment	<b>156,019</b>	147,951
	<b>1,582,899</b>	1,508,981

The minimum exploration expenditure commitments \$1.43 million and lease payments \$0.15 million on the Company's exploration tenements totalling approximately \$1.58 million over remaining term of tenements.

**NOTES TO THE FINANCIAL STATEMENTS** Continued**COMMITMENTS AND CONTINGENT LIABILITIES** continued**Executive services agreement**

In addition the Company has agreed with Mr Ian Levy as Managing Director in providing the services to the Company at an agreed rate of \$250,000 per annum.

**Service agreement**

The Company has entered into a Service Agreement with Hudson Corporate Limited pursuant to which Hudson Corporate Limited has agreed to provide its management, registered office, administrative, accounting and secretarial services.

The term of the Services Agreement is two years and the fee payable is that amount agreed between the parties from time to time. The terms of the Services Agreement provide that Hudson Corporate Limited shall act in accordance with the directions of the Board.

**Lease commitments**

	<b>Consolidated</b>	
	<b>30 Jun 2014</b>	<b>31 Dec 2013</b>
Non-cancellable operating leases - future minimum lease payments	<b>\$</b>	<b>\$</b>
Within one year	<b>1,725</b>	5,175
Later than one year but not later than 5 years	-	-
Later than 5 years	-	-
	<b>1,725</b>	<b>5,175</b>

**8. SEGMENT REPORTING**

The consolidated entity operates one business being the mining and exploration of coal, minerals and related development projects in Australia.

**9. EVENTS SUBSEQUENT TO BALANCE DATE**

At the date of this report there are no other matters or circumstances, other than noted above, which have arisen since 30 June 2014 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2014, of the Group;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2014, of the Group.