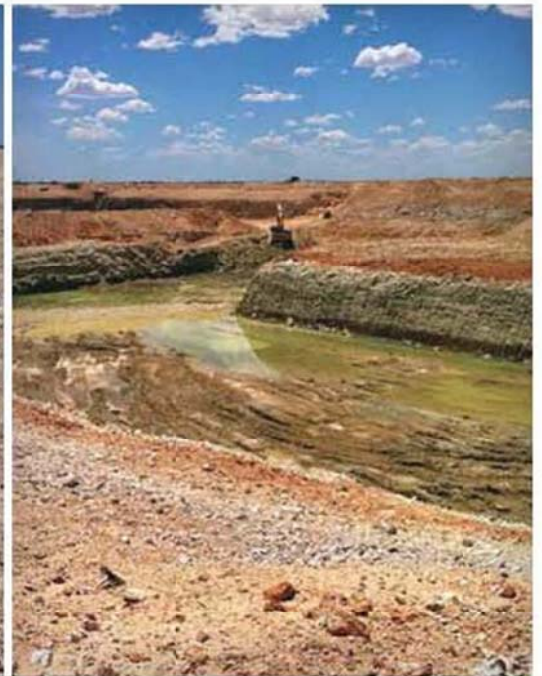


**HUDSON**

RESOURCES LIMITED

# ANNUAL REPORT 2014





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## CORPORATE DIRECTORY

### Hudson Resources Limited

ACN 008 720 965  
ABN 71 008 720 965

### Registered and Corporate Office

Level 2  
Hudson House  
131 Macquarie Street  
Sydney NSW 2000  
Telephone: +61 2 9251 7177  
Fax: +61 2 9251 7500  
Website: [www.hudsonresources.com](http://www.hudsonresources.com)

### Auditors

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

### Lawyers

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

### Bankers

St George Bank Limited  
Level 14, 182 George St  
Sydney NSW 2000  
Telephone: +61 2 9236 2230

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

### Directors

Tan Sri Ibrahim Menudin  
(Non-Executive Chairman)  
Vincent Tan  
Richard Yap  
Benjamin Amzalak

### Company Secretary

Julian Rockett

### Share Registry

Hudson Corporate Limited  
Level 2  
Hudson House  
131 Macquarie Street  
Sydney NSW 2000  
Telephone: +61 2 9251 7177

Hudson Resources Limited shares was delisted from the Australian Securities Exchange in early July 2014.

This financial report covers the consolidated entity consisting of Hudson Resources Limited and its controlled entities.

Hudson Resources Limited is a company limited by shares, incorporated and domiciled in Australia.

## REVIEW OF OPERATIONS

Hudson Resources Limited (Hudson) is an unlisted Australian company specialising in investments in mining assets and listed resources companies.

These investments are primarily origination by Hudson's own geological team through proprietary exploration work and in some cases farm in mineralisation opportunities with other explorers by providing support through Hudson's core competencies of technical evaluation and Asian and local investor networking.

Current resource investments embrace coal, gold and industrial minerals.

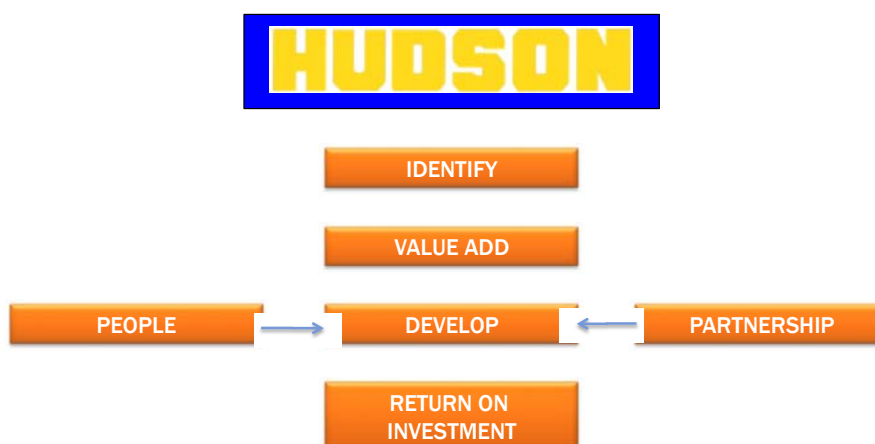


Figure 1 – Hudson origination model

### ASSET PORTFOLIO SUMMARY

Mineral/Asset	Hudson Interest	Investment / Resource	No of Shares held	Current market value per share (31/12/14)
Gold	25.4%	Sovereign Gold Company Limited (ASX: SOC)	77,400,000	\$0.006
Coal	3.5%	Tiaro Coal Limited (ASX: TCM)	9,200,000	\$0.006

### CORPORATE

During the year, Hudson removed itself from listing on the Australian Securities Exchange (**ASX**) as the directors believe continued listing is not in the best interest of the Company following shareholder approval at the 2014 Annual General Meeting.

The Company maintains its own share register at the Company's registered office.

On 8 July 2014 Peter Meers resigned as a director of the Company.

On 3 February 2015 Vincent Tan was appointed a director of the Company and Luisa Tan resigned as a director of the Company.

### KEY MINERAL INVESTMENTS

#### GOLD and BASE METALS

*Hudson has 77.4 million shares in Sovereign Gold Company Limited (ASX: SOC)*

During the year, Sovereign Gold completed its shareholding in Precious Metal Resources Limited (ASX: **PMR**). Subsequently, Sovereign Gold's joint key focus would be the development of its and the SUGEC Project Tenements (EL4474, EL5339, EL7491, EL7679, ELA 5138, EL7768, EL6483) and the Mount Adrah tenements (EL 6372, EL 7844, EL 8127 and EL 8219).

## Exploration

### Mount Adrah Gold Project

The Mount Adrah Gold Project is a mesozonal to epizonal IRGS in a dilational zone located along the Gilmore Suture on the edge of a buried pluton, see Figure 1. The deposit is a structurally controlled micro-breccia within a monzodiorite body that outcrops at the current topographic surface. The mineralization in Hobbs Pipe is predominantly monzodiorite-hosted disseminated gold in arsenopyrite and pyrite, and also native gold in minor quartz veins.

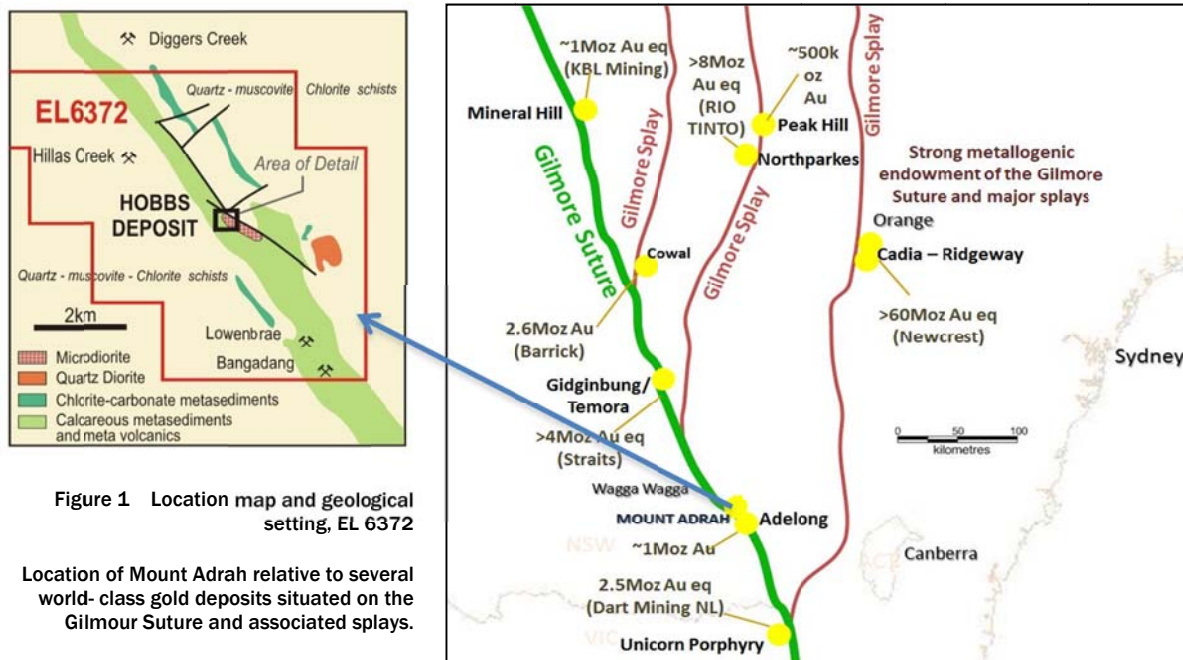


Figure 1 Location map and geological setting, EL 6372

Location of Mount Adrah relative to several world-class gold deposits situated on the Gilmore Suture and associated splays.

A scoping study is ongoing on the project economics of developing an open cut gold mine to depth of 150 metres within Hobbs Pipe 1. This includes conceptual pit shell optimisation and capex/opex over a range of annualised mining rates. The aim is to determine the feasibility of transitioning to a cash generating producer that can organically fund exploration for further Hobbs Pipes. Drill programs have been designed to test the grade, width, lateral and vertical extent of known narrow vein high grade gold structures (e.g Castor Reef and White Deer Reef). Ongoing exploration has identified further potential targets for Hobbs-like Pipes and high grade reefs.

In 2013 Sovereign Gold commissioned AMC Consultants Pty Ltd to carry out a block model estimation and Mineral Resource estimate report for the Mount Adrah Hobbs Pipe deposit. The Mineral Resource estimate is 770,000 ounces of gold (440,000 oz Indicated; 330,000 oz Inferred), within a total Mineral Resource estimate of 20.5 Mt at 1.1 g/t gold, at various cut-off grades.

### Rocky River-Uralla Goldfield Sovereign Gold–Jiangsu Cooperation Agreements

#### EL 7491

Sovereign Gold and its JV partner Jiangsu Geology and Engineering Co. Ltd. of Nanjing, China (SUGEC) reported drilling in EL 7491. In total, twenty-five diamond drill holes were completed for 2,022.9 metres in EL 7491.

#### Bannaweera Diamond Drilling (EL 7491)

A new gold-bearing structure ('No. 2 Bannaweera Gold-Bearing Structure') confirmed sub-parallel to previously identified 1.55km long 'No. 1 Bannaweera Gold-Bearing Structure'. To date 257.9 metres were completed in two diamond drill holes in the No. 2 Structure and 1,765 metres in twenty-three diamond drill holes in the No. 1 Structure.

#### No. 1 Bannaweera Gold-Bearing Structure

The drill holes have proved the existence of both high grade - up to 12.35 g/t Au (gold) - and wide (13.90 metres @ 1.45g/t Au, 11.88g/t Ag from 13.79-27.69m) gold mineralisation at shallow depths indicating potential for a small open-cut operation. Gold mineralisation was confirmed at 190.6m downhole.

The SUGEC JV has identified several gold-bearing mineralised structures in EL 7491 and to date has drilled two of these with twenty three diamond holes (1,765 metres) completed along No. 1 Bannaweera Gold-Bearing Structure and two diamond holes (257.9 metres) completed along No. 2 Bannaweera Gold-Bearing Structure (traced for ~1,000 metres by geological mapping) situated around 1,100m north west of the No. 1 Bannaweera Gold-Bearing Structure.

Drilling confirmed the entire 1.55km length of the No. 1 Bannaweera Gold-Bearing Structure is mineralised and established it is best developed along 274m of strike in the south west portion of the structure.

Martins Shaft-style mineralisation has been intersected in the felsic dykes. In addition, drilling has revealed brecciation and silica-sulphide flooding accompanied by tongues of mineralised felsic dykes in mineralised metasediments along the 1.55km long structure. This extensive mineralised shear/fault zone may represent a high-level fracture fluid plumbing system developed above a potential Intrusion-Related Gold System (IRGS) Hobbs-style pipe.

The ongoing drilling program will continue testing the gold grades laterally and vertically along the gold-bearing structure to establish a JORC compliant resource. Drilling to date at the Rocky River-Uralla Project continues to confirm the existence of a large IRGS and supports the conceptual model of several satellite gold mineralised structures containing sufficient mineralisation to support a potential open-pit mining operation to feed a central mill.

The drilling program was expanded into EL 6483 and includes deep drilling at Martins Shaft and multiple gold-bearing structures comprising more than 15 separate historical gold workings and numerous geochemical/geophysical anomalies (some indicative of auriferous sheeted vein systems), scattered over a distance of at least 12km north to south and at least 5km east to west. Significant potential over a large area within the large mineralising system.

#### **Frasers Find EL 6483**

Sovereign Gold and SUGEC have commenced the next drilling program at Frasers Find following receiving a grant funds from the NSW Government New Frontiers Cooperative Drilling program aimed to fast track private exploration programs. Funding in the amount of \$65,000 will be used to test the potential for a Mount Adrah Hobbs-like pluton associated with the mineralisation. Previous drilling at the Frasers Find mine was developed on a narrow, high-grade gold vein, that more significantly, is part of a large gold bearing fracture zone that widens to the southwest towards a potential small circular, 'blind' (concealed) pluton indicated by Sovereign Golds airborne geophysical survey. This previous drilling has shown some of the better intersections below:

- 25.1g/t Au and 5.6g/t Ag over 0.11m from 23.84-23.95m downhole (SGRDD033, 100% core recovery)
- 5.45g/t Au over 0.25m including 10.0g/t Au and 316g/t Au over 0.13m from 27.0-27.25m downhole (SGRDD029, 100% core recovery)

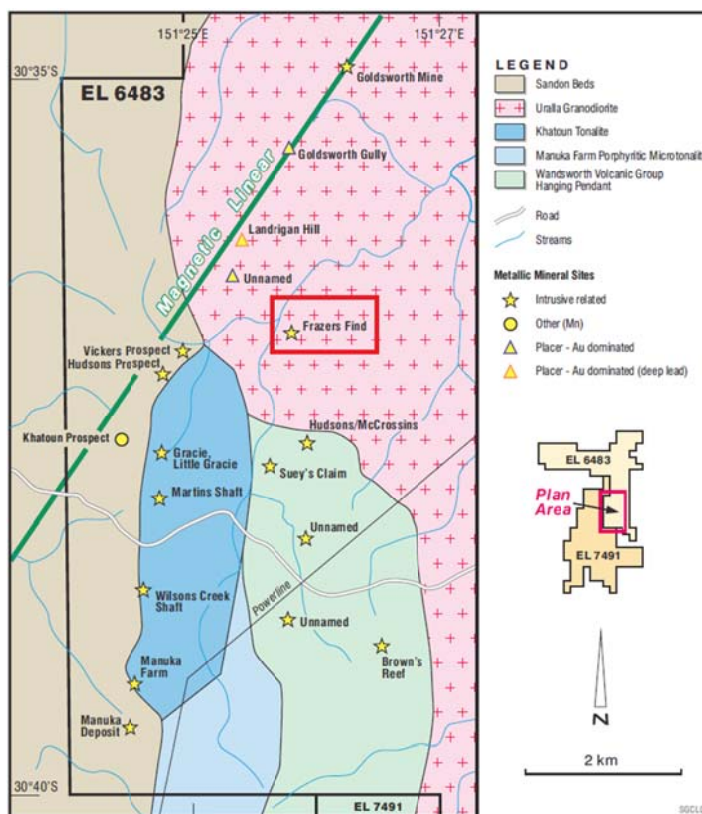
Previous drilling traced a main narrow vein structure along 256m of strike (which remains open in both directions). In addition, shallow pitting has exposed gold mineralisation for a total of 305m along strike.

The completed shallow drilling confirmed that gold mineralization occurs in sheeted veins and narrow high-grade (quartz-sulphide veins) structures that potentially represent the high level portion above a 'blind' (concealed) gold-bearing pluton, based on the IRGS model.

This shallow drilling intersected mineralisation with elevated Ag (silver), Pb (lead) and Zn (zinc) values indicating that it most likely represents the distal, low temperature end of a larger gold-endowed fluid plumbing system. The main source of the mineralization is potentially a 'blind' gold-bearing pluton. This high-level metallogenic association also indicates that the entire system is possibly preserved at depth.

It is important to note that the Frasers Find mine was developed on narrow vein, high grade gold structure that is part of large gold-bearing fracture zone which extends to the south-west. This fracture zone trends directly towards a potential small circular, 'blind' pluton, which has been interpreted from data derived from Sovereign's airborne geophysical survey.

The drilling, geophysical, geochemical and structural data are being utilised to identify vectors to a potential deeper intrusive gold source.



Location of Frasers Find and other gold occurrences within EL 6483

**Martins Shaft EL 6483**

Sovereign Gold reported an update on drilling progress from the SUGEC JV at Martins Shaft (EL 6483). The drilling activity is funded by SUGEC.

The Martins Shaft mineralised structure has now been traced from outcrop at surface to 217.60 metres downhole and remains open at depth. Drilling is planned to follow the alteration zone down plunge along the path of the gold-bearing magmatic fluids to locate the source that is potentially a mineralised IRGS Hobbs-style pipe. Further drilling at Martins Shaft will test the lateral and vertical extent of gold mineralisation at Martins Shaft to the west and provide further information for compilation of a resource estimate.

The gold mineralisation at Martins Shaft is significant as this style of mineralisation was predicted from the application of Sovereign Gold’s IRGS model. The mineralisation comprises sheeted veins and disseminated gold mineralisation within altered predominantly felsic dyke phases associated with minor lamprophyre. Gold has been located in drill hole M-ZK0001 at Martins Shaft to a downhole depth of 217.60m metres. Strong phyllic alteration extends beyond the mineralised envelope. The felsic dyke has acted as a brittle host for magmatic fluids. It is clear from the presence of gold mineralisation and associated alteration that igneous textures are very conducive to the permeation/dissemination of gold-bearing fluids. Potential exists for multiple Martins Shaft-type deposits, of similar and larger size, within the large IRGS. Associated sulphide mineralisation consists of pyrite, arsenopyrite and stibnite. Analytical data confirms gold mineralisation is associated with sodium depletion and the presence of anomalous chromium (up to 473ppm) in some intervals indicates gold-bearing alteration potentially present in some lamprophyre dyke phases.

The Rocky River-Uralla Project confirms the existence of a large IRGS and continues to progress the conceptual exploration model of several satellite gold mineralised structures containing sufficient mineralisation to support the potential for multiple open-pit mining operations to feed a central mill.

**Halls Peak, base and precious metals EL 4474**

Following completion of the corporate restructure between Sovereign Gold and its former subsidiary, Precious Metal Resources Limited in the second half of 2014, the Halls Peak base and precious metal tenements are being transferred to Sovereign Gold. The project within EL4474 has been awarded \$90,500 grant funds pursuant to the NSW Government New Frontiers Cooperative Drilling program to fast track

private exploration drilling programs. The funding grant will be used to test the potential for base and precious metal deposits associated with the airborne geophysical survey in early 2013. It is envisaged that two diamond drill holes will test the nature and metal content of the deep, lower conductor detected by the survey and determine mineralisation nature, facies and geochemistry variations of the upper electrically conductive horizon.

#### INDUSTRIAL MINERALS

A total of 10,176 tonnes of Attapulgit ore was sold during the year.

##### *Attapulgit*

The Company holds 4 mining leases at Lake Nerramyne near Geraldton WA that host an attapulgit clay resource encompassing an area of 2,700 hectares; Inferred JORC compliant resource is 23.4 million tonnes including 9.4 million tonnes of high-grade attapulgit. Of the Inferred JORC compliant resource the Indicated JORC compliant resource is 5.87 million tonnes of attapulgit including 2.98 million tonnes of high-grade attapulgit. The Inferred JORC compliant resource was defined from an area of approximately 40% of the total area covered by Hudson mining leases; since 1979 Hudson and its predecessor Mallina Holdings Limited have operated the mine and supplies raw attapulgit ore



**2012 mining campaign**

##### *Diatomite*

Hudson holds mining licences over diatomite deposits located between Perth & Geraldton WA; Principal deposits are Badgingarra (inferred resource 330,000t) and Dongara (inferred resource 500,000t). A research program underway to test diatomite suitability in broad acre agriculture as a slow release agent in regional sandy soils; earlier test work confirmed diatomite as a suitable feedstock to produce high quality geotechnical aggregates.

#### COAL

*Hudson has 9.2 million shares in Tiaro Coal Limited (ASX: TCM)*

##### TIARO'S BUSINESS OBJECTIVES

##### MARYBOROUGH COAL BASIN

To undertake exploration for coal deposits with the potential to produce metallurgical (coking, PCI) and thermal coal.

- Well-positioned coal tenements in the Wide Bay - Burnett region of SE Queensland.
- Two Coal Measures in Maryborough Coal Basin:
  - Tiaro Coal Measures
  - Burrum Coal Measures
- Large exploration area with 10 granted tenements and 2 tenements under application

To develop coal mining operations

- Key activities will be:
  - Coal mine investment / development in partnership with coal end users, infrastructure developers and logistics managers
  - Coal mine management
  - Coal production, logistics management and market placement

Position Tiaro as an investment company, working with shareholders and partners in development of coal projects in the Maryborough Basin

- Paragon Coal is the first such partnership, developing Tiaro's initial coal project

#### **BUSINESS COLLABORATION**

Paragon Coal (Tiaro 53.1%) established to explore and develop resources within EPCs 956 & EPC 957

- 87 Mt JORC Coal Resource (Measured 4 Mt; Indicated 21 Mt; Inferred 63Mt) in the T9 West area<sup>1</sup>
- Conceptual in nature Exploration Target 200 - 300 million tonnes in Tiaro Coal Measures. The potential quantity and grade of exploration targets are conceptual in nature. Other than the declared JORC Resources, there has been insufficient exploration to define a further Mineral Resource and it is uncertain if further exploration will result in the determination of further Mineral Resources.
- Metallurgical (Coking & PCI) coals

CM Basin Coal Holdings Limited (Tiaro 55%) holds 20% interest in the Anggana Coal Project in East Kalimantan, Indonesia

- Anggana Coal Project includes an established thermal coal mine (Bara Naga open cut) and three further nearby coal concessions

#### **DIVESTMENTS**

Galilee Basin

- 29.2% indirect interest in the Clyde Park Project with Guildford Coal Limited (ASX: GUF) with 50 Mt Indicated and 677 Mt inferred for a total 727.7 Mt JORC Resources.

#### **OTHER INVESTMENTS**

Land & Building Complexes - Narngulu Geraldton WA which derives rental income from Hudson's industrial properties, comprising 14.5 hectares in area, at Geraldton Western Australia is A\$322,000 p.a. The properties include industrial complexes consisting of industrial and packaging sheds, warehouses and office facilities. The properties have a combined value of A\$3.1 million at the end of the year.

Plant & Equipment

In the 1990's, Hudson purchased new plant and equipment for a diatomite processing and filtration plant. The key item is a unused rotary kiln (25,000 tpa processing capacity). The replacement value is in excess of A\$5M.

#### **Vasse Coal Project**

The Vasse Coal Project constituted 7 coal-mining licences in south-west WA. Pursuant to an agreement that was completed in 2006 the Company had rights providing for the transfer of the project tenements to the Company upon termination of a joint venture. The Company has exercised its rights and now owns these tenements, through VasseCo Pty Ltd, a wholly owned subsidiary of the Company.

### **REALISATION OF INVESTMENTS**

#### **Tiara Coal Limited**

During the year, Hudson sold 22.6 million shares in Tiara Coal Ltd (**ASX: TCM**). Proceeds from the sale were \$3.05 million.

### **RESOURCE STATEMENT**

The Measured, Indicated and Inferred Resources of the attapulgitic Mineral Resource at Lake Nerramyne, WA were estimated in 2009. The information in this report that relates to the Mineral Resource is based on the previously released report – Attapulgitic Mine - Resources Upgrade created on 19/01/2009. Refer to this announcement for full details of resource estimation methodology and attributions.

The Inferred Resource of attapulgitic at Lake Nerramyne is 23.4 million tonnes including 9.4 million tonnes of high-grade attapulgitic<sup>1</sup>. Of the Inferred Resource, the Indicated Resource is 5.87 million tonnes of attapulgitic including 2.98 million tonnes of high-grade attapulgitic.

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<sup>1</sup> High grade attapulgitic is recognisable by the way it drills cleanly, producing abundant chips which readily wash free of clay. It is coherent and not plastic, not deforming under pressure and is generally free of sandy grains.

There has been no change to this Mineral Resource from that disclosed in the previous year. The Company conducts regular reviews of these Resources and Reserve estimates and updates as a result of material changes to input parameters such as geology, drilling data and financial metrics.

Depletion of the Mineral Resource is not material in terms of the size of the Mineral Resource, which is rounded to 100,000 tonnes.

#### **Governance arrangements and internal controls – Mineral Resources**

Hudson has ensured that the Mineral Resource estimates quoted above are subject to governance arrangements and internal controls. The resource estimates have been externally derived by an independent consulting organisation whose staff have exposure to best practice in modelling and estimation techniques. Geology models have been generated by Hudson staff and have been reviewed by the external resource consultant. The consultant has also carried out reviews of the quality and suitability of the data underlying the Mineral Resource estimate.

- In turn, Hudson management and executives have carried out numerous internal reviews of the Mineral Resource estimate to ensure that it honours the Hudson geological model and has been classified and reported in accordance with the JORC Code (2004).
- The information in this report that relates to Mineral Resources is based on the previously released report –Attapulgitite Mine - Resources Upgrade created on 19/01/2009. Hudson confirms in this report that it is not aware of any new information or data that materially affects the information included in the previously released reports. In the case of estimates of Mineral Resources or Ore Reserves, the company confirms that all material assumptions and technical parameters.

#### **Qualifying statement**

Malcolm Carson prepared this report from information compiled on behalf of Hudson Resources Limited. Malcolm Carson is a consultant to the company and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration. Mr Carson has a BS degree in geology and an MSc in Natural Resource Management and he is a Member of the Australian Institute of Mining and Metallurgy. He has sufficient experience which is relevant to the type of deposits under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results. Mr Carson consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported.

## DIRECTORS' REPORT

Your directors present their report together with the financial statements of the parent entity and the consolidated entity (referred to hereafter as the **Group**) consisting of Hudson Resources Limited (the **Company**) and the entities it controlled for the financial year ended 31 December 2014.

### Principal activities

The principal activities of the Group during the course of the financial year were as follows:

- The mining and sale of attapulgitite;
- Investment in coal exploration activities;
- Investment in gold exploration activities;
- Exploration and development of attapulgitite mining lease; and
- Investment opportunities to develop the Company's earnings base.

### Consolidated results

The net consolidated profit of the Group for the year ended 31 December 2014 was \$174,000 compared to a profit of \$4,004,000 for the previous corresponding period.

Total Shareholders' funds as at 31 December 2014 are \$15.3 million.

Additional information on the operations of the Group is disclosed in both the Chairman's Review and the Review of Operations section of this report.

### Review of operations and operating results

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the review of operations on pages 4 to 10 of this annual report.

### Dividends

The Directors of the Company do not recommend that any amount be paid by way of dividend. The Company has not paid or declared any amount by way of dividend since the commencement of the financial year.

### Directors

The following persons held office as Directors of Hudson Resources Limited since the start of the financial year, to the date of this report, unless otherwise stated.

Tan Sri Ibrahim Menudin	Non-Executive Chairman
Vincent Tan	Executive Director Appointed 03 Feb 2015
Richard Yap	Executive Director
Benjamin Amzalak	Non-Executive Director
Luisa Tan	Non-Executive Director Retired 03 Feb 2015
Peter J Meers	Non-Executive Director Retired 08 July 2014

### Directors' interests

The relevant interest of each Director in the share capital of the Company is shown in Note 31.

### Meetings of Directors

Director	Directors Meetings		Remuneration Committee Meetings		Audit Committee Meetings	
	Attended	Held Whilst in Office	Attended	Held Whilst in Office	Attended	Held Whilst in Office
Tan Sri Ibrahim Menudin	5	5	1	1	2	2
Vincent Tan <sup>3</sup>	0	0	0	0	0	0
Richard Yap	5	5	1	1	2	2
Benjamin Amzalak	5	5	1	1	2	2
Luisa Tan <sup>2</sup>	5	5	1	1	2	2
Peter J Meers <sup>1</sup>	2	2	1	1	1	1

<sup>1</sup> Retired 08 July 2014

<sup>2</sup> Retired 03 Feb 2015

<sup>3</sup> Appointed 03 Feb 2015

**INFORMATION ON DIRECTORS AND MANAGEMENT****DIRECTORS****Tan Sri Ibrahim Menudin, B.Com, FCA****Non-Executive Chairman - Appointed 6 June 2007**

<b>Experience and Expertise</b>	<p>Tan Sri Ibrahim Menudin, a Malaysian citizen, graduated with a B.Com from the University of Western Australia. He is a fellow of the Institute of Chartered Accountants in Australia and a member of the Malaysian Institute of Certified Public Accountants.</p> <p>He was formerly a Director and Chairman of Suria Capital Holdings Berhad, a public-listed company on the Main Board of Bursa Malaysia Berhad from 20 May 2002 until retirement on 31 October 2012. He was formerly the Chief Executive Office of Bumiputra Investment Fund of Sabah until 1985. He had also served as Chairman of Sabah Gas Industries Sdn Bhd, Deputy Chairman of Sabah Forest Industries Sdn Bhd as well as being a board member of other Sabah Government corporations ranging from finance, forestry, manufacturing, plantations, hotel and property development.</p> <p>He was previously appointed a board member and Group Chief Executive of Malaysia Mining Corporation Berhad and was a Board Member of Ashton Mining Limited and Plutonic Resources Ltd. He was also the Special Advisor to the Chief Minister of Sabah from February 2002 until March 2004.</p>
<b>Other Current Directorships of Listed Companies</b>	None
<b>Former Directorships in the Last 3 Years of Listed Companies</b>	<p>Non-Executive Director of Tiaro Coal Limited</p> <p>Non-Executive Chairman of Raffles Capital Limited</p>
<b>Special Responsibilities</b>	<p>Chairman of the Board</p> <p>Member of the Audit Committee</p> <p>Member of the Remuneration Committee</p>
<b>Interests in Shares &amp; Options</b>	Indirect 5,000,000 held by related parties.

**Richard Yap B Econ, MBA, CPA****Executive Director - Appointed a Director on 1 August 2013**

<b>Experience and Expertise</b>	<p>Mr Yap has over 20 years' experience in investment banking and corporate finance with qualifications of a Bachelor of Economics and a Master of Business Administration from Monash University.</p> <p>Mr Yap is also currently the Director of Business Development and Advisor to the Chairman of TA Enterprise Berhad, a company listed on the Kuala Lumpur Stock Exchange.</p>
<b>Other Current Directorships</b>	None
<b>Former Directorships in the Last 3 Years of Listed Companies</b>	Non-Executive Director of Raffles Capital Limited
<b>Special Responsibilities</b>	<p>Member of the Audit Committee</p> <p>Member of the Remuneration Committee</p>
<b>Interests in Shares and Options</b>	None.

**Benjamin Amzalak B. Com (Marketing & Finance)**  
**Non-Executive Director - Appointed a Director on 13 June 2013**

<b>Experience and Expertise</b>	Mr Amzalak has an extensive background in capital raising, investor relations and broking communications. He has been engaged in capital management, raising in excess of \$250 million in new venture capital for mining and other public companies. He provides advisory services to public companies in many areas including Initial Public Offerings and Mergers and Acquisitions.
<b>Other Current Directorships</b>	Non-Executive Director of Raffles Capital Limited
<b>Former Directorships in the Last 3 Years of Listed Companies</b>	None
<b>Special Responsibilities</b>	Member of the Audit Committee Member of the Remuneration Committee
<b>Interests in Shares and Options</b>	Indirect 13,595,640 by virtue of being a director of Raffles Capital Limited.

**Vincent Tan**  
**Executive Director - Appointed on 03 February 2015**

<b>Experience and expertise</b>	Vincent Tan is a chartered accountant and has over the past 35 years worked in a range of industries, including insurance, securities trading, finance and property.  Mr Tan has held senior management positions in a number of public and non-government organisations and has broad experience in corporate structuring.
<b>Other Current Directorships</b>	None
<b>Former Directorships in the Last 3 Years of Listed Companies</b>	Non-Executive Director of Sovereign Gold Company Limited Non-Executive Director of Australian Bauxite Limited Managing Director of Raffles Capital Limited
<b>Special Responsibilities</b>	
<b>Interests in Shares and Options</b>	15,000 held directly

**Luisa Tan**  
**Non-Executive Director**  
**Appointed 13 June 2013**  
**Retired 03 February 2015**

**Peter J Meers, BA (Economics) FAIB**  
**Non-Executive Director**  
**Appointed 2 August 2005**  
**Retired 08 July 2014**

**OFFICERS****Julian Rockett, B.A., LL.B.****Company Secretary**

Appointed 19 August 2011

**Experience and Expertise**

Mr Rockett was appointed Company Secretary on 19 August 2011. His background is in government services and previously worked at a Sydney commercial litigation practice. Mr Rockett is the Company Secretary of Hudson Investment Group Limited, as well as Joint Company Secretary of Precious Metal Resources Limited, Australian Bauxite Limited, Raffles Capital Limited, and Sovereign Gold Company Limited. In addition, Mr Rockett also provides in-house legal counsel and legal services to a number of listed and non-listed corporate entities.

**Francis Choy MCom MBA FCPA (HK) FCPA CA****Chief Financial Officer****Experience and Expertise**

Francis Choy has held a number of senior positions in corporate financial management roles throughout Australia and South East Asia. He has extensive experience in project finance, compliance, acquisition and investment appraisals. He has been involved in project financing, financial management of property development and telecommunication projects in South East Asia. He held senior financial roles for numerous public listed companies both in Hong Kong and Australia.

**Likely developments**

Information on likely developments in the operations of the consolidated entity, known at the date of this report has been covered generally within the report. In the opinion of the Directors providing further information would prejudice the interests of the economic entity.

**Significant changes in state of affairs**

Significant changes in the state of affairs of the Company during the financial year are as follows:

**Investment Portfolio**

The Company disposed of the majority of its interests in Tiaro Coal Limited.

At the date of this Report, the Company held the following investment portfolio:

- 77,400,000 ordinary shares in the issued capital of Sovereign Gold Company Limited representing 25.4% of Sovereign Gold Company's total issued capital: and
- 9,200,000 ordinary shares in the issued capital of Tiaro Coal Limited representing 3.5% of Tiaro Coal's total issued capital.

**Matters subsequent to balance date**

At the date of this report there are no other matters or circumstances which have arisen since 31 December 2014 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2014, of the Group;
- the results of those operations; or
- the state of affairs, in financial years subsequent to 31 December 2014, of the Group.

**Environmental regulations**

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

- The Company's operations in the State of Western Australia involve exploration activities. These operations are governed by the NSW *Environment Planning and Assessment Act 1979*.
- The Company operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of the shareholders, employees and suppliers.

The Company aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are mindful of the regulatory regime in relation to the impact of the Company's activities on the environment.

There have been no known breaches by the Company during the reporting period.

To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

## REMUNERATION REPORT - AUDITED

The information provided in this Remuneration Report has been audited as required by Section 308 (3c) of the *Corporations Act 2001 (Cth)*.

This report outlines the remuneration arrangements in place for Directors and Executives of the Company.

### Remuneration Committee

The Remuneration Committee which presently consists of the whole Board will serve to determine the remuneration levels of any Executive Directors' remuneration (including base salary, incentive payments, equity awards and service contracts) and remuneration issues for Non-Executive Directors.

The Committee meets as often as required but not less than once per year. Committee members attendance record can be found in the table of Directors Meetings disclosed on page 11.

### Directors' and other Key Management Personnel Remuneration

The following persons were Directors of the Company during the financial year unless otherwise stated:

Tan Sri Ibrahim Menudin	Non-Executive Chairman	
Vincent Tan	Executive Director	Appointed 03 February 2015
Richard Yap	Executive Director	
Benjamin Amzalak	Non-Executive Director	
Luisa Tan	Non-Executive Director	Retired 03 February 2015
Peter Meers	Non-Executive Director	Retired 08 July 2014

The following persons were key management personnel of the Group during the financial year:

Henry Kinstlinger	Investor Relationship Officer
Julian Rockett	Company Secretary
Francis Choy	Group Chief Financial Officer

Executive's remuneration and other terms of employment are reviewed annually having regard to relevant comparative information and independent expert advice. As well as basic salary, remuneration packages include superannuation. Directors are also able, subject to shareholder approval, to participate in an Employee Share Option Plan.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Group's operations.

Consideration is also given to reasonableness, acceptability to shareholders and appropriateness for the current level of operations.

Remuneration of Non-Executive Directors is determined by the Board based on recommendations from the Remuneration Committee and the maximum amount approved by shareholders from time to time.

### Cash Bonuses

Cash bonuses granted to directors and officers are at the discretion of the Remuneration Committee. No bonuses were granted during the financial year ended 31 December 2014.

### Performance conditions

The elements of remuneration as detailed within the Remuneration Report are dependent on the satisfaction of the individual's performance and the Group's financial performance.

The Board undertakes an annual review of its performance and the performance of the Board Committees.

Details of the nature and amount of each element of the remuneration of each Director of the Company and each specified executive of the Company and the Group receiving the highest remuneration are set out in the following tables:

**REMUNERATION REPORT CONTINUED****Directors and Other Key Management Personnel of Hudson Resources Limited**

<b>Consolidated 2014</b>	<b>Short Term Employee Benefits</b>		<b>Post Employment Benefits</b>	<b>Long Term Benefits</b>	<b>Share Based Payment</b>	<b>Total</b>
	<b>Salary and other fees</b>	<b>Travelling Allowance</b>	<b>Super- annuation</b>	<b>Long Service Leave</b>		
<b>Directors</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Tan Sri Ibrahim Menudin	41,171	-	-	-	-	41,171
Vincent Tan	200,000	-	-	-	-	200,000
Richard Yap	62,500	-	-	-	-	62,500
Benjamin Amzalak	-	-	-	-	-	-
Luisa Tan	-	-	-	-	-	-
Peter J Meers	29,579	-	2,427	-	-	32,006
<b>Directors - Total</b>	<b>333,250</b>	<b>-</b>	<b>2,427</b>	<b>-</b>	<b>-</b>	<b>335,677</b>
<b>Other KMP</b>						
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	-	-	-	-	-	-
Francis Choy	-	-	-	-	-	-
<b>KMP - Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Parent Entity 2014</b>						
<b>Directors</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Tan Sri Ibrahim Menudin	41,171	-	-	-	-	41,171
Vincent Tan	200,000	-	-	-	-	200,000
Richard Yap	62,500	-	-	-	-	62,500
Benjamin Amzalak	-	-	-	-	-	-
Luisa Tan	-	-	-	-	-	-
Peter J Meers	29,579	-	2,427	-	-	32,006
<b>Directors - Total</b>	<b>333,250</b>	<b>-</b>	<b>2,427</b>	<b>-</b>	<b>-</b>	<b>335,677</b>
<b>Other KMP</b>						
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	-	-	-	-	-	-
Francis Choy	-	-	-	-	-	-
<b>KMP - Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The amounts reported represent the total remuneration paid by entities in the Hudson Resources Group in relation to managing the affairs of all the entities within the Group.

There are no performance conditions related to any of the above payments.

There is no other element of Directors and Executives remuneration.

**Directors and Other Key Management Personnel of Hudson Resources Limited**

<b>Consolidated 2013</b>	<b>Short Term Employee Benefits</b>			<b>Post Employment Benefits</b>	<b>Long Term Benefits</b>	<b>Share Based Payment</b>	<b>Total</b>
	<b>Salary and other fees</b>	<b>Bonus</b>	<b>Travelling Allowance</b>	<b>Super- annuation</b>	<b>Long Service Leave</b>		
<b>Directors</b>	\$	\$	\$	\$	\$	\$	\$
Peter J Meers	381,396	-	10,800	27,378	2,254	-	421,828
Tan Sri Ibrahim Menudin	100,000	-	-	-	-	-	100,000
Ken Boundy	15,000	-	10,800	-	-	-	25,800
Richard Yap	50,000	-	-	-	-	-	50,000
Benjamin Amzalak	150,000	-	-	-	-	-	150,000
Luisa Tan	-	-	-	-	-	-	-
<b>Directors - Total</b>	<b>696,396</b>	<b>-</b>	<b>21,600</b>	<b>27,378</b>	<b>2,254</b>	<b>-</b>	<b>747,628</b>
<b>Other KMP</b>							
Jacob Rebek	126,500	-	7,200	-	-	-	133,700
Michael Leu	157,800	-	10,800	-	-	-	168,600
Daniel Buckley	340,000	-	-	31,025	5,668	-	376,693
Peter Kennewell	127,938	-	10,800	35,747	2,501	-	176,986
David Hughes	18,000	-	-	-	-	-	18,000
Henry Kinstlinger	209,790	-	10,800	-	-	-	220,590
Vincent Tan	200,000	-	-	-	-	-	200,000
Francis Choy	-	-	-	-	-	-	-
<b>KMP - Total</b>	<b>1,180,028</b>	<b>-</b>	<b>39,600</b>	<b>66,772</b>	<b>8,169</b>	<b>-</b>	<b>1,294,570</b>
<b>Parent Entity 2013</b>							
<b>Directors</b>	\$	\$	\$	\$	\$	\$	\$
Tan Sri Ibrahim Menudin	100,000	-	-	-	-	-	100,000
Peter J Meers	50,034	-	-	4,566	1,004	-	55,604
Richard Yap	50,000	-	-	-	-	-	50,000
Benjamin Amzalak	-	-	-	-	-	-	-
Luisa Tan	-	-	-	-	-	-	-
Ken Boundy	-	-	10,800	-	-	-	10,800
<b>Directors - Total</b>	<b>200,034</b>	<b>-</b>	<b>10,800</b>	<b>4,566</b>	<b>1,004</b>	<b>-</b>	<b>216,404</b>
<b>Other KMP</b>							
Jacob Rebek	8,500	-	-	-	-	-	8,500
Michael Leu	-	-	-	-	-	-	-
Daniel Buckley	-	-	-	-	-	-	-
Peter Kennewell	-	-	-	-	-	-	-
David Hughes	18,000	-	-	-	-	-	18,000
Henry Kinstlinger	-	-	-	-	-	-	-
Vincent Tan	200,000	-	-	-	-	-	200,000
Francis Choy	-	-	-	-	-	-	-
<b>KMP - Total</b>	<b>226,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>226,500</b>

The amounts reported represent the total remuneration paid by entities in the Hudson Resources Group in relation to managing the affairs of all the entities within the Group.

There were no performance conditions related to any of the above payments.

There was no other element of Directors and Executives remuneration.

**Share options granted to Directors and other Key Management Personnel**

There were no options granted to Directors or other key management personnel of the Company during the financial year or during the period since the end of the financial year and up to the date of this report.

No options were issued or expired during the same period.

Please refer to Note 31 for details.

**End of Remuneration Report**

**Loans to Directors and other key management personnel**

Under Hudson Resources Executive Share Ownership Plan, a total of \$225,000 (2013: \$1,125,000) was advanced to various Executives. The interest rate on the non-recourse loan is 12% per annum and 1,500,000 (2013: 11,500,000 shares) shares of Hudson Resources Limited are held as security. The fair value of the shares is not recorded in Statement of Financial Position. Please refer to Note 31 for details.

There were no other loans made to Directors or Other Key Management Personnel of the Company and the Group during the period commencing at the beginning of the financial year and up to the date of this report.

**Shares under option**

There are no unissued ordinary shares of Hudson Resources Limited under option at the date of this report.

**Directors' and officers' indemnities and insurance**

During the financial year the Company (as the controlling entity) paid an insurance premium, insuring the Company's Directors, (as named in this report), Company Secretary, Executive officers and employees against liabilities not prohibited from insurance by the *Corporations Act 2001*.

A confidentiality clause in the insurance contract prohibits disclosure of the amount of the premium and the nature of insured liabilities.

**Proceedings on behalf of the Company**

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in or on behalf of the Company with leave of the Court under Section 237 of the *Corporations Act 2001*.

**Auditor's independence declaration**

The Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 22.

**Non-audit services**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor K.S. Black & Co. for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for *Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent Entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
Amounts paid or payable to auditors for audit and review of the financial report for the entity or any entity in the Group				
<b>Audit services</b>	<b>16,995</b>	69,745	<b>16,995</b>	20,125
<b>Review Services</b>	<b>8,755</b>	38,275	<b>8,755</b>	9,870
	<b>25,750</b>	108,020	<b>25,750</b>	29,995
Amounts paid or payable to auditors for non audit taxation services for the parent entity or any company in the Group for review and lodgement of the income tax return				
<b>Taxation services</b>	<b>1,150</b>	33,590	<b>1,150</b>	8,545
Amounts paid or payable for non audit advisory services for the Company.				
<b>Advisory services</b>	-	1,225	-	-
	<b>1,150</b>	34,815	<b>1,150</b>	8,545

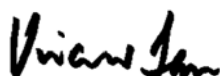
**Auditor**

K.S. Black & Co continues in office in accordance with section 327 of the *Corporations Act 2001*.

**Rounding of amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This Directors' Report, incorporating the Remuneration Report, is signed in accordance with a Resolution of the Board of Directors.



**Vincent Tan**  
Director



**Benjamin Amzalak**  
Director

Signed at Sydney  
30 March 2015

Level 6, 350 Kent Street  
Sydney NSW 2000

# KS Black & Co

20 Grose Street  
North Parramatta NSW 2151

87- 89 Lyons Road  
Drummoyne NSW 2047

Chartered Accountants

ABN: 57 446 398 808

PO Box 2210  
Parramatta NSW 1750

**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF HUDSON RESOURCES LIMITED  
A.B.N 71 008 720 965  
AND CONTROLLED ENTITIES**

We declare that, to the best of our knowledge and belief during the year ended 31 December 2014, there have been:

- i. No contraventions of the auditor independence requirements as set out in the *Corporation Act 2001* in relation to the audit; and
- ii. No contraventions of any applicable code of professional conduct in relation to the audit.

**K.S. Black & Co  
Chartered Accountants**



**Sam Danieli  
Partner**

Sydney, 30 March 2015

## STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Consolidated		Parent Entity	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Revenue from continuing operations</b>	4	<b>1,630</b>	1,639	<b>1,456</b>	1,170
Cost of sales		<b>(1,446)</b>	(325)	<b>(1,130)</b>	(315)
Other income and expenses	5	<b>(3,208)</b>	5,573	<b>2,361</b>	4,097
Administration and exploration expenses	6	<b>(5,685)</b>	(9,390)	<b>(1,203)</b>	(1,347)
Finance costs		<b>(317)</b>	(367)	<b>(57)</b>	(39)
<b>Profit/(Loss) before income tax expense</b>		<b>(9,026)</b>	(2,870)	<b>1,427</b>	3,566
Income tax expense/(benefit)	7 (a)	-	-	-	-
<b>Profit/(Loss) after tax</b>		<b>(9,026)</b>	(2,870)	<b>1,427</b>	3,566
<b>Other comprehensive income</b>					
Share of profit/(loss) from equity accounted associates/joint venture		-	-	-	-
Other comprehensive income for the year net of tax		-	-	-	-
		<b>(9,026)</b>	(2,870)	<b>1,427</b>	3,566
Non-Controlling Interest		<b>9,200</b>	6,874	-	-
<b>Total Comprehensive (loss)/income attributable to members of the Company</b>		<b>174</b>	4,004	<b>1,427</b>	3,566
<b>Earnings/(loss) per share</b>		<b>Cents</b>	Cents		
Basic earnings per share	29	<b>0.15</b>	3.38		
Diluted earnings per share	29	<b>0.15</b>	3.38		

The above statement should be read in conjunction with the accompanying notes

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	Consolidated		Parent Entity	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	8	287	2,103	141	1,117
Trade and other receivables	9	613	2,045	563	28
Financial assets	12	616	109	616	109
Inventories	10	275	75	275	75
Other current assets	11	15	147	15	23
<b>Total current assets</b>		<b>1,806</b>	4,479	<b>1,610</b>	1,352
<b>Non-current assets</b>					
Trade and other receivables	9	325	10,348	2,042	10,756
Financial Assets	12	13,000	2,750	13,000	910
Mining tenements	13	468	17,692	-	-
Plant and equipment	14	25	100	25	40
Investment property	15	3,078	3,148	-	1,367
Intangible assets	16	-	14,401	-	-
		<b>16,896</b>	48,439	<b>15,067</b>	13,073
<b>Total Assets</b>		<b>18,702</b>	52,918	<b>16,677</b>	14,425
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Trade and other payables	17	1,375	3,491	1,234	130
Financial liabilities	19	101	101	14	14
Employee benefits provision	18	-	105	-	3
<b>Total current liabilities</b>		<b>1,476</b>	3,697	<b>1,248</b>	147
<b>Non-current liabilities</b>					
Trade and other payables	17	-	1,910	548	803
Financial liabilities	19	1,651	1,752	30	44
Provisions	20	189	228	189	196
<b>Total non-current liabilities</b>		<b>1,840</b>	3,890	<b>767</b>	1,043
<b>Total Liabilities</b>		<b>3,316</b>	7,587	<b>2,015</b>	1,190
<b>Net Assets</b>		<b>15,386</b>	45,331	<b>14,662</b>	13,235
<b>EQUITY</b>					
Issued capital	21	26,925	26,925	26,925	26,925
Reserves	22	12,608	16,067	4,152	4,152
Accumulated losses		(24,147)	(24,321)	(16,415)	(17,842)
<b>Total equity attributable to equity holders of parent entity</b>		<b>15,386</b>	18,671	<b>14,662</b>	13,235
Non-controlling interest		-	26,660	-	-
<b>Total Equity</b>		<b>15,386</b>	45,331	<b>14,662</b>	13,235

The above statement should be read in conjunction with the accompanying notes.

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2014

	Issued Capital	Reserves	Accumulated Losses	Non-Controlling Interests	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>					
<b>At 1 January 2014</b>	<b>26,925</b>	<b>16,067</b>	<b>(24,321)</b>	<b>26,660</b>	<b>45,331</b>
Profit/(Loss) for the year	-	-	174	-	174
Movement during the year	-	(3,459)	-	(26,660)	(30,119)
<b>At 31 December 2014</b>	<b>26,925</b>	<b>12,608</b>	<b>(24,147)</b>	<b>-</b>	<b>15,386</b>
<hr/>					
<b>At 1 January 2013</b>	26,925	20,729	(28,325)	36,895	56,224
Profit/(Loss) for the year	-	-	4,004	-	4,004
Movement during the year	-	(4,662)	-	(10,235)	(14,897)
<b>At 31 December 2013</b>	<b>26,925</b>	<b>16,067</b>	<b>(24,321)</b>	<b>26,660</b>	<b>45,331</b>
<hr/>					
<b>Parent Entity</b>					
<b>At 1 January 2014</b>	<b>26,925</b>	<b>4,152</b>	<b>(17,842)</b>	<b>-</b>	<b>13,235</b>
Profit for the year	-	-	1,427	-	1,427
<b>At 31 December 2014</b>	<b>26,925</b>	<b>4,152</b>	<b>(16,415)</b>	<b>-</b>	<b>14,662</b>
<hr/>					
<b>At 1 January 2013</b>	26,925	4,152	(21,408)	-	9,669
Profit for the year	-	-	3,566	-	3,566
<b>At 31 December 2013</b>	<b>26,925</b>	<b>4,152</b>	<b>(17,842)</b>	<b>-</b>	<b>13,235</b>
<hr/>					

The above statement should be read in conjunction with the accompanying notes.

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Consolidated		Parent Entity	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers		502	664	410	446
Payments to suppliers and employees		(4,872)	(10,220)	(1,269)	(2,264)
Interest paid		(174)	(153)	(4)	(4)
Interest received		751	216	706	9
<b>Net cash (outflow)/inflow from operating activities</b>	28	<b>(3,793)</b>	<b>(9,493)</b>	<b>(157)</b>	<b>(1,813)</b>
<b>Cash flows from investing activities</b>					
Proceeds from sale of shares		4,228	8,765	3,480	6,454
Intra-group property transfer		-	-	1,344	-
Acquisition of investment		(13,800)	(889)	(14,345)	-
Payments for property, plant and equipment		-	(37)	-	(3)
Repayment from/(advance to) other entity		11,650	(4,627)	10,280	(3,377)
Repayment/(advance) with controlled entity		-	-	(1,564)	(318)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>2,078</b>	<b>3,212</b>	<b>(805)</b>	<b>2,756</b>
<b>Cash flows from financing activities</b>					
Proceeds from issue of shares - controlled entities		-	3,000	-	-
Share issuing cost - controlled entities		-	(278)	-	-
Proceed from borrowing		-	1,000	-	-
Proceeds/(repayment) from borrowing		(101)	(79)	(14)	(13)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(101)</b>	<b>3,643</b>	<b>(14)</b>	<b>(13)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>					
		<b>(1,816)</b>	<b>(2,638)</b>	<b>(976)</b>	<b>930</b>
Cash and cash equivalents at the beginning of the financial year		2,103	4,741	1,117	187
<b>Cash and cash equivalents at the end of the financial year</b>	8	<b>287</b>	<b>2,103</b>	<b>141</b>	<b>1,117</b>

The above statement should be read in conjunction with the accompanying notes.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2014

#### 1. CORPORATE INFORMATION

The financial statements of Hudson Resources Limited (the **Company**) and its controlled entities (the **Group**) for the year ended 31 December 2014 was authorised for issue in accordance with a resolution of Directors and covers Hudson Resources Limited as an individual entity as well as the consolidated entity consisting of Hudson Resources Limited and its subsidiaries as required by the *Corporations Act 2001*.

Hudson Resources Limited is a company limited by shares incorporated in Australia whose shares are listed on the Australian Securities Exchange (**ASX**) to July 2014.

The financial statements are presented in Australian currency.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company is domiciled in Australia. The consolidated financial report of the Company for the financial year ended 31 December 2014 comprises the Company and its subsidiaries (together referred to as the **consolidated entity**).

##### a. Basis of preparation

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

##### *Statement of Compliance*

Australian Accounting Standards (**AASBs**) include Australian equivalents to International Financial Reporting Standards (**AIFRS**). Compliance with AIFRS ensures that the financial report of Hudson Resources Limited complies with International Financial Reporting Standards, (**IFRS**).

##### *Critical accounting estimates and assumptions*

Details of critical accounting estimates and assumptions about the future made by management at reporting date are set out below:

##### *Impairment of assets*

The Company assess impairment at each reporting date by evaluating conditions specific to the entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Calculations performed in assessing recoverable amounts incorporate a number of key estimates.

##### *Critical judgements*

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

##### *Capitalisation of exploration costs*

During the year the Group and the parent entity made a judgement about the capitalisation of exploration costs.

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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

### *Measurement of financial assets*

If there is an active market for financial assets then the fair value should be in line with market prices and if not they have been carried at cost.

### *Recognition of deferred tax assets*

In line with the Group's accounting policy (Note 2e) and as disclosed in Note 7, deferred tax assets have not been recognised.

### *Going Concern*

This financial report has been prepared on a going concern basis, which contemplates the continuity of business activities and the realisation of assets and payments of liabilities in the normal course of business.

The directors believe the Company will be able to pay its debts as and when they fall due and to fund near term anticipated activities.

Company considers its property and mineral segments are producing positive cash flow and income to meet its cash obligation.

### *Historical cost convention*

These financial statements have been prepared under the historical cost convention except where noted in these accounting policies.

### **ASIC CO 98/100**

The Company is of a kind referred to in ASIC Class Order 98/100 issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases, the nearest dollar.

## **b. Principles of consolidation**

### (i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hudson Resources Limited (the **parent entity**) as at 31 December 2014 and the results of all subsidiaries for the year then ended. Hudson Resources Limited and its subsidiaries together are referred to in this financial report as the consolidated entity.

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

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

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

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

### (ii) *Joint Ventures*

Interests in joint venture entities are accounted for in the consolidated financial statements using the proportionate consolidation method and are carried at cost by the parent entity. Under the proportionate consolidation method, the share of income and expenses of the jointly controlled entity is combined line by line with similar items in the consolidated Statement of Profit or Loss and Other Comprehensive Income and the share of assets and liabilities are recognised in the consolidated Statement of Financial Position.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### (iii) *Business Combinations*

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

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

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

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

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

### (iv) *Goodwill*

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

- The consideration transferred;
- Any non-controlling interest; and
- The acquisition date fair value of any previously held equity interests over the acquisition date fair value of net assets acquired.

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

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

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

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### c. Segment reporting

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

### d. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

#### *Sale of goods*

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when control of goods passes to the customer.

#### *Interest revenue*

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

#### *Rental income*

Rental income on investment properties is accounted for on a straight-line basis over the term of the lease. Contingent rentals are recognised as income in the periods when they are earned.

#### *Other income*

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

### e. Income tax

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

The Company and its wholly owned entities are part of a tax-consolidated group under Australian taxation law. Hudson Resources Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognized in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognized by the Company (as head entity in the tax-consolidated group).

The amounts receivable/payable under tax funding arrangements are due upon notification by the head entity, which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly owned subsidiaries in order for the head entity to be able to pay tax instalments. These amounts are recognised as current inter-company receivables or payables.

### f. Goods and services tax (GST)

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

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

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

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

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

### g. Cash and cash equivalents

For the purposes of the cash flow statement, cash includes cash on hand and in at call deposits with banks or financial institutions, investment in money market instruments maturing within less than 3 months, net of bank overdrafts.

### h. Trade and other receivables

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

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

### i. Inventories

Raw materials and stores represent ore that has been extracted and is available for further processing. Where the future processing of the ore can be predicted with confidence because it exceeds the mines cut-off grade, it is valued at the lower of cost and net realisable value. Quantities are assessed through survey.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### j. Financial instruments

#### *Recognition and initial measurement*

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

#### *Classification and subsequent measurement*

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (d) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

#### (i) *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

#### (ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after reporting date. (All other loans and receivables are classified as non-current assets.)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### (iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after reporting date. (All other investments are classified as current assets.)

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

### (iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after reporting date. (All other financial assets are classified as current assets.)

### (v) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

#### *Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

#### *Impairment*

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

#### *Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### **k. Impairment of assets**

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### I. Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by entities in the consolidated entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Entities in the consolidated entity use a variety of methods and make assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to entities in the consolidated entity for similar financial instruments.

### m. Leases

#### *Company as lessee*

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

#### *Company as lessor*

Lease income from operating leases is recognised in the Statement of Comprehensive Income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying value of the leased asset and recognised as an expense over the lease term on the same bases as the lease income.

### n. Tenement exploration, evaluation and development costs

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

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

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

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *continued*

### **o. Property, plant and equipment**

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight line method to allocate cost over their useful lives as follows:

- Building 30 years
- Plant and equipment 5 years

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Profit or Loss and Other Comprehensive Income during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Profit or Loss and Other Comprehensive Income.

### **p. Investment properties**

Investment property, principally comprising of buildings and land at Geraldton, is held for long-term rental yields and is not occupied by the Group. Investment property is carried at fair value which is based on active market prices, adjusted if necessary, for any differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. These valuations are reviewed annually by a member of the Australian Property Institute or the Directors of the Group. Changes in fair values are recorded in the Statement of Profit or Loss and Other Comprehensive Income as part of other income.

### **q. Trade and other payables**

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

### **r. Borrowings**

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the loans and borrowings using the effective interest method.

### **s. Employee benefits**

#### *(i) Wages, salaries, and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### *(ii) Long service leave*

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### t. Provisions

Provisions relate to amounts due to the Mines Department in relation to restoration. These amounts are held in trust and utilised when restoration of a site is required.

### u. Contributed equity

Ordinary shares are classified as equity. Incremental costs directly, attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### v. Capital profits reserve

The capital profits reserve represents the realised component of the asset revaluation reserve which remains undistributed to shareholders.

### w. Options reserve

The options reserve is used to recognise the fair value of options issued to employees but not exercised.

### x. Share-based payments

Ownership-based remuneration is provided to employees via the executive option plan and employee share plan. Information relating to the scheme is set out in Note 33.

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

The fair value of the options at grant date is independently determined using a Black Sholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

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

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

### y. Earnings per share (EPS)

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

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

### z. New Accounting Standards for Application

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. We have reviewed these standards and interpretations and there are none having any material effect.

### 3. FINANCIAL RISK MANAGEMENT

#### a. General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Groups' risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Board receives reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's finance function is to also review the risk management policies and processes and report their findings to the Audit Committee.

	Consolidated		Parent Entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
<b>Current</b>				
Cash and cash equivalents	287	2,103	141	1,117
Trade and other receivables	613	2,045	563	28
Financial assets	616	109	616	109
<b>Non-current</b>				
Trade and other receivables	325	10,348	2,042	10,756
Financial assets	13,000	2,750	13,000	910
	<b>14,841</b>	<b>17,355</b>	<b>16,362</b>	<b>12,920</b>
<b>Financial liabilities</b>				
<b>Current</b>				
Trade and other payables	266	3,491	1,234	130
Financial liabilities	101	101	14	14
<b>Non-current</b>				
Trade and other payables	-	1,910	548	803
Financial liabilities	1,651	1,752	30	44
	<b>2,018</b>	<b>7,254</b>	<b>1,826</b>	<b>991</b>

#### b. Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets excluding the available for sale financial assets, as summarised under note (a) above.

For banks and financial institutions, only independently rated parties are accepted and each deposit account is kept to under \$1 million to ensure that it is covered by the Governments bank deposit guarantee scheme.

### 3. FINANCIAL RISK MANAGEMENT continued

#### c. Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments, i.e. borrowing repayments. Bank loans are detailed below. The funds were provided by bankers for the Group and the Parent Company. It is the policy of the Board of Directors that treasury reviews and maintains adequate committed credit facilities and the ability to close-out market positions.

#### Maturity analysis of financial liabilities

<b>Consolidated - 2014</b>	<b>Carrying Amount</b>	<b>Contractual Cash flows</b>	<b>&lt; 6 mths</b>	<b>6- 12 mths</b>	<b>1-3 years</b>	<b>&gt; 3 years</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>						
Trade and other payables	266	266	266	-	-	-
Financial liabilities	101	101	50	51	-	-
<b>Non-current</b>						
Trade and other payables	-	-	-	-	-	-
Financial liabilities	1,651	1,651	-	-	1,651	-
Total financial liabilities at amortised cost	<b>2,018</b>	<b>2,018</b>	<b>316</b>	<b>51</b>	<b>1,651</b>	<b>-</b>

#### Consolidated - 2013

##### Current

Trade and other payables	3,491	3,491	416	3,075	-	-
Financial liabilities	101	101	50	51	-	-

##### Non-current

Trade and other payables	1,910	810	-	-	810	-
Financial liabilities	1,752	1,752	-	-	1,752	-

Total financial liabilities at amortised cost	<b>7,254</b>	<b>6,154</b>	<b>466</b>	<b>3,126</b>	<b>2,562</b>	<b>-</b>
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<b>Parent Entity - 2014</b>	<b>Carrying Amount</b>	<b>Contractual Cash flows</b>	<b>&lt; 6 mths</b>	<b>6- 12 mths</b>	<b>1-3 years</b>	<b>&gt; 3 years</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>						
Trade and other payables	1,234	802	154	648	-	-
Financial liabilities	14	14	7	7	-	-
<b>Non-current</b>						
Trade and other payables	548	-	-	-	-	-
Financial liabilities	30	30	-	-	30	-
Total financial liabilities at amortised cost	<b>1,826</b>	<b>846</b>	<b>161</b>	<b>655</b>	<b>30</b>	<b>-</b>

#### Parent Entity- 2013

##### Current

Trade and other payables	130	130	130	-	-	-
Financial liabilities	14	14	7	7	-	-

##### Non-current

Trade and other payables	803	-	-	-	-	-
Financial liabilities	44	44	-	-	44	-

Total financial liabilities at amortised cost	<b>991</b>	<b>188</b>	<b>137</b>	<b>7</b>	<b>44</b>	<b>-</b>
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### 3. FINANCIAL RISK MANAGEMENT continued

#### Maturity analysis of financial liabilities continued

##### d. Market risk

Market risk arises from the use of interest bearing, tradeable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

##### (i) Interest rate risk

The Group does not apply hedge accounting. The Group is constantly monitoring its exposure to trends and fluctuations in interest rates in order to manage interest rate risk. For further details of exposure to interest rate risk refer Note 19 Financial Liabilities.

##### Sensitivity Analysis

The following tables demonstrate the sensitivity to reasonably possible changes in interest rates, with all other variables held constant, of the Group's profit after tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

	Carrying Amount \$'000	+1% Interest Rate \$'000	-1% Interest Rate \$'000
<b>Consolidated 2014</b>			
Borrowings	1,752	(18)	18
Tax charge of 30%		5	(5)
<b>After tax increase/(decrease)</b>	<b>1,752</b>	<b>(13)</b>	<b>13</b>
<b>Consolidated 2013</b>			
Borrowings	1,853	(19)	19
Tax charge of 30%		6	(6)
<b>After tax increase/(decrease)</b>	<b>1,853</b>	<b>(13)</b>	<b>13</b>
<b>Parent Entity 2014</b>			
Borrowings	44	(1)	1
Tax charge of 30%		-	-
<b>After tax increase/(decrease)</b>	<b>44</b>	<b>(1)</b>	<b>1</b>
<b>Parent Entity 2013</b>			
Borrowings	58	(1)	1
Tax charge of 30%		-	-
<b>After tax increase/(decrease)</b>	<b>58</b>	<b>(1)</b>	<b>1</b>

The above analysis assumes all other variables remain constant.

##### (ii) Currency risk

The group has no exposure to currency risk as no transactions are conducted in foreign currency.

### 3. FINANCIAL RISK MANAGEMENT continued

#### Market Risk continued

#### e. Capital risk management

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents. Total equity is calculated as 'equity' as shown in the balance sheet (including minority interest).

It is the Group's policy to maintain its gearing ratio within a healthy and manageable level. The Group's gearing ratio at the balance date is shown below:

Gearing ratios	Consolidated		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Total bank borrowings	(1,752)	(1,853)	(44)	(58)
Cash and cash equivalents	287	2,103	141	1,117
Net cash/(debt)	(1,465)	250	97	1,059
Total equity	15,386	45,331	14,662	13,235
Gearing Ratio	9.5%	n/a	n/a	n/a

The Group's main activities include the mining and sale of attapulgitite and investment in coal, bauxite and gold exploration activities. Due to the nature of these activities, during the year the Group has primarily used the raising of capital to fund its activities. The borrowings within the Group mainly relate to the investment property used by a related party to process attapulgitite into finished goods.

**4. REVENUE FROM CONTINUING OPERATIONS**

	Consolidated		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Revenue</b>				
Sale revenues	203	211	203	211
Rental income	332	323	203	216
Management fee	71	19	71	-
	<b>606</b>	553	<b>477</b>	427
<b>Other Revenue</b>				
Interest income	1,024	1,086	979	743
	<b>1,630</b>	1,639	<b>1,456</b>	1,170

**5. OTHER INCOME AND EXPENSES**

	Consolidated		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Net gain on disposal of investment	3,069	7,562	2,851	4,436
Contribution received on funded expenditure	-	250	-	-
Government research and development concession received	-	405	-	-
Change in fair value of investment property	-	259	-	133
Change in fair value of Investment	(6,495)	(2,100)	(535)	-
Provision for doubtful debt	-	(1,379)	-	(515)
Other	218	576	45	43
	<b>(3,208)</b>	5,573	<b>2,361</b>	4,097

**6. EXPENSES****a. Expenses**

Profit/(Loss) before income tax is arrived after (charging)/crediting the following specific items:

	Consolidated		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Employee benefit expense	(831)	(1,633)	(200)	(277)
Superannuation contribution expense	(37)	(110)	(3)	(9)
Consulting and professional fees	(1,025)	(953)	(251)	(303)
Lease payment	-	(7)	-	-
Borrowing costs:				
Interest and finance charges	(187)	(153)	(18)	(4)
Depreciation:				
Buildings	(83)	(112)	(26)	(18)
Plant and equipment	(12)	(11)	(12)	(16)
Total Depreciation	<b>(95)</b>	(123)	<b>(38)</b>	(34)

**b. Dividends**

The Directors do not recommend a dividend relating to the year ended 31 December 2014 (2013: \$nil) to be paid.

## 7. INCOME TAX

### a. Income tax expense

	Consolidated		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Current tax expense	-	-	-	-
Deferred tax expense	-	-	-	-
Total income tax expense	-	-	-	-
<b>Deferred tax expense</b>				
Increase in deferred tax expense/(benefit)	-	-	-	-

### b. Numerical reconciliation of income tax expense to prima facie tax payable

	Consolidated		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Profit/(loss) before income tax expense	(9,026)	(2,870)	1,427	3,565
Income tax expense (benefit) calculated at 30% (2013:30%)	430	(861)	428	1070
Tax losses not brought to account	-	2635	-	-
Temporary differences not brought to account	409	(209)	490	(37)
Other				
Recoupment of prior year tax losses not previously brought to account	(839)	(1,565)	(918)	(1,033)
Income tax expense/(benefit) at effective tax rate of 30% (2013: 30%)	-	-	-	-

### c. Unrecognised deferred tax assets and liabilities

The unrecognised deferred tax assets of the Group includes \$10,697,933 (2013: \$7,636,504) in relation to carried forward tax losses and \$2,389,805 (2013: \$2,389,805) in relation to carried forward capital losses.

**7. INCOME TAX continued****c. Unrecognised deferred tax assets and liabilities continued**

	Consolidated		Parent Entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets and liabilities have not been recognised in the statement of financial position for the following items:				
Prior year unrecognised tax losses now ineligible due to change in tax consolidation group	-	-	-	-
Other deductible temporary differences and tax losses used	<b>(2,798)</b>	(5,218)	<b>(3,061)</b>	(3,445)
Deferred tax asset in respect of exploration activities not brought to account	-	-	-	-
Deferred tax liability in respect of exploration activities not recognised to the extent of unrecognised deferred tax asset	-	-	-	-
	<b>(2,798)</b>	(5,218)	<b>(3,061)</b>	(3,445)
Potential benefit/(expense) at 30% (2013: 30%)	<b>(839)</b>	(1,565)	<b>(918)</b>	(1,033)

**d. Deferred tax assets**

Deferred tax assets comprise temporary differences attributable to:

Amounts recognised in profit and loss	-	-	-	-
Tax losses	-	-	-	-
Amounts recognised directly in equity	-	-	-	-
Share issue expenses	-	-	-	-
	-	-	-	-

**e. Deferred tax liabilities**

Deferred tax liabilities comprise temporary differences attributable to:

Amounts recognised directly in equity	-	-	-	-
Revaluations of land and buildings	-	-	-	-
Amounts recognised in profit and loss	-	-	-	-
Capitalised exploration costs	-	-	-	-
	-	-	-	-

**8. CASH AND CASH EQUIVALENTS**

	Consolidated		Parent Entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalent	<b>98</b>	1,720	<b>(48)</b>	928
Cash held in trust	<b>189</b>	383	<b>189</b>	189
	<b>287</b>	2,103	<b>141</b>	1,117
Weighted average interest rates	<b>1.64%</b>	2.58%	<b>2.50%</b>	3.03%

**9. TRADE AND OTHER RECEIVABLES**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>				
Receivables - trade	<b>140</b>	35	<b>87</b>	20
Receivables - advance to other parties	<b>450</b>	1,244	<b>450</b>	-
Receivables - GST	<b>19</b>	229	<b>22</b>	6
Tenement deposits	<b>4</b>	536	<b>4</b>	2
Receivables - others	-	1	-	-
	<b>613</b>	2,045	<b>563</b>	28
<b>Non-current</b>				
Receivable - advance to controlled entities	-	-	<b>1,717</b>	410
Receivable - advance to other parties	<b>298</b>	10,297	<b>298</b>	10,297
Receivable - employee Share Plan	<b>27</b>	-	<b>27</b>	-
Other receivables	-	51	-	49
Total	<b>325</b>	10,348	<b>2,042</b>	10,756

**a. Impaired trade receivables and receivables past due**

None of the current or non-current trade receivables are impaired or past due but not impaired.

**b. Receivables – advance to other parties****Current**

Company transferred share investments to one related entity \$0.45M during the year. None were written off during the year. The balance remained outstanding as at reporting date.

**Non-current**

Company advanced interest bearing secure resource loan to one related entity, Hudson Corporate Limited of \$0.23 million. Loan is secured against marketable securities.

Company advanced interest bearing non-secured loan to one related entity, Raffles Capital Limited of \$0.06 million.

None were written off during the year.

**c. Receivables - GST**

These amounts relating to receivables for GST paid

**d. Receivable – employee share plan**

All non-recourse loans relate to the individuals participation in the Company's Executive Share Ownership Plan (ESP). Interest is payable upon termination. Loans are secured against the Employee Share Plan shares only. Non-recourse loans are repayable should employees leave the Company. None were written down during the year. If the employee decide not to participate the ESP, all ESP plan shares will be returned to company, fair value of ESP shares is not recorded in book.

**e. Interest rate risk**

Information about the Group's and the parent entity's exposure to interest rate risk in relation to trade and other receivables is provided in Note 3.

**9. TRADE AND OTHER RECEIVABLES continued****f. Fair value and credit risk****Current trade and other receivables**

Due to the short term nature of these receivables their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

**Non-current trade and other receivables**

The fair values and carrying values of non-current receivables are as follows:

	2014		2013	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
<b>Consolidated</b>				
Advance to other entities	<b>325</b>	<b>325</b>	10,348	10,348
<b>Parent Entity</b>				
Advance to controlled entities	<b>1,717</b>	<b>1,717</b>	410	410
Advance to other entities	<b>298</b>	<b>298</b>	10,297	10,297
Employee Share Plan	<b>27</b>	<b>27</b>	-	-
Other receivables	-	-	49	49
	<b>2,042</b>	<b>2,042</b>	10,756	10,756

Receivables under Employee Share Plan are interest bearing and secured by ESP plan shares.

Advances to other entities are interest bearing and secured by shares.

Advances to controlled entities are interest free, and are repayable on demand. The fair value is approximately equivalent to the carrying value.

**10. INVENTORIES**

	Consolidated		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Raw materials – ore at cost	<b>275</b>	75	<b>275</b>	75
	<b>275</b>	75	<b>275</b>	75

**11. OTHER CURRENT ASSETS**

	Consolidated		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Prepayments	<b>7</b>	38	<b>7</b>	11
Accrued convertible interest payable	-	97	-	-
Others	<b>8</b>	12	<b>8</b>	12
	<b>15</b>	147	<b>15</b>	23

**12. FINANCIAL ASSETS**

	Consolidated		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Current</b>				
Investment in listed shares	616	109	616	109
<b>Non-Current</b>				
Investment in listed entity	-	800	-	-
Investment in associated entities	-	3,649	-	-
Provision for diminution	-	(2,100)	-	-
Investment in preference shares (note b)	13,000	-	13,000	-
Investment in Hudson – MPA (note a.)	-	567	-	567
Less: Write-down to recoverable amount	-	(166)	-	(166)
Shares in controlled entities at cost	-	-	589	1,098
Less: Write-down to recoverable amount	-	-	(589)	(589)
	<b>13,000</b>	<b>2,750</b>	<b>13,000</b>	<b>910</b>

- a. Divesting investment in unlisted overseas entity during the year.
- b. In December 2014, Company invested \$13.0 million in unsecured, perpetual, non-cumulative preference share of Hudson Pacific Group Limited, a wholly owned controlled entity of Hudson Investment Group Limited (ASX: HGL). Due to short period between investment and reporting date, the carrying amount is considered close approximate to its fair value.

**13. MINING TENEMENTS**

	Consolidated		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Mining tenements	468	17,692	-	-

The recoverability of the carrying amount of evaluation and exploration assets is dependent upon successful development and commercial exploitation, or alternatively the sale of the respective areas of interest.

Tenement No.	Location	Square Kms	Registered Owner/ Applicant/ Assignee	% Interest	Tenement \$
M70/128	Lake Nerramyne	1.2	HRS - Attapulгите	100%	-
M70/389	Lake Nerramyne	7.2	HRS - Attapulгите	100%	-
M70/483	Lake Nerramyne	9.5	HRS - Attapulгите	100%	-
M70/606	Lake Nerramyne	8.9	HRS - Attapulгите	100%	-
M70/129	Badgingarra	0.5	HRS - Diatomite	100%	-
M70/361	Dongara	0.5	HRS - Diatomite	100%	-
M70/38	Drak	0.4	HRS - Diatomite	100%	-
M70/842	Badgingarra	0.8	HRS - Diatomite	100%	-
EPM 19610	Bloomsburry	300	Mt Hector Gold Pty Ltd	100%	16,228
M70/275	Treeton	10.2	VasseCo Pty Ltd	100%	76,746
M70/276	Treeton	10.1	VasseCo Pty Ltd	100%	74,753
M70/277	Treeton	9.9	VasseCo Pty Ltd	100%	69,873
M70/393	Osmington	8.5	VasseCo Pty Ltd	100%	62,206
M70/394	Osmington	9.6	VasseCo Pty Ltd	100%	64,833
M70/395	Osmington	6.8	VasseCo Pty Ltd	100%	46,446
M70/504	Treeton	8.8	VasseCo Pty Ltd	100%	56,862
ELA 5083	Barraba Diatomite	45	Ashford Coking Coal Pty Ltd	100%	-
					467,947

**14. PLANT AND EQUIPMENT**

	Consolidated		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Plant and equipment</b>				
Plant and equipment – at cost	22	113	22	22
Less: Accumulated depreciation	(19)	(47)	(19)	(16)
Carrying value	<u>3</u>	<u>66</u>	<u>3</u>	<u>6</u>
<b>Leased assets</b>				
Leased assets - at cost	57	57	57	57
Less: Accumulated depreciation	(35)	(23)	(35)	(23)
Carrying value	<u>22</u>	<u>34</u>	<u>22</u>	<u>34</u>
<b>Total Carrying value</b>	<u>25</u>	<u>100</u>	<u>25</u>	<u>40</u>

**Reconciliations**

Reconciliations of the carrying amount of each class of leased asset, plant and equipment at the beginning and end of the financial year are set out below.

	Consolidated		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Plant and equipment</b>				
<b>Carrying amount at beginning of year</b>	66	143	6	7
Additions	-	36	-	2
Transfer	(60)	(94)	-	-
Depreciation	(3)	(19)	(3)	(3)
<b>Carrying amount at end of year</b>	<u>3</u>	<u>66</u>	<u>3</u>	<u>6</u>
<b>Leased assets</b>				
<b>Carrying amount at beginning of year</b>	34	45	34	45
Additions	-	-	-	-
Depreciation	(12)	(11)	(12)	(11)
<b>Carrying amount at end of year</b>	<u>22</u>	<u>34</u>	<u>22</u>	<u>34</u>

**15. INVESTMENT PROPERTY**

	Consolidated		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
At fair value (note b)	<u>3,078</u>	<u>3,148</u>	<u>-</u>	<u>1,367</u>

Reconciliation of the carrying amount of investment property at the beginning and end of the financial year is set out below.

At fair value				
Balance at beginning of year	3,148	2,949	1,367	1,253
Depreciation	(70)	(60)	(23)	(19)
Intra-group transfer	-	-	(1,344)	-
Fair value adjustments	-	259	-	133
Balance at end of year	<u>3,078</u>	<u>3,148</u>	<u>-</u>	<u>1,367</u>

**a. Amounts recognised in profit and loss for investment properties**

The following amounts have been recognised in the Statement of Profit or Loss and Other Comprehensive Income

Rental Income	<b>332</b>	323	<b>203</b>	216
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**b. Valuation Basis**

The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The valuations were based on independent assessments made by a member of the Australian Property Institute.

**c. Non-current assets pledged as security**

Refer to Note 19 for information on non-current assets pledged as security by the parent entity.

**16. INTANGIBLE ASSETS**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Goodwill on consolidation	-	14,401	-	-
	<b>-</b>	<b>14,401</b>	<b>-</b>	<b>--</b>

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>Goodwill:</b>				
Carrying value	<b>14,401</b>	14,401	-	-
Accumulated Impairment losses	<b>(14,401)</b>	-	-	-
Net carrying amount	<b>-</b>	<b>14,401</b>	<b>-</b>	<b>-</b>

Movement during the year

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Balance at the beginning of the year	<b>14,401</b>	15,495	-	-
Divesting through business combination	<b>(14,401)</b>	(1,094)	-	-
Impairment losses	-	-	-	-
Balance at the end of the year	<b>-</b>	<b>14,401</b>	<b>-</b>	<b>-</b>

Please refer Note 25 for details.

**17. TRADE AND OTHER PAYABLES**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>Current</b>				
<b>Unsecured</b>				
Trade Payables	<b>266</b>	238	<b>125</b>	11
Other and accrued payables	<b>1,109</b>	253	<b>1,109</b>	119
Controlled entities – share placement fund received	-	3,000	-	-
	<b>1,375</b>	<b>3,491</b>	<b>1,234</b>	<b>130</b>
<b>Non-Current</b>				
<b>Unsecured</b>				
Payable-controlled entities	-	-	<b>548</b>	803
Payable – related entities	-	810	-	-
Convertible note	-	1,100	-	-
	<b>-</b>	<b>1,910</b>	<b>548</b>	<b>803</b>

All non-current payables are interest free and have no determined terms of repayment.

**18. EMPLOYEE BENEFITS PROVISION**

	Consolidated		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Current</b>				
Employee leave entitlements	-	105	-	3

**19. FINANCIAL LIABILITIES**

	Consolidated		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Current</b>				
Secured				
Lease liabilities	14	14	14	14
Bank borrowings	87	87	-	-
	<b>101</b>	101	<b>14</b>	14
<b>Non-Current</b>				
Secured				
Leased liabilities	30	44	30	44
Bank borrowing	1,621	1,708	-	-
	<b>1,651</b>	1,752	<b>30</b>	44

**Security for borrowings**

Bank loan is secured by first mortgages over the Group's investment property at Geraldton and fixed and floating charges over assets of the Group as specified below. The loans are repayable in year 2016 and the rate of interest paid is a variable rate of 5.72% (2013: 5.72 %).

**Assets pledged as security**

The carrying amounts of non-current assets pledged as security are:

Investment property	3,078	3,148	-	1,367
Plant and equipment	25	100	25	40
	<b>3,103</b>	3,248	<b>25</b>	1,407

**Fair value**

The fair value of borrowings is equal to the carrying amounts of the loans.

**Risk exposure**

Information about the Group's and parent entity's exposure to interest rate changes is provided in Note 3.

**20. PROVISIONS**

	Consolidated		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Non-Current</b>				
Employee leave entitlements	-	39	-	7
Restoration provision	189	189	189	189
	<b>189</b>	228	<b>189</b>	196

**21. ISSUED CAPITAL**

	Consolidated and Parent Entity		Consolidated and Parent Entity	
	2014	2013	2014	2013
	Shares	Shares	\$'000	\$'000
Share capital				
Ordinary shares	<b>118,385,822</b>	118,385,822	<b>26,925</b>	26,925

**a. Movements in ordinary share capital during the year:**

Date	Details	No. of shares	Exercise Price \$	\$'000
1 January 2014	Balance	118,385,822		26,925
	Movement during the year	-		-
31 December 2014	Balance	<u>118,385,822</u>		<u>26,925</u>

**b. Terms and Conditions**

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

**c. Options**

There are no unissued ordinary shares of Hudson Resources Limited under option at the date of this report.

**d. Performance Options**

No options were granted and issued during the year.

**22. RESERVES**

	Consolidated		Parent Entity	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
<b>Reserves</b>				
Capital profits reserve	<b>12,213</b>	15,017	<b>3,757</b>	3,757
Options reserve	<b>395</b>	1,050	<b>395</b>	395
	<b>12,608</b>	16,067	<b>4,152</b>	4,152
<b>Movements in reserves</b>				
<i>Capital profits reserve</i>				
Balance at start of the year	<b>15,017</b>	19,698	<b>3,757</b>	3,757
Business combination movement	<b>(2,804)</b>	(4,681)	-	-
Balance at the end of the year	<b>12,213</b>	15,017	<b>3,757</b>	3,757
<i>Options reserve</i>				
Balance at start of the year	<b>1,050</b>	1,031	<b>395</b>	395
Business combination movement	<b>(655)</b>	19	-	-
Balance at the end of the year	<b>395</b>	1,050	<b>395</b>	395

The capital profits reserve represents the changes in ownership of partly owned listed subsidiaries.

The options reserve is used to recognise the fair value of options issued to employees by one controlled entity.

**23. CONTINGENT LIABILITIES****Guarantees**

Cross guarantees by Hudson Resources Limited and its wholly owned controlled entities. No deficiency of assets exists in the consolidated entity as a whole. Refer to Note 26 for details.

There are no other material contingent liabilities as at the date of this report.

No material losses are anticipated in respect of any of the above contingent liabilities.

**24. COMMITMENTS**

	Consolidated		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Exploration expenditure commitments</b>				
Tenement exploration expenditure	898	26,801	898	16,525
Tenement lease payment	219	4,066	219	3,613
	<b>1,117</b>	<b>30,867</b>	<b>1,117</b>	<b>20,138</b>

The minimum exploration expenditure commitments and lease payments on the Group's exploration tenements totalling approximately \$1.1 million over the remaining term of the tenements.

**Remuneration expenditure commitments**

Salary and other remuneration commitments under long-term employment contracts existing at reporting date are not recognised as liabilities

Within one year	200	550	200	50
Later than one year but not later than 5 years	800	125	800	-
Later than 5 years	-	-	-	-
	<b>1,000</b>	<b>675</b>	<b>1,000</b>	<b>50</b>

**Executive Service Agreement**

There was one service agreement in place formalising the terms of remuneration of Mr Tan. The agreement has no specific term and may be terminated by either party upon reasonable notice. The Company may terminate the agreement in the event of serious misconduct by either party without any compensatory payment.

**Corporate Service agreement**

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

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

**25. INVESTMENTS IN CONTROLLED ENTITIES**

The consolidated financial statements incorporating the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b).

Name of entity	Class of shares	Equity Holding		Country of incorporation
		2014 %	2013 %	
North Eastern Bauxite Pty Limited	Ordinary	100	100	Australia
Hudson Diatomaceous Earth Pty Limited	Ordinary	100	100	Australia
Hudson Minerals Limited	Ordinary	100	100	Australia
Mount Hector Gold Pty Ltd	Ordinary	100	100	Australia
VasseCo Pty Ltd	Ordinary	100	100	Australia
Ashford Coking Coal Pty Ltd*	Ordinary	100	100	Australia

◇ Company divesting and de-consolidated Tiaro Coal Limited, Sovereign Gold Company Limited, Precious Metal Limited and its controlled entities during the year.

**26. DEED OF CROSS GUARANTEE**

As at 31 December 2014 Hudson Resources Limited, Hudson Minerals Limited, Hudson Diatomaceous Earth Pty Limited, North Eastern Bauxite Pty Ltd, Vassco Pty Ltd, Ashford Coking Coal Pty Ltd and Mt Hector Gold Pty Ltd entered a Deed of Cross Guarantee under which each company guarantees the debts of the others.

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended by Class Order 98/2017) issued by the Australian Securities & Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Class Order. Set out below are the consolidated statements of financial performance for the year ended 31 December 2014 of the Closed Group.

	2014 \$'000	2013 \$'000
<b>Revenue from continuing operations</b>	<b>1,585</b>	1,277
Cost of sales	<b>(1,377)</b>	(554)
Gross profit	<b>208</b>	723
Other income and expenses	<b>2,931</b>	4,222
Administration expenses	<b>(966)</b>	(1,158)
Finance Costs	<b>(738)</b>	(198)
<b>Profit/(Loss) before income tax</b>	<b>1,435</b>	3,589
Income Tax	-	-
<b>Profit/(Loss) after tax</b>	<b>1,435</b>	3,589
<b>Summary of movements in consolidated accumulated losses</b>		
Accumulated losses at the beginning of the financial year	<b>(15,890)</b>	(19,479)
Profit/(Loss) for the year	<b>1,435</b>	3,589
<b>Accumulated losses at the end of the financial year</b>	<b>(14,455)</b>	(15,890)

**26. DEED OF CROSS GUARANTEE continued**

Set out below is the consolidated statement of financial position as at 31 December 2014 of the Closed Group.

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
<b>Current assets</b>		
Cash and cash equivalents	146	1,122
Trade and other receivables	613	28
Inventories	275	75
Other current assets	631	132
<b>Total current assets</b>	<b>1,665</b>	1,357
<b>Non-current assets</b>		
Trade and other receivables	2,590	11,560
Financial assets	13,000	910
Investment property	3,078	3,148
Property, plant and equipment	25	40
Other non-current assets	468	331
<b>Total non-current assets</b>	<b>19,161</b>	15,989
<b>Total assets</b>	<b>20,826</b>	17,346
<b>Current liabilities</b>		
Trade and other payables	1,235	130
Financial liabilities	101	101
Employee benefits	-	3
<b>Total current liabilities</b>	<b>1,336</b>	234
<b>Non-current liabilities</b>		
Other payables	2,264	1,214
Financial liabilities	1,651	1,752
Provisions	189	195
<b>Total non-current liabilities</b>	<b>4,104</b>	3,161
<b>Total liabilities</b>	<b>5,440</b>	3,395
<b>Net assets</b>	<b>15,386</b>	13,951
<b>Equity</b>		
Issued capital	26,925	26,925
Reserves	2,916	2,916
Accumulated losses	(14,455)	(15,890)
<b>Total equity</b>	<b>15,386</b>	13,951

## 27. SEGMENT INFORMATION

The Consolidated entity primary reporting format is business segments and its secondary reporting format is geographical segments.

### Business segments

The Consolidated entity is organised into the following divisions by product and service type.

#### *Property investment & development*

Development and administration of industrial property in western Australia.

#### *Investment services*

Equity investment in listed entities.

#### *Mining of minerals*

Mining and distribution of attapulgite, (also known as Fuller's Earth) which is an industrial clay material used in the domestic and industrial absorbent, industrial oil refining, agricultural and horticultural industries.

### Geographical segments

All business segments operate principally within Australia.

### Accounting policies

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings.

### Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. All other intersegment transfers are priced on an "arm's-length" basis and are eliminated on consolidation.

### Primary reporting – business segments

	Property investment & development	Investment Services	Mineral, processing & exploration	Intersegment eliminations/ unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2014</b>					
Sales to external customers	332	71	203	-	606
Intersegment sales	-	-	-	-	-
Total sales revenue	332	71	203	-	606
Other revenue	-	1,024	-	-	1,024
<b>Total segment revenue</b>	<b>332</b>	<b>1,095</b>	<b>203</b>	<b>-</b>	<b>1,630</b>
<b>Segment result</b>					
Profit/(loss) before income tax expense	106	3,335	(3,267)	-	174
Income tax expense	-	-	-	-	-
<b>Net profit/(loss)</b>	<b>106</b>	<b>3,335</b>	<b>(3,267)</b>	<b>-</b>	<b>174</b>
Segment assets	3,133	13,027	4,666	(2,124)	18,702
Segment liabilities	2,874	2,015	551	(2,124)	3,316
Acquisition of non-current assets	-	-	-	-	-
Depreciation and amortisation expense	83	12	-	-	95

**2013**

Sales to external customers	323	19	211	-	553
Intersegment sales	-	-	-	-	-
<b>Total sales revenue</b>	<b>323</b>	<b>19</b>	<b>211</b>	<b>-</b>	<b>553</b>
Other revenue	-	1,086	-	-	1,086
<b>Total segment revenue</b>	<b>323</b>	<b>1,105</b>	<b>211</b>	<b>-</b>	<b>1,639</b>

**Segment result**

Profit/(loss) before income tax expense	141	3,424	439	-	4,004
Income tax expense	-	-	-	-	-
<b>Net profit/(loss)</b>	<b>141</b>	<b>3,424</b>	<b>439</b>	<b>-</b>	<b>4,004</b>
Segment assets	3,405	13,057	38,189	(1,733)	52,918
Segment liabilities	1,795	1,190	5,827	(1,255)	7,587
Acquisition of non-current assets	-	-	-	-	-
Depreciation and amortisation expense	112	11	-	-	123

**28. CASH FLOW INFORMATION****a. Reconciliation of (loss)/profit to net cash (outflow)/inflow from operating activities**

	Consolidated		Parent Entity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Profit/(loss) for the year</b>	<b>174</b>	4,004	<b>1,427</b>	3,566
Capitalised Exploration expenditure	(285)	(4,578)	-	-
Net gain on disposal of investment	(3,069)	(6,456)	(2,266)	(3,921)
Depreciation and amortisation	95	123	38	15
Fair value adjustment	535	-	535	-
Accrued interest	-	(870)	-	(733)
<b>Change in operating assets and liabilities:</b>				
(Increase)/decrease in receivables and other operating assets	1,179	(1,743)	(791)	(838)
(Increase)/decrease in inventories	(201)	87	(201)	87
Increase/(decrease) in trade, other creditors and other provisions	(2,221)	(60)	1,101	11
(Increase) in deferred assets	-	-	-	-
Increase in deferred liabilities	-	-	-	-
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(3,793)</b>	(9,493)	<b>(157)</b>	(1,813)

**b. Significant non-cash transactions**

There were no other significant non-cash transactions during the reporting period.

**29. EARNINGS PER SHARE**

	<b>Consolidated</b>	
	<b>2014</b>	2013
	<b>Cents</b>	Cents
Basic earnings/(loss) per share	<b>0.15</b>	3.38
Diluted earnings/(loss) per share	<b>0.15</b>	3.38
	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
Profit/(loss) used in calculating basic and diluted earnings per share	<b>174</b>	4,004
	<b>2014</b>	2013
	<b>Shares</b>	Shares
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>118,385,822</b>	118,385,822
Adjustments for calculation of diluted earnings per share:		
Options	-	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	<b>118,385,822</b>	118,385,822

**30. EVENTS OCCURRING AFTER REPORTING DATE**

At the date of this report there are no other matters or circumstances which have arisen since 31 December 2014 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2014, of the consolidated entity;
- the results of those operations; or
- the state of affairs, in financial years subsequent to 31 December 2014, of the consolidated entity.

**31. KEY MANAGEMENT PERSONNEL DISCLOSURES****a. Directors**

The following persons were Directors of Hudson Resources Limited during the financial year unless otherwise stated:

Tan Sri Ibrahim Menudin	Non-Executive Chairman	
Vincent Tan	Executive Director	appointed 03 February 2015
Richard Yap	Executive Director	
Benjamin Amzalak	Non-Executive Director	
Luisa Tan	Non-Executive Director	retired 03 February 2015
Peter Meers	Non-Executive Director	retired 08 July 2014

**b. Other Key Management Personnel**

The following persons were other key management personnel of Hudson Resources Group during the financial year:

Henry Kinstlinger	Investor relationship officer
Julian Rockett	Company Secretary
Francis Choy	Group Chief Financial Officer

**c. Compensation of Directors and Key Management Personnel**

Directors	Consolidated		Parent Entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
Short term employee benefits	<b>333,250</b>	717,996	<b>333,250</b>	210,834
Post employment benefits	<b>2,427</b>	27,378	<b>2,427</b>	4,566
Long term benefits	-	2,254	-	1,004
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
	<b>335,677</b>	747,628	<b>335,677</b>	216,404

Other Key Management Personnel	Consolidated		Parent Entity	
	2014	2013	2014	2013
	\$	\$	\$	\$
Short term employee benefits	-	1,219,628	-	226,500
Post employment benefits	-	66,772	-	-
Long term benefits	-	8,169	-	-
Termination benefits	-	-	-	-
Share based payments	-	-	-	-
	-	1,294,569	-	226,500

**31. KEY MANAGEMENT PERSONNEL DISCLOSURES continued**

Consolidated 2014	Short Term Employee Benefits		Post Employment Benefits	Long Term Benefits	Share Based Payment	Total
	Salary and other fees	Travelling Allowance	Super- annuation	Long Service Leave		
<b>Directors</b>	\$	\$	\$	\$	\$	\$
Tan Sri Ibrahim Menudin	41,171	-	-	-	-	41,171
Vincent Tan	200,000	-	-	-	-	200,000
Richard Yap	62,500	-	-	-	-	62,500
Benjamin Amzalak	-	-	-	-	-	-
Luisa Tan <sup>2</sup>	-	-	-	-	-	-
Peter J Meers <sup>1</sup>	29,579	-	2,427	-	-	32,006
Directors - Total	333,250	-	2,427	-	-	335,677
<sup>1</sup> Peter Meers retired on 8 July 2014						
<sup>2</sup> Luisa Tan retired on 3 February 2015						
<b>Other KMP</b>						
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	-	-	-	-	-	-
Francis Choy	-	-	-	-	-	-
KMP - Total	-	-	-	-	-	-
<b>Parent Entity 2014</b>						
<b>Directors</b>	\$	\$	\$	\$	\$	\$
Tan Sri Ibrahim Menudin	41,171	-	-	-	-	41,171
Vincent Tan	200,000	-	-	-	-	200,000
Richard Yap	62,500	-	-	-	-	62,500
Benjamin Amzalak	-	-	-	-	-	-
Luisa Tan <sup>2</sup>	-	-	-	-	-	-
Peter J Meers <sup>1</sup>	29,579	-	2,427	-	-	32,006
Directors - Total	333,250	-	2,427	-	-	335,677
<b>Other KMP</b>						
Julian Rockett	-	-	-	-	-	-
Henry Kinstlinger	-	-	-	-	-	-
Francis Choy	-	-	-	-	-	-
KMP - Total	-	-	-	-	-	-

The amounts reported represent the total remuneration paid by entities in the Hudson Resources Group in relation to managing the affairs of all the entities within the Group.

There is no performance conditions related to any of the above payments.

There is no other element of Directors and Executives remuneration.

**31. KEY MANAGEMENT PERSONNEL DISCLOSURES continued**

	Short Term Employee Benefits			Post Employment Benefits	Long Term Benefits	Share Based Payments	Total
	Salary and other fees	Bonus	Travelling Allowance	Super-annuation	Long Service Leave		
<b>Consolidated 2013</b>	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>							
Peter J Meers	381,396	-	10,800	27,378	2,254	-	421,828
Tan Sri Ibrahim Menudin	100,000	-	-	-	-	-	100,000
Richard Yap	50,000	-	-	-	-	-	50,000
Benjamin Amzalak	150,000	-	-	-	-	-	150,000
Luisa Tan	-	-	-	-	-	-	-
Ken Boundy <sup>1</sup>	15,000	-	10,800	-	-	-	25,800
Directors - Total	696,396	-	21,600	27,378	2,254	-	747,628
<b>Other KMP</b>							
Jacob Rebek	126,500	-	7,200	-	-	-	133,700
Michael Leu	157,800	-	10,800	-	-	-	168,600
Daniel Buckley	340,000	-	-	31,025	5,668	-	376,693
Peter Kennewell	127,938	-	10,800	35,747	2,501	-	176,986
David Hughes	18,000	-	-	-	-	-	18,000
Henry Kinstlinger	209,790	-	10,800	-	-	-	220,590
Vincent Tan	200,000	-	-	-	-	-	200,000
Francis Choy	-	-	-	-	-	-	-
KMP - Total	1,180,028	-	39,600	66,772	8,169	-	1,294,570
<b>Parent Entity 2013</b>	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>							
Tan Sri Ibrahim Menudin	100,000	-	-	-	-	-	100,000
Peter Meers	50,034	-	-	4,566	1,004	-	55,604
Ken Boundy <sup>1</sup>	-	-	10,800	-	-	-	10,800
Richard Yap	50,000	-	-	-	-	-	50,000
Benjamin Amzalak	-	-	-	-	-	-	-
Luisa Tan	-	-	-	-	-	-	-
Directors - Total	200,034	-	10,800	4,566	1,004	-	216,404
<b>Other KMP</b>							
Jacob Rebek	8,500	-	-	-	-	-	8,500
Michael Leu	-	-	-	-	-	-	-
Daniel Buckley	-	-	-	-	-	-	-
Peter Kennewell	-	-	-	-	-	-	-
David Hughes	18,000	-	-	-	-	-	18,000
Henry Kinstlinger	-	-	-	-	-	-	-
Vincent Tan	200,000	-	-	-	-	-	200,000
Francis Choy	-	-	-	-	-	-	-
KMP - Total	226,500	-	-	-	-	-	226,500

<sup>1</sup> Mr Ken Boundy retired on 25 November 2013

The amounts reported represent the total remuneration paid by entities in the Group companies in relation to managing the affairs of all the entities within the Group.

There are no performance conditions related to any of the above payments.

There is no other element of Directors and Executives remuneration.

**31. KEY MANAGEMENT PERSONNEL DISCLOSURES continued****d. Employee Share Option Plan**

Refer to Note 34 for details

**e. Shareholdings and Option Holdings of Key Management Personnel**

Directors	Direct Interest	Indirect Interest	Options
Tan Sri Ibrahim Menudin <sup>1</sup>		5,000,000	
Vincent Tan	15,000		
Richard Yap <sup>3</sup>			
Benjamin Amzalak <sup>4</sup>			
Luisa Tan			
Peter J Meers <sup>2</sup>			

**Shares held in Hudson Resources Limited-2014**

Directors	Balance at the start of year	changes during the year	Balance at the end of year
Tan Sri Ibrahim Menudin <sup>1</sup>	17,507,049	(17,507,049)	-
Peter J Meers <sup>2</sup>	35,052,447	(35,052,447)	-
Richard Yap <sup>3</sup>	12,507,049	(12,507,049)	-
Benjamin Amzalak <sup>4</sup>	12,507,049	1,088,591	13,595,640
Luisa Tan	-	-	-

**Shares held in Hudson Resources Limited-2013**

Directors	Balance at the start of year	changes during the year	Balance at the end of year
Tan Sri Ibrahim Menudin	16,399,337	1,107,712	17,507,049
Peter J Meers	35,102,447	(50,000)	35,052,447
Richard Yap	-	12,507,049	12,507,049
Benjamin Amzalak	-	12,507,049	12,507,049
Luisa Tan	-	-	-
Ken Boundy <sup>5</sup>	2,000,000	(2,000,000)	-

<sup>1</sup> Tan Sri Ibrahim Menudin has an indirect interest of 5,000,000 ordinary shares held by related parties. He retired as a director of Raffles Capital Limited

<sup>2</sup> Mr Meers retired as a director on 8 July 2014.

<sup>3</sup> Mr Yap retired as a director of Raffles Capital Limited.

<sup>4</sup> Mr Amzalak has an indirect interest in 13,595,640 shares by virtue of his position as a director of Raffles Capital Limited.

<sup>5</sup> Mr Boundy retired as a director on 25 November 2013

**f. Loans to key management personnel**

Details of loans made to Key Management Personnel of Hudson Resources Limited are set out below:

*(i) Aggregates for directors and key management personnel*

Consolidated and Parent Entity	Balance at the start of the year	Advance/ (Repayments) /(Adjustment)	Interest payable for the year	Balance at the end of the year	Number in Group at end of year	Additional interest otherwise payable
	\$	\$	\$	\$		\$
2014	1,640,071	(1,353,157)	53,779	340,693	3	13,500
2013	1,505,071	-	135,000	1,640,071	5	67,500

(ii) Details of directors and key management personnel with loans above \$100,000 during the year are set out below:

Consolidated and Parent Entity	Balance at the start of the year	Advance/ (Repayments) /(Adjustment)	Interest payable for the year	Balance as at the end of the year	Highest indebtedness during the year	Additional interest otherwise payable*
<b>2014</b>	\$	\$	\$	\$	\$	\$
<b>Directors</b>						
Peter Meers (ESP)	643,512	(663,633)	20,121	-	663,633	10,060
<b>Key management personnel</b>						
Jacob Rebek (ESP)	682,866	(689,524)	6,658	-	689,524	3,329
David Hughes (ESP)	41,826	-	3,600	45,426	45,426	1,800
Henry Kinstlinger (ESP)	41,826	-	3,600	45,426	45,426	1,800
Francis Choy (ESP)	230,041	-	19,800	249,841	249,841	9,900
Total	1,640,071	(1,353,157)	53,779	340,693	1,693,850	26,889
<b>2013</b>	\$	\$	\$	\$	\$	\$
<b>Directors</b>						
Peter Meers (ESP)	589,512	-	54,000	643,512	643,512	27,000
<b>Key management personnel</b>						
Jacob Rebek (ESP)	628,866	-	54,000	682,866	682,866	27,000
David Hughes (ESP)	38,226	-	3,600	41,826	41,826	1,800
Henry Kinstlinger (ESP)	38,226	-	3,600	41,826	41,826	1,800
Francis Choy (ESP)	210,241	-	19,800	230,041	230,041	9,900
Total	1,505,071	-	135,000	1,640,071	1,640,071	67,500

\* Market interest rate 6.0% (2013: 6.0%). This represents the difference between interest charged at the market interest rate and interest paid.

#### Terms and conditions of loans

All non-recourse loans relate to the individuals participation in the Company's Executive Share Ownership Plan (ESP). Interest is payable upon termination. Loans are secured against the Employee Share Plan shares only. Non-recourse loans are repayable should employees leave the Company. Employees can repay the loan and keep the shares or if the employee decides not to repay the loan, the shares will be returned to Company. Fair value of ESP shares is not recorded in the books. None were written down during the year.

**31. KEY MANAGEMENT PERSONNEL DISCLOSURES continued**

(iii) Details of individuals with loans above \$100,000 during the year are set out below:

	Balance at the start of the year	Advance/ (Repayments) / (Adjustment)	Interest payable for the year	Balance at the end of the year	Highest indebtedness during the year	Additional interest otherwise payable*
Key management personnel	\$	\$	\$	\$	\$	\$
<b>Consolidated</b>						
2014	1,244,149	(1,277,968)	33,819	-	1,277,968	11,273
2013	2,302,863	(1,150,964)	92,250	1,244,149	1,244,149	46,125

**Terms and conditions of loans**

Three interest bearing full recourse loans were advanced to Mr. Benjamin Amzalak by the controlled entities. The loan is secured against shares. The loans are repayable should Mr Benjamin Amzalak leave the Company. Controlled entities were de-consolidated and none were written down during the year.

There were no other loans made to Directors or Specified Executives of the Company and the Group during the period commencing at the beginning of the financial year and up to the date of this report.

**32. SHARE OWNERSHIP PLANS****(a) Hudson Resources Limited executive share ownership plan**

Senior Executives and Directors of Hudson Resources Limited and its controlled entities may participate in the Plan. Under the Plan, monies are advanced to the participants to enable them to purchase ordinary shares of Hudson Resources Limited on the market. The non-recourse loans to participants bear interest at 12% per annum and are repayable upon termination. The non-recourse loans advanced are secured by the Employee Share Plan shares held within the plan. Monies advanced under the plan during the year amounted to \$Nil (2013: \$Nil). The aggregate number of shares held under the plan by participants is 1,500,000 shares (2013: 11,500,000 shares). There are no limits to the amounts that might be advanced under the plan. At year end, the total loans outstanding (before interest) are \$225,000 (2013: \$1,125,000). Interest totalling \$27,000 has accrued on these loans, which will be added to the loan on ultimate repayment.

**(b) Options granted under executive share option plan**

There were no options granted under Hudson Resources Limited executive share ownership plan during the year.

**33. REMUNERATION OF AUDITORS**

During the year the following services were paid or payable to the auditor of the parent entity:

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Amounts paid or payable to auditors for audit and review of the financial report for the entity or any entity in the Group				
<b>Audit services</b>	<b>16,995</b>	69,745	<b>16,995</b>	20,125
<b>Review Services</b>	<b>8,755</b>	38,275	<b>8,755</b>	9,870
	<b>25,750</b>	108,020	<b>25,750</b>	29,995
Amounts paid or payable to auditors for non audit taxation services for the parent entity or any company in the Group for review and lodgement of the income tax return				
<b>Taxation services</b>	<b>1,150</b>	33,590	<b>1,150</b>	8,545
Amounts paid or payable for non audit advisory services for the Company.				
<b>Advisory services</b>	-	1,225	-	-
	<b>1,150</b>	34,815	<b>1,150</b>	8,545

**34. RELATED PARTIES****a. Parent entities**

The parent entity within the Group is Hudson Resources Limited (**HRL**).

**b. Subsidiaries**

Interests in subsidiaries are disclosed in note 25.

**c. Key management personnel compensation**

Key management personnel compensation information is disclosed in note 32.

**d. Transactions with related parties**

The following transactions occurred with related parties during the year:

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Sales of goods</b>				
- sale minerals to Hudson Marketing Pty Ltd	<b>203,227</b>	210,867	<b>203,227</b>	210,867
<b>Rental Income</b>				
- rent received from Hudson Marketing Pty Ltd	<b>339,449</b>	316,726	<b>339,449</b>	215,550
<b>Rental Expenses</b>				
- rent payment to Hudson Marketing Pty Ltd	<b>110,740</b>	105,575	<b>110,740</b>	105,575
<b>Corporate services fee paid</b>				
- paid to Hudson Corporate Ltd	<b>408,000</b>	2,254,025	<b>408,000</b>	408,000

**34. RELATED PARTIES continued****Sale of goods***Consolidated and parent entity*

HRL sold goods to Hudson Marketing Pty Limited (**HMPL**), a wholly owned subsidiary of Hudson Investment Group Limited, earning income of \$203,227 (2013: \$210,867).

**Rental income***Consolidated group only*

HRL and Hudson Mineral Limited received rental income from HMPL of \$339,449 (2013: \$316,726)

**Rental expense***Consolidated and parent entity*

HRL incurred a rental expense of \$110,740 (2013: \$105,575) payable to Hudson Marketing Pty Limited.

**Corporate services fee***Consolidated and Parent entity*

HRL paid an administration fee to Hudson Corporate Limited (**HCL**) of \$408,000 (2013: \$408,000) as payment of recoveries for office administration and running expenses incurred in HCL on behalf of the group.

**e. Outstanding balances**

	Consolidated		Parent Entity	
	2014 \$ '000	2013 \$ '000	2014 \$ '000	2013 \$ '000
<b>Non-current receivable</b>				
Receivable – Hudson Corporate Limited	235	4,951	235	4,951
Receivable – Sorbent Minerals Pty Ltd	-	5,289	-	5,289
Receivable – Raffles Capitals Limited	63	57	63	57
Receivable - Controlled Entities	-	-	1,717	410
	<b>298</b>	<b>10,297</b>	<b>2,015</b>	<b>10,707</b>
<b>Non-current payable</b>				
Payable – Hudson Corporate Ltd	-	821	-	-
Payable – Controlled entities	-	-	548	804
	-	821	-	804
<b>Non-current financial assets</b>				
Hudson Pacific Group Ltd				
- Preference share	13,000	-	13,000	-
	<b>13,000</b>	-	<b>13,000</b>	-

**f. Guarantees**

No guarantees were given or received from related parties during the year.

**g. Terms and conditions**

All transaction were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms or repayment of loans between the parties and that no interest is charged on outstanding balances.

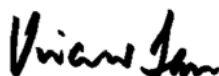
## DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 31 December 2014 and of the performance for the year ended on that date of the company and the consolidated entity.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The remuneration disclosures included on pages 16 to 19 of the Directors' Report (as part of the Audited Remuneration Report), for the year ended 31 December 2014, comply with section 300A of the *Corporations Act 2001*.
4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

The entities identified in Note 26 are parties to the deed of cross guarantee under which each company guarantees the debts of the others. At the date of this declaration there are reasonable grounds to believe that the companies which are parties to this deed of cross guarantee will as a consolidated entity be able to meet any obligations or liabilities to which they are, or may become, subject to, by virtue of the deed of cross guarantee described in Note 26.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



**Vincent Tan**  
Director



**Benjamin Amzalak**  
Director

Sydney  
30 March 2015

**Independent Auditor's Report  
To the Members of  
Hudson Resources Limited  
A.B.N. 71 008 720 965  
And Controlled Entities**

***Report on the Financial Report***

We have audited the accompanying financial report of Hudson Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended 31 December 2014, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity 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 director's 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 to 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 Accounting Standard AASB 101: *Presentation of Financial Statements* that the financial statements comply with International Financial Reporting Standards (IFRS).

***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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 and fair presentation of the financial report 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 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Hudson Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

### **Opinion**

In our opinion:

- a. The financial report of Hudson Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - i. Giving a true and fair view of the company and consolidated entity's financial positions as at 31 December 2014 and of their 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 1.

### **Report on the Remuneration Report**

We have audited the remuneration report included on pages 16-19 of the attached report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 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 Australian Auditing Standards.

### **Auditor's Opinion**

In our opinion the remuneration report of Hudson Resources Limited for the year ended 31 December 2014 complies with s 300A of the *Corporations Act 2001*.

**K.S. Black & Co**  
**Chartered Accountants**



**Sam Danieli**  
**Partner**

30 March 2015

## SHAREHOLDER INFORMATION

As at 28 February 2015

### A. Substantial Holders

Those shareholders who have lodged notice advising substantial shareholding under the Corporations Act 2001 are as follows:

Shareholder	No. of Shares	% held
1 Hudson Investment Group Limited	34,088,045	28.79%
2 Hudson Corporate Limited	18,806,039	15.89%
3 Raffles Capital Limited	13,595,640	11.48%
4 Raffles Nominees Pty Limited	6,812,000	5.75%
5 Sing Capital Pty Ltd	6,376,219	5.39%
6 Ozberg Pty Limited	5,915,604	5.00%

### B. Distribution of Equity Securities

Range	Total Holders	Units	% of Issued Capital
1 - 1,000	16	3,626	0.00%
1,001 - 5,000	19	45,607	0.04%
5,001 - 10,000	30	287,752	0.24%
10,001 - 50,000	82	1,957,727	1.65%
50,001 - 100,000	13	1,105,869	0.93%
100,001 - and above	40	114,985,241	97.13%
<b>Rounding</b>			<b>0.01</b>
<b>Total</b>	<b>200</b>	<b>118,385,822</b>	<b>100</b>

### C. Twenty Largest Shareholders

The names of the twenty largest holders of quotes equity securities aggregated are listed below:

Rank	Name	Units	% of Issued Capital
1	Hudson Investment Group Limited	34,088,045	28.79%
2	Hudson Corporate Limited	18,806,039	15.89%
3	Raffles Capital Limited	13,595,640	11.48%
4	Raffles Nominees Pty Limited	6,812,000	5.75%
5	Sing Capital Pty Ltd	6,376,219	5.39%
6	Ozberg Pty Limited	5,915,604	5.00%
7	Rebek, Rado Jacob	5,000,000	4.22%
8	Ibrahim, Azhar Hewittsen Ariffin Bin	2,500,000	2.11%
9	Ibrahim, Khairul	2,500,000	2.11%
10	Hwang, Lip Koon	2,498,705	2.11%
11	Zhang, Mao Ying	1,795,000	1.52%
12	Shen, Xiao Hua	1,793,000	1.51%
13	Code Nominees Pty Ltd	1,700,000	1.44%
14	Tan, See Wee	1,700,000	1.44%
15	Choy, Francis	1,350,000	1.14%
16	Beavis, Cameron	1,000,000	0.84%
17	Bnp Paribas Noms Pty Ltd	1,000,000	0.84%
18	Hong, Yoke Tow	742,520	0.63%
19	Union Pacific Investments Pty Limited	637,326	0.54%
20	Gerendasi Holdings P/L	600,000	0.51%
<b>Totals: Top 20 holders of FULLY PAID SHARES</b>		<b>110,410,098</b>	<b>93.26%</b>
<b>Total Remaining Holders Balance</b>		<b>7,975,724</b>	<b>6.74%</b>

**D. Schedule of Tenements**

<b>Tenement No.</b>	<b>Location</b>	<b>Square Kms</b>	<b>Registered Owner/ Applicant/ Assignee</b>	<b>% Interest</b>
M70/128	Lake Nerramyne	1.2	HRS - Attapulgite	100%
M70/389	Lake Nerramyne	7.2	HRS - Attapulgite	100%
M70/483	Lake Nerramyne	9.5	HRS - Attapulgite	100%
M70/606	Lake Nerramyne	8.9	HRS - Attapulgite	100%
M70/129	Badgingarra	0.5	HRS - Diatomite	100%
M70/361	Dongara	0.5	HRS - Diatomite	100%
M70/38	Drak	0.4	HRS - Diatomite	100%
M70/842	Badgingarra	0.8	HRS - Diatomite	100%
EPM 19610	Bloomsburry	300	Mt Hector Gold Pty Ltd	100%
M70/275	Treeton	10.2	VasseCo Pty Ltd	100%
M70/276	Treeton	10.1	VasseCo Pty Ltd	100%
M70/277	Treeton	9.9	VasseCo Pty Ltd	100%
M70/393	Osmington	8.5	VasseCo Pty Ltd	100%
M70/394	Osmington	9.6	VasseCo Pty Ltd	100%
M70/395	Osmington	6.8	VasseCo Pty Ltd	100%
M70/504	Treeton	8.8	VasseCo Pty Ltd	100%
ELA 5083	Barraba Diatomite	45	Ashford Coking Coal Pty Ltd	100%



**HUDSON**  
RESOURCES LIMITED

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