



KINGSTON RESOURCES LIMITED

ABN 44 009 148 529

Half Yearly Financial Statements

31 December 2013

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Corporate Directory

DIRECTORS

Jonathan Davies BJuris, LLB (UWA)
Non-executive Chairman

Mathew Whyte BCom CPA, FCSA
Non-executive Director & Company Secretary

Michal Sfrata
Non-executive Director

Yafeng Cai CPA
Non-executive Director

COMPANY SECRETARY

Mathew Whyte BCom CPA, FCSA
Non-executive Director & Company Secretary

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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AUSTRALIA

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Email info@kingstonresources.com.au
Website www.kingstonresources.com.au

AUDITORS

Grant Thornton Audit Pty Ltd
Chartered Accountants
Level 1, 10 Kings Park Road
West Perth WA 6005

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2 Reserve Bank Building
45 St Georges Terrace
Perth WA 6000

BANKERS

Australia & New Zealand Banking Group Limited
Cnr Hay & Outram Streets
West Perth WA 6005

SOLICITORS

Jackson McDonald
Level 25, AMP Building
40 St Georges Terrace
Perth WA 6000

STOCK EXCHANGE

Listed on the Australian Securities Exchange
The home Exchange is in Perth, Western Australia

ASX CODE

KSN – fully paid ordinary shares
KSNO – listed options exercisable at \$0.20 expiring 31 Dec 15

Directors' Report

Your Directors submit their report for the half year ended 31 December 2013.

DIRECTORS

The names of the Company's Directors in office during the half year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

- Jonathan Davies
- Mathew Whyte
- Yafeng Cai
- Michal Safrata
- Kevin Moriarty – resigned on 23 September 2013

PRINCIPAL ACTIVITIES

The Company is an Australian-based company listed on the ASX. The principal activity of the Group during the period was mineral exploration.

During the previous financial year, the Company changed its primary business activity to mineral exploration and consequently undertook a recapitalisation to fund exploration activities in its newly acquired exploration projects. The Company acquired these projects through its 100% acquisition of Fleurieu Mines which completed in January 2013.

REVIEW OF OPERATING RESULTS AND OPERATIONS

Operating Results

The net loss after income tax for the half year was \$323,034 (2012: net loss \$443,349).

Review of Operations

The Company's portfolio of tenements comprises interests in eight exploration licences that cover some 3,497 square kilometres along the Olympic Arc corridor of South Australia. The region is highly prospective for major iron-oxide copper-gold (**IOCG**) deposits (see Figure 1).

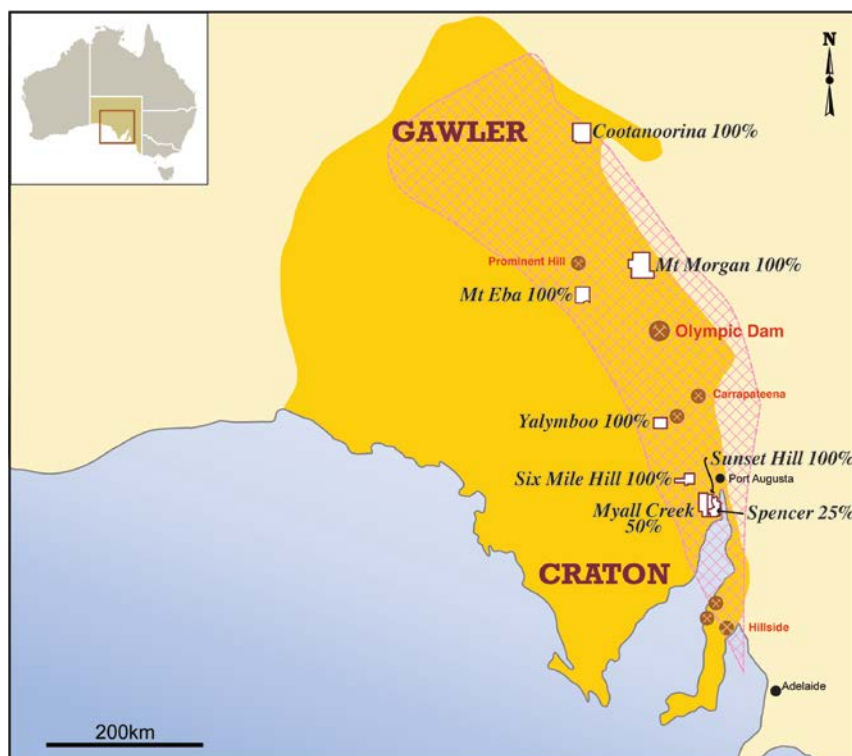


Figure 1: The Company's projects and major IOCG mines and deposits of the Olympic Arc located in the Gawler Craton, South Australia.

Of the Tenements, six are wholly owned and two are in joint venture with the ASX-listed Strategic Energy Resources (see Figure 2). The principle aim of the Company's exploration programmes is the discovery and development of IOCG deposits.

Tenement	State	Project	Km ²	Grant Date	Ownership
EL 5011	South Australia	Myall Creek	381	13/09/2012	50%
EL 5010	South Australia	Spencer (Nee Cultana)	321	13/09/2012	25%
EL 4212	South Australia	Sunset Hill	160	24/11/2008	100%
EL 4524	South Australia	Yalymboo	280	20/06/2010	100%
EL 4462	South Australia	Cootanoorina	710	6/04/2010	100%
EL 4494	South Australia	Six Mile Hill	296	17/05/2010	100%
EL 4915	South Australia	Mount Eba	440	19/04/2012	100%
EL 5101	South Australia	Mount Morgan	909	16/11/2012	100%

Figure 2: details of the Tenements.

The Olympic Arc hosts the major mines and discoveries of the area known as the Gawler Craton, which includes the famous Olympic Dam mine, Carrapateena, Prominent Hill, Mount Gunson, Wallaroo, Moonta and Hill Side. The geological make-up of the Olympic Arc corridor was formed by intense volcanic and hydrothermal activity, which included explosive vents. This provided conditions favourable to the formation of major IOCG deposits. Where metal-rich mineralisation occurs in the region, it is often found to be associated with the high density features which show up as anomalies in the results of gravity survey. Kingston's Projects contain substantial and untested gravity anomalies, such as these.

In recent years, the work of junior explorers has led to discovery of three significant copper-gold deposits within the Olympic Arc corridor. These discoveries have driven a surge in exploration activity in the region. Two of these deposits are close to the surface, but the Carrapateena discovery is located at a depth of more than 500 metres beneath un-mineralised, younger rock. The search for these deeper deposits gathers pace and is sustained by relatively high metal prices. Economic factors justify the high costs associated with exploration and development. Drilling is now targeting deposits that are 1,000 metres or more beneath cover rock.

Several of the Tenements include such deep targets, but the Company's immediate focus is upon those highly prospective targets located relatively close to surface on the Spencer and Myall Creek Projects in the southern part of the Olympic Arc.

Spencer Joint Venture (KSN 25%, SER 75%) EL 5010:

During the half year Strategic Energy Resources Limited (ASX:SER) as Operator of the 'Spencer Joint Venture' (SER 75% and Kingston Resources Ltd (25%) completed the first round drilling campaign. The exploration program commenced on the 18th of August 2013 with the rigs demobilized from site on the 30th of September. A total of 10 holes were drilled.

The Spencer area comprises 321 square kilometers and is located on the west coast of Spencer's Gulf. It had remained one of the few undrilled areas along the Olympic Dam trend that has now been the subject of significant modern exploration techniques including gravity, magnetics, HeliTEM, geological mapping and geochemistry. This same trend is the home to some exceptional discoveries including Olympic Dam, Carrapateena, Prominent Hill, Mount Gunson, Wallaroo, Moonta and Hill Side.

Intensive analysis combining all current data including HeliTEM, geological logging of RC chips and Field Portable XRF (FPXRF) data is now focused on the EM conductive lineament (See Figure 1) joining known outcropping expressions of copper mineralization. These areas of copper outcrop have been historically mapped as having been strongly altered with the Muzzo outcrop showing argillic alteration.

Two drill holes, SPRC002 and SPRC005 show significant intervals of low level copper anomalism in the Willouran aged Backy Point Formation, with SPRC002 showing over 300m of semi-continuous anomalism (see Appendix 3) as detected by the FPXRF. Both of these holes are within 300m of the HeliTEM trend newly named the Kijani Trend (See Figure 1). Copper anomalism has also been detected along the Kijani Trend through historic geochemical sampling.

Surface rock chip analysis by the FPXRF show copper results in excess of 20% Cu. This area is surrounded by extensive argillic alteration and adjacent to the Hiltaba Granite Suite. With the proximity to the Hiltaba Granite and the historic mapping of argillic alteration coupled with the soil trends and the outcropping copper mineralization at Muzzo, Water Tank and CO1 initial comparisons by SER are being made to Adelaide Resources Alford and Wombat prospect approximately 120km to the South East along the Olympic Dam trend.

The next phase of exploration will aim to evaluate the economic potential of the newly discovered Kijani trend. This will involve follow up mapping of alteration zones throughout the trend and initial plans for a geochemical program with the aim to validate historical geochemical sampling programs and to delineate further buried occurrences of mineralization of similar style to the outcropping mineralization throughout the Kijani Trend.

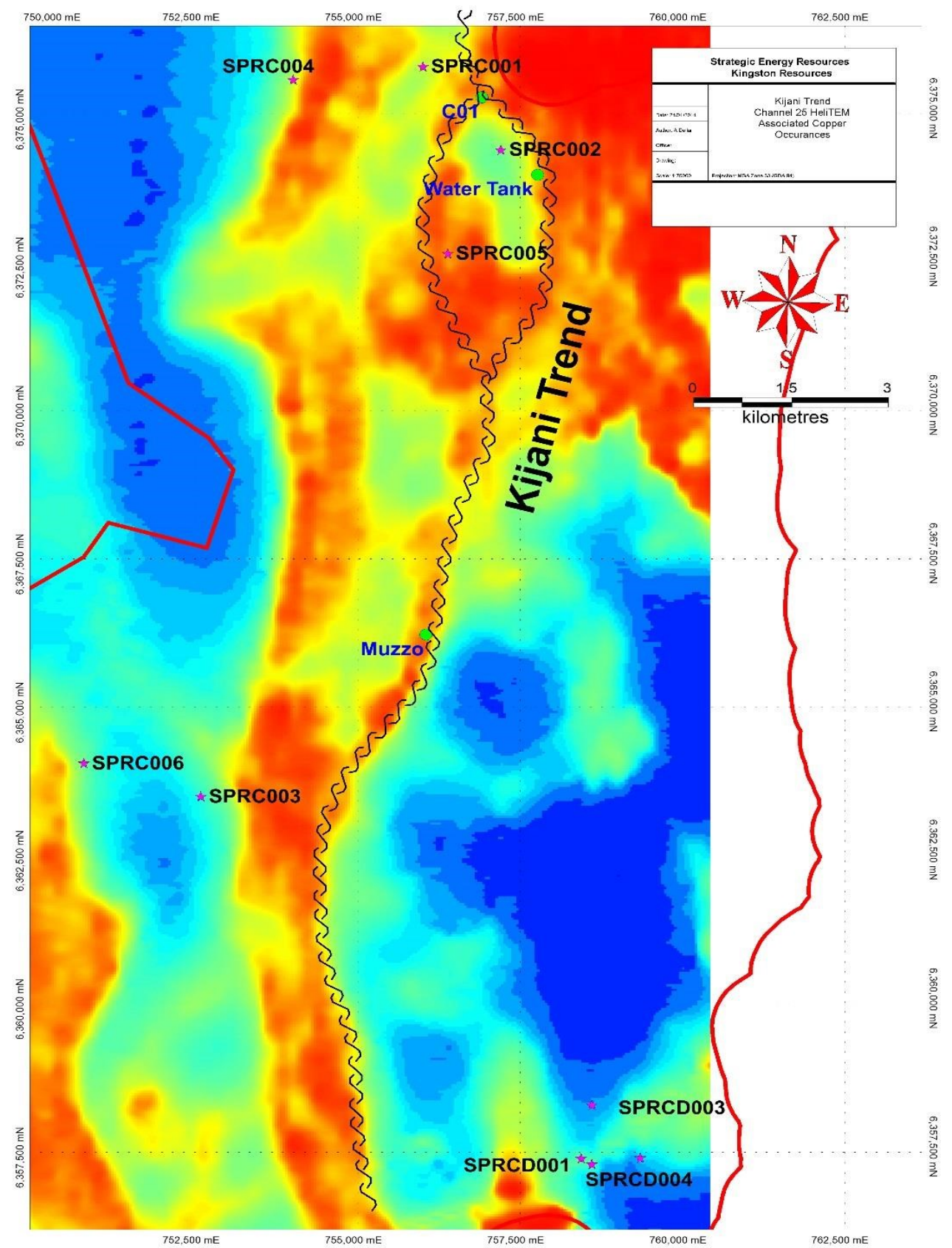


Figure 1 The Kijani Trend

Myall Creek Project (KSN 50%, SER 50%) EL 5011:

The Myall Creek Copper Project (EL5011) covers an area of 381 km² and is located on the southern Stuart Shelf between Whyalla and Port Augusta, a highly prospective part of the eastern margin of the Gawler Craton. The Myall Creek Project includes a 15 kilometre zone with anomalous copper shown in historic drilling.

Previous work indicates that some mineralization is controlled by a redox contrast which exists between the base of the Tapley Hill formation and an underlying unconformable contact between the two sedimentary units. This unconformity continues to have a strong potential for high grade prospects.

The licence area is immediately west of the Torrens Hinge Zone.

Technical assessment of the prospectivity of the Myall Creek project for both Zambian style copper mineralization and the potential of Olympic Dam style IOCG mineralization at depth is ongoing. The drilling results from our Spencer project will be beneficial in determining the next exploration program in this licence area.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 23 September 2013 Mr Kevin Moriarty resigned as a Director of the Company.

On 4 November 2013 6,000,000 unlisted options exercisable at \$0.07 each and expire 30 June 2016 were issued to the directors as approved by shareholders at the Annual General Meeting held 4 November 2013.

Except for the matters discussed above, there is at the date of this report no other matter or circumstance which has arisen since 31 December 2013, that has significantly affected or may significantly affect:

- (a) the Company's operations in future financial years;
- (b) the results of those operations in future financial years; or
- (c) the Company's state of affairs in future financial years.

Pursuant to section 306 Corporations Act 2001 this Directors' Report:

- (a) is made in accordance with a resolution of the Directors;
- (b) is dated 27 February 2014; and
- (c) is signed by Jonathan Davies and Mathew Whyte.

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

The Auditor's Independence Declaration is set out on page 8 and forms part of the Directors' Report for the half year ended 31 December 2013.



Jonathan Davies
Non-Executive Chairman
Perth, Western Australia
27 February 2014

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10 Kings Park Road
West Perth WA 6005

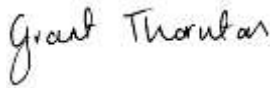
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**Auditor's Independence Declaration
To The Directors of Kingston Resource Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Kingston Resource Limited for the half-year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C A Becker
Partner - Audit & Assurance

Perth, 27 February 2014

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Independent Auditor's Review Report To the Members of Kingston Resources Limited

We have reviewed the accompanying half-year financial report of Kingston Resources Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both 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 half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Kingston Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we 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 half-year financial report of Kingston Resources Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Material uncertainty regarding continuation as a going concern

Without qualifying our conclusion, we draw attention to Note 2(b) in the financial report which indicates that the consolidated entity incurred a net loss of \$323,034 and net cash outflows from operating activities of \$190,665 during the period ended 31 December 2013. These conditions, along with other matters as set forth in Note 2(b), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C A Becker
Partner - Audit & Assurance

Perth, 27 February 2014

Directors' Declaration

In accordance with a resolution of the Directors of the Company, I state that:

In the opinion of the Directors:

- (a) the financial statements and the notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2013 and the performance for the half year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Jonathan Davies
Non-Executive Chairman
Perth, Western Australia
27 February 2014



Consolidated Statement of Financial Position

		Consolidated	
		31 December 2013	30 June 2013
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents		879,793	1,550,481
Trade and other receivables		17,174	16,235
Financial assets		22,595	22,595
Other current assets		8,633	1,837
Total Current Assets		928,195	1,591,148
Non-Current Assets			
Property, plant and equipment		1,903	2,387
Capitalised exploration expenditure	5	5,192,492	4,734,804
Total Non-Current Assets		5,194,395	4,737,191
Total Assets		6,122,590	6,328,339
LIABILITIES			
Current Liabilities			
Trade and other payables		29,458	55,033
Total Current Liabilities		29,458	55,033
Total Liabilities		29,458	55,033
Net Assets		6,093,132	6,273,306
EQUITY			
Issued capital	8	46,644,934	46,644,934
Accumulated losses		(41,850,389)	(41,552,420)
Reserves		1,298,587	1,180,792
Total Equity		6,093,132	6,273,306

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

		Consolidated	
	Note	31 December 2013 \$	31 December 2012 \$
Continuing Operations			
Other revenue	3	31,502	4,715
Administrative expenses		(61,831)	(170,844)
Consultant and legal fees		(104,264)	(210,401)
Depreciation and amortisation expenses	3	(481)	(2,054)
Director fees		(45,100)	(62,112)
Directors options expense		(142,860)	-
Employee benefit expense	3	-	(13,211)
Gain/(Loss) on revaluation of assets at FVTPL		-	40,000
Impairment of fixed intangible assets		-	(15,577)
Loss before income tax expense		(323,034)	(429,484)
Income tax expense		-	-
Loss for the period		(323,034)	(429,484)
Loss on discontinued operations	4	-	(13,865)
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(323,034)	(443,349)
Basic loss per share (cents)			
- Discontinued operations		-	(0.052)
- Continuing operations		(0.392)	(1.612)
Total basic loss per share (cents)		(0.392)	(1.664)
Diluted loss per share (cents)			
- Discontinued operations		-	(0.052)
- Continuing operations		(0.392)	(1.612)
Total diluted loss per share (cents)		(0.392)	(1.664)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

Note	Consolidated	
	31 December 2013 \$	31 December 2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Continued Operations		
Interest received	24,993	4,674
Payments to suppliers and employees	(215,658)	(419,006)
Net cash flows (used in) continued operations	(190,665)	(414,332)
Net cash (used in) discontinued operations	-	(12,915)
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	(190,665)	(427,247)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Acquired on purchase of businesses	-	35,665
Payment for exploration and evaluation	(480,023)	-
NET CASH FLOWS (USED IN) / PROVIDED BY INVESTING ACTIVITIES	(480,023)	35,665
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares and options	-	406,350
Capital raising costs	-	(3,082)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	-	403,268
Net increase / (decrease) in cash held	(670,688)	11,686
Cash and cash equivalents at beginning of period	1,550,481	363,544
CASH AND CASH EQUIVALENTS AT END OF PERIOD	879,793	375,230

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

Consolidated

Attributable to the shareholders of Kingston Resources Limited

	Issued Capital					Total
	Ordinary Shares	Listed Options	Other Contributed Equity	Accumulated Losses	Reserves	Equity
	\$	\$	\$	\$	\$	\$
As at 1 July 2012	40,020,690	829,595	-	(40,515,625)	92,266	426,926
Total comprehensive loss for the period	-	-	-	(443,349)	-	(443,349)
Issue of share capital	4,463,872	-	570,269	-	-	5,034,141
Capital raising costs	(3,083)	-	-	-	-	(3,083)
Share-based payments lapsed	-	-	-	67,201	(67,201)	-
At 31 December 2012	44,481,479	829,595	570,269	(40,891,773)	25,065	5,014,635
As at 1 July 2013	46,644,934	-	-	(41,552,420)	1,180,792	6,273,306
Total comprehensive loss for the period	-	-	-	(323,034)	-	(323,034)
Director options issued	-	-	-	-	142,860	142,860
Share-based payments lapsed	-	-	-	25,065	(25,065)	-
At 31 December 2013	46,644,934	-	-	(41,850,389)	1,298,587	6,093,132

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. CORPORATE INFORMATION

The financial statements of Kingston Resources Limited for the half year ended 31 December 2013 are authorised for issue in accordance with a resolution of the Directors on 27 February 2014. Kingston Resources Limited is a company incorporated in Australia and limited by shares listed on the ASX.

The nature of the operations and principal activities of the Group are described in note 6.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half year financial statements do not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half year financial statements should be read in conjunction with the annual Financial Statements of the Group as at 30 June 2013.

It is also recommended that the half year financial statements be considered together with any public announcements made by the Kingston Resources and its controlled entities during the half year ended 31 December 2013 and up to the date of this report in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

a) Basis of Preparation

These general purpose financial statements for the interim half year reporting period ended 31 December 2013 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The interim financial statements are intended to provide users with an update on the latest annual financial statements of Kingston Resources Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that these financial statements be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2013, together with any public announcements made during the half year and up to the date of this report.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

From 1 July 2013 the consolidated entity has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before 1 July 2013. The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the consolidated entity.

The consolidated entity has not elected to early adopt any new standards or amendments that are issued but not yet effective.

AASB 11 Joint Arrangements

AASB 11 supersedes AASB 131 Interests in Joint Ventures and Interpretation 113 Jointly Controlled Entities – Non-Monetary-Contributions by Venturers. It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method, which is currently used for investments in associates.

The Group's only joint arrangement within the scope of AASB 11 is its exploration joint arrangements with Strategic Energy Resources Limited, which was accounted for using the proportionate consolidation method under AASB 131. Management has reviewed the classification of this joint arrangement in accordance with AASB 11 and has concluded that it is a joint operation, and as such, the proportionate consolidation method can continue to be applied, whereby the cash calls that the group makes under these joint arrangements continue to be recognised as capitalised exploration expenditure. As such there are no effects on the statement of financial position and statement of profit or loss and other comprehensive income as a result of this change.

b) Going Concern

The consolidated entity has incurred operating losses of \$323,034 (2012: \$443,349) and negative operating cash flows of \$190,665 (2012: \$427,247) for the half year ended 31 December 2013.

The financial statements have been prepared on the basis of going concern which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Directors consider this to be appropriate for the following reasons:

- the ability to vary the consolidated entity's cost structure and in turn the levels of cash outflow dependent on timing of its exploration activities;
- the demonstrated ability to obtain funding through equity issues as required.

The ability of the consolidated entity to continue as a going concern will be dependent on the consolidated entity raising additional capital within 12 months.

The Directors will evaluate a range of funding options including further equity issues to enable it to continue to meet its obligations as and when they fall due. The Directors are confident of obtaining additional funding based on the alternatives being explored, but note that this has not been secured at the date of this report.

Taking into account the current cash reserves of the Company and the points noted above, the Directors are confident the Company has adequate resources to continue in its main business activity for the foreseeable future.

Should the Company and consolidated entity not achieve the matters set out above, there is significant uncertainty whether the Company and consolidated entity will continue as a going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts nor the amounts or classification of liabilities that might be necessary should the Company and consolidated entity not be able to continue as a going concern.

3. LOSS FOR THE PERIOD

	<u>31 December 2013</u>	<u>31 December 2012</u>
	<u>\$</u>	<u>\$</u>
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Other revenue		
Interest from:		
Other unrelated persons	31,502	4,715
Total interest	<u>31,502</u>	<u>4,715</u>
Expenses		
Depreciation and amortisation on non current assets		
Depreciation of:		
- plant and equipment	481	1,803
- software	-	251
Total depreciation and amortisation	<u>481</u>	<u>2,054</u>

	<u>31 December 2013</u> \$	<u>31 December 2012</u> \$
Employee benefit expense		
Wages and salaries	-	12,120
Defined contribution superannuation expense	-	1,091
Total employee benefit expense	-	13,211

4. DISCONTINUED OPERATIONS

On 11 October 2012, the shareholders approved the acquisition of the assets of Fleurieu Mines and the associated change in nature and scale of the Company's activities. At the same EGM shareholders approved the Company's disposal of its existing information technology. As a result, the Company's information technology business ceased during the reporting period.

Financial information relating to the discontinued operations to the date of cessation of operations is set out below.

The financial performance of the discontinued operations to the date of cessation of operations, which is included in profit/(loss) from discontinued operations per the Consolidated Statement of Profit or Loss and Other Comprehensive Income, is as follows:

	<u>31 December 2013</u> \$	<u>31 December 2012</u> \$
Revenue	-	21,368
Expenses	-	(35,233)
Profit before income tax	-	(13,865)
Income tax expense	-	-
Profit attributable to members of the parent entity	-	(13,865)

The net cash flows of the discontinued division, which have been incorporated into the statement of cash flows, are as follows:

Net cash inflow/(outflow) from operating activities	-	(12,915)
Net cash inflow from investing activities	-	-
Net cash (outflow)/inflow from financing activities	-	-
Net cash increase/(decrease) in cash generated by the discontinued division	-	(12,915)

5. EXPLORATION AND EVALUATION ACTIVITIES

	<u>31 December 2013</u> \$	<u>30 June 2013</u> \$
Exploration and Evaluation Costs	5,192,492	4,734,804
Reconciliation of Carrying amount		
Opening Balance	4,734,804	-
Fair value of the assets of Fleurieu Mines	-	4,600,000
Expenditure incurred during the year	457,688	134,804
Closing Balance	5,192,492	4,734,804

The Directors have reviewed all exploration projects for indicators of impairment in light of approved budgets. Where substantive expenditure on further exploration is neither budgeted nor planned, or the period for which the Company has the right to explore will expire in the near future and is not expected to be renewed, the area of interest has been written down to nil pending the outcome of any future farm out arrangement.

6. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The group operates in one segment being Exploration and Evaluation of Minerals in Australia.

7. COMMITMENTS AND CONTINGENCIES

The Group has certain obligations to perform minimum exploration work and to expend minimum amounts of money on such work on mining tenements. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of the operations of the Group. These commitments have not been provided for in the financial report. Due to the nature of the Group's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditure may be reduced by seeking exemption from individual commitments, by relinquishing of tenure or by new joint venture arrangements. Expenditure may be increased when new tenements are granted or joint venture agreements amended. The minimum expenditure commitment on the tenements is:

	Consolidated Group	
	2013	2012
	\$	\$
Not Later than one year	553,000	550,000

The Company has a \$5,000 credit card facility.

8. ISSUED CAPITAL

a) Ordinary shares

82,355,828 fully paid ordinary shares
(30 June 2013: 82,355,828)

31 December 2013	30 June 2013
\$	\$
46,641,481	46,644,934

Movements in contributed equity for the period

Balance at the beginning of the financial year	46,644,934	40,020,690
Shares issued during the previous financial year:		
- 5,805,000 on 21 November 2012	-	406,350
- 29,821,670 on 17 December 2012	-	4,057,522
- 4,191,321 on 31 January 2013	-	570,269
- 7,000,000 on 13 February 2013	-	959,000
- 2,000,000 on 5 April 2013	-	274,000
- 10,302,500 on 5 April 2013	-	2,060,500
Less capital raising costs	-	(1,703,397)
Total contributed equity	46,644,934	46,644,934

	31 December 2013 \$	30 June 2013 \$
b) Listed Options		
10,302,500 listed options (ASX code: KSNO) *	-	-
(30 June 2013: 10,302,500)		
Total listed options	-	-
Movements in listed options (ASX code: KSNO) for the period		
Balance at the beginning of the financial year	-	-
Listed options issued during the previous financial year:		
- 10,302,500 on 5 April 2013 *	-	-
Total listed options	-	-
Movements in listed options (ASX code: KSNOA) for the period		
Balance at the beginning of the financial year	-	690,940
Listed options expired during the previous financial year:	-	(690,940)
Total listed options	-	-
Movements in listed options (ASX code: KSNOA) for the period		
Balance at the beginning of the financial year	-	138,655
Listed options expired during the previous financial year:	-	(138,655)
Total listed options	-	-

* Listed options (KSNO) issued during the year were free-attaching to ordinary shares issued, therefore have no value.

9. SHARE BASED PAYMENTS

During the period the following options were granted to directors:

Grant date	Expiry date	Grant date fair value \$	Exercise price \$	Number issued	Vesting date
4-Nov-13	30-Jun-16	0.02381	0.07	6,000,000	Immediate

The assessed fair value of the options was determined using a Black Scholes model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option. The following assumptions were used in the estimation:

- Risk free interest rate of 2.955%
- Company share price of \$0.052
- Dividend Yield of 0%
- Expected volatility of 94.31%
- Option exercise price of \$0.07
- Option duration of 2.65 years

10. EVENTS SUBSEQUENT TO REPORTING DATE

There are no events subsequent to reporting date.