COMPANY NO. 822513-3 / ARBN: 161 356 930

Consolidated Financial Statements

June 30, 2013

Expressed in US Dollars

Corporate Information

Company No.: 822513-3
ARBN: 161 356 930

Directors
Les Emery (President and Chief Executive Officer)
John Hick (Non Executive Chairman)
Sir Rabbie Namaliu (Non Executive Director)
Elizabeth Martin (Non Executive Director)
Vincent (Ian) Masterton-Hume (Non Executive Director) – *appointed October 4, 2012*
Richard William (Keith) Morrison (Non Executive Director) – *appointed October 4, 2012*
Pieter Britz (Non Executive Director) – *appointed July 26, 2013*
Douglas Dunnet (Non Executive Director) – *resigned October 4, 2012*
Susanne Sesselmann (Non Executive Director) – *resigned October 4, 2012*
John Horan (Non Executive Chairman) – *resigned November 8, 2012*
Louis Gignac (Non Executive Chairman) – *appointed October 4, 2012, resigned June 30, 2013*
Mario Caron (Non Executive Director) – *appointed October 4, 2012, resigned June 30, 2013*

Company Secretaries
Dean Richardson – *appointed May 17, 2013*
Mark Churchward – *resigned May 17, 2013*

COMPANY NO. 822513-3 / ARBN: 161 356 930

Registered Office

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Gilbert & Tobin
1202 Hay Street
WEST PERTH WA 6005 AUSTRALIA

Papua New Guinea
Allens
Level 6, Mogoru Moto Building
Champion Parade
PORT MORESBY NCD

Bankers

National Australia Bank Limited
1232 Hay Street
WEST PERTH WA 6005 AUSTRALIA

Westpac Banking Corporation
109 St Georges Terrace
PERTH WA 6000 AUSTRALIA

ANZ Banking Group (PNG) Limited
Harbour City, Poroporena Freeway
PORT MORESBY NCD

Share Registries

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PNG Registries Ltd
Level 2, AON Haus, MacGregor Street
PORT MORESBY NCD
Telephone: + 675 321 6377
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Auditors

PricewaterhouseCoopers
125 St Georges Terrace
PERTH WA 6000 AUSTRALIA

Internet Address

www.marengomining.com

Email Address

marengo@marengomining.com

Stock Exchange Listings

Marengo Mining Limited shares are listed on Toronto Stock Exchange (TSX) as “MRN” and Australian Securities Exchange (ASX) and Port Moresby Stock Exchange (POMSoX) under the code “MMC”.

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Management's Responsibility for Financial Reporting

The consolidated financial statements, the notes thereto, and other information in management's discussion and analysis of Marengo Mining Limited (the "Company" and its subsidiaries (the "Group"), are the responsibility of Management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board and reflect Management's best estimates, judgements and policies that it believes appropriate in the circumstances.

The Corporation maintains a system of internal controls which provide on a reasonable basis, assurance that the financial information is relevant, reliable, accurate and that the Corporation's assets are appropriately accounted for and safeguarded.

The Board of Directors, principally through the Audit and Risk Committee, is responsible for ensuring Management fulfils its responsibilities for financial reporting and internal control. The Audit and Risk Committee is composed of three independent directors and meets periodically with Management and the external auditors to review accounting, auditing, internal control and financial reporting matters.

The consolidated financial statements have been audited by PricewaterhouseCoopers, Chartered Accountants, who were appointed by the shareholders. The auditor's report outlines the scope of their examination and their opinion on the consolidated financial statements.

Les Emery
President and Chief Executive Officer

Dennis Wilkins
Chief Financial Officer

September 30, 2013

September 30, 2013

Independent Auditor's Report

To the Shareholders of
Marengo Mining Limited

We have audited the accompanying consolidated financial statements of Marengo Mining Limited and its subsidiaries, which comprise the consolidated balance sheets as at June 30, 2013 and June 30, 2012 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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 consolidated financial statements 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 management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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Liability limited by a scheme approved under Professional Standards Legislation.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Marengo Mining Limited and its subsidiaries as at June 30, 2013 and June 30, 2012 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter
Without qualifying our opinion, we draw attention to Note 1(b) in the consolidated financial statements, which indicates the need for the consolidated entity to raise additional capital to meet ongoing expenditure and existing commitments. This condition, along with other matters set out in Note 1(b), indicate the existence of a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the consolidated financial statements.

PricewaterhouseCoopers

Chartered Accountants
Perth, Western Australia

Consolidated Statement of Comprehensive Income

YEAR ENDED JUNE 30, 2013	Notes	2013 US$'000	2012 US$'000 (Restated)
REVENUE FROM OPERATIONS	4	361	1,832
Other income	4	1,785	501
EXPENDITURE			
Administration expenses		(1,411)	(1,194)
Corporate expenses		(2,830)	(1,324)
Depreciation	9	(328)	(315)
Exploration expenses	10	(410)	(7)
Insurance expenses		(243)	(331)
Net foreign exchange losses		(322)	(80)
Occupancy expenses		(473)	(391)
Salaries and employee benefits expense		(2,048)	(1,533)
Share-based payment expense	26(b)	(1,257)	(124)
Interest expense		(851)	-
LOSS BEFORE INCOME TAX		**(8,027)**	**(2,966)**
INCOME TAX EXPENSE	5	**-**	-
LOSS AFTER INCOME TAX	16(b)	**(8,027)**	**(2,966)**
OTHER COMPREHENSIVE (LOSS)/ INCOME			
Items that may be reclassified to profit and loss			
Exchange differences on translation of foreign operations		(25,707)	26,046
Other comprehensive (loss)/ income for the year, net of tax		**(25,707)**	**26,046**
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF MARENGO MINING LIMITED		**(33,734)**	**23,080**
Basic and diluted loss per share (cents per share)	25	(0.71)	(0.35)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Balance Sheet

	Notes	June 30, 2013 US$'000	June 30, 2012 US$'000 (Restated)	July 1, 2011 US$'000 (Restated)
CURRENT ASSETS				
Cash and cash equivalents	6	1,667	1,014	10,601
Investments – term deposits	7	5,025	10,364	50,145
Trade and other receivables	8	957	743	1,789
TOTAL CURRENT ASSETS		**7,649**	**12,121**	**62,535**
NON-CURRENT ASSETS				
Other financial assets		-	-	546
Plant and equipment	9	1,154	1,432	1,029
Exploration and evaluation	10	173,667	160,881	91,920
TOTAL NON-CURRENT ASSETS		**174,821**	**162,313**	**93,495**
TOTAL ASSETS		**182,470**	**174,434**	**156,030**
CURRENT LIABILITIES				
Trade and other payables	11	3,094	6,819	4,125
Provisions	12	1,040	1,046	1,037
Loans and borrowings	13	10,668	-	-
Derivative financial instrument	14	611	-	-
TOTAL CURRENT LIABILITIES		**15,413**	**7,865**	**5,162**
NON-CURRENT LIABILITIES				
Loans and borrowings	13	6,833	-	-
TOTAL NON-CURRENT LIABILITIES		**6,833**	**-**	**-**
TOTAL LIABILITIES		**22,246**	**7,865**	**5,162**
EQUITY				
Contributed equity	15	187,729	161,669	168,036
Reserves	16(a)	4,942	29,320	4,286
Accumulated losses	16(b)	(32,447)	(24,420)	(21,454)
TOTAL EQUITY		**160,224**	**166,569**	**150,868**

The above Consolidated Balance Sheet should be read in conjunction with the Notes to the Consolidated Financial Statements.

Signed on behalf of the Board

John Hick
Chairman

Elizabeth Martin
Non executive Director

Consolidated Statement of Changes in Equity

YEAR ENDED JUNE 30, 2013	Notes	Contributed Equity US$'000	Options and Share Based Payments Reserve US$'000	Foreign Currency Translation Reserve US$'000	Accumulated Losses US$'000	Total US$'000
BALANCE AT JULY 1, 2011 (Restated)		168,036	2,839	1,447	(21,454)	**150,868**
Loss after income tax	16(b)	-	-	-	(2,966)	**(2,966)**
Other comprehensive income that may be reclassified to the profit and loss	16(a)	-	-	26,046	-	**26,046**
TOTAL COMPREHENSIVE LOSS		**-**	**-**	**26,046**	**(2,966)**	**23,080**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	15	893	-	-	-	**893**
Share transaction costs	15	(337)	-	-	-	**(337)**
Exchange differences on restatement of equity items to presentation currency		(6,923)	(103)	-	-	**(7,026)**
Employees and consultants share options	16(a)	-	(909)	-	-	**(909)**
BALANCE AT JUNE 30, 2012 (Restated)		**161,669**	**1,827**	**27,493**	**(24,420)**	**166,569**
Loss after income tax	16(b)	-	-	-	(8,027)	**(8,027)**
Other comprehensive income that may be reclassified to the profit and loss	16(a)	-	-	(25,707)	-	**(25,707)**
TOTAL COMPREHENSIVE LOSS		**-**	**-**	**(25,707)**	**(8,027)**	**(33,734)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	15	20,256	-	-	-	**20,256**
Share transaction costs	15	(1,605)	-	-	-	**(1,605)**
Exchange differences on restatement of equity items to presentation currency		7,409	-	-	-	**7,409**
Employees and consultants share options	16(a)	-	1,329	-	-	**1,329**
BALANCE AT JUNE 30, 2013		**187,729**	**3,156**	**1,786**	**(32,447)**	**160,224**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

YEAR ENDED JUNE 30, 2013

	Notes	2013 US$'000	2012 US$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(7,782)	(4,851)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	24	**(7,782)**	**(4,851)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in term deposits		4,304	38,338
Interest received		394	2,682
Proceeds on sale of plant and equipment		23	-
Payments for plant and equipment		(827)	(584)
Payments for Feasibility Study expenses		(30,948)	(45,671)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(27,054)**	**(5,235)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		20,256	893
Proceeds from borrowings		17,493	-
Payment of share issue costs		(1,605)	(337)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**36,144**	**556**
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		1,308	(9,530)
Cash and cash equivalents at the beginning of the financial year		1,014	10,601
Effects of exchange rate changes on cash and cash equivalents		(655)	(57)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	6	**1,667**	**1,014**

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

JUNE 30, 2013

1. SUMMARY OF EXISTING ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the consolidated entity consisting of Marengo Mining Limited and its subsidiaries. The consolidated financial statements are presented in the United States currency. Marengo Mining Limited is a company limited by shares, domiciled and incorporated in Canada. The consolidated financial statements were authorised for issue by the directors on September 30, 2013. The directors have the power to amend and reissue the consolidated financial statements.

(a) Basis of preparation

Compliance with IFRS

The consolidated financial statements of Marengo Mining Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRIC Interpretations.

Historical cost convention

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Going Concern

As at 30 June 2013, the Group had a working capital deficiency of $7,153,000 (2012: a positive working capital of 4,256,000). The Group also recorded a loss of $8,027,000 (2012: $2,966,000), had net cash outflows from operations of $7,782,000 (2012: $4,851,000), and also incurred expenditure of $30,948,000 (2012: $45,671,000) on the ongoing feasibility study being undertaken at the Yandera Project.

Given the extensive nature of the feasibility study and the additional optimisation opportunities currently being considered, Marengo's major shareholder, Sentient Executive GP IV (Sentient) initially provided an unsecured, interest bearing working capital facility of $10 million, repayable on December 31, 2013. On May 27, 2013 Marengo also entered into a debenture purchase agreement with Sentient, whereby Marengo issued 15,000 convertible notes for $15 million in three tranches. As at June 30, 2013 tranche one and two have been drawn for a total of $9 million (see note 13). The third tranche of $6 million was subsequently drawn down post year end on August 12, 2013 (see note 22).

The Group had available cash and term deposits of $6,692,000 (2012: $11,378,000) at June 30, 2013, with an additional drawdown under the convertible note facility of US$6 million to provide for on-going expenditure relating to:

- finalising the Group's feasibility study; and
- advancing the Group's district exploration program at the Yandera Project.

The Directors continue to seek new or additional sources of funding in parallel with debt rearrangement discussions with Sentient regarding the working capital facility of $10 million currently repayable on 31 December 2013. The $7,153,000 working capital deficiency reflected on the statement of financial position as at 30 June 2013 was predominantly a result of this maturing liability. There is no certainty or contractual obligation yet agreed with respect to debt restructuring however, the Directors advise that negotiations are progressing positively.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the Group being successful in:

i) receiving the continuing support of its shareholders, particularly for the Group's effort to restructure the maturity of the $10 million working capital facility that is currently repayable on 31 December 2013; and
ii) raising additional funds as necessary, either through debt, asset sales, or equity.

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

1. SUMMARY OF EXISTING ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Going Concern (continued)

The Directors remain of the opinion that the lender (Sentient) will agree to a restructure of these financial commitments and it is on this basis, with the benefit of the knowledge of initial discussions with the lender, that the Directors have formed a view of the Group's ability to continue as a going concern. The Directors acknowledge that equity markets have continued to be particularly challenging in recent times.

As a result of these matters, there continues to be material uncertainty related to events or conditions that may cast significant doubt on whether the Group will continue as a going concern and, therefore, may not be able to realise its assets and settle its liabilities and commitments in the normal course of the business and at the amounts stated in the financial report.

However, the Directors are of the opinion that, as at the date of these consolidated financial statements, the Group is a going concern and, as a result, the financial report for the year ended June 30, 2013 does not include any adjustments relating to the recoverability and classification of the recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Change of Accounting Policy

During the year the Group structure was changed to include a Canadian parent company, Marengo Mining Limited. To date the company, as parent company, has raised debt of $25 million to continue to finance the feasibility of the Yandera Project. The functional currency for the Canadian parent company was assessed and determined to be United States Dollars (USD). The functional currency of the Australian subsidiaries remains Australian dollars (AUD) and the Papua New Guinea subsidiaries is Papua New Guinea Kina (PGK).

Following the addition of the new parent company with a USD functional currency, the Group has elected to change its presentation currency from AUD to USD. The change in presentation currency is to better reflect the Company's business activities, its re-domicile to North America and to improve comparability with the Group's peers in the mining industry. The change in presentation currency represents a change in accounting policy, which has been applied retrospectively.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Marengo Mining Limited as at June 30, 2013 and the results of all subsidiaries for the year then ended. Marengo Mining Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all of those entities (including special purpose entities) over which the Group 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 Group controls another entity.

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

The acquisition method of accounting is used to account for business combinations by the Group (refer note 1(h)).

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

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

1. SUMMARY OF EXISTING ACCOUNTING POLICIES (continued)

(b) Principles of consolidation (continued)

(i) Subsidiaries (continued)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

(ii) Joint ventures

The proportionate interests in the assets, liabilities and expenses of joint venture activities have been incorporated in the consolidated financial statements under the appropriate headings. Details of the joint ventures are set out in note 22.

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Marengo Mining Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

1. SUMMARY OF EXISTING ACCOUNTING POLICIES (continued)

(d) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets, liabilities and equity items for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- income and expenses for each profit and loss and statement of comprehensive income are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the exchange rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange rate differences are recognised in other comprehensive income.

On consolidation, exchange rate differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange rate differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing exchange rate.

(e) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(f) 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 applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

1. SUMMARY OF EXISTING ACCOUNTING POLICIES (continued)

(f) Income tax (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax, however, is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 foreign operations where the 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Leases

Leases of plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 20(b)). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition by acquisition

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

1. SUMMARY OF EXISTING ACCOUNTING POLICIES (continued)

(h) Business combinations (continued)

basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts have been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Company's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(i) Impairment of assets

Other 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 inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

For the statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(k) Trade and other receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less a provision for impairment. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(l) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

1. SUMMARY OF EXISTING ACCOUNTING POLICIES (continued)

(l) Investments and other financial assets (continued)

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the consolidated balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the reporting date. Investments are designated available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

(ii) Financial assets – reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(iii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the profit and loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the profit and loss as gains and losses from investment securities.

(iv) Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss within other income or other expenses in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

1. SUMMARY OF EXISTING ACCOUNTING POLICIES (continued)

(l) Investments and other financial assets (continued)

(iv) Subsequent measurement(continued)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial investments is determined are disclosed in note 2(d).

(v) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit and loss. Impairment losses recognised in the profit and loss on equity instruments classified as available-for-sale are not reversed through the profit and loss.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the profit and loss.

(m) Plant and equipment

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

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 Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the profit and loss during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 5% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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 (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss.

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

1. SUMMARY OF EXISTING ACCOUNTING POLICIES (continued)

(n) Exploration and evaluation

Exploration and evaluation costs are capitalised under IFRS 6 *Exploration for and evaluation of Mineral Resources*. Mineral interest acquisition, exploration, evaluation and feasibility expenditure incurred is accumulated and capitalised in relation to each identifiable area of interest. Accumulated costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect to that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest until production has commenced.

(o) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

(p) Employee benefits

(i) Wages and salaries, annual leave and long service leave

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. All other employee benefit liabilities not expected to be settled within 12 months after year end are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(ii) Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares, ('equity-settled transactions'). The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired; and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

1. SUMMARY OF EXISTING ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(ii) Share-based payments (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

(q) Derivative Financial Instruments

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair valueat the end of each reporting period; and changes in fair value derivatives (including embedded derivatives) are recognised immediately in profit or loss.

(r) Interest-bearing loans and borrowings and borrowing costs

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 profit or loss over the period of the borrowings using the effective interest method.

Borrowings with an embedded derivative feature are separated from the derivative and apportioned the residual value once the value of the embedded derivative has been determined.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to compere and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(s) 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

1. SUMMARY OF EXISTING ACCOUNTING POLICIES (continued)

(t) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the result attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(v) New standards adopted by the group

IAS 1 Financial statement presentation

IAS 1 Financial Statement presentation was adopted for the first time for the June 30, 2013 Consolidated Financial Statements. This standard did not affect the Group's accounting policies or any amounts recognised in the financial statements.

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for June 30, 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact or have impact on the financial reporting of the Group.

(i) IFRS 9 *Financial instruments (applies to periods beginning on or after January 1, 2015)*

The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

1. SUMMARY OF EXISTING ACCOUNTING POLICIES (continued)

(ii) IFRS 10 *Consolidated Financial Statements,* IFRS 11 *Joint Arrangements,* IFRS 12 *Disclosure of Interests in Other Entities, revised* IAS 127 *Separate Financial Statements and* IAS 128 *Investments in Associates and Joint Ventures.*

IFRS *10 Consolidated Financial Statements (applies to periods beginning on or after January 1, 2013)*
This Standard establishes a new control model that applies to all entities. It replaces parts of IAS 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This Standard is not expected to impact the Group.

IFRS *11 Joint Arrangements (applies to periods beginning on or after January 1, 2013)*
This Standard replaces IAS 131 *Interests in Joint Ventures* and SIC-13 *Jointly-Controlled Entities – Non-monetary Contributions by Ventures*. IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition, IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint arrangements that give the venturers a right to the net assets will be accounted for using the equity method. The Group's investment in the joint venture entity will be classified as a joint venture under the new rules. As the Group already applies the equity method in accounting for this investment, IFRS 11 will not have any impact on the amounts recognised in its financial statements.

IFRS *12 Disclosure of Interests in Other Entities (applies to periods beginning on or after January 1, 2013)*
This Standard includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

(iii) IFRS 13 Fair Value Measurement (applies to periods beginning on or after January 1, 2013)
This Standard establishes a single source of guidance for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted under IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The Group has not yet determined any potential impact on the financial statements.

(iv) IAS 19 Employee benefits (applies to periods beginning on or after January 1, 2013)
The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The definition of short-term benefits has been revised, meaning some annual leave entitlements may become long-term in nature with a revised measurement. Similarly the timing for recognising a provision for termination benefits has been revised, such that provisions can only be recognised when the offer cannot be withdrawn.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

1. SUMMARY OF EXISTING ACCOUNTING POLICIES (continued)

(x) Critical accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

(i) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 28.

(ii) Exploration and evaluation costs

Exploration and evaluation costs are accumulated and capitalised in relation to each identifiable area of interest where right of tenure of the area of interest is current and the area of interest has not, at reporting date, reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves. In the event that tenure is relinquished and/or economically recoverable resources are not assessed as being present, this expenditure will be expensed to profit and loss.

(iii) Derivative Financial Instruments

The fair value of the embedded derivative liability is determined based on Black Scholes option pricing model to value this liability at each reporting period.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all Board members to be involved in this process. The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Canadian Dollar (C$).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	2013 C$'000	2012 C$'000
	653	43

Sensitivity analysis

Based on the financial instruments held at June 30, 2013, had the United States dollar weakened/strengthened by 10% against the Canadian dollar with all other variables held constant, the Group's post tax loss for the year would have been $65,000 lower/higher (2012: $4,000 lower/higher), and there would have been no movements to the Group's other equity for both years presented.

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

2. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Price risk

Given the current level of operations the Group is not exposed to price risk.

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents and short term investments. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents and short term investments for the Group of $6,692,000 (2012: $11,378,000) is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group was 4.0% (2012: 5.1%).

Sensitivity analysis

At June 30, 2013, if interest rates had changed by -/+ 100 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been $90,000 lower/higher (2012: $361,000 lower/higher on -/+ 100 basis points) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

The Group does not have any significant concentrations of credit risk. The maximum exposure to credit risk at reporting date is the carrying amount (net of provision for impairment) of those assets as disclosed in the consolidated balance sheet. A majority of the Group's term deposits currently are with the National Australia Bank Limited and Westpac Banking Limited with currently have a Standards and Poor's credit rating of AA-.

As the Group does not presently have any trade debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the Consolidated Balance Sheet date to contract maturity date.

(c) Liquidity risk

US$'000 As at June 30, 2013	Less than 6 months	6 months – 1 year	1 - 2 years	2 - 5 years	Total	Carrying Amount
Trade and other payables	3,094	-	-	-	3,094	3,094
Borrowings and derivative liability	11,024	435	939	16,511	28,909	18,112
	14,118	**435**	**939**	**16,511**	**32,003**	**21,206**
As at June 30, 2012						
Trade and other payables	6,819	-	-	-	6,819	6,819
	6,819	-	-	-	6,819	6,819

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

2. FINANCIAL RISK MANAGEMENT (continued)

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the reporting date are recorded at amounts approximating their fair amount.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

The following table analyses the classification of the Group's financial instruments within the fair value hierarchy:

US$'000

As at June 30, 2013	Level 1	Level 2	Level 3
Liabilities			
Financial liabilities at fair value through profit or loss:			
Derivative liability - Debenture conversion option	-	611	-
	-	611	-

As at June 30, 2012	Level 1	Level 2	Level 3
Liabilities			
Financial liabilities at fair value through profit or loss:			
Derivative liability - Debenture conversion option	-	-	-
	-	-	-

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2 - Inputs other than quoted prices that are observable either directly or indirectly
Level 3 - Inputs that are not based on observable market data

(e) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings and, in the current year debt funding from a related party. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required and debt funding from related parties when available.

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

2. FINANCIAL RISK MANAGEMENT (continued)

(e) Capital risk management (continued)

The working capital position of the Group at June 30, 2013 and June 30, 2012 are as follows:

	2013 US$'000	2012 US$'000
Cash and cash equivalents	1,667	1,014
Investments – term deposits	5,025	10,364
Trade and other receivables	957	743
Trade and other payables	(3,094)	(6,819)
Provisions	(1,040)	(1,046)
Loans and borrowings	(10,668)	-
Working capital position	**(7,153)**	**4,256**

3. SEGMENT INFORMATION

(a) Description of segments

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the profit and loss and balance sheet. The Group operates only in the exploration industry, both in Australia and overseas.

(b) Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the years ended June 30, 2013 and June 30, 2012 is as follows:

	Australia		Papua New Guinea		Canada		Consolidated	
	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000	2013 US$'000	2012 US$'000
Segment revenue								
Revenue from continuing operations	361	1,824	-	8	-	-	361	1,832
Total segment revenue	361	1,824	-	8	-	-	361	1,832
Intersegment elimination							-	-
Consolidated revenue							**361**	**1,832**
Segment result								
Segment result	(18,149)	(46,227)	(1,026)	(671)	(1,198)	-	(20,373)	(46,898)
Intersegment elimination							12,346	43,932
Loss before income tax							**(8,027)**	(2,966)
Income tax expense							-	-
Loss for the year							**(8,027)**	**(2,966)**
Segment assets and liabilities								
Segment assets	29,093	14,406	178,299	164,282	221,921	-	429,313	178,688
Intersegment elimination							(246,843)	(4,254)
Total assets							182,470	174,434
Segment liabilities	(224,835)	(3,718)	(160,115)	(145,176)	(18,136)	-	(403,086)	(148,894)
Intersegment elimination							380,840	141,029
Total liabilities							**(22,246)**	**(7,865)**

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

	2013 US$'000	2012 US$'000
4. REVENUE AND INCOME		
From operations		
Interest	361	1,832
Other income		
Fair value adjustment on derivative liability	1,762	-
Gain on sale of fixed assets	23	-
Fair value adjustment reversal of director's loan	-	501
	1,785	**501**
5. INCOME TAX		
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
	-	-
(b) Reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	(8,027)	(2,966)
Prima facie tax benefit at the Australian tax rate of 30% (2012: 30%)	(2,408)	(890)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	377	113
Other	476	46
	(1,555)	(731)
Deferred tax asset not brought to account	1,555	731
Income tax expense	-	-
(c) Unrecognised temporary differences		
Deferred Tax Assets (at 30%)		
Capital raising costs	1,338	1,481
Provision for employee benefits	244	310
Tax losses	54,380	50,650
	55,962	52,441
Deferred Tax Liabilities (at 30%)		
Capitalised exploration and evaluation costs	(52,100)	(46,780)
	(52,100)	(46,780)
Net Unrecognised Deferred Tax Asset	**3,862**	**5,661**

Net deferred tax assets have not been brought to account as it is not considered probable that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

	2013 US$'000	2012 US$'000	2011 US$'000
6. CURRENT ASSETS - CASH AND CASH EQUIVALENTS			
Cash at bank and on hand	1,667	1,014	10,601

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. The Group's risk exposure to interest rate risk is disclosed in note 2.

7. CURRENT ASSETS – INVESTMENTS - TERM DEPOSITS

	2013 US$'000	2012 US$'000	2011 US$'000
Cash on term deposit - greater than 90 days less than one year	5,025	10,364	50,145

Term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective term deposit rates. Current interest rates vary from 3.45% to 4% (2012: 4.49% to 5.5%) depending on the term of the deposit. The Group's risk exposure to interest rate risk is disclosed in note 2.

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2013 US$'000	2012 US$'000	2011 US$'000
Sundry receivables	109	413	1,102
Prepayments	848	330	687
	957	**743**	**1,789**

None of the above receivables is past due or impaired.

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

9. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Land and Buildings US$'000	Furniture, Fittings and Equipment US$'000	Motor Vehicles US$'000	Total US$'000
At June 30, 2010				
Cost	63	794	236	1,093
Accumulated depreciation	(14)	(346)	(81)	(441)
Net book amount	**49**	**448**	**155**	**652**
Year ended June 30, 2011				
Opening net book amount	49	448	155	652
Exchange differences	9	107	38	154
Additions	12	343	136	491
Disposals	-	(31)	-	(31)
Depreciation	(5)	(179)	(53)	(237)
Closing net book amount	**65**	**688**	**276**	**1,029**
At June 30, 2011				
Cost	89	1,291	432	1,812
Accumulated depreciation	(24)	(603)	(156)	(783)
Net book amount	**65**	**688**	**276**	**1,029**
Year ended June 30, 2012				
Opening net book amount	65	688	276	1,029
Exchange differences	37	142	42	221
Additions	105	367	45	517
Disposals	-	-	(20)	(20)
Depreciation	(13)	(239)	(63)	(315)
Closing net book amount	**194**	**958**	**280**	**1,432**
At June 30, 2012				
Cost	234	1,818	496	2,548
Accumulated depreciation	(40)	(860)	(216)	(1,116)
Net book amount	**194**	**958**	**280**	**1,432**
Year ended June 30, 2013				
Opening net book amount	194	958	280	1,432
Exchange differences	(13)	(83)	(35)	(131)
Transfers	(62)	-	-	(62)
Additions	-	176	80	256
Disposals	-	(8)	(5)	(13)
Depreciation charge	(13)	(237)	(78)	(328)
Closing net book amount	**106**	**806**	**242**	**1,154**
At June 30, 2013				
Cost	155	1,780	466	2,401
Accumulated depreciation	(49)	(974)	(224)	(1,247)
Net book amount	**106**	**806**	**242**	**1,154**

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

	2013 US$'000	2012 US$'000	2011 US$'000
10. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION			
Opening net book amount	160,881	91,920	52,028
Exchange differences	(19,561)	18,353	9,374
Expenditure capitalised during the year	32,757	50,615	30,821
Written off during the year[1]	(410)	(7)	(303)
Closing net book amount	**173,667**	**160,881**	**91,920**

(1) During the year, the Company expensed $410,000 of its exploration expenditure due to the abandonment of 3 tenements.

(2) The Company previously farmed out its Bowgan Project to a subsidiary of Mega Uranium Limited (Mega). During August 2009, Mega further farmed out the project to Bowgan Minerals Limited (Bowgan) whereby Bowgan can earn up to an 80% interest in the project, by expending A$1,280,000, within five years. Upon completion of Bowgan's expenditure, the Company will retain a 10% interest. The joint venture is in relation to uranium and other minerals, and has a carrying value of nil.

11. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2013	2012	2011
Trade payables	2,205	6,424	3,767
Other payables and accruals	889	395	358
	3,094	**6,819**	**4,125**

12. CURRENT LIABILITIES – PROVISIONS

The current provision for employee benefits includes accrued annual leave, vesting sick leave, time off in lieu and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations.

	2013	2012	2011
Employee provisions	1,040	1,046	1,037
	1,040	**1,046**	**1,037**

13. LOANS AND BORROWINGS

	2013	2012	2011
Current			
Borrowings[1]	10,668	-	-
Non-current			
Convertible note[2]	6,833	-	-

(1) On **February** 6, 2013, the Group entered into a loan agreement with **Sentient Executive GP IV** (Sentient), Limited for$10 million. It is an interest bearing (with a 15% interest rate and 5% facility fee); unsecured facility to provide funding for the completion of the Yandera Project feasibility study and for general working capital purposes and is repayable by December 31, 2013.

(2) On May 27, 2013 the Group entered into a Debenture Purchase Agreement with Sentient, under the agreement the Group issued 15,000 9% convertible notes for $15 million in three tranches with a 2% establishment fee. The notes are unsecured and convertible into ordinary shares of the Company, at the option of the holder, or repayable at the earlier of June 30, 2016 and three years following the closing date of the third tranche. As at June 30, 2013 tranche 1 & 2 have been drawn to a total of $9 million.

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

13. LOANS AND BORROWINGS (continued)

Face value of notes issued	9,000
Transaction costs expensed	47
Derivative liability - value of conversion rights	(2,373)
	6,674
Interest expense	159
Non-current liability	**6,833**

	2013 US$'000	2012 US$'000	2011 US$'000
14. DERIVATIVE FINANCIAL INSTRUMENT			
Derivative liability[(1)]	611	-	-
	611	**-**	**-**

(1) Under the Debenture Purchase Agreement with Sentient., Sentient has the right, up until the maturity date, to convert any or all of the principal amount and/ or accrued interest into shares of the Company at C$0.11 per share, The agreement also contains an anti-dilutive provision giving Sentient the right to adopt a lower share price if a capital raising is carried out at a lower share price in the interim. The option is a derivative liability to the Company. At the date of drawdown the derivative liability was valued at $2.373 million. As at June 30, 2013 the fair value of the liability was $611,000. The change in fair value for the year is recognised as income of $1.762 million.

15. CONTRIBUTED EQUITY

(a) Share capital

	2013		2012		2011	
	Number of shares	US$'000	Number of shares	US$'000	Number of shares	US$'000
Ordinary shares fully paid	1,137,870,521	187,729	1,003,745,113	161,669	995,068,613	168,036
Total contributed equity	**1,137,870,521**	**187,729**	**1,003,745,113**	**161,669**	**995,068,613**	**168,036**
(b) Movements in ordinary share capital						
Balance at beginning of the year	1,003,745,113	161,669	995,068,613	168,036	498,810,862	66,917
Transactions during the year:						
– Issued on exercise of options	792,075	80	8,676,500	893	3,257,750	3,595
– Issued for cash at C$0.15 per share	133,333,333	20,176	-	-	-	-
– Issued for cash at C$0.084 per share	-		-	-	240,000,001	21,371
– Issued for cash at C$0.25 per share	-		-	-	253,000,000	60,621
Less: Transaction costs	-	(1,605)	-	(337)	-	(5,982)
Exchange differences on restatement to USD presentation currency	-	7,409	-	(6,923)	-	21,514
Balance at end of the year	**1,137,870,521**	**187,729**	**1,003,745,113**	**161,669**	**995,068,613**	**168,036**

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

15. CONTRIBUTED EQUITY (continued)

Ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll such share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(c) Movements in share options on issue

Grant Date	Expiry Date	Exercise Price Cents	Balance at start of the fiscal year Number	Granted during the year Number	Exercised during the year Number	Forfeited/ Cancelled during the year Number	Balance at end of the fiscal year Number	Vested and exercise-able at end of the year Number
2013								
12 Oct 2010	11 Aug 2012	C$0.084	6,421,050	-	(642,105)	(5,778,945)	-	-
15 Aug 2008	15 Aug 2013	A$0.50	5,750,000	-	-	-	5,750,000	5,750,000
23 Dec 2008	18 Dec 2013	A$0.25	1,300,000	-	-	-	1,300,000	1,300,000
15 Apr 2009	31 Mar 2014	A$0.25	350,000	-	-	(50,000)	300,000	300,000
1 Dec 2009	30 Nov 2014	A$0.25	275,000	-	-	(50,000)	225,000	225,000
10 Apr 2010	22 Mar 2015	A$0.25	125,000	-	-	(75,000)	50,000	50,000
16 Apr 2010	31 Mar 2015	A$0.25	650,000	-	-	-	650,000	650,000
25 Oct 2010	25 Oct 2015	A$0.22	350,000	-	-	(100,000)	250,000	250,000
23 Feb 2011	23 Feb 2016	A$0.32	400,000	-	-	(125,000)	275,000	275,000
10 Nov 2011	10 Nov 2016	A$0.19	175,000	-	-	(25,000)	150,000	150,000
24 Feb 2012	24 Feb 2017	A$0.24	275,000	-	-	(50,000)	225,000	225,000
8 Mar 2013	18 Mar 2018	C$0.13	-	775,000	-	-	775,000	775,000
Total			**16,071,050**	**775,000**	**(642,105)**	**(6,203,945)**	**9,950,000**	**10,000,000**
Weighted average exercise price (cents)			27.64	12.36	7.99	9.17	35.27	35.27
2012								
31 Aug 2009	31 Aug 2011	C$0.086	7,331,250	-	(7,331,250)	-	-	-
29 Apr 2004	21 Dec 2011	A$0.30	160,000	-	-	(160,000)	-	-
12 Oct 2010	11 Aug 2012	C$0.084	6,421,050	-	-	-	6,421,050	6,421,050
15 Aug 2008	15 Aug 2013	A$0.50	5,750,000	-	-	-	5,750,000	4,600,000
23 Dec 2008	18 Dec 2013	A$0.25	1,800,000	-	-	(500,000)	1,300,000	1,040,000
15 Apr 2009	31 Mar 2014	A$0.25	475,000	-	-	(125,000)	350,000	350,000
1 Dec 2009	30 Nov 2014	A$0.25	350,000	-	-	(75,000)	275,000	275,000
10 Apr 2010	22 Mar 2015	A$0.25	125,000	-	-	-	125,000	125,000
16 Apr 2010	31 Mar 2015	A$0.25	650,000	-	-	-	650,000	650,000
25 Oct 2010	25 Oct 2015	A$0.22	450,000	-	-	(100,000)	350,000	350,000
23 Feb 2011	23 Feb 2016	A$0.32	500,000	-	-	(100,000)	400,000	400,000
10 Nov 2011	10 Nov 2016	A$0.19	-	225,000	-	(50,000)	175,000	175,000
24 Feb 2012	24 Feb 2017	A$0.24	-	275,000	-	-	275,000	275,000
Total			**24,012,300**	**500,000**	**(7,331,250)**	**(1,110,000)**	**16,071,050**	**14,661,050**
Weighted average exercise price (cents)			22.78	22.10	8.39	26.23	27.64	25.87

(d) Movements in warrants on issue

Grant Date	Expiry Date	Exercise Price Cents	Balance at start of the fiscal year Number	Granted during the year Number	Exercised during the year Number	Forfeited/ Cancelled during the year Number	Balance at end of the fiscal year Number	Vested and exercise-able at end of the year Number
2013								
12 Aug 2010	11 Aug 2013	C$0.116	56,860,750	-	(149,970)	-	56,710,780	56,710,780
2012								
12 Aug 2010	11 Aug 2013	C$0.116	58,206,000	-	(1,345,250)	-	56,860,750	56,860,750

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

15. CONTRIBUTED EQUITY (continued)

(e) Movements in performance rights on issue

Grant Date	Expiry Date	Exercise Price Cents	Balance at start of the fiscal year Number	Granted during the year Number	Exercised during the year Number	Forfeited/ Cancelled during the year Number	Balance at end of the fiscal year Number	Vested and exercise-able at end of the year Number
2013								
6 Sep 2012	6 Sep 2017	C$0	-	37,400,000	-	(1,800,000)	35,600,000	-
12 Oct 2012	6 Sep 2017	C$0	-	10,000,000	-	-	10,000,000	-

	2013 US$'000	2012 US$'000	2011 US$'000
16. RESERVES AND ACCUMULATED LOSSES			
(a) Reserves			
Foreign currency translation reserve (i)	1,786	27,493	1,447
Options and share based payments reserve (ii)	3,156	1,827	2,839
	4,942	**29,320**	4,286
Movements:			
(i) Foreign currency translation reserve			
Balance at beginning of the year	27,493	1,447	(2,069)
Currency translation differences arising during the year	(25,707)	26,046	3,516
Balance at end of the year	**1,786**	**27,493**	**1,447**
(ii) Options and share based payments reserve			
Balance at beginning of the year	1,827	2,839	1,820
Share-based payment expense	1,329	(909)	548
Exchange differences on restatement to USD presentation currency	-	(103)	471
Balance at end of the year	**3,156**	**1,827**	**2,839**
(b) Accumulated losses			
Balance at beginning of the year	(24,420)	(21,454)	(9,849)
Net loss for the year	(8,027)	(2,966)	(11,605)
Balance at end of the year	**(32,447)**	**(24,420)**	**(21,454)**

(c) Nature and purpose of reserves

(i) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

(ii) Options and share based payments reserve

The share-based payments reserve is used to recognise the fair value of options and performance rights issued.

17. DIVIDENDS

No dividends were paid during the financial year (2012: None). No recommendation for payment of dividends has been made (2012: None).

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

18. KEY MANAGEMENT PERSONNEL COMPENSATION

Key Management includes Directors and Senior Management

	2013 US$	2012 US$
Key management personnel compensation		
Salaries and other short-term benefits	2,550,575	2,789,686
Post-employment benefits	140,653	203,559
Other long term benefits	-	91,403
Share-based payments	1,165,908	43,259
	3,857,136	**3,127,906**

19. CONTINGENCIES

The Company has no contingent liabilities (2012: Nil) as at the date of these consolidated financial statements.

20. COMMITMENTS

	2013 US$'000	2012 US$'000
(a) Exploration commitments		
The Company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:		
Due within one year	3,000	4,699
Due later than one year but not later than five years	2,615	293
	5,615	**4,992**

(b) Lease commitments: Group as lessee

	2013 US$'000	2012 US$'000
Operating leases (non-cancellable):		
Minimum lease payments		
Due within one year	456	991
Due later than one year but not later than five years	-	463
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**456**	**1,454**

The Group has two non-cancellable office leases, one for premises in Perth and the other for premises in Madang, expiring within one year. The leases have varying terms, escalation clauses and renewal rights. The Group has a non-cancellable operating lease for an item of office equipment expiring within one year, with rent payable monthly. The item is subject to a per unit usage charge, but there are no provisions for escalation or renewal within the lease agreement.

The Group also has a non-cancellable operating lease for one helicopter that is expiring on December 31, 2013.

(c) Remuneration commitments

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel that are not recognised as liabilities and are not included in the key management personnel compensation.

	2013 US$'000	2012 US$'000
Due within one year	2,320	2,231
Due later than one year but not later than five years	-	19
	2,320	**2,251**

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

21. RELATED PARTY TRANSACTIONS

(a) Parent Entity

The ultimate parent entity within the Group is Marengo Mining Limited.

(b) Subsidiaries

Interests in subsidiaries are set out below:

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b)(i):

Name	Country of Incorporation	Class of Shares	Equity Holding[1] 2013 %	Equity Holding[1] 2012 %
Marengo Mining (Australia) Ltd[2]	Australia	Ordinary	100	-
Yandera Mining Limited	Papua New Guinea	Ordinary	100	100
Yandera Mining Company (Holdings) Pty Ltd[2]	Australia	Ordinary	100	100
Marengo Mining (PNG) Limited	Papua New Guinea	Ordinary	100	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

(2) On January 10, 2013, the Company implemented a restructuring, by way of a Scheme of Arrangement ("Scheme"), which resulted in the re-domiciling of the Company from Australia to Canada under the name Marengo Mining Limited. Pursuant to the Scheme, the current wholly owned Australian subsidiary (Marengo Mining (Australia) Limited) was acquired by the Company effective January 10, 2013. This transaction has been accounted for as a capital reorganisation, rather than a business combination.

(c) Loans to related parties

Marengo Mining Limited has provided unsecured, interest free loans to its wholly owned subsidiaries. An impairment assessment is undertaken each financial year by examining the financial position of the subsidiaries and the market in which the subsidiaries operate to determine whether there is objective evidence the subsidiary is impaired. When such evidence exists the Company recognises an allowance for the impairment loss.

(d) Loans from related parties

Loans from Sentient Global Resources Fund IV, L.P., a related party of Marengo Mining Limited, are discussed in note 13, 14 and 22.

22. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On August 12, 2013, the Group announced the completion of debenture placement to Sentient Global Resources Fund IV, L.P. The final tranche of debentures under the Debenture Purchase Agreement (DPA) dated May 27, 2013 consists of 6,000, US$1,000 debentures, convertible, at the option of Sentient at C$0.11 per share with 9% interest rate and a maturity date of June 30, 2016. Interest accrued and payable will be satisfied through the issuance of additional debentures. Under the DPA, an establishment fee of 2% was paid to Sentient through the issuance of additional debentures.

In addition, the Group issued an additional US$1 million principal amount of debentures in satisfaction of the interest accrued and payable up to the end of August 2013, under the existing unsecured facility of US$10 million provided by Sentient in February 2013.

The financial effect, if any, of the above transactions has not been reflected in the consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

	2013 US$'000	2012 US$'000
23. STATEMENT OF CASH FLOWS		
Reconciliation of loss after income tax to net cash outflow from operating activities		
Loss after income tax	(8,027)	(2,966)
Investment Income	(361)	(1,832)
Exploration written off	410	7
Depreciation	328	315
Share-based payment expense	1,257	124
Interest income on loan to Managing Director (reclassified as option 2012)	-	(502)
Net exchange differences	3,489	(4,307)
Net (gain)/ loss on disposal of plant and equipment	(23)	17
Fair value adjustment on derivative liability	(1,762)	-
Interest expense	851	-
Change in operating assets and liabilities		
(Increase)/ decrease in trade and other receivables	(214)	1,046
Decrease in other financial assets	-	546
(Decrease)/ increase in trade and other payables	(3,724)	2,693
(Decrease)/ increase in employee entitlements provision	(6)	8
Net cash outflow from operating activities	**(7,782)**	**(4,851)**

24. LOSS PER SHARE

	2013 US$'000	2012 US$'000
(a) Reconciliation of earnings used in calculating basic loss per share		
Loss attributable to the owners of the Company used in calculating basic and dilutive loss per share	(8,027)	(2,966)

	Number of shares	Number of shares
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	1,134,072,567	1,001,895,432

(c) Information on the classification of options

As the Group has made a loss for the year ended June 30, 2013 and 2012, all options on issue are considered anti-dilutive and have not been included in a calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

25. SHARE-BASED PAYMENTS

(a) Employees' and Contractors' Option Incentive Plan

The Group provides benefits to employees (including directors) and consultants of the Group in the form of share-based payment transactions, whereby employees or consultants render services in exchange for options to acquire ordinary shares. The exercise price of the options granted range from A$0.19 – A$0.50 and C$0.084 – C$0.13 per option. The expiry dates of options granted range from August 11, 2012 to March 18, 2018.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights. With the exception of options issued to directors and senior management which vest over 5 years all other options granted to employees vest immediately.

Notes to the Consolidated Financial Statements (continued)

JUNE 30, 2013

25. SHARE-BASED PAYMENTS (continued)

(a) Employees' and Contractors' Option Incentive Plan (continued)

Set out below are summaries of the options granted:

	2013		2012	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	16,071,050	27.64	24,012,300	22.78
Granted	48,175,000	0.20	500,000	22.10
Forfeited	(2,275,000)	7.99	(1,110,000)	26.23
Exercised	(642,105)	9.17	(7,331,250)	-
Expired	(5,778,945)	6.14	-	14.90
Outstanding at the end of the year	**55,550,000**	**34.30**	**16,071,050**	**27.64**
Exercisable at the end of the year	**55,550,000**	**34.30**	**14,661,050**	**25.87**

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 3.61 years (2012: 1.66 years), and the exercise prices range from A$0.19 – A$0.50 and C$0.084 – C$0.13. No employee share options were exercised in 2013 or 2012.

The weighted average fair value of the options granted during the year was US$0.0121 (2012: US$0.153). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2013	2012
Weighted average exercise price (cents)	0.21	22.41
Weighted average life of the options (years)	3.61	1.09
Weighted average underlying share price (cents)	12.16	22.41
Expected share price volatility	88.53%	81.07%
Weighted average risk free interest rate	4.23%	5.75%

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	2013 US$'000	2012 US$'000
Options issued to employees and contractors as part of:		
Share-based payment expense	1,257	124
	1,257	**124**