

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001

Rule 5.3

| | | Quarter ended: | |
|---|---|-----------------|-----------------|
| | | 30 June 2010 | |
| Name of Entity | | Current quarter | Year to date |
| | | \$A'000 | \$A'000 |
| ABN | | 49 112 389 910 | |
| Consolidated statement of cash flows | | | |
| Cash flows related to operating activities | | | |
| 1.1 | Receipts from product sales and related debtors | 4,151 | 6,090 |
| 1.2 | Payments for | | |
| | (a) exploration and evaluation | (789) | (1,832) |
| | (b) development | (2,005) | (8,421) |
| | (c) production | (864) | (4,056) |
| | (d) administration | (928) | (4,165) |
| 1.3 | Dividends received | - | - |
| 1.4 | Interest and other items of a similar nature received | 112 | 327 |
| 1.5 | Interest and other costs of finance paid | (22) | (310) |
| 1.6 | Income taxes paid | - | - |
| 1.7 | Other (provide details if material) | - | - |
| | Net Operating Cash Flows | (345) | (12,367) |
| Cash flows related to investing activities | | | |
| 1.8 | Payment for purchases of: | - | - |
| | (a) prospects | - | - |
| | (b) equity investments | - | - |
| | (c) other fixed assets | (2,559) | (7,560) |
| 1.9 | Proceeds from sale of: | - | - |
| | (a) prospects | - | - |
| | (b) equity investments | - | - |
| | (c) other fixed assets | 1,051 | 2,057 |
| 1.10 | Loans to other entities | - | - |
| 1.11 | Loans repaid by other entities | - | - |
| 1.12 | Other (provide details if material) | - | - |
| | Net investing cash flows | (1,508) | (5,503) |
| 1.13 | Total operating and investing cash flows | (1,853) | (17,870) |
| Cash flows related to financing activities | | | |
| 1.14 | Proceeds from issues of shares, options, etc. | 1,369 | 10,802 |
| 1.15 | Proceeds from sale of forfeited shares | - | - |
| 1.16a | Intercompany borrowings | - | - |
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of borrowings | - | (100) |
| 1.18 | Dividends paid | - | - |
| 1.19a | Other (Capital raising costs) | - | (480) |
| 1.19b | Other (Repayment of hire purchases) | (137) | (137) |
| | Net financing cash flows | 1,232 | 10,085 |
| Net increase (decrease) in cash held | | (621) | (7,785) |
| 1.20 | Cash at beginning of period/year to date | 8,455 | 15,619 |
| 1.21 | Exchange rate adjustments to item 1.20 | (8) | (8) |
| 1.22 | Cash at end of quarter | 7,826 | 7,826 |

Payments to directors of the entity and associates of the directors.
Payments to related entities of the entity and associates
of the related entities.

| | Current quarter \$A'000 |
|---|----------------------------|
| 1.23 Aggregate amount of payments to the parties included in item 1.2 | 98 |
| 1.24 Aggregate amount of loans to the parties included in item 1.10 | Nil |

1.25 Explanation necessary for an understanding of the transactions

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On 30 June 2010 the Company redeemed 11,000,000 Convertible Notes ("Notes") at \$0.20 each. The Notes were issued in December 2007 to discharge liabilities totalling \$2.2m. The Notes bore interest at 6% per annum. The Company was able to negotiate repayment of the Notes via unsecured 3-month loans from the noteholders bearing an interest rate of 6% per annum.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|--------------------------------|---------------------------|
| Nil | | |
| 3.1 Loan facilities | - | - |
| 3.2 Credit standby arrangements | - | - |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|--------------|
| 4.1 Exploration and evaluation | 1,490 |
| 4.2 Development | 1,355 |
| Total | 2,846 |

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

| | Current quarter | Previous quarter |
|--|--------------------|---------------------|
| | \$A'000 | \$A'000 |
| 5.1 Cash on hand and at bank | 7,787 | 8,455 |
| 5.2 Deposits at call | 39 | - |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 7,826 | 8,455 |

Changes in interests in mining tenements

| | Tenement reference | Nature of interest | Interest at beginning of quarter | Interest at end of quarter |
|---|-----------------------|-----------------------|--|----------------------------------|
| 6.1 Interests in mining tenements relinquished, reduced or lapsed | Nil | | | |
| 6.2 Interests in mining tenements acquired or increased | Nil | | | |

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

| | | Total number | Number quoted | Issue price per security (\$) | Amount paid up per security (\$) |
|------|--|--|-----------------|-------------------------------|--|
| 7.1 | +Preference securities | - | - | - | - |
| 7.2 | Changes during quarter | | | | |
| | (a) Increases through issues | - | - | - | - |
| | (b) Decreases through returns of capital, buy-backs, redemptions | - | - | - | - |
| 7.3 | +Ordinary securities | KRM 241,433,060 | 241,433,060 | - | - |
| 7.4 | Changes during quarter | | | | |
| | (a) Increase through exercise of options | KRM 2,348,040 | 2,348,040 | - | - |
| | (b) Increase through issues | - | - | - | - |
| | (c) Release from escrow | - | - | - | - |
| | (d) Decreases through returns of capital, buy-backs | - | - | - | - |
| 7.5 | +Convertible debt securities <i>(description)</i> 'Convertible Notes, convertible into ordinary shares of 20c each on or before 30 June 2010. Interest of 6% pa paid on unconverted | KRMAQ 11,000,000 KRMAQ (11,000,000) | - | - | - |
| 7.6 | Changes during quarter | | | | |
| | (a) Increases through issues | - | - | - | - |
| | (b) Decreases through redemption of securities. | KRMAQ (11,000,000) | - | - | - |
| 7.7 | Options <i>(description and conversion factor)</i> | Unlisted | Unlisted | <i>Exercise price (\$)</i> | <i>Expiry date</i> |
| | | KRMAA 1,300,000 | - | 0.39 | 13/07/2014 |
| | | KRMAI 2,000,000 | - | 0.20 | 29/12/2014 |
| | | KRMAK 500,000 | - | 0.25 | 31/12/2012 |
| | | KRMAM 150,000 | - | 0.73 | 8/03/2015 |
| | | KRMAO 5,000,000 | - | 0.25 | 31/12/2012 |
| | | KRMAS 1,000,000 | - | 0.14 | 16/02/2014 |
| | | KRMAY 2,000,000 | - | 0.14 | 9/04/2014 |
| | | KRMAZ 1,125,000 | - | 0.26 | 14/05/2014 |
| | | 13,075,000 | | | |
| | | Listed | Listed | | |
| | | KRMO 36,166,970 | 36,166,970 | 0.20 | 31/12/2012 |
| 7.8 | Issued during quarter | - | - | - | - |
| 7.9 | Exercised during quarter | KRMAA (50,000) KRMAB (1,000,000) KRMAW (2,000,000) KRMO (2,348,040) | (2,348,040) | 0.39 0.48 0.20 0.20 | 13/07/2014 28/07/2014 16/04/2014 31/12/2012 |
| | | (5,398,040) | | | |
| 7.1 | Expired during quarter | - | - | - | - |
| 7.11 | Debentures (totals only) | - | - | - | - |
| 7.12 | Unsecured notes (totals only) | - | - | - | - |

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 29 JULY 2010

(Company Secretary)

Print name: TANYA ASHLEY

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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