Precious Metals Investments Limited

ABN 99 144 973 259

Half year report for the half-year ended 31 December 2011

Directors' report

The directors of Precious Metals Investments Limited submit herewith the financial report of Precious Metals Investments Limited for the half-year ended 31 December 2011. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The names of the directors of the company during or since the end of the half-year are:

Name

Mr D.H.Sutton
Mr K.M. Lynn
Mr W.T. McMurray

Mr C.D.Straw
Mr D.F. Flinn
Mr J Merrillees

Review of operations

The company continued to search for investments in listed and unlisted entities in the mineral exploration sector.

Auditor's independence declaration

The auditor's independence declaration is included on page 2 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporation Act 2001*.

On behalf of the Directors

D.H. Sutton
Director
Sydney, 14 March 2012

GRAHAM
ABBOTT
ASSOCIATES
Chartered Accountants

PRECIOUS METALS INVESTMENTS LIMITED

ACN 144 973 259

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Precious Metals Investments Limited:

As lead auditor for the review of Precious Metals Investments Limited for the half-year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(b) any applicable code of professional conduct in relation to the review,

GRAHAM ABBOTT ASSOCIATES

G B Abbott
Principal

Sydney
15 March 2012

10 Crown Street Sydney NSW 2011 fax 9358 4046 e-Mail graham@grahamabbott.com **tel 9357 1544**

GRAHAM
ABBOTT
ASSOCIATES
Chartered Accountants

PRECIOUS METALS INVESTMENTS LIMITED

INDEPENDANT AUDITOR'S REVIEW REPORT

FOR THE HALF-YEAR ENDED 31 DECMBER 2011

To the members of Precious Metals Investments Limited

We have reviewed the accompanying half-year financial report of Precious Metals Investments Limited ("the Company') which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flow for the half-year ended on that date, other selected explanatory notes and the directors' declaration as set out on pages 4 to 27.

Directors' Responsibility for the half-year financial report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standards AASB 134 *Interim financial Reporting and Corporations Regulations 2001.* As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

10 Crown Street Sydney NSW 2011 fax 9358 4046 e-Mail graham@grahamabbott.com **tel 9357 1544**

GRAHAM
ABBOTT
ASSOCIATES
Chartered Accountants

PRECIOUS METALS INVESTMENTS LIMITED

INDEPENDANT AUDITOR'S REVIEW REPORT (Continued)

FOR THE HALF-YEAR ENDED 31 DECMBER 2011

Independence

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

We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of Precious Metals Investments Limited, we would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Precious Metals Investments Limited is not in accordance with the *Corporations Act 2001* including

(a) giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standards AASB 134 *Interim financial Reporting and Corporations Regulations 2001*

GRAHAM ABBOTT ASSOCIATES

G B Abbott
Principal

Sydney
15 March 2012

10 Crown Street Sydney NSW 2011 fax 9358 4046 e-Mail graham@grahamabbott.com **tel 9357 1544**

Directors' declaration

The directors declare that:

(a) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the entity.

Signed in accordance with a resolution of directors made pursuant to s.303(5) of the *Corporation Act 2001*.

On behalf of the Directors

D.H. Sutton
Director
Sydney, 14 March 2012

Condensed statement of comprehensive income for the half-year ended 31 December 2011

	Notes	Half-year ended	
		31 Dec 2011 $	31 Dec 2010 $
Revenue from ordinary activities			
Investment income		45,124	-
Other gains and losses		31,845	-
Expenses from Ordinary Activities			
Accounting and administration		(168,656)	(382)
Audit Fees		(7,500)	-
Directors Fees		(163,000)	-
Unrealised foreign exchange loss		(48,805)	-
Provision for doubtful debts		(232,796)	-
Listing expenses		(42,567)	-
Legal expenses		(34,894)	(30,806)
Marketing expenses		(46,823)	(7,670)
Share of loss of associate		(51,291)	-
Travel expenses		(8,542)	-
Other expenses		(545)	-
Total expenses		(805,419)	(38,858)
Loss before tax		(728,450)	(38,858)
Income tax expense		-	-
LOSS FOR THE YEAR		**(728,450)**	**(38,858)**
Other comprehensive income, net of income tax			
Net gain/(loss) on available-for-sale financial assets		(27,641)	-
Other comprehensive income for the year, net of tax		(27,641)	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(756,091)**	**(38,858)**
Earnings per share			
Basic (cents per share)		(11.51)	(1.25)
Diluted (cents per share)		(11.51)	(1.25)

The condensed statement of comprehensive income should be read in conjunction with the accompanying notes.

	Notes	31 Dec 2011 $	30 June 2011 $
Assets			
Current assets			
Cash and bank balances		946,923	356,545
Trade and other receivables		32,720	6,163
GST Receivable		22,933	27,956
Other assets		10,000	20,000
Total current assets		1,012,576	410,664
Non-current assets			
Investments in associates		152,564	203,855
Other financial assets		1,000,254	2,149,251
Total non-current assets		1,152,818	2,353,106
Total assets		2,165,394	2,763,770
Liabilities			
Current liabilities			
Trade and other payables		21,381	97,920
Total current liabilities		21,381	97,920
Net assets		2,144,013	2,665,850
Equity			
Capital and reserves			
Issued capital		3,313,981	3,079,727
Reserves		9,742	37,383
Retained earnings		(1,179,710)	(451,260)
Total equity		2,144,013	2,665,850

The condensed statement of financial position should be read in conjunction with the accompanying notes.

	Share capital $	Investments revaluation reserve $	Retained earnings $	Attributable to owners $
Balance at 1 July 2010	-	-	-	-
Issue of ordinary shares	440,000	-	-	440,000
Share issue costs	(37,333)	-	-	(37,333)
Listed investments	-	-	-	-
Loss for the year	-	-	(38,858)	(38,858)
Total comprehensive income for the year	-	-	(38,858)	(38,858)
Balance at 31 December 2010	402,667	-	(38,858)	363,809

	Share capital $	Investments revaluation reserve $	Retained earnings $	Attributable to owners $
Balance at 1 July 2011	3,079,727	37,383	(451,260)	2,665,850
Issue of ordinary shares	370,923	-	-	370,923
Share issue costs	(136,669)	-	-	(136,669)
Listed investments	-	(27,641)	-	(27,641)
Loss for the period	-	-	(728,450)	(728,450)
Total comprehensive income for the period	-	(27,641)	(728,450)	(756,091)
Balance at 31 December 2011	3,313,981	9,742	(1,179,710)	2,144,013

The condensed statement of changes in equity should be read in conjunction with the accompanying notes.

		Half-year ended	
	Notes	31 Dec 2011 $	31 Dec 2010 $
Cash flows from operating activities			
Receipts from customers		45,125	-
Payments to suppliers		(528,756)	(21,571)
Net cash provided by operating activities		(483,631)	(21,571)
Cash flows from investing activities			
Payments to acquire financial assets		(776,395)	(368,538)
Proceeds from repayment of related party loans		1,616,150	-
Amounts advanced to related party		-	(3,455)
Net cash used in investing activities		839,755	(371,993)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the company		370,923	440,000
Payment for share issue costs		(136,669)	(37,332)
Net cash generated by financing activities		234,254	402,668
Net increase in cash and cash equivalents		590,378	9,104
Cash and cash equivalents at the beginning of the year		356,545	-
Cash and cash equivalents at the end of the year		946,923	9,104

The condensed statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

1. Significant accounting policies

1.1 Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 ‘Interim Financial Reporting’. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 ‘Interim Financial Reporting’. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

1.2 Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the entity’s accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations have not had a material impact and not resulted in changes to the entity’s presentation of, or disclosure in, its half-year financial statements.

1.3 Cash

For the purposes of the statement of cash flows, cash and cash equivalents included cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of bank overdrafts.

1.4 Trade creditors

A liability is recorded for goods and services prior to balance date, whether invoiced to the company or not. Trade creditors are normally settled within 30 days.

1.5 Net fair value

The net fair value of cash, investments and trade creditors approximates their carrying value.

1.6 Revenue

Interest revenue is recognised on a proportional basis taking in to account the interest rates applicable to the financial assets.
Other revenue is recognised when the right to receive the revenue has been established.

Notes to the financial statements (cont'd)

Significant accounting policies (cont'd)

1.7 Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

1.8 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the Australian Taxation Office, are classified as operating cash flows.

Notes to the financial statements (cont'd)

Significant accounting policies (cont'd)

1.9 Acquisitions of Assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition.

1.10 Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation.

(i) The depreciation rates used are as follows:

Plant and equipment	20-25% straight line
Office furniture and equipment	25-33⅓% straight line
Motor vehicles	33⅓% straight line

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(ii) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash flows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

Notes to the financial statements (cont'd)

Significant accounting policies (cont'd)

An impairment exists when the carrying amount of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the income statement.

1.11 Employee Entitlements

Wages, salaries and annual leave
Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Long Service Leave
A provision for long service leave is taken up where applicable for all employees.

Equity-settled compensation
The Company operates a share-based compensation plan. These include both a share option arrangement and an employee share scheme. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

Employee option plan
An Employee Share Option Plan (ESOP) was approved by shareholders at the annual general meeting held on 10 October 2011. The ESOP is designed to provide long term incentives for directors and staff to deliver long term shareholder returns.

The fair value of options granted under the ESOP is recognised as an employee benefit expense with corresponding increase in equity. The fair value is measured at grant date. The fair value at grant date is measured using a Black-Scholes option pricing model that takes into consideration the exercise price, the term of the option, the impact of dilution and the share price at grant date.

Notes to the financial statements (cont'd)

Significant accounting policies (cont'd)

Upon the exercise of options, the exercise proceeds received are allocated to share capital and the balance of the share-based payments reserve relating to those options is transferred to share capital.

1.12 Impairment

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.13 Intangible Assets

Intangible assets acquired in a business are initially measured at cost. Intangible assets with indefinite lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

1.14 Issued Capital

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, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

If the Company reacquires its own equity instruments (e.g. as the result of a share buy-back), those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

Notes to the financial statements (cont'd)

Significant accounting policies (cont'd)

1.15 Earnings Per Share

Basic earnings per share
Basic earnings per share is determined by dividing net profit after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial year.

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.

1.16 Financial Instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

1.16.1 Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Notes to the financial statements (cont'd)

Significant accounting policies (cont'd)

1.16.1.1 Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

1.16.1.2 Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Notes to the financial statements (cont'd)

Significant accounting policies (cont'd)

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income/income statement.

1.16.1.3 Held-to-maturity investments
Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

1.16.1.4 AFS financial assets
Listed shares and listed redeemable notes held by the company that are traded in an active market are classified as AFS and are stated at fair value. The company also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Notes to the financial statements (cont'd)

Significant accounting policies (cont'd)

1.16.1.5 Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

1.16.1.6 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account.

Notes to the financial statements (cont'd)

Significant accounting policies (cont'd)

Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

1.16.1.7 Derecognition of financial assets
The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable

Notes to the financial statements (cont'd)

Significant accounting policies (cont'd)

and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.
On derecognition of a financial asset other than in its entirety (e.g. when the company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the company retains control), the company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

1.16.2 Financial liabilities and equity instruments

1.16.2.1 Classification as debt or equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

1.16.2.2 Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

Notes to the financial statements (cont'd)

Significant accounting policies (cont'd)

1.16.2.3 Compound instruments

The component parts of compound instruments (convertible bonds) issued by the company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments are equity instruments. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium/other equity. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits/other equity. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

1.16.2.4 Financial guarantee contract liabilities

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Notes to the financial statements (cont'd)

Significant accounting policies (cont'd)

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with AASB 137'Provisions, Contingent Liabilities and Contingent Assets'; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

1.16.2.5 Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

1.16.2.6 Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Notes to the financial statements (cont'd)

Significant accounting policies (cont'd)

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income/income statement.

1.16.2.7 Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

1.16.2.8 Derecognition of financial liabilities
The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

1.17 Lease payments
Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Notes to the financial statements (cont'd)

Significant accounting policies (cont'd)

1.18 Investments in associates

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the associate.

When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 'Impairment of Assets' as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss

Notes to the financial statements (cont'd)

Significant accounting policies (cont'd)

recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

When the entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Company's consolidated financial statements only to the extent of interests in the associate that are not related to the Company.

2. Doubtful debt provision

On the 20th September 2011 the company executed a Promissory Note and Guarantee (the "note") with a principal sum of C$250,000 and interest of 15% p.a. with PTM Minerals (Cayman) Ltd a wholly owned subsidiary of Greenock Resources Inc. ("PTM/Greenock") a company listed on the Toronto Venture Exchange. The note and interest was due for repayment on 18 January 2012.

PTM/Greenock to date has failed to repay the principal and interest.

On the 23rd January 2012 the company instructed its legal counsel in Canada to send demand letters to PTM/Greenock requesting that principal and interest be repaid by 25th January 2012. PTM/Greenock did not repay the principal and interest.

The company has instructed legal counsel to commence legal proceedings immediately against PTM/Greenock for the outstanding principal, accrued interest and all costs and expenses incurred enforcing our rights under the note.

As a result, the company has recorded a provision for the non payment of the principal. Interest has not been accrued and costs associated with recovery of the principal and interest has been expensed.

3. Dividends

No dividend has been paid.

Notes to the financial statements (cont'd)

4. Investments in associates

Details of the company's associate are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Company
New Competitive Drilling Pty Limited	Geological drilling	Australia	45%

As at 31 December 2011Precious Metals Investments Limited (PMI) holds 270,000 fully paid ordinary shares (45%) in New Competitive Drilling Pty Limited (NCD), an entity involved in drilling services to the exploration sector. The directors of PMI do not consider that PMI is able to exercise significant influence over New Competitive Drilling as a significant shareholding is controlled by one director who manages the day-to-day operations of that company.

Messrs Straw and Flinn are directors of both PMI and NCD. In addition, Mr Straw holds 5% of NCD.

NCD commenced trading in May 2011.

Summarised financial information in respect of the Company's associate is set out below.

Notes to the financial statements (cont'd)

Investments in associates (cont'd)

	Half-year to Dec 2011 $	30 June 2011 $
Total assets	2,526,569	3,066,125
Total liabilities	(2,187,541)	(2,613,115)
Net assets	339,028	453,010
Company's share of net assets in associates	152,564	203,855

	Half-year to Dec 2011 $	Year ended 30 June 2011 $
Total revenue	1,535,126	235,060
Total loss for the period	(113,981)	(146,990)
Company's share of loss of associates	(51,291)	(66,145)

5. Issues of equity securities

During the half year reporting period, the company issued 376,923 ordinary shares for $376,923 as part of the company's capital raising efforts before listing on the National Stock Exchange. In addition, the company issued 179,362 share options over ordinary shares with an exercise price of $1.00 and expiry date of 20 June 2012. Each option entitles the option holder to one fully paid ordinary share in the company.

6. Subsequent events

On the 17 February 2012 the company was admitted to the official list of the National Stock Exchange. There are 6,790,333 fully paid ordinary shares in the company on issue of which 2,350,000 are restricted securities. Restricted securities are unable to be offered for sale for a period of two years from the date of quotation to the official list. The company raised $577,350 during the Initial Public Offering process.

The company's options are not listed.

7. Related party transactions

7.1 Trading transactions

During the year, the company entered into the following trading transaction with a related party:

i. For the half year Centric Minerals Management Pty Limited (Centric) was paid $60,000 (2010: nil) to provide management and administrative services to the company. The amount included office space and facilities. As at balance date the company has no amounts owed to or owed by Centric.

7.2 Other related party transactions

7.2.1 Equity interests in related parties

i. Precious Metals Investments Limited (PMI) holds 3,581,821fully paid ordinary shares in Artha Resources Corporation (Artha) a Canadian based company listed on the Toronto Stock Exchange. Messrs Straw and McMurray are directors of both PMI and Artha.
ii. Precious Metals Investments Limited (PMI) holds 270,000 fully paid ordinary shares in New Competitive Drilling Pty Limited (NCD), an entity involved in drilling services to the exploration sector. The directors of PMI do not consider that PMI is able to exercise significant influence over New Competitive Drilling as a significant shareholding is controlled by one director who manages the day-to-day operations of that company. Messrs Straw and Flinn are directors of both PMI and NCD.
iii. Precious Metals Investments Limited (PMI) holds 4,100,000 fully paid ordinary shares in Metalstorm Resources Corporation (Metalstorm) a North American based resource explorer incorporated in Canada. Messrs Straw and McMurray are directors of both PMI and Metalstorm.
iv. Dayton Way Financial Pty Limited, an entity controlled by Mr Sutton received for the half year $82,170 (2010: $5,000) from the company in relation to fees associated with raising equity for the company.
v. During the half year New Competitive Drilling Pty Limited (NCD) repaid a loan of $1,616,150 to PMI. Messrs Straw and Flinn are directors of both PMI and NCD.