CALLABONNA
RESOURCES

A.B.N. 71 099 247 408

and its controlled entities

ANNUAL REPORT

FOR THE YEAR ENDED
30 JUNE 2014

CALLABONNA RESOURCES LIMITED
and its controlled entities

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Front and Back Cover: view of the eastern edge of the Callabonna sub-basin faulted against the Barrier Ranges north-west of Broken Hill. Photo by Boris Hlavica - Images of Australia, copyright Callabonna Resources Limited 2008.

The Company has managed to progress the Ansongo project to the stage where it is ready to commence drilling and project evaluation. Looking forward, the Company will remain focussed on drilling and production at Ansongo. The Company aims to maintain low overheads and farm out all other projects of lesser immediate prospectively.

Mali Manganese Project

On 6 May 2014 the Company announced an agreement to acquire an initial equivalent indirect interest of up to 12.1% in the Mali Manganese Project (through an investment in shares in Ansongo Limited). 2.1% of the project was immediately acquired in settlement of debt and another 10% is being acquired by spending on exploration of AUD $3.5 million envisaged to be over 3 years.

The independent geologist report describing the project was included in a notice to shareholders on 10 June 2014 and subsequently shareholders voted in favour of the change of scale and nature of the business on 11 July 2014. A recent ASX announcement on 28 July detailed the shipment of a 280 tonne bulk sample averaging 36% Mn.

Discussions with the Mali government and consultants engaged by the Company have continued during the quarter with a view of accessing the site and commencing a drilling program aimed at producing a mineable resource.

The Mali Government has approved the resumption of mining activities on the Ansongo Permit, and following a site visit, the Company has planned a drilling program with the aim of testing an initial exploration target in the range of 5-15mt @ 35-45% Mn (refer to 'Events Subsequent to Balance Date').

Frome Embayment East (NSW – Broken Hill West)

EL7684 located in Frome Embayment East 80km northwest of Broken Hill, NSW near the margin of the Callabonna Sub-basin is considered to have potential for a wide range of metals including uranium that may be associated with REDOX systems in the subsurface.

During the year a single hole was drilled mainly to establish a water supply in this drought prone area in preparation for more extensive future drilling. Such drilling will be test regional concepts and also previous intersections of uranium anomalies in the sub surface (Bowmans Prospect).

Further drilling has been put on hold until the NSW Government clarifies its uranium exploration policy and expressions of interest tenders. The Company re-tendered for Group 11 (U and Th) minerals at the end of January 2014.

Presently the Company holds EL 7684, "Gum Park", for Group 1 minerals; renewed on 15 August 2013 over 50 units until 19 January 2015.

Legislation proclaimed on 13 September 2012 has allowed the Company to seek Ministerial consent under the Act to explore for Group 11 minerals (U & Th) by lodging an expression of interest (EOI). A Group 11 licence would allow for exploration but not mining of uranium. In November 2012 the company made application seeking Ministerial approval under the Act to explore for Group 11 (U and Th) minerals over most of EL 7684. In late December 2013 the Department requested revised EOI's from all Companies that had previously lodged an EOI. The Company complied by lodging a revised EOI in January 2014.

The NSW Government has approved the Company's expression of interest for Group 11 minerals over part of EL7684, and given the Company six months to lodge a Group 11 Exploration Licence (refer to 'Events Subsequent to Balance Date').

Georgetown Gold Project (QLD)

On 30 August 2013 the Company signed two Sale and Purchase Agreements for the sale of EPM 18181 and EPM 18699 with Central Gold Mines Pty Ltd. Total consideration of $120,000 was to be received for the two EPM's once the EPM's were transferred and registered in the name of the purchaser. A non refundable deposit of $20,000 has been received to date.

The Company was recently advised that Central Gold Mines Pty Ltd is in voluntary administration. The Company has reviewed its options for a future sale of these properties, and determined that it should write down the value of these permits at 30 June 2014 to nil. The non refundable deposit has been recorded as a reversal of impairment at 30 June 2014.

Corporate

The directors and company secretary exercised a combined 6,000,000 options (at 3 cents per share) during the period to raise $180,000.

Events Subsequent to Balance Date

A shareholders meeting held on 11 July 2014 voted in favour of the change of scale and nature of the business as part of the approval process to proceed with the Mali Manganese Project. An ASX announcement on 28 July detailed the shipment of a 280 tonne bulk sample averaging 36% Mn.

The Mali Mines Minister, in a letter to the Chairman of Mali Manganese SA dated 20 August 2014, approved the resumption of operations on the Ansongo Mining Lease. On 29 August 2014 the Company conducted a site visit of Ansongo and on 15 September 2014 released a proposed drilling program and details of the initial Exploration Target.

Events Subsequent to Balance Date (Cont.)

On 11 September 2014 the NSW Government announced six companies have been invited to apply for the right to explore for uranium in NSW, two years after a decades-long ban was controversially overturned by the NSW government. The Ministers letter addressed to the joint applicants Callabonna Resources and HNFL Holdings was received on 15 September 2014, giving the parties six months to apply for a Group 11 Exploration License over 23 sub-blocks.

On 26 September 2014 the Company announced a Share Purchase Plan (‘SPP’) was open to all eligible shareholders. The SPP is expected to close on 17 October 2014. The funds raised under the SPP are to be used for exploration and general working capital purposes and will enable the Company to continue exploration at the Ansongo Manganese project. As at the date of this report, $60,000 has been received by the Company in relation to the SPP with participation from additional eligible shareholders expected.

Likely Developments

The Company intends to continue its exploration and development activities on its existing projects and to acquire further suitable projects for exploration as opportunities arise.

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, which comply with the Australian Stock Exchange ('ASX') Corporate Governance Council principles and recommendations, unless otherwise stated.

The Board is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Group's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board of Directors supports the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX Corporate Governance Council ('Council'). Whilst the Group's practices are largely consistent with the Council's guidelines, the Board considers that the implementation of some recommendations are not appropriate having regard to the nature and scale of the Group's activities. The Board uses its best endeavours to ensure exceptions to the Council's guidelines do not have a negative impact on the Group and the best interests of shareholders as a whole. When Callabonna Resources Limited ("the Company" or "Callabonna") is not able to implement one of the Council's recommendations the Group applies the "if not, why not" explanation approach by applying practices in accordance with the spirit of the relevant principle.

The following discussion outlines the ASX Corporate Governance Council's eight principles and associated recommendations and the extent to which the Group complies with those recommendations.

Details of all of the Council's principles and recommendations can be found on the ASX website at www.asx.com.au.

Principle 1 – Lay solid foundations for management and oversight

The Group has adopted Recommendation 1.1 to disclose the functions reserved to the Board and those delegated to senior executives in the content of every new Director and senior executive appointment.

Board of Directors – Role and Responsibilities

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Group. The Board is also responsible for the overall corporate governance and management oversight of the Group, and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Group as a whole.

The Board also ensures that the Group complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of the Group.

Where the Board considers that particular expertise or information is required, which is not available from within their members, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

Without intending to limit the general role of the Board, the principal functions and responsibilities of the Board include the following:

- formulation and approval of the strategic direction, objectives and goals of the Group;
- the prudential control of the Group's finances and operations and monitoring the financial performance of the Group;
- the resourcing, review and monitoring of executive management;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market; and
- the establishment and maintenance of appropriate ethical standards.

Callabonna has taken the appropriate measure to provide each Director with a copy of the Group's policies which spells out the rights, duties and responsibilities that they should follow.

The Group has adopted Recommendation 1.3.

Principle 2 – Structure the Board to add value

Board of Directors - Composition, Structure and Process

The composition of the Board has been determined on the basis of providing the Group with the benefit of a broad range of technical, administrative and financial skills, combined with an appropriate level of experience at a senior corporate level. The names and further information regarding the skills, experience, qualifications and relevant expertise of the Directors are set out in the Directors' Report.

The composition of the Board is monitored constantly to ensure that it provides the Group with the appropriate levels of both expertise and experience.

Should a Board vacancy exist, through whatever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board identifies a panel of candidates with appropriate expertise and experience. A selection procedure is then completed and the Board appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Independent Directors

The Board is made up of four Directors, two of whom are either involved in management or are substantial shareholders in the Company.

Although Recommendation 2.1 is not followed, it is the Board's opinion that all Directors bring to the Board their independent judgement, irrespective if they are independent or not.

Regular assessment of independence

An independent Director, in the view of the Company, is a Non-executive Director who:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional advisor or a material consultant to the Group, or an employee materially associated with a service provider;
- is not a material supplier or customer of the Group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Group other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Group.

The composition of the Board is reviewed periodically with regards to the optimum number and skills of Directors required for the Board to properly perform its responsibilities and functions. Mr Jeffrey Williams and Mr Phillip Harman are considered to be independent directors.

Chairman and Managing Director

Mr Phillip Harman was appointed Chairman on 16 March 2012 and is an independent director. The Chairman leads the Board and has responsibility for ensuring the Board receives accurate, timely and clear information to enable Directors to perform their duties as a Board.

The Company follows Recommendation 2.3 by having different individuals holding the roles of Chairman and Chief Executive Officer. The Managing Director is responsible and accountable to the Board for the Group's management. Mr Michael Raetz assumed the role of Chief Operating Officer from 1 July 2011 and remains in that role.

Board nominations

Having regard to the current membership of the Board and the size, organisational complexity and scope of operations of the Group, a Nomination Committee has not been established.

Performance review and evaluation

It is the policy of the Board to ensure that the Directors and executives of the Group are equipped with the knowledge and information they need to discharge their responsibilities effectively, and that individual and collective performance is regularly and fairly reviewed. Although the Group is not of a size to warrant the development of formal processes for evaluating the performance of its Board, individual Directors and executives, there is on-going monitoring by the Chairman and the Board. The Chairman also speaks to Directors individually regarding their role as a Director.

Induction and education

The Company has a policy to provide each new Director or officer with a copy of the following documents:

- Code of Conduct;
- Continuous Disclosure Policy; and
- Share Trading Policy.

Access to information

Each Director has access to Board papers and all relevant documentation.

Skills knowledge and experience

Directors are appointed based on the specific corporate and governance skills and experience required by the Company. The Board consists of a relevant blend of personal experience in accounting and finance, law, financial and investment markets, financial management and public company administration and Director level business or corporate experience required by the Company.

Professional advice

Each Director has the right to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, but such approval is not unreasonably withheld. A copy of the advice received by the Director is made available to all other members of the Board.

Terms of appointment as a Director

Directors, other than the Managing Director, are subject to re-election by the shareholders at least every three years.

Principle 3 – Promote ethical and responsible decision making

Code of Conduct and Ethical Standards

The Group has adopted Recommendation 3.1 by establishing a formal code of conduct that guides compliance with all levels of legal and other obligations to stakeholders. The Code is focused on ensuring that all Directors, executives, and employees act with the utmost integrity and objectivity in carrying out their duties and responsibilities, striving at all times to enhance the reputation and performance of the Group.

The code of conduct outlines:

- the practices necessary to maintain confidence in the Group's integrity;
- the practices necessary to take into account legal obligations and reasonable expectations of stakeholders; and
- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Access to Company information and confidentiality

All Directors have the right of access to all relevant Company books and to the Company's executive management. In accordance with legal requirements and agreed ethical standards, Directors and executives of the Company have agreed to keep confidential information received in the course of exercising their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

Share dealings and disclosures

The Group has adopted Recommendation 3.2 by establishing a policy relating to the trading of Company securities and has adopted the requirements of ASX Listing Rule 12.12 which restricts Directors and employees from trading in the Company shares. The Board restricts Directors, executives and employees from acting on material information until it has been released to the market. Share trading by Directors, executives or employees is not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act prohibits the purchase or sale of securities whilst a person is in possession of inside information.

Restricted Persons can only trade the Company's securities during specific trading windows. All periods outside the specific trading windows are closed periods where Restricted Persons are prohibited from trading in the Company's securities unless in special circumstances and with the approval of the Chairman.

Trading windows are the 60 days from the first trading day after each of the following:

- the day half year results are announced;
- the day full year results are announced; and
- the day of the Annual General Meeting.

A copy of the policy can be seen on the Company's website.

Conflicts of interest

To ensure that Directors are at all times acting in the best interests of the Company, Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot, or is unwilling to remove a conflict of interest then the Director must, as required by the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters about which the conflict relates.

Related party transactions

Related party transactions include any financial transaction between a Director and the Company as defined in the Corporations Act or the ASX Listing Rules. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction. The Company also discloses related party transactions in its financial report as required under relevant Accounting Standards.

Board diversity

Given the small size of the Company, Recommendations 3.2, 3.3, 3.4 and 3.5 were not adopted for the year ended 30 June 2014 as the Company has not set a policy concerning diversity. However, the Company's Board does take into account the gender, age, ethnicity and cultural background of potential Board members. The Company has only 1 male employee, no female employees, no females in a senior management or board position.

Publicly available information

The Group has adopted Recommendation 3.3 by making publicly available on the Group's website, www.callabonna.com.au, the code of conduct and share trading policy under the corporate governance section.

Principle 4 – Safeguard integrity in financial reporting

Audit and Risk Committee

The Directors do not consider the affairs of the Company and consolidated entity are of such a size and complexity as to merit the establishment of a separate audit committee. Hence the Company does not follow Recommendations 4.1, 4.2, 4.3 or 4.4. Instead the function is conducted by the entire Board.

Principle 5 – Make timely and balanced disclosure

The Group has adopted Recommendation 5.1 by putting in place a Continuous Disclosure Policy.

Continuous Disclosure to the ASX

The Board has a Continuous Disclosure Policy and has designated the Company Secretary as the person responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules, the Company will notify the ASX promptly of information:

- concerning the Company, that a reasonable person would expect to have a material effect on the price or value of the Company 's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Principle 6 – Respect the rights of shareholders

Communications

The Company has adopted Recommendation 6.1 by establishing a formal Shareholder Communication Policy that has been in place for this reporting period and made publicly available on the Group's website.

The information indicated in Recommendation 6.2 is adopted by the Company as described below.

Communication to the market and shareholders

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Group's state of affairs and has adopted a Shareholder Communication Policy. The Policy provides that information will be communicated to Shareholders and the market through:

- the Annual Report which is distributed to shareholders (usually with the Notice of Annual General Meeting);
- the Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
- the half yearly Directors' and financial reports;
- quarterly activities and cash flow reports; and
- other announcements released to the ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders.

The Group actively promotes communication with shareholders through a variety of measures, including the use of the Group's website and email. The Group's reports and ASX announcements are made available on the Group's website, www.callabonna.com.au, and on the ASX website, www.asx.com.au, under ASX code 'CUU'. The Group also maintains an email list for the distribution of the Group's announcements via email.

Principle 7 - Recognise and manage risk

The Board is responsible for the identification, monitoring and management of significant business risks and the implementation of appropriate levels of internal control, recognising however that no cost effective internal control system will preclude all errors and irregularities. The Board regularly reviews and monitors areas of significant business risk.

Recommendation 7.2 is not relevant due to the size of the Company and because the full Board has the oversight function of risk management and internal control systems. Therefore, the risk management functions and oversight of material business risks are performed directly by the Board and not by management.

Internal control and risk management

Corporate risks are managed by the Board as a whole. The Board reviews systems of external and internal controls and areas of significant operational, financial and property risk and ensures arrangements are in place to contain such risks to acceptable levels.

The Group ensures that appropriate insurance policies are kept current to cover all potential risks and maintaining Directors' and officers' professional indemnity insurance.

Internal audit function

The Group does not have an internal audit department nor has an internal auditor. The size of the Company does not warrant the need or the cost of appointing an internal auditor.

CEO and CFO declarations

The Group has adopted and complied with Recommendation 7.3.

The Board has determined Mr Michael Raetz, Executive Director and The Company Secretary are the appropriate persons to make the CEO and CFO declarations in respect of the year ended 30 June 2014, as required under section 295A of the Corporations Act and recommended by the ASX Corporate Governance Council. The Board is also satisfied that the internal control system is operating effectively in all material respects.

The Group has adopted and complied with Recommendation 7.4 as follows:

- the Board conducted its evaluations regarding internal control and risk management;
- the Board has received the assurances from Mr Raetz and the Company Secretary at 30 June 2014;
- the Group does not have a written policy on risks oversight management of business material risks because the number of people engaged in the Group's operations is minimal; and
- all Directors have the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors, subject to prior consultation with the Chairman.

Principle 8 – Remunerate fairly and responsibly

Because of the small number of Directors, a Remuneration Committee has not been established. Hence the Company does not follow Recommendations 8.1 or 8.2. Instead the function is conducted by the entire Board.

Remuneration policy

The Directors remuneration is adopted by shareholders at the Annual General Meeting. The salary and emoluments paid to officers are approved by the Board. Consultants are engaged as required pursuant to service agreements. The Group ensure that fees, salaries and emoluments are in line with general standards for publicly listed companies of the size and type of the Group. All salaries of Directors and statutory officers are disclosed in the Annual Report of the Group each year.

In line with Recommendation 8.2 the Group has a policy to remunerate it Directors and officers based on a fixed and incentive component salary packages to reflect the short and long term objectives of the Group.

The salary component of the Managing Director's remuneration is made up of:

- fixed remuneration;
- equity based remuneration when invited to participate by the Board in the executive share option plan of the Group; and
- termination payment.

The salary component of Non-executive Directors is made up of:

- fixed remuneration; and
- equity based remuneration when invited to participate by the Board in the executive share option plan of the Group.

The Directors present their report together with the financial report of the Callabonna Resources Limited Group ('Group'), being Callabonna Resources Limited ('Callabonna' or 'the Company') and its controlled entities, for the year ended 30 June 2014 and the auditor's report thereon:

Directors

The names and particulars of the Directors of the Company at any time during or since the end of the financial year are:

Phillip Harman – Independent Chairman

Director since 9 February 2009. Chairman until 24 September 2009. Re-elected Chairman 16 March 2012.

Mr Harman is a professional geophysicist who spent more than 30 years working for BHP Billiton in minerals exploration in a broad number of roles including Chief Geophysicist, Manager Discovery of Technology, and Exploration Manager in both South America and Western Australia.

His experience in BHP spanned both technical and managerial roles here in Australia and overseas. He is broadly networked throughout the international mining business development and exploration community, has experience in creating and managing junior exploration companies and understands capital markets, having raised risk capital for exploration through the ASX and on AIM in London.

Mr Harman is currently a Director of ASX listed Stellar Resources Limited and Predictive Discovery Limited.

Hyunsoo Kim – Non-executive Director

Director since 24 September 2009.

Hyunsoo (Hans) Kim graduated from Seoul National University with a Bachelor of Economics degree in 1991 and then earned an MBA degree from Duke University in 2002.

In 1994, Mr. Kim joined SK Energy, the largest energy and petrochemical company in Korea. He had initially worked for the Corporate Planning Division, where he participated in the activities such as strategic planning and corporate restructuring for the entire SK conglomerate. Mr. Kim was assigned to the Office of the Board of Directors of SK Energy in 2004 and contributed to the significant improvement in corporate governance of the company.

Mr. Kim joined Coal & Mineral Resources Division in early 2008 and is currently the GM/Head of Coal Business Development Team at SK Networks Co. Ltd.

Michael Raetz – Executive Director

Director since 24 September 2009.

Michael Raetz is an exploration geologist with over 35 years' experience in exploration for base and precious metals and uranium. He worked for BHP Minerals Discovery from 1970 to 1999, discovering several important base-metal, tin and gold prospects in Australia and Indonesia during this time. He gained mining experience as Senior Mine Geologist of Cadjibut Zinc and contributed to the discovery of the Kapok ore body. Mr Raetz was Program Leader and Principal Geologist for the BHP World Minerals Discovery Australian Reconnaissance Group from 1996 – 1999. Under Mr Raetz's leadership, BHP's exploration in Australia was revitalised with new projects resulting in several valuable exploration properties.

Between 1999 and 2006, he was a Senior Research Fellow in Economic Geology at Monash University, researching global Proterozoic base metals as part of the BHPB/Australian Research Council joint research project.

Mr Raetz is a director of PGN geosciences Pty Ltd, a successful international geological consultancy. He is a Member of the Geological Society of Australia and a Member of the Australian Institute of Geoscientists.

Jeffrey Williams – Non-Executive Director

Director since 16 March 2012.

Mr Jeffrey (Jeff) Williams has 40 years' experience as a professional mining engineer in Australia including seven years in the stockbroking industry and 14 years as a Managing Director. He is a Fellow of the Australasian Institute of Mining and Metallurgy. Jeff's mining experience ranges from mine planning, underground management and feasibility studies through to mine development. From 1972 to 1984, he held various positions with CRA Limited at Broken Hill in New South Wales. Following completion of a Masters of Business Administration ('MBA') program in 1987, he played a major role as a Senior Project Engineer with North Limited. From 1989 to 1996, he specialised in gold mining research in the stock broking industry finishing up as Head of Resources Research at James Capel Australia.

In 1997 Jeff established Nimbus Resources which acquired Mineral Deposits Limited ('MDL') from BHP Billiton in 1998. This included mineral sands assets near Hawks Nest on the north coast of New South Wales. Jeff remained Managing Director for 14 years until 30 June 2011. During this time the company acquired the Grand Cote Mineral Sands project in Senegal in West Africa which is now under development into a world class mineral sands mine. MDL also acquired and developed the Sabodala gold deposit in Senegal which is now a significant gold producer in West Africa and was demerged from MDL into the standalone gold producer Teranga Gold Corporation. Jeff brings a wealth of project experience to Callabonna.

Company Secretary

Ian Hobson
CFO and Company Secretary since 27 July 2012

Mr Ian Hobson holds a bachelor of business degree and is a Chartered Accountant and Chartered Secretary. Mr Hobson provides company secretarial and corporate, management and accounting advice to a number of listed public companies involved in the resource, mining services and oil and gas industries. Mr Hobson was appointed on 27 July 2012.

Directors' Meetings

No director meetings were held during the year. All the board business was conducted by circular resolutions and regular discussions.

	Total meetings held whilst a Director	Number of meetings attended
Phillip Harman	-	-
Hyunsoo Kim	-	-
Michael Raetz	-	-
Jeffrey Williams	-	-

Principal Activities

The Company and Group is involved in minerals exploration and acquisitions. No significant change in the nature of those activities occurred during the year.

Financial Result and Operating and Financial Review

The operating loss of the Group for the financial year ended 30 June 2014 after income tax was $682,023 (2013 - $595,701).

A review of the Group's operations for the year is set out in the Review of Operations.

Dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 30 June 2014. No dividends have been paid or declared during the financial year.

Impact of Legislation and Other External Requirements

There were no environmental or other legislative requirements during the year that have significantly impacted the results or operations of the Group.

Employees

The Group has 1 employee (2013 - 1 employee).

Events Subsequent to Balance Date

A shareholders meeting held on 11 July 2014 voted in favour of the change of scale and nature of the business as part of the approval process to proceed with the Mali Manganese Project. An ASX announcement on 28 July detailed the shipment of a 280 tonne bulk sample averaging 36% Mn.

The Mali Mines Minister, in a letter to the Chairman of Mali Manganese SA dated 20 August 2014, approved the resumption of operations on the Ansongo Mining Lease. On 29 August 2014 the Company conducted a site visit of Ansongo and on 15 September 2014 released a proposed drilling program and details of the initial Exploration Target.

On 11 September 2014 the NSW Government announced six companies have been invited to apply for the right to explore for uranium in NSW, two years after a decades-long ban was controversially overturned by the NSW government. The Ministers letter addressed to the joint applicants Callabonna Resources and HNFL Holdings was received on 15 September 2014, giving the parties six months to apply for a Group 11 Exploration License over 23 sub-blocks.

On 26 September 2014 the Company announced a Share Purchase Plan ('SPP') was open to all eligible shareholders. The SPP is expected to close on 17 October 2014. The funds raised under the SPP are to be used for exploration and general working capital purposes and will enable the Company to continue exploration at the Ansongo Manganese project. As at the date of this report, $60,000 has been received by the Company in relation to the SPP with participation from additional eligible shareholders expected.

Environmental Regulations

The Group's operations are subject to significant environmental regulations under both Commonwealth and State legislation in relation to its activities.

The Board of Directors monitors compliance with environmental regulations and the Directors are not aware of any significant breaches of these regulations during the period covered by this report.

Likely Developments

Information as to likely developments in the operations of the Group and the expected results of those operations in subsequent years is included in the review of operations.

Directors' Interests

At the date of this report, the beneficial interests of each Director of the Company in the issued share capital of the Company are:

Specified Directors	Held at 1 July 2013	Purchased	Options Exercised	Received as remuneration	Sold	Held at the date of this report
Phillip Harman	3,611,111	-	2,500,000	-	-	6,111,111
Hyunsoo Kim	-	-	-	-	-	-
Michael Raetz	3,222,613	-	500,000	-	-	3,722,613
Jeffrey Williams	3,657,603	150,000	2,500,000	-	-	6,307,603

Share options

Unissued shares under option
At the date of this report, unissued ordinary shares of the Company under option are:

Number of options	Exercise price	Expiry date
700,000	34.0 cents	15 February 2015
13,282,350	3.0 cents	30 June 2017

Details of options issued by the Company are set out in the capital and reserves note to the financial report. The names of persons who currently hold options are entered in the register of options kept by the Company pursuant to the *Corporations Act 2001*. This register may be inspected free of charge. The persons entitled to exercise the options do not have, by virtue of the options, the right to participate in a share issue of any other body corporate.

Shares issued on exercise of options
During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there are no amounts unpaid on the shares issued):

Number of shares	Amount paid on each share
6,000,000	3.0 cents

Indemnification of Officers and Auditors

During or since the end of the financial year, the Group has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company against a liability incurred by such an officer or auditor. In addition, the Group has not paid or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor. Since the end of the previous financial year the Company has paid insurance premiums of $10,800 in respect of directors' and officers' liability and legal expenses, for current and former directors and officers of the Group.

Remuneration Report - Audited

The policy of remuneration of Directors and other key management personnel is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Key management personnel consist of the Directors and the Company Secretary.

Other than Michael Raetz, the Directors and Executives are not employed directly by the Group. The remuneration disclosed below represents the cost to the Company for the services provided under these arrangements.

The salary component of Executive Director's remuneration is made up of fixed remuneration and equity based remuneration when invited to participate by the Board in the executive share option plan of the Group.

The fee component of Non-executive Directors is made up of fixed remuneration and equity based remuneration when invited to participate by the Board in the executive share option plan of the Group.

Fixed compensation consists of base compensation, as well as employer contributions to superannuation funds. Performance linked compensation consists of options over ordinary shares of the Company under the rules of the executive share option plan.

No bonuses were paid in the current or prior year.

The remuneration report reflects the scaled down operations of the Group.

Details of the nature and amount of each major element of the remuneration of each key management person of the Company and Group are:

	Year	Primary Fees $	Super-annuation $	Options $	Total $	Options as % of remuneration
Executive Directors						
Michael Raetz	2014	73,227	6,774	-	80,001	0.00%
	2013	80,274	7,225	-	87,499	0.00%
Non-executive Directors						
Phillip Harman	2014	-	-	-	-	0.00%
	2013	8,027	722	-	8,749	0.00%
Hyunsoo Kim	2014	-	-	-	-	0.00%
	2013	3,750	-	-	3,750	0.00%
Jeffrey Williams	2014	-	-	-	-	0.00%
	2013	17,393	1,565	-	18,957	0.00%
Executives						
Ian Hobson – Company Secretary and CFO	2014	41,000	-	-	41,000	0.00%
	2013	75,230	-	-	75,230	0.00%
Peter Thiessen – Company Secretary and CFO [1]	2014	-	-	-	-	0.00%
	2013	22,230	-	-	22,230	0.00%

[1] Peter Thiessen retired 27 July 2012.

Options granted as compensation - Audited

No options were granted as compensation to key management personnel during the reporting period.

	Number of options granted	Grant date	Fair value at grant date	Exercise price	Expiry date	Options vested during the year	Options exercised during the year	Options forfeited/lapsed during the year
Phillip Harman	400,000	15 Feb 2010	$0.195	$0.34	15 Feb 2015	-	-	-
Michael Raetz	300,000	15 Feb 2010	$0.195	$0.34	15 Feb 2015	-	-	-

No options have been granted subsequent to year end.

In the event that the employment or office of the option holder is terminated, any options which have not reached their vesting date will lapse and any options which have reached their vesting date may be exercised within two months from the date of termination of employment.

Remuneration Report - Audited (Con't)

Modification of terms of equity settled share based payment transactions

No terms of equity settled share based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or prior period.

Option Holdings

Options granted to Key Management Personnel - Audited

At the date of this report, the beneficial interests of each key management person of the Company in options over the unissued share capital of the Company are:

Specified Key Management Personnel	Held at 1 July 2013	Granted as remuneration	Forfeited/lapsed	Held at date of report	Vested and exercisable at date of report
Phillip Harman	400,000	-	-	400,000	400,000
Hyunsoo Kim	-	-	-	-	-
Michael Raetz	300,000	-	-	300,000	300,000
Jeffrey Williams	-	-	-	-	-
Ian Hobson	-	-	-	-	-

No options have been granted to key management personnel subsequent to year end.

Movement in shares

Key management personnel	Held at 1 July 2013	Purchased	Sold	Held at 30 June 2014
Jeffrey Williams	3,657,603	2,650,000	-	6,307,603
Phillip Harman	3,611,111	2,500,000	-	6,111,111
Hyunsoo Kim	-	-	-	-
Michael Raetz	3,222,613	500,000	-	3,722,613
Ian Hobson	500,000	500,000	-	1,000,000

Key management personnel	Held at 1 July 2012	Purchased	Sold	Held at 30 June 2013
Jeffrey Williams	1,157,603	2,500,000	-	3,657,603
Phillip Harman	1,111,111	2,500,000	-	3,611,111
Hyunsoo Kim	-	-	-	-
Michael Raetz	2,722,613	500,000	-	3,222,613
Ian Hobson	-	500,000	-	500,000

Remuneration Report - Audited (Con't)

Movement in options

Key management personnel	Held at 1 July 2013	Purchased in capital raising	Granted	Exercised	Expired during the year	Held at 30 June 2014	Vested and exercisable at 30 June 2014
Jeffrey Williams	2,500,000	-	-	(2,500,000)	-	-	-
Phillip Harman	2,900,000	-	-	(2,500,000)	-	400,000	400,000
Hyunsoo Kim	-	-	-	-	-	-	-
Michael Raetz	800,000	-	-	(500,000)	-	300,000	300,000
Ian Hobson	500,000	-	-	(500,000)	-	-	-

Key management personnel	Held at 1 July 2012	Purchased in capital raising	Granted	Exercised	Expired during the year	Held at 30 June 2013	Vested and exercisable at 30 June 2013
Jeffrey Williams	-	2,500,000	-	-	-	2,500,000	2,500,000
Phillip Harman	400,000	2,500,000	-	-	-	2,900,000	2,900,000
Hyunsoo Kim	-	-	-	-	-	-	-
Michael Raetz	300,000	500,000	-	-	-	800,000	800,000
Ian Hobson	-	500,000	-	-	-	500,000	500,000

Consequences of performance on shareholders wealth - Audited

In considering the Group's performance and benefits for shareholders' wealth, the Board has regard to the following indices in respect of the current financial year and the previous four financial periods.

	2014 $	2013 $	2012 $	2011 $	2010 $
Net loss attributable to equity holders of the parent	682,023	595,701	10,291,197	1,421,789	6,922,091
Dividends paid	-	-	-	-	-
Change in share price	(0.7) cents	Nil cents	(3.7) cents	(12.0) cents	(4.0) cents

The overall level of key management personnel's compensation has been determined based on market conditions and status of the Group's projects.

Non-audit Services

During the year KPMG, the Group's auditor, did not perform any other services in addition to their statutory duties.

Details of the amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out below

	2014 $	2013 $
Statutory audit		
Auditors of the Group		
- audit and review of financial reports – KPMG	42,500	48,816
	42,500	48,816

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 16 and forms part of the Directors' Report for the year ended 30 June 2014.

Signed at Melbourne the 30th day of September 2014 in accordance with a resolution of the Board of Directors:

Phillip G Harman
Chairman

Michael Raetz
Director

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Callabonna Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Stephen Board
Partner
Brisbane

30 September 2014

	Notes	2014 $	2013 $
Other income		2,852	-
Administration and consultants expenses		(364,547)	(471,906)
Exploration expenses incurred - pre-licence costs			(20,091)
Impairment loss – mining tenements	5	(9,968)	(75,438)
Impairment loss – deposit	11	(300,000)	(12,000)
Depreciation	12	(12,126)	(21,677)
Results from operating activities		(683,789)	(601,112)
Finance income	6	1,766	5,662
Finance expense	6	-	(251)
Net finance income		1,766	5,411
Loss before income tax		(682,023)	(595,701)
Income tax expense	8	-	-
Loss for the year		(682,023)	(595,701)
Other comprehensive income			
Total items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available for sale financial assets	7	1,600	(12,000)
Net change in fair value of available for sale financial assets transferred to profit or loss	7	-	12,000
Total items that may be reclassified subsequently to profit or loss		1,600	-
Other comprehensive income for the year		1,600	-
Total comprehensive loss for the year attributable to equity holders of the Company		(680,423)	(595,701)
Basic loss per share attributable to ordinary equity holders	9	(0.65) cents	(0.70) cents
Diluted loss per share attributable to ordinary equity holders	9	(0.65) cents	(0.70) cents

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

	Share capital $	Option premium reserve $	Share based payments reserve $	Available for sale reserve	Accumulated losses $	Total equity $
Balance at 1 July 2013	43,359,993	187,039	127,203	-	(42,838,418)	835,817
Total comprehensive income for the period						
Loss for period	-	-	-	-	(682,023)	(682,023)
Other comprehensive income	-	-	-	1,600	-	1,600
Total comprehensive income for the year	-	-	-	1,600	(682,023)	(680,423)
Transactions with owners, recorded directly in equity						
Contribution by and distributions to owners						
Shares and options issued	232,500	-	-	-	-	232,500
Capital raising costs	(1,575)	-	-	-	-	(1,575)
Exercise of options	58,200	(58,200)	-	-	-	-
Balance at 30 June 2014	43,649,118	128,839	127,203	1,600	(43,520,441)	386,319

	Share capital $	Option premium reserve $	Share based payments reserve $	Available for sale reserve	Accumulated losses $	Total equity $
Balance at 1 July 2012	42,465,835	-	127,203	-	(42,242,717)	350,321
Total comprehensive income for the period						
Loss for period	-	-	-	-	(595,701)	(595,701)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(595,701)	(595,701)
Transactions with owners, recorded directly in equity	-	-	-	-	-	-
Contribution by and distributions to owners						
Shares and options issued	998,608	187,039	-	-	-	1,185,647
Capital raising costs	(104,450)	-	-	-	-	(104,450)
Share based payments	-	-	-	-	-	-
Balance at 30 June 2013	43,359,993	187,039	127,203	-	(42,838,418)	835,817

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

	Notes	2014 $	2013 $
Current assets			
Cash and cash equivalents	17	216,861	508,266
Trade and other receivables	10	8,857	2,431
Other	11	9,666	9,639
Total current assets		235,384	520,336
Non-current assets			
Property, plant and equipment	12	10,778	22,904
Intangible assets	4	87,903	-
Available for sale investments	7	29,600	28,000
Exploration and evaluation expenditure	5	40,668	95,926
Other	11	40,000	340,000
Total non-current assets		208,948	486,830
Total assets		444,332	1,007,166
Current liabilities			
Trade and other payables	13	58,013	171,349
Total current liabilities		58,013	171,349
Total liabilities		58,013	171,349
Net assets		386,319	835,817
Equity			
Share capital	14	43,649,118	43,359,993
Reserves		257,642	314,242
Accumulated losses		(43,520,441)	(42,838,418)
Total equity		386,319	835,817

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

	Notes	2014 $	2013 $
Cash flows from operating activities			
Other revenue		2,637	-
Cash payments in the course of operations		(484,121)	(436,309)
Cash used in operations		(481,484)	(436,309)
Interest paid		-	(250)
Interest received		1,766	5,912
Net cash used in operating activities	17	(479,718)	(430,647)
Cash flows from investing activities			
Payments for exploration and evaluation		(127,612)	(128,876)
Proceeds from sale of tenements		70,000	-
Payments for property, plant and equipment		-	-
Refund of security deposits		15,000	30,000
Refundable deposit paid		-	(300,000)
Net cash used in investing activities		(42,612)	(398,876)
Cash flows from financing activities			
Proceeds from issue of shares and options		232,500	1,185,647
Cost of issuing shares and options		(1,575)	(51,950)
Repayment of borrowings		-	(6,704)
Net cash from financing activities		230,925	1,126,993
Net increase/(decrease) in cash and cash equivalents		(291,405)	297,470
Cash and cash equivalents at the beginning of the financial year		508,266	210,796
Cash and cash equivalents at the end of the financial year	17	216,861	508,266

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

NOTE 1 - REPORTING ENTITY

Callabonna Resources Limited (the 'Company') and its controlled entities is a Group domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2014 comprises the Company and its subsidiaries (together referred to as the 'Group').

NOTE 2 - BASIS OF PREPARATION

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards 'IFRS' and interpretations adopted by the International Accounting Standards Board 'IASB'.

The financial report was authorised for issue by the Directors on 30 September 2014.

Going concern

The consolidated financial report has been prepared on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group recorded a loss of $682,023 for the year ended 30 June 2014, including impairment of $309,968 relating to exploration and evaluation assets and deposits and has accumulated losses of $43,520,441 as at 30 June 2014. The Group has cash on hand of $216,861 at 30 June 2014 and used $607,330 of cash in operations, including expenditure on exploration and evaluation, for the year ended 30 June 2014. Additional funding will be required to meet the Group's expenditure commitments.

Subsequent to year end the Company announced a Share Purchase Plan ('SPP') was open to all eligible shareholders. The SPP opened on 26 September 2014 and is expected to close on 17 October 2014. As at the date of this report, $60,000 has been received by the Company in relation to the SPP with participation from additional eligible shareholders expected but not guaranteed.

These conditions give rise to a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern.

The Directors have prepared cash flow projections that support the ability of the Group to continue as a going concern, however the key assumption included in the cash flow projections is that the Company will raise significant additional equity funding in the short term, in addition to the SPP detailed above. The ongoing operation of the Group is therefore critically dependent upon the Group raising sufficient additional funding from shareholders or other parties in the short term.

In the event that the Group does not obtain the necessary additional funding, it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the consolidated financial report.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for available for sale financial assets which are measured at fair value.

Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Company and each entity in the Group.

Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in the following notes:

- Note 2 – Going concern;
- Note 4 – Intangible assets;
- Note 5 – Exploration and evaluation expenditure;
- Note 7 – Available for sale investments; and
- Note 8 – Income tax expense.

NOTE 2 - BASIS OF PREPARATION (Con't)

Changes in accounting policies

The Group has adopted the following standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2013.

(i) AASB 10 Consolidated Financial Statements (2011)

As a result, of AASB 10 (2011), the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. AASB 10 (2011) introduces a new control model that is applicable to all investees, by focusing on whether the Group has the power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect hose returns. In particular, AASB 10 (2011) requires the Group consolidate investees that it controls on the basis of de facto circumstances.

In accordance with the transitional provisions of AASB 10 (2011), the Group reassessed the control conclusion for its investees at 1 July 2013 and have concluded that no adjustments to the financial statements are required.

(ii) AASB 11 Joint Arrangements (2011)

As a result, of AASB 11, the Group has changed its accounting policy for its interest in joint arrangements. Under AASB 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances.

The Group has assessed the impact of this change and has concluded that there is no impact on the financial statements.

(iii) AASB 12 Disclosure of Interests in Other Entities (2011)

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group has assessed the disclosure requirements under this standard and have concluded that no changes to current disclosures are required.

(iv) AASB 13 Fair Value Measurement

AASB 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other AASBs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants at the measurement date.

In accordance with the transitional provisions of AASB 13, the Group has applied the new fair value measurement guidance prospectively, however, this has not had a significant impact on the measurement of the Group's assets and liabilities.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
Business combinations
All business combinations are accounted for by applying the acquisition method.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill
The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

Contingent liabilities
A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Transaction costs
Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

Subsidiaries
Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated and consolidation
Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Where a controlled entity issues shares to non-controlling interests which does not result in loss of control by the Company, any gain or loss arising on the Company's interest in the controlled entity is recognised directly in equity.

Property, plant and equipment
Owned assets
Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see Impairment accounting policy below).

Depreciation
Depreciation is charged to the profit or loss using the reducing balance method from the date of acquisition.

Office equipment is depreciated at rates between 25% and 33% and motor vehicles are depreciated at a rate of 25%.

Trade and other receivables
Trade and other receivables are stated at their amortised cost less impairment losses.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and at call deposits.

Available for sale financial assets
The Group's investments in equity securities are classified as available for sale financial assets and are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised directly as a separate component of equity. When an investment is derecognised the cumulative gain or loss in equity is reclassified to profit or loss.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Share capital
Transaction costs
Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Dividends
Dividends are recognised as a liability in the period in which they are declared.

Share based payment transactions
The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Trade and other payables
Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 30 day terms.

Finance income and finance expense
Finance income and finance expense comprises interest payable on borrowings calculated using the effective interest method, interest earned, dividend income, unwind of discount on provisions and the net change in the fair value of derivative financial instruments recognised in profit or loss.

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date the entity's right to receive payments is established.

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

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

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

Non-financial assets
The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Exploration and evaluation assets
Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- the term of exploration licence in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Calculation of recoverable amount
The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment
An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

Exploration and evaluation expenditure
Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or other wise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Segment reporting
The Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Group's primary format for segment reporting is on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Income tax
Income tax expense for the year comprises current and deferred tax. Income tax is recognised in the profit or loss, except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

Tax consolidation
The Company and its wholly owned Australian resident entities have formed a tax consolidated group with effect from 24 September 2009 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Callabonna Resources Limited.

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

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

The Group recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the head entity only.

Nature of tax funding arrangements and tax sharing agreements
The members of the tax consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivables (payables) in the separate financial statements of the members of the tax consolidated groups equal in amount to the tax liability (asset) assumed. The inter-entity receivables (payables) are at call.

The head entity recognises the assumed current tax amounts as current tax liabilities (assets), adding to its own current tax amounts, since they are also due to or from the same taxation authority. The current tax liabilities (assets) are equivalent to the tax balances generated by external transactions entered into by the tax consolidated group. Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

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

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

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the statement of financial position.

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

Employee benefits
Wages, salaries, annual leave, sick leave and non-monetary benefits
Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

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

Provisions
A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Site restoration
In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land is recognised when the land is contaminated.

Intangible asset – contractual rights
Contractual rights that are acquired by the Group are measured at cost.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the right to which it relates. All other expenditure, is recognised in profit or loss as incurred.

The Group does not amortise acquired rights that do not have a finite life, instead the intangible asset is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the right might be impaired.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES (Con't)

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Share based payment transactions

The fair value of the options granted is measured using a Black-Scholes formula taking into account the terms and conditions upon which the options were granted. Measurement inputs include share price at grant date, exercise price of the instrument, expected volatility (based on historic share performance), risk-free interest rate (based on government bonds), and dividend yield.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group's non-derivative financial liabilities are loans and borrowing and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

New accounting standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these consolidated financial statements. Those, which may be relevant to the Group, are set out below. The Group does not plan to adopt these standards early.

AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015, with early adoption permitted. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

	2014 $	2013 $
NOTE 4 – INTANGIBLE ASSET - CONTRACT RIGHTS		
Opening balance	-	-
Additions	87,903	-
Disposals	-	-
Impairment loss	-	-
	87,903	-

On 6 May 2014 the Group, through an agreement, acquired rights to acquire 10% in Ansongo Limited by spending AUD $3.5 million on the Ansongo Manganese Project in Mali. The expenditure is envisaged to be incurred over 3 years. The agreement also provided the Group with an initial equity investment of 2.1% Ansongo Limited (refer Note 7).

The Group has spent $87,903 on the Ansongo Manganese Project during the year, which relates to the rights to acquire the 10% equity in Ansongo Limited.

At balance date the Directors believe that the Group will obtain a future benefit from the expenditure incurred on the project, being an additional equity interest in Ansongo Limited, and as such have not impaired this asset.

	2014 $	2013 $
NOTE 5 - EXPLORATION AND EVALUATION EXPENDITURE		
Opening balance	95,926	150,489
Additions	39,708	100,875
Disposals	-	-
Impairment loss	(94,966)	(145,438)
Re-classification to non-current other assets (refer to Note 10)	-	(10,000)
	40,668	95,926

The ultimate recoupment of these costs is dependent on the successful development and exploitation, or alternatively sale of the respective areas of interest.

A total of $17,187 was spent on the Frome Embayment East Project with the balance of exploration expenditure on projects that were subsequently impaired.

During the year ended 30 June 2014, the Directors impaired the carrying value of certain exploration and evaluation assets totalling $94,966 in relation to tenements where substantive expenditure on further exploration is no longer budgeted nor planned.

During the year the Company signed Sale and Purchase Agreements for the sale of EPM 18181 and EPM 18699 with Central Gold Mines Pty Ltd. The Company was recently advised that Central Gold Mines Pty Ltd has entered voluntary administration. The Company has reviewed its options for a future sale of these properties, and determined that it should write down the value of these permits at 30 June 2014 to nil. An initial deposit of $20,000 was received from Central Gold Mines Pty Ltd during the year which has been recognised as a reversal of impairment in profit or loss for the year ended 30 June 2014.

During the year the Company also received a refund of security deposits totalling $15,000 in relation to certain exploration licences relinquished and $50,000 in relation to the transfer of a licence to Mackay Brooke Resources Pty Ltd (EPM 17843). The security deposits and exploration and evaluation expenditure capitalised in relation to EPM 17843 had been fully impaired in prior periods The total proceeds of $65,000 has been recognised as a reversal of impairment in the profit or loss for the year ended 30 June 2014.

During the year ended 30 June 2013, the Directors impaired the carrying value of certain exploration and evaluation assets totalling $145,438 in relation to tenements where substantive expenditure on further exploration was no longer budgeted nor planned. The Company also disposed of 11 exploration licences in South Australia to Renaissance Uranium Limited in exchange for 800,000 ordinary shares in Renaissance Uranium Limited (refer Note 7). These tenements had been fully impaired at 30 June 2012 and the fair value of the consideration received of $40,000 was recognised as a reversal of impairment in profit or loss for the year ended 30 June 2013.

During the year ended 30 June 2013 the Company also received a refund of security deposits totalling $30,000 in relation to certain exploration licences relinquished. These security deposits had been fully impaired at 30 June 2012 as it was considered unlikely the deposits would be refunded. The refund of $30,000 was been recognised as a reversal of impairment in profit or loss for the year ended 30 June 2013.

During the year ended 30 June 2014, the Directors impaired the carrying value of exploration and evaluation in the following Group entities:

Entity	Impairment amount	Reason for impairment/(reversal)
Callabonna Resources Limited	84,450	Substantive expenditure on further exploration is neither budgeted nor planned
Frome Uranium Pty Ltd	6,340	Substantive expenditure on further exploration is neither budgeted nor planned
Queensland Uranium Pty Ltd	4,178	Substantive expenditure on further exploration is neither budgeted nor planned
Callabonna Resources Limited	(50,000)	Proceeds from Mackay Brooke Resources on transfer of EPM 17843 which had previously been impaired
Callabonna Resources Limited	(20,000)	Proceeds from Central Gold Mines Pty Ltd for sale of EPM 18181 and EPM 18699 which were impaired
Callabonna Resources Limited	(15,000)	Refund of tenement security deposits previously impaired
	9,968	Net impairment loss recorded in Profit or Loss

	2014 $	2013 $
NOTE 6 - FINANCIAL INCOME AND FINANCE EXPENSE		
Interest income	1,766	5,662
Interest paid	-	(251)
	1,766	5,411

	2014 $	2013 $

NOTE 7 - AVAILABLE FOR SALE INVESTMENTS

Investments – available for sale at fair value	29,600	28,000
	29,600	28,000

The Company holds 800,000 shares in Renaissance Uranium Limited. At 30 June 2014 the Directors compared the carrying value of the investment to market value and recorded an increase in fair value of of $1,600 (2013 - $nil). This was based on a closing share price of 3.7 cents at 30 June 2014.

During the year the Company also acquired 1,500 shares in Ansongo Limited ('Ansongo'), a company incorporated in the British Virgin Islands. The shareholding represents a 3% interest in Ansongo and a 2.1% equivalent indirect interest in the Ansongo Manganese Project in Mali. Consideration for this initial investment in Ansongo was the settlement of debt due to the Company in relation to a deposit provided to Element Morocco Limited in the prior year (refer to Note 10). Given the shares of Ansongo do not have a quoted market price in an active market and the Directors consider the range of reasonable fair value estimates to be significant, and the probabilities of the various estimates cannot be reasonably assessed, the Directors of the Company have been unable to determine a reliable estimate of fair value of this investment on initial acquisition in May 2014 or at 30 June 2014 and have therefore recorded the asset at cost. As consideration provided for this investment was a deposit which had been impaired, the cost base of the investment is considered to be $nil.

NOTE 8 - INCOME TAX EXPENSE

Numerical reconciliation of income tax expense to prima facie tax payable

Loss before tax – continuing operations	(682,023)	(595,701)
Prima facie income tax expense at the Australian tax rate of 30% (2013 – 30%)	(204,607)	(178,710)
Increase/(decrease) in income tax expense due to:		
- Non-deductible expenses	70	161
- Effect of deferred tax assets for tax losses not brought to account	127,765	178,177
- Effect of net deferred tax assets not brought to account	76,772	372
Income tax expense – current and deferred	-	-

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Taxable temporary differences (net)	85,796	9,032
Tax losses	4,470,421	4,350,857
Net	4,556,217	4,359,889

The deductible temporary differences and tax losses do not have expiry dates under current tax legislation, however the future utilisation of tax losses is subject to loss utilisation tests. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

NOTE 9 - LOSS PER SHARE

Basic and diluted loss per share have been calculated using:

Loss for the year attributable to equity holders of the Company	(682,023)	(595,701)
Weighted average number of ordinary shares		
Issued ordinary shares at beginning of year	103,047,108	63,764,758
- Effect of shares issued on 14 August 2012	-	4,192,745
- Effect of shares issued on 28 September 2012	-	7,157,534
- Effect of shares issued on 30 November 2012	-	2,904,110
- Effect of shares issued on 14 February 2013	-	7,452,055
- Effect of shares issued on 9 July 2013	1,463,014	-
- Effect of shares issued on 18 June 2014	197,260	-
Weighted average ordinary shares at the end of the year	104,707,382	85,471,202
Weighted average number of ordinary shares (diluted)		
- Weighted average ordinary shares at the end of the year	104,707,382	85,471,202
- Effect of share options on issue	-	-
Weighted average number of ordinary shares (diluted) at the end of the year	104,707,382	85,471,202

	2014 $	2013 $

NOTE 10 - TRADE AND OTHER RECEIVABLES

	2014 $	2013 $
Current		
GST receivable	8,642	2,431
Other receivable	215	-
	8,857	2,431

NOTE 11 - OTHER

	2014 $	2013 $
Current		
Prepayments	9,666	9,639
Non-current		
Security deposits	40,000	40,000
Refundable deposits	-	300,000
	40,000	340,000

Security deposits

Included within security deposits is a $30,000 Westpac company credit card security deposit earning interest of 5%. The remaining $10,000 represents a deposit paid on granting of an exploration permit and is considered refundable on relinquishment or expiry of the licence.

Refundable deposits

The refundable deposit of $300,000 represents part payment for the proposed acquisition of 100% of the shares in Hong Kong Company, Element Morocco Limited. During the period the Directors announced their intention to terminate the Sale Agreement. The Directors provided for this deposit on the basis that the vendor had not complied with the terms of the agreement and were unable to have the amount returned to the Company. An agreement was subsequently executed which settled the debt in exchange for 1,500 shares in Ansongo Limited (refer to Note 7).

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	2014 $	2013 $
Furniture and fittings – cost	2,374	2,374
Accumulated depreciation	(2,374)	(2,374)
Net book value	-	-
Office equipment – cost	89,569	89,569
Accumulated depreciation	(80,543)	(71,522)
Net book value	9,026	18,047
Motor vehicles – cost	40,103	40,103
Accumulated depreciation	(38,351)	(35,247)
Net book value	1,752	4,857
Total property, plant and equipment	10,778	22,904

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below.

	2014 $	2013 $
Furniture and fittings		
Carrying amount at beginning of year	-	720
Depreciation	-	(720)
Net book value	-	-
Office equipment		
Carrying amount at beginning of year	18,047	29,727
Depreciation	(9,021)	(11,680)
Net book value	9,026	18,047
Motor vehicles		
Carrying amount at beginning of year	4,857	14,133
Depreciation	(3,105)	(9,276)
Net book value	1,752	4,857

	2014 $	2013 $
NOTE 13 - TRADE AND OTHER PAYABLES		
Current		
Trade payables	25,039	44,037
Accrued expenses	32,974	127,312
	58,013	171,349

NOTE 14 - CAPITAL AND RESERVES

Dividends
There were no dividends paid or declared during the year ended 30 June 2014 or 30 June 2013.

Option premium reserve and share based payment reserve
The issue of Company options for cash results in a credit to the option premium reserve representing the fair value of the options granted. The exercise of Company options results in a debit to the option premium reserve.

The issue of Company options for services results in a credit to the share based payment reserve representing the fair value of the options granted. The exercise of Company options results in a debit to the share based payment reserve.

There were 6,000,000 options exercised at 3 cents per share during the year ended 30 June 2014. None were exercised in the year ended 30 June 2013.

	30 June 2014		30 June 2013	
	Number of shares	$	Number of shares	$
Share capital				
Ordinary shares on issue at 1 July – fully paid	103,047,108	43,359,993	63,764,758	42,465,835
Issue of shares	1,500,000	52,500	-	-
Issue of shares	6,000,000	180,000	39,282,350	1,185,647
Capital raising costs	-	(1,575)	-	(104,450)
Transfer (to)/from option premium reserve	-	58,200	-	(187,039)
Ordinary shares on issue at 30 June – fully paid	110,547,108	43,649,118	103,047,108	43,359,993

During the year the Company issued Element Capital Partners 1,500,000 ordinary shares in the capital of the Company at an issue price of 3.5 cents for a capital raising fee in relation to a placement concluded February 2013 which was accrued at 30 June 2013. In addition, 6,000,000 ordinary shares were issued following conversion of options at 3 cents per share.

Options
The following options were on issue at 30 June 2014, each exercisable to acquire one fully paid ordinary share:

Grant Date	Expiry date	Exercise price post consolidation $	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Expired during the year Number	Forfeited/ lapsed during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
15 Feb 2010	15 Feb 2015	$0.34	700,000	-	-	-	-	700,000	700,000
14 Aug 2012	30 Jun 2017	$0.03	4,782,350	-	-	-	-	4,782,350	4,782,350
28 Sep 2012	30 Jun 2017	$0.03	9,500,000	-	(1,000,000)	-	-	8,500,000	8,500,000
26 Nov 2012	30 Jun 2017	$0.03	5,000,000	-	(5,000,000)	-	-	-	-
			19,982,350	-	(6,000,000)	-	-	13,982,350	13,982,350

NOTE 15 - CONTROLLED ENTITIES

Particulars in relation to controlled entities:

	Company interest in ordinary shares 2014 %	2013 %
Parent Entity		
Callabonna Resources Limited		
Controlled entities		
Curnamona Uranium Pty Ltd	100	100
Arunta Uranium Pty Ltd	100	100
Beetaloo Uranium Pty Ltd	100	100
Callabonna Energy Pty Ltd	100	100
Frome Uranium Pty Ltd	100	100
West Cape Resources Pty Ltd	100	100
Queensland Uranium Pty Ltd	100	100
Consolidated Exploration NQ Pty Ltd	100	100

All entities are incorporated in Australia

- Curnamona Uranium Pty Ltd, West Cape Resources Pty Ltd and Queensland Uranium Pty Ltd are wholly owned controlled entities.
- Arunta Uranium Pty Ltd, Beetaloo Uranium Pty Ltd, Callabonna Energy Pty Ltd and Frome Uranium Pty Ltd are wholly owned controlled entities of Curnamona Uranium Pty Ltd.
- Consolidated Exploration NQ Pty Ltd is the wholly owned controlled entity of Queensland Uranium Pty Ltd.

NOTE 16 - SHARE BASED REMUNERATION

The Group has a share option program that entitles key management personnel, senior employees and consultants to be granted options in the Company.

There were no options issued as remuneration during the year ended 30 June 2014 or 30 June 2013.

In the event that the employment or office of the option holder is terminated, any options which have not reached their vesting date will lapse and any options which have reached their vesting date may be exercised within two months from the date of termination of employment.

The number and weighted average exercise prices of share options issued under the share option program are as follows:

	Weighted average exercise price 2014	Number of options 2014	Weighted average exercise price 2013	Number of options 2013
Outstanding at 1 July	$0.34	700,000	$0.34	700,000
Expired during the period	-	-	-	-
Forfeited/lapsed during the period	-	-	-	-
Outstanding at 30 June	$0.34	700,000	$0.34	700,000
Exercisable at 30 June	$0.34	700,000	$0.34	700,000

The above options outstanding at 30 June 2014 have a weighted average remaining life of 0.625 years. (2013: 1.625 years).

Fair value of options

The fair value of options granted is measured at grant date and recognised as an expense over the period during which the key management and senior employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation methodology, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of options that vest.

Expenses arising from share-based payment transactions

Total expenses arising from share based payment transactions recognised during the year ended 30 June 2014 as part of share based remuneration expense was Nil (2013 – Nil).

	2014 $	2013 $

NOTE 17 - STATEMENTS OF CASH FLOWS

Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the year as shown in the Consolidated Statements of Cash Flows is reconciled to the related items in the Consolidated Statement of Financial Position as follows:

Bank balances	216,861	508,266

Reconciliation of net loss from ordinary activities after tax to net cash used in operating activities

Loss from ordinary activities after tax	(682,023)	(595,701)
Depreciation	12,126	21,677
Impairment losses – mining tenements	9,968	75,438
Impairment losses – deposits	300,000	12,000
Changes in assets and liabilities		
Trade and other receivables	(6,426)	384
Other current assets	(28)	7,463
Trade and other payables	(113,335)	48,092
Net cash used in operating activities	(479,718)	(430,647)

NOTE 18 - KEY MANAGEMENT PERSONNEL DISCLOSURES

Information regarding individual key management personnel's compensation and some equity instruments disclosures as permitted by Corporations Regulations 2M.3.03 are provided in the Remuneration Report section of the Directors' Report.

The key management personnel compensation comprised:

	2014 $	2013 $
Short-term employee benefits	114,227	206,904
Post employment benefits	6,774	9,512
Share based payments	-	-
	121,001	216,416

NOTE 19 - RELATED PARTIES

There were no related party transactions during the year ended 30 June 2014 or 30 June 2013.

NOTE 20 - FINANCIAL INSTRUMENTS

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies are informally reviewed from time to time to reflect changes in market conditions and the Group's activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. The summaries below present information about the Group's exposure to each of these risks, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

NOTE 20 - FINANCIAL INSTRUMENTS (Con't)

Credit risk

Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements. The carrying amounts of the following assets represent the Group's maximum exposure to credit risk in relation to financial assets:

	Notes	2014 $	2013 $
Cash and cash equivalents	17	216,861	508,266
Trade and other receivables	10	8,857	2,431
Security deposits	11	40,000	340,000
		265,718	850,697

The Group's maximum exposure to credit risk at the reporting date by geographic region was

	2014	2013
Australia	265,718	550,697
Hong Kong	-	300,000
	265,718	850,697

The Group mitigates credit risk on cash and cash equivalents and security deposits held in Australia by dealing with regulated banks in Australia.

Impairment losses

None of the Group's trade and other receivables are past due (2013 – nil).

Liquidity risk

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

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount $	Contractual cash flows $	Less than one year $	Between one and five years $	More than five years $
30 June 2014					
Trade and other payables	58,013	(58,013)	(58,013)	-	-
30 June 2013					
Trade and other payables	171,349	(171,349)	(171,349)	-	-

Ultimate responsibility for liquidity management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate funding and monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of expected settlement of financial assets and liabilities.

Currency risk

The Group has no exposure to currency risk arising from financial instruments.

Market risk

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments. Equity price risk arises from available-for-sale equity securities held by the Group.

NOTE 20 - FINANCIAL INSTRUMENTS (Con't)

Interest rate risk

The Group's statement of profit or loss and other comprehensive income is affected by changes in interest rates due to the impact of such changes on interest income from cash and cash equivalents.

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rate risk that are not designated as cash flow hedges:

	Notes	2014 $	2013 $
Financial assets			
Cash and cash equivalents	17	216,861	508,266
Security deposits		30,000	40,000
		246,861	548,266

Sensitivity analysis

A change of 100 basis points in interest rates at reporting date would have increased/(decreased) equity and loss for the period by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the comparative period.

Impact on loss for the period	2,469	5,483

Capital management

The Board's policy is to maintain a capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board ensures costs are not incurred in excess of available funds and will seek to raise additional funding through issues of shares for the continuation of the Group's operation. There were no changes in the Group's approach to capital management during the year.

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

Net fair values of financial assets and liabilities

The carrying amounts of financial assets and liabilities of the Company and the Group, for the year ended 30 June 2014 and 30 June 2013, approximate their net fair values, given the short time frames to maturity and or variable interest rates.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quotes prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $	Level 2 $	Level 3 $	Total $
30 June 2014				
Investments - available-for-sale	29,600	-	-	29,600
30 June 2013				
Investments - available-for-sale	28,000	-	-	28,000

During the year the Company acquired an additional investment, being 1,500 shares in Ansongo Limited ('Ansongo'), a company incorporated in the British Virgin Islands (as disclosed in Note 7). Given the shares of Ansongo do not have a quoted market price in an active market and the Directors consider the range of reasonable fair value estimates to be significant, and the probabilities of the various estimates cannot be reasonably assessed, the Directors of the Company have been unable to determine a reliable estimate of fair value of this investment on initial acquisition in May 2014 or at 30 June 2014. In accordance with the requirements of the appropriate Accounting Standards, the Directors have recorded the investment value at cost which is considered to be $nil.

NOTE 21 – CAPITAL COMMITMENTS

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements specified by tenement licences and acquisition agreements. These obligations are subject to renegotiation when application for a mining lease is made and at other times. These obligations are not provided for in the financial report and are payable:

	Carrying amount 2014 $	Carrying amount 2013 $
Not later than one year	80,000	140,000
Later than one year but not later than five years	40,000	375,000
Later than five years	-	-
	120,000	515,000

In addition, as set out in Note 4, the Group has entered into an agreement to expend up to $3.5 million. The Group may, at its discretion expend a lower amount and terminate the agreement.

NOTE 22 - SEGMENT REPORTING

The Company's single material operating segment up until the end of the current financial year is mining exploration in Australia.

The results and financial position of the Company are prepared for the CEO on a basis consistent with Australian Accounting Standard AASB 8 operating segments, and therefore no additional disclosure in relation to the revenues, profit or loss, assets and liabilities have been made.

NOTE 23 - PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 30 June 2014, the parent entity of the Group was Callabonna Resources Limited.

	Company	
	2014 $	2013 $
Result of the parent entity		
Net loss	(668,618)	(580,299)
Other comprehensive income	-	-
Total comprehensive loss	(668,618)	(580,299)
Financial position of the parent entity at year end		
Current assets	234,416	519,319
Non-current assets	195,935	462,061
Total assets	430,351	981,380
Current liabilities	58,013	171,349
Total liabilities	58,013	171,349
Net assets	372,338	810,031
Equity		
Share capital	43,649,118	43,359,993
Reserves	256,042	314,242
Accumulated losses	(43,532,822)	(42,864,204)
Total equity	372,338	810,031

NOTE 24 - AUDITORS' REMUNERATION

Auditors' remuneration		
- audit and review of financial reports	42,500	48,816
	42,500	48,816

NOTE 25 - SUBSEQUENT EVENTS

A shareholders meeting held on 11 July 2014 voted in favour of the change of scale and nature of the business as part of the approval process to proceed with the Mali Manganese Project. An ASX announcement on 28 July detailed the shipment of a 280 tonne bulk sample averaging 36% Mn.

The Mali Mines Minister, in a letter to the Chairman of Mali Manganese SA dated 20 August 2014, approved the resumption of operations on the Ansongo Mining Lease. On 29 August 2014 the Company conducted a site visit of Ansongo and on 15 September 2014 released a proposed drilling program and details of the initial Exploration Target.

On 11 September 2014 the NSW Government announced six companies have been invited to apply for the right to explore for uranium in NSW, two years after a decades-long ban was controversially overturned by the NSW government. The Ministers letter addressed to the joint applicants Callabonna Resources and HNFL Holdings was received on 15 September 2014, giving the parties six months to apply for a Group 11 Exploration License over 23 sub-blocks.

On 26 September 2014 the Company announced a Share Purchase Plan ('SPP') was open to all eligible shareholders. The SPP is expected to close on 17 October 2014. The funds raised under the SPP are to be used for exploration and general working capital purposes and will enable the Company to continue exploration at the Ansongo Manganese project. As at the date of this report, $60,000 has been received by the Company in relation to the SPP with participation from additional eligible shareholders expected.

The financial effect of these subsequent events has not been brought to account at 30 June 2014.

Other than disclosed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

In the opinion of the Directors of Callabonna Uranium Limited ('the Company'):

1. (a) the financial statements and notes set out on pages 17 to 37, and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 12 to 14, are in accordance with the Corporations Act 2001, including:

    (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

    (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;

    (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2;

    (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2014.

Signed this 30th day of September 2014 in accordance with a resolution of the Board of Directors:

Phil Harman
Chairman

Independent auditor's report to the members of Callabonna Resources Limited

Report on the financial report

We have audited the accompanying financial report of Callabonna Resources Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2014, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 25 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In Note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Material uncertainty regarding continuation as a going concern

Without modifying our opinion, we draw attention to Note 2, "Going Concern" in the financial report. The conditions disclosed in Note 2, including the Group's need to raise additional funding, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in pages 12 to 14 of the directors' report for the year ended 30 June 2014. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Callabonna Resources Limited for the year ended 30 June 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Stephen Board
Partner
Brisbane

30 September 2014

Additional information as at 22 September 2014 required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report.

Home Exchange

The Company is listed on the Australian Securities Exchange. The Home Exchange is Sydney.

Audit Committee and Remuneration Committee

As at the date of the Directors' Report, the Company does not have an Audit Committee or a Remuneration Committee.

Substantial Shareholdings

At 22 September 2014 the Register of Substantial Shareholders showed the following:

	Name	Number	%
1	Wealford Investments Limited	14,117,544	12.77
2	SK Networks Resources Australia Limited	9,000,000	8.14
3	Mr Mitch Limb	6,617,545	5.99
4	Pajal Pty Ltd <The P & A Harman S/F A/C>	6,111,111	5.53

Class of Shares and Voting Rights

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote on a show of hands and one vote for each share held on a poll.

A member holding partly paid shares is entitled to a fraction of a vote equivalent to the proportion which the amount paid up bears to the issue price for the share.

Shares Subject to Escrow Restrictions

At 22 September 2014, the Company had no shares subject to escrow restrictions.

On Market Buy Back

There is no on market buy-back.

Distribution of Shareholders

As at 22 September 2014, the distribution of each class of equity was as follows:

Fully Paid Ordinary Shares

Range	Number of holders	Number of shares	Issued capital %
1 – 1,000	528	191,091	0.17
1,001 – 5,000	664	2,011,946	1.82
5,001 – 10,000	210	1,731,625	1.57
10,001 – 100,000	374	11,805,045	10.68
100,001 and over	85	94,807,401	85.76
Total	1,939	104,547,108	100.00

As at 22 September 2014, 1,649 shareholders held less than marketable parcels of 27,778 (representing a total of 822,637 shares).

Twenty Largest Shareholders

As at 22 September 2014 the twenty largest quoted shareholders held 69.13% of the fully paid ordinary shares as follows:

	Name	Number	%
1	Wealford Investments Limited	14,117,544	12.77
2	SK Networks Resources Australia Pty Ld	9,000,000	8.14
3	Mr Mitch Limb	6,617,545	5.99
4	Mr J W Williams + Mrs R H Williams <Park View Super Fund A/C>	6,307,603	5.71
5	Pajal Pty Ltd <The P & A Harman S/F A/C>	6,111,111	5.53
6	Peter Bull Superannuation Management	4,736,778	4.28
7	WXH Holdings Pty Ltd	4,404,911	3.98
8	Fountain Oaks Pty Ltd <Limbs Family Super Fund A/C>	4,035,000	3.65
9	M& M Raetz Pty Ltd <Raetz Family Super Fund A/C>	3,722,613	3.37
10	Inkesse Pty Ltd	3,100,000	2.80
11	Ryley Enterprises Pty Ltd	2,484,266	2.25
12	Toad Facilities Pty Ltd <Toad Facilities Super A/C>	2,301,986	2.08
13	Dypso Pty Ltd	1,875,000	1.70
14	Element Capital Partners Group Limited	1,500,000	1.36
15	Rhett Jones	1,250,000	1.13
16	Simgon Pty Ltd <R K Super Fund A/C>	1,235,000	1.12
17	Fountain Oaks Pty Ltd <Limbs Family Super Fund A/C>	1,157,602	1.05
18	Mr Mark Sharkey + Mrs Jeneece Sharkey	1,100,000	1.00
19	Churchill Services Pty Ltd <Churchill Services A/C>	1,000,000	0.90
20	Mr Thong Ha Huynh	1,000,000	0.90
	Total	77,056,959	69.71

Options

Number of holders	Number of options	Grant Date	Vesting date	Exercise price	Expiry date
2	700,000	15 February 2010	15 February 2011	$0.34	15 February 2015
3	13,282,350	14 August 2012 – 26 November 2012	Grant Date	$0.03	30 June 2017

Directors:
Phillip Harman (Chairman)
Hyunsoo Kim
Michael Raetz
Jeffrey Williams

Company Secretary:
Ian Hobson

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Solicitors:
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MELBOURNE VIC 3000

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