

Callabonna Resources Limited

ABN 71 099 247 408

Interim Financial Report For the Half-Year Ended 31 December 2014

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2014 and any public announcements made by Callabonna Resources Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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Corporate Information **ABN 71 099 247 408**

Directors:

Phillip Harman (Non-executive Chairman)
Michael Raetz (Executive Director)
Jeffrey Williams (Non-executive Director)

Company Secretary:

Ian Hobson

Principal Place of Business and Registered Office:

Level 17, 530 Collins Street, Melbourne VIC 3000
Phone: 61-3 9618 2590
Fax: 61-3 9620 5200
Internet address: www.callabonna.com.au

Auditors:

KPMG
Level 16, Riparian Plaza, 71 Eagle Street, BRISBANE QLD 4000

Solicitors:

Baker & McKenzie,
Level 19, 181 William Street, MELBOURNE VIC 3000

Share Registrars:

Computershare Investor Services Pty Limited
PO Box 523, BRISBANE QLD 4001
Phone: 61-7 3237 2100
Fax: 61-7 3229 9860

Stock Exchange Listing

Callabonna Resources Limited shares are listed on the Australian Securities Exchange (ASX code: CUU).

DIRECTORS' REPORT

Your directors submit the financial report of the Group for the half-year ended 31 December 2014. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Philip Harman	Chairman
Michael Raetz	Executive Director
Hyunsoo Kim	Non-Executive Director (resigned 4 December 2014)
Jeffrey Williams	Non-Executive Director

Results and Review of Operations

A summary of consolidated revenues and results for the half-year is set out below:

	6 Months ended 31 December 2014	
	Income	Results
	\$	\$
Consolidated operating results	356	(860,958)

During the half year the Company has continued to fund exploration and operating costs for the Ansongo Project towards earning the Company's 51% interest in Ansongo Limited. Considerable preparatory work had been done in planning for the first phase of drilling aimed at producing a JORC resource for the Project. Drilling contracts have been signed and onsite visits conducted.

As announced to ASX on 24 February 2015, the Company has received verbal advice that the Mali Government is considering a recent Supreme Court decision regarding the technicalities involving the transfer of ownership of the Ansongo mine lease in south-eastern Mali.

On 6 March 2015, the Company received advice from its joint venture partners that Mali Manganese has filed for a review of the Supreme Court decision affecting the transfer of the Ansongo mine lease. The drilling program and all non-essential expenditure have been put on hold whilst we await formal advice and documentation from the Mali Government.

On 12 March 2015, the Company ("CUU") announced it has entered into a binding term sheet to acquire 100% of the issued share capital of Alice Queen Holding Pty Ltd ("AQH"). AQH is a private unlisted company which owns the majority interests (84.5% and 90% respectively) of two exploration projects namely the Horn Island Gold Project ("Horn Island Project") located in the Torres Strait and the Looking Glass Project ("Looking Glass Project") a copper/gold porphyry target which sits within the Lachlan Fold Belt in northern New South Wales.

The Terms Sheet is conditional upon:

- The parties completing an initial due diligence investigation into each other by 30 April 2015;
- AQH procuring that each of its shareholders (as vendors) enter into a binding share sale agreement, on terms consistent with the Terms Sheet, by 30 May 2015 pursuant to which they each agree to sell their AQH shares to CUU;
- CUU obtaining all necessary shareholder and regulatory approvals for implementation of the Terms Sheet, including approvals required under the ASX Listing Rules and the *Corporations Act 2001 (Cth)* by 30 June 2015;
- CUU conducting and completing a capital raising of between \$2 million and \$4 million by 30 June 2015;
- The purchase price payable to the AQH vendors (being the shareholders of AQH) has been agreed at \$6 million which will be satisfied wholly through the issuance of 1,333,333,333 (pre-consolidation) ordinary CUU shares;
- As part of the transaction Callabonna is planning to seek approval for a 1:10 share consolidation and a change of its name to 'Alice Queen Limited'; and
- On completion of the transaction AQH will have the right to appoint four new directors to the Board of Callabonna.

DIRECTORS' REPORT (continued)**Auditor's Independence Declaration**

Section 307C of the *Corporations Act 2001* requires our auditors, KPMG, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 2 and forms part of this directors' report for the half-year ended 31 December 2014.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the *Corporations Act 2001*.



Michael Raetz
Director

16 March 2015



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 review for the half year ended 31 December 2014, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

A handwritten signature in blue ink, appearing to read 'Adam Twemlow'. The signature is stylized with a large 'A' and 'T'.

Adam Twemlow

Partner

Brisbane

16 March 2015

**CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Notes	31 December 2014 \$	31 December 2013 \$
Continuing operations			
Other income		356	2,892
Administration and consultants expenses		(164,894)	(180,246)
Directors' remuneration		(72,000)	(40,000)
Depreciation		(10,778)	(7,177)
Impairment loss – exploration and evaluation assets	7	(40,723)	(9,105)
Impairment loss – available for sale investments	8	(2,400)	-
Impairment loss – deposit		-	(300,000)
Impairment loss – contract rights	10	(570,519)	-
Loss before income tax		(860,958)	(533,636)
Income tax expense		-	-
Net loss for the period		(860,958)	(533,636)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of available for sale financial assets	8	(4,000)	45,600
Net change in fair value of available for sale financial assets transferred to profit or loss	8	2,400	-
Total items that may be reclassified subsequently to profit or loss		(1,600)	45,600
Other comprehensive income for the period		(1,600)	45,600
Total comprehensive loss for the period		(862,558)	(488,036)
Basic loss per share (cents per share)	6	(0.76)	(0.51)
Diluted loss per share (cents per share)	6	(0.76)	(0.51)

The accompanying notes form part of these interim financial statements

**CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

	Notes	31 December 2014 \$	30 June 2014 \$
Assets			
Current assets			
Cash and cash equivalents		444,843	216,861
Trade and other receivables		17,100	8,857
Other		27,517	9,666
Total current assets		489,460	235,384
Non-current assets			
Property, plant and equipment		-	10,778
Intangible Assets	10	-	87,903
Available for sale investments	8	25,600	29,600
Exploration and evaluation expenditure	7	-	40,668
Other	9	30,000	40,000
Total non-current assets		55,600	208,948
Total assets		545,060	444,332
Liabilities			
Current liabilities			
Trade and other payables		70,056	58,013
Total current liabilities		70,056	58,013
Total liabilities		70,056	58,013
Net assets		475,004	386,319
Equity			
Issued capital	11	44,600,361	43,649,118
Reserves		256,042	257,642
Accumulated losses		(44,381,399)	(43,520,441)
Total equity		475,004	386,319

The accompanying notes form part of these interim financial statements

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	Notes	Issued capital \$	Option premium reserve \$	Share based payment 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
Loss for the period		-	-	-	-	(533,636)	(533,636)
Other comprehensive Income for the period		-	-	-	-	-	-
Net change in fair value of available for sale investments		-	-	-	45,600	-	45,600
Total comprehensive income for the period		-	-	-	45,600	(533,636)	(488,036)
Issue of shares	11	52,500	-	-	-	-	52,500
Capital raising costs	11	(1,575)	-	-	-	-	(1,575)
Balance at 31 December 2013		43,410,918	187,039	127,203	45,600	(43,372,054)	398,706
Balance at 1 July 2014		43,649,118	128,839	127,203	1,600	(43,520,441)	386,319
Loss for the period		-	-	-	-	(860,958)	(860,958)
Other comprehensive Income for the period		-	-	-	-	-	-
Net change in fair value of available for sale investments	8	-	-	-	(1,600)	-	(1,600)
Total comprehensive income for the period		-	-	-	(1,600)	(860,958)	(862,558)
Issue of shares	11	957,500	-	-	-	-	957,500
Capital raising costs	11	(6,257)	-	-	-	-	(6,257)
Balance at 31 December 2014		44,600,361	128,839	127,203	-	(44,381,399)	475,004

The accompanying notes form part of these interim financial statements

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

	31 December 2014	31 December 2013
	\$	\$
Cash flows from operating activities		
Receipts from customers	-	1,421
Payments to suppliers and employees	(199,001)	(306,068)
Interest received	356	1,256
Net cash outflow from operating activities	(198,645)	(303,391)
Cash flows from investing activities		
Payments for deferred exploration and evaluation expenditure	(55)	(17,713)
Payments for contract rights	(482,561)	-
Proceeds from deposits for the transfer of tenement titles	-	20,000
Refund of security deposits	10,000	-
Net cash inflow/(outflow) from investing activities	(472,616)	2,287
Cash flows from financing activities		
Proceeds from the issue of shares	905,500	-
Capital raising costs	(6,257)	(1,575)
Net cash inflow/(outflow) from financing activities	899,243	(1,575)
Net increase/(decrease) in cash held	227,982	(302,679)
Cash and cash equivalents at 30 June	216,861	508,266
Cash and cash equivalents at the end of the period 31 December	444,843	205,587

The accompanying notes form part of these interim financial statements

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 1: REPORTING ENTITY

Callabonna Resources Limited ("the Company") is a company domiciled in Australia. The consolidated interim financial report of the Group as at, and for the six months ended 31 December 2014 comprises the Company and its subsidiaries (together referred to as the "Group").

The consolidated annual financial report of the Group as at and for the year ended 30 June 2014 is available upon request from the Company's registered office at Level 17, 530 Collins Street, Melbourne, VIC, 3000 or at www.callabonna.com.au.

This consolidated interim financial report was approved by the Board of Directors on 16 March 2015.

NOTE 2: STATEMENT OF COMPLIANCE

These general purpose financial statements for the interim half-year reporting period ended 31 December 2014 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These consolidated interim financial statements do not include all the notes of the type normally included in full annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows as the full financial statements. Accordingly, these consolidated interim financial statements are to be read in conjunction with the annual financial report for the year ended 30 June 2014 and any public announcements made by Callabonna Resources Limited during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

NOTE 3: BASIS OF PREPARATION

The consolidated interim financial report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Going concern

The interim 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 incurred a loss of \$860,958 for the six months ended 31 December 2014. The Group has cash on hand of \$444,843 as at 31 December 2014 and used \$681,261 of cash in operations, including payments for contract rights, for the half year ended 31 December 2014.

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 ongoing operation of the Group is dependent upon the Group raising additional funding from shareholders or other parties.

The Directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. These cash flow projections assume the Group obtains sufficient funding from shareholders or other parties. If such funding is not achieved, the Group plans to reduce expenditures further and this may impact on the Group's ability to continue with exploration activities.

In the event that the Group does not obtain additional funding and/or reduce expenditure in line with available funding, it may not be able to continue 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 interim financial report.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 4: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in the consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2014.

Significant accounting judgments and key estimates

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

In preparing this consolidated interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2014.

During the half-year ended 31 December 2014, management reassessed its estimates in respect of:

- Note 3: Going Concern
- Note 7: Impairment of exploration and evaluation assets
- Note 10: Impairment of contract rights

NOTE 5: SEGMENT REPORTING

The results and financial position of the Company's single operating segment, mining exploration, are prepared for the Managing Director 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 6: EARNINGS PER SHARE

	31 December 2014 \$	31 December 2013 \$
Basic and diluted earnings per share have been calculated using:		
Net loss for the half year	(860,958)	(533,636)
Weighted average number of shares used as the denominator:		
- Number for basic loss per share	112,960,500	104,473,738
- Number for diluted loss per share	112,960,500	104,473,738

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 7: EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2014 \$	30 June 2014 \$
Balance at beginning of period	40,668	95,926
Expenditure incurred	55	39,708
Exploration expenses written off	(40,723)	(94,966)
Total deferred exploration and evaluation expenditure	-	40,668

During the period the Directors impaired the remaining carrying value of exploration and evaluation assets given substantive expenditure on further exploration was no longer budgeted nor planned and it was not considered probable that the Company could realise the remaining value from a sale of these permits.

NOTE 8: AVAILABLE FOR SALE INVESTMENTS

Investments - available for sale at fair value	25,600	29,600
	25,600	29,600

The Company holds 800,000 shares in Renaissance Uranium Limited. At 31 December 2014 the Directors compared the carrying value of the investment to market value and recorded a decrease in fair value of \$4,000 (2013: \$45,600 increase).

NOTE 9: OTHER ASSETS

Security deposits	30,000	40,000
	30,000	40,000

Security deposits

The security deposit represents a \$30,000 Westpac company credit card security deposit earning interest of 5%.

During the period a \$10,000 deposit paid on granting of an exploration permit was refunded on relinquishment of the licence.

NOTE 10: INTANGIBLE ASSET – CONTRACT RIGHTS

Opening balance	87,903	-
Additions	482,616	87,903
Disposals	-	-
Impairment loss	(570,519)	-
	-	87,903

On 6 May 2014 the Group, through an agreement, acquired rights to acquire a 10% equity interest 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% in Ansongo Limited. On 21 October 2014 the original agreement was varied which allows the Company to earn up to a 51% equity interest in Ansongo Limited by spending \$11.95m.

The Group has spent \$482,616 on the Ansongo Manganese Project during the period, however, as announced to ASX on 24 February 2015, the Company has received verbal advice that the Mali Government is considering a recent Supreme Court decision regarding the technicalities involving the transfer of ownership of the Ansongo mine lease in south-eastern Mali to Mali Manganese. The drilling program and all non-essential expenditure have been put on hold whilst we await formal advice and documentation from the Mali Government.

The Directors have therefore taken a view to fully impair the asset until such time as there is more certainty with the project going forward.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 11: ISSUED CAPITAL

	31 December 2014	31 December 2013
<i>Number of Ordinary shares</i>		
Issued and fully paid	172,142,219	104,547,108

	31 December 2014		31 December 2013	
	Number of shares	\$	Number of Shares	\$
<i>Movements in ordinary shares</i>				
Balance at beginning of period	110,547,108	43,649,118	103,047,108	43,359,993
Share Purchase Plan	23,166,667	347,500	-	-
Placements of shares	34,428,444	451,570	1,500,000	52,500
Share issue to directors approved by shareholders	4,000,000	52,000	-	-
Funds received in advance of placement ¹	-	106,430	-	-
Capital raising costs	-	(6,257)	-	(1,575)
Balance at end of period	172,142,219	44,600,361	104,547,108	43,410,918

¹ Placement shares subject to shareholder approval which was approved at a shareholders meeting subsequent to half year on 2 February 2015.

NOTE 12: OPTIONS

No options were issued during the half year ended 31 December 2014.

The following options were on issue at 31 December 2014, each exercisable to acquire one fully paid ordinary share:

Grant Date	Expiry date	Exercise price post consolidation	Balance at start of the period	Granted during the period	Exercised during the period	Expired during the period	Forfeited/ lapsed during the period	Balance at end of the period	Exercisable at end of the period
		\$	Number	Number	Number	Number	Number	Number	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	8,500,000	-	-	-	-	9,500,000	9,500,000
			13,982,350	-	-	-	-	13,982,350	13,982,350

NOTE 13: RELATED PARTIES

There were no related party transactions during the half year ended 31 December 2014 or for the year ended 30 June 2014.

NOTE 14: FINANCIAL INSTRUMENTS

Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2014.

Carrying amounts versus fair values

At 31 December 2014, the carrying value of the financial assets and liabilities approximate their fair values.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 14: FINANCIAL INSTRUMENTS (continued)

Financial instruments carried at fair value

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 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (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 (i.e. unobservable inputs).

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
31 December 2014				
Available for sale financial assets	25,600	-	-	25,600
Balance at end of period	25,600	-	-	25,600
30 June 2014				
Available for sale financial assets	29,600	-	-	29,600
Balance at end of period	29,600	-	-	29,600

The available for sale financial asset above relates to an investment held in an ASX listed equity security.

The Company also holds 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. 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 at 31 December 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 15: CONTINGENT ASSETS and LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 16: EVENTS SUBSEQUENT TO REPORTING DATE

On 2 February 2015, a shareholders meeting was held and shareholders approved various resolutions regarding the issuance of options and shares to recent placement investors as well as ratification of prior share issues and proposed issues.

On 23 February 2015, the Company received verbal advice that the Mali Government is considering a recent Supreme Court decision regarding the technicalities involving the transfer of ownership of the Ansongo mine lease in south-eastern Mali. The drilling program planned for the Ansongo Project and all non-essential expenditure have been put on hold whilst we await formal advice and documentation from the Mali Government.

On 6 March 2015, the Company received advice from its joint venture partners that Mali Manganese has filed for a review of the Supreme Court decision affecting the transfer of the Ansongo mine lease.

On 12 March 2015, the Company ("CUU") announced it has entered into a binding term sheet to acquire 100% of the issued share capital of Alice Queen Holding Pty Ltd ("AQH"). AQH is a private unlisted company which owns the majority interests (84.5% and 90% respectively) of two exploration projects namely the Horn Island Gold Project ("**Horn Island Project**") located in the Torres Strait and the Looking Glass Project ("**Looking Glass Project**") a copper/gold porphyry target which sits within the Lachlan Fold Belt in northern New South Wales.

The Terms Sheet is conditional upon:

- The parties completing an initial due diligence investigation into each other by 30 April 2015;
- AQH procuring that each of its shareholders (as vendors) enter into a binding share sale agreement, on terms consistent with the Terms Sheet, by 30 May 2015 pursuant to which they each agree to sell their AQH shares to CUU;
- CUU obtaining all necessary shareholder and regulatory approvals for implementation of the Terms Sheet, including approvals required under the ASX Listing Rules and the *Corporations Act 2001 (Cth)* by 30 June 2015;
- CUU conducting and completing a capital raising of between \$2 million and \$4 million by 30 June 2015;
- The purchase price payable to the AQH vendors (being the shareholders of AQH) has been agreed at \$6 million which will be satisfied wholly through the issuance of 1,333,333,333 (pre-consolidation) ordinary CUU shares;
- As part of the transaction Callabonna is planning to seek approval for a 1:10 share consolidation and a change of its name to 'Alice Queen Limited'; and
- On completion of the transaction AQH will have the right to appoint four new directors to the Board of Callabonna.

Other than those matters outlined above, there have been no matters or circumstances arising since the end of the reporting period, which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

DIRECTORS' DECLARATION

In the opinion of the directors of Callabonna Resources Limited ('the company'):

1. The attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* including:
 - a. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year then ended; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the *Corporations Act 2001*.



Michael Raetz
Director

16 March 2015



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

We have reviewed the accompanying interim financial report of Callabonna Resources Limited, which comprises the interim consolidated statement of financial position as at 31 December 2014, interim consolidated statement of profit or loss and other comprehensive income, interim consolidated statement of changes in equity and interim consolidated statement of cash flows for the half-year ended on that date, notes 1 to 16 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 half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Callabonna Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Callabonna Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding continuation as a going concern

Without modifying our conclusion, we draw attention to Note 3, 'Going Concern' in the interim financial report. The conditions disclosed in Note 3, including raising additional funding from shareholders or other parties, 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 interim financial report.

KPMG

KPMG
Brisbane

16 March 2015

Adam Twemlow
Partner