Precious Metals Investments Limited

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ABN 99 144 973 259

11 September 2012

Company Announcements Manager
National Stock Exchange of Australia
Level 2, 117 Scott Street
Newcastle NSW, 2300

Dear Sir/Madam,

**Precious Metals Investments Limited (NSX: PMZ)**
**Results for Announcement to the Market**
**Preliminary Final Report**

Precious Metals Investments Limited (the company) has today released the following information.

| | Financial period | |
|---|---|---|
| | Year ended 30 June 2012 | Year ended 30 June 2011 |
| Revenue from ordinary activities | $103,705 | $32,709 |
| The change up/(down) in amount from previous corresponding period relating to revenue from ordinary activities | $70,996 | - |
| The change up/(down) in percentage from previous corresponding period relating to revenue from ordinary activities | 217.1% | - |
| (Loss) from ordinary activities after tax attributable to members | ($1,167,824) | ($451,260) |
| The change (up)/down in amount from previous corresponding period relating to (loss) from ordinary activities after tax attributable to members | ($716,564) | - |
| The change (up)/down in percentage from previous corresponding period relating to (loss) from ordinary activities after tax attributable to members | (158.8%) | - |
| (Loss) attributable to members | ($1,167,824) | ($451,260) |
| The change (up)/down in amount from previous corresponding period relating to the (loss) attributable to members | ($716,564) | - |

| | | |
|---|---|---|
| The change (up)/down in percentage from previous corresponding period relating to the (loss) attributable to members | (158.8%) | - |
| Dividends the company is proposing to pay | nil | nil |
| Record date for determining dividend | n/a | n/a |

The company commenced trading on 1 July 2010, therefore there are no comparatives relating to the year ended 30 June 2011.

More detailed information relating to the results of the company is attached.

The above information is based on financial accounts that are in the process of being audited.

Yours sincerely

Richard Holstein
Company Secretary

Precious Metals Investments Limited
ACN 144 973 259
Preliminary financial report for the financial year ended 30 June 2012

**Statement of comprehensive income**
**For the year ended 30 June 2012**

| | Notes | Year ended 30 June 2012 $ | Year ended 30 June 2011 $ |
|---|---|---|---|
| **Revenue from ordinary activities** | | | |
| Investment income | 4 | 61,392 | 32,709 |
| Other gains | 4 | 42,313 | - |
| | | 103,705 | 32,709 |
| **Expenses from Ordinary Activities** | | | |
| Accounting and administration | | (382,970) | (184,288) |
| Audit Fees | | (16,500) | (15,000) |
| Directors Fees | | (255,000) | (75,000) |
| Unrealised foreign exchange loss | | (27,394) | (20,861) |
| Marketing and project generation | | (156,603) | (92,675) |
| Provision for doubtful debt | | (232,796) | - |
| Listing costs | | (86,980) | - |
| Impairment of associate | | - | (30,000) |
| Share of loss of associate | 8 | (113,286) | (66,145) |
| Total expenses | | (1,271,529) | (483,969) |
| Loss before tax | | (1,167,824) | (451,260) |
| Income tax expense | 5 | - | - |
| **LOSS FOR THE YEAR** | | **(1,167,824)** | **(451,260)** |
| **Other comprehensive income, net of income tax** | | | |
| Net (loss)/gain on available-for-sale financial assets | | (484,497) | 37,383 |
| Other comprehensive income for the year, net of tax | | (484,497) | 37,383 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **(1,652,321)** | **(413,877)** |

**Statement of financial position**
**at 30 June 2012**

| | Notes | Year ended 30 June 2012 $ | Year ended 30 June 2011 $ |
|---|---|---|---|
| **Assets** | | | |
| Current assets | | | |
| Cash and bank balances | 17 | 63,016 | 356,545 |
| Trade and other receivables | 6 | 35,346 | 6,163 |
| GST Receivable | | 15,939 | 27.956 |
| Current tax assets | 5 | - | - |
| Other assets | 7 | 10,000 | 20,000 |
| Total current assets | | 124,301 | 410,664 |
| Non-current assets | | | |
| Investments in associates | 8 | 90,569 | 203,855 |
| Other financial assets | 9 | 1,661,127 | 2,149,251 |
| Total non-current assets | | 1,751,696 | 2,353,106 |
| **Total assets** | | 1,875,997 | 2,763,770 |
| **Liabilities** | | | |
| Current liabilities | | | |
| Trade and other payables | 10 | 107,017 | 97,920 |
| Total current liabilities | | 107,017 | 97,920 |
| Net assets | | 1,768,980 | 2,665,850 |
| **Equity** | | | |
| Capital and reserves | | | |
| Issued capital | 11 | 3,835,178 | 3,079,727 |
| Reserves | 12 | (447,114) | 37,383 |
| Retained earnings | 13 | (1,619,084) | (451,260) |
| **Total equity** | | 1,768,980 | 2,665,850 |

**Statement of changes in equity**
**For the year ended 30 June 2012**

| | Share capital $ | Investments revaluation reserve $ | Retained earnings $ | Attributable to owners $ |
|---|---|---|---|---|
| **Balance at 1 July 2010** | - | - | - | - |
| **Issue of ordinary shares** | 3,291,730 | - | - | 3,291,730 |
| **Share issue costs** | (212,003) | - | - | (212,003) |
| **Listed investments** | - | 37,383 | - | 37,383 |
| **Loss for the year** | - | - | (451,260) | (451,260) |
| **Total comprehensive income for the year** | - | 37,383 | (451,260) | (413,877) |
| **Balance at 30 June 2011** | 3,079,727 | 37,383 | (451,260) | 2,665,850 |
| **Issue of ordinary shares** | 954,273 | - | - | 954,273 |
| **Share issue costs** | (198,822) | - | - | (198,822) |
| **Listed investments** | - | (484,497) | - | (484,497) |
| **Loss for the year** | - | - | (1,167,824) | (1,167,824) |
| **Total comprehensive income for the year** | - | (484,497) | (1,167,824) | (1,652,321) |
| **Balance at 30 June 2012** | 3,835,178 | (447,114) | (1,619,084) | 1,768,980 |

**Statement of cash flows**
**for the year ended 30 June 2012**

| | Notes | Year ended 30 June 2012 $ | Year ended 30 June 2011 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | - | - |
| Payments to suppliers | | (896,122) | (323,163) |
| Cash from operations | | (896,122) | (323,163) |
| Interest paid | | - | - |
| Income taxes paid | | - | - |
| Net cash generated by operating activities | | (896,122) | (323,163) |
| **Cash flows from investing activities** | | | |
| Payments to acquire financial assets | | (1,703,538) | (816,578) |
| Proceeds on sale of financial assets | | 295,977 | - |
| Interest received | | 61,392 | - |
| Repayments by related party | | 1,616,150 | - |
| Amounts advanced to related party | | (422,839) | (1,583,441) |
| Net cash used in investing activities | | (152,858) | (2,400,019) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of equity instruments of the company | | 954,273 | 3,291,730 |
| Payment for share issue costs | | (198,822) | (212,003) |
| Net cash generated by financing activities | | 755,451 | 3,079,727 |
| Net increase in cash and cash equivalents | | (293,529) | 356.545 |
| Cash and cash equivalents at the beginning of the year | | 356,545 | - |
| Cash and cash equivalents at the end of the year | 17 | 63,016 | 356,545 |

# Notes to the financial statements

## 1. General information

Precious Metals Investments Limited (the Company) is a limited company incorporated in Australia. The address of its registered office and principal place of business are disclosed in the introduction to the annual report. The principal activities of the Company are described in note 18.

## 2. Application of new and revised Accounting Standards

### 2.1 Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

### 2.2 Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

| | |
|---|---|
| AASB 2009-12 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement' | The application of AASB 2009 – 12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009). The amendment to AASB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of ASSB 2009-12 has not had any material effect on amounts reported in the company's consolidated financial statements. |

## Notes to the financial statements (cont'd)

### Application of new and revised Accounting Standards (cont'd)

| | |
|---|---|
| AASB 2010-5 'Amendments to Australian Accounting Standards' | The standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the company's consolidated financial statements. |
| AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosure on Transfers of Financial Assets' | The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred and derecognised but the transferor retains some level of continuing exposure in the asset.<br><br>To date, the company has not entered into any transfer arrangements of financial assets that are derecognised but with some level of continuing exposure in the asset. Therefore, the application of the amendments has not had any material effect on the disclosures made in the financial statements. |

# Notes to the financial statements (cont'd)

## 2.4 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

| *Standard/Interpretation* | *Effective for annual reporting periods beginning on or after* | *Expected to be initially applied in the financial year ending* |
|---|---|---|
| AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) | 1 January 2013 | 30 June 2012 |
| AASB 10 'Consolidated Financial Statements' | 1 January 2013 | 30 June 2014 |
| AASB 11 'Joint Arrangements' | 1 January 2013 | 30 June 2012 |
| AASB 12 'Disclosure of Interest in Other Entities' | 1 January 2013 | 30 June 2014 |
| AASB 127 'Separate Financial Statements' (2011) | 1 January 2013 | 30 June 2014 |
| AASB 128 'Investments in Associates and Joint Ventures' (2011) | 1 January 2013 | 30 June 2014 |
| AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13' | 1 January 2013 | 30 June 2014 |
| AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)' | 1 January 2013 | 30 June 2014 |
| AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets' | 1 January 2012 | 30 June 2012 |

## Notes to the financial statements (cont'd)

### Standards and Interpretations in issue not yet adopted (cont'd)

| | | |
|---|---|---|
| AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements' | 1 July 2013 | 30 June 2012 |
| AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards' | 1 January 2012 | 30 June 2014 |
| AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income' | 1 July 2012 | 30 June 2012 |
| Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20' | 1 January 2013 | 30 June 2014 |

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

| *Standard/Interpretation* | *Effective for annual reporting periods beginning on or after* | *Expected to be initially applied in the financial year ending* |
|---|---|---|
| Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) | 1 January 2014 | 30 June 2015 |
| Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) | 1 January 2013 | 30 June 2014 |
| Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7) | 1 January 2015 | 30 June 2016 |

The potential effect of the revised Standards/Interpretations on the Company's financial statements has not yet been determined.

## Notes to the financial statements (cont'd)

### 3. Significant accounting policies

### 3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the financial statements of the Company.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS').

### 3.2 Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

### 3.3 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.

### 3.4 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.

### 3.5 Net fair value

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

### 3.6 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)

### 3.7 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.

### 3.8 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)

### 3.9 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.

### 3.10 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.

### 3.11 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.

### 3.12 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)

### 3.13 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.

### 3.14 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.

### 3.15.1 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)

#### 3.15.1.1 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.

#### 3.15.1.2 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.

### 3.15.1.3 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.

### 3.15.1.4 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 Company'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)

### 3.15.1.5 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.

### 3.15.1.6 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.

#### 3.15.1.7 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.

### 3.15.2 Financial liabilities and equity instruments

#### 3.15.2.1 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.

#### 3.15.2.2 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)

### 3.15.2.3 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 is an equity instrument. 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.

### 3.15.2.4 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.

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

**3.15.2.6 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.

### 3.15.2.7 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.

### 3.15.2.8 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.

# Notes to the financial statements (cont'd)

## Significant accounting policies (cont'd)

### 3.16 Comparative figures

The Company commenced operation during this financial year, as such there are no comparative figures.

### 3.17 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 a 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.

### 4. Investment income

| | Year ended 30 June 2012 $ | Year ended 30 June 2011 $ |
|---|---|---|
| **Interest income:** | | |
| Related party | 61,392 | 32,709 |
| | 61,392 | 32,709 |
| **Other gains:** | | |
| Gain on disposal of available-for-sale investments | 42,313 | - |

# Notes to the financial statements (cont'd)

## 5. Income tax

**Current tax**

| | | |
|---|---|---|
| Total income tax expense recognised in the current year | - | - |

The income tax expense for the year can be reconciled to the accounting profit as follows:

| | Year ended 30 June 2012 $ | Year ended 30 June 2011 $ |
|---|---|---|
| Loss before tax | (1,164,736)) | (451,260) |
| Income tax benefit calculated at 30% | (349,421) | (135,378) |
| Effect of expense that is not deductible in determining taxable loss | 112,043 | 35,102 |
| Future tax benefit deferred | 237,378 | 100,276 |
| Income tax expense recognised in profit or loss | - | - |

The tax rate used for the 2012 reconciliation above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. Tax losses can be carried forward for use in future periods. For further information see note 3.7.

## 6. Trade and other receivable

| | Year ended 30 June 2012 $ | Year ended 30 June 2011 $ |
|---|---|---|
| Trade receivables | 35,346 | 6,163 |
| Allowance for doubtful debts | - | - |
| | 35,346 | 6,163 |

No interest is charged on receivables.

# Notes to the financial statements (cont'd)

## 7. Other assets

| | Year ended 30 June 2012 $ | Year ended 30 June 2011 $ |
|---|---|---|
| Prepayments – Management Fee | - | 10,000 |
| Rental security bond | 10,000 | 10,000 |
| | 10,000 | 20,000 |

Other assets relate to amounts paid to Centric Mineral Management Pty Limited, a related party. Refer to note 16.1 Related Party Disclosures.

## 8. 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% |
| Falls Resources Pty Limited | Gold explorer | Australia | 50% |

As at 30 June 2012 the Company 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. Messrs Straw and Flinn are Directors of both PMI and NCD. In addition, Mr Straw holds 5% of NCD.

As at the 30 June 2012 the Company holds 50,000 fully paid ordinary shares (50%) in Falls Resources Pty Limited (Falls), an entity involved in early stage gold exploration in Zimbabwe.

# Notes to the financial statements (cont'd)

## 8. Investments in associates (cont'd)

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

| | Year ended 30 June 2012 $ | Year ended 30 June 2011 $ |
|---|---|---|
| Total assets | 2,865,622 | 3,066,125 |
| Total liabilities | (2,664,360) | (2,613,115) |
| Net assets | 201,262 | 453,010 |
| Companies share of net assets in associates | 90,569 | 203,855 |

| | Year ended 30 June 2012 $ | Year ended 30 June 2011 $ |
|---|---|---|
| Total revenue | 2,794,906 | 235,060 |
| Total loss for year | (251,747) | (146,990) |
| Company's share of loss of associates | (113,286) | (66,145) |

## 9. Other financial assets

| | Year ended 30 June 2012 $ | Year ended 30 June 2011 $ |
|---|---|---|
| ***Available-for-sale investments carried at fair value*** | | |
| Unquoted shares (i) | 928,016 | 203,099 |
| Quoted shares (ii) | 310,272 | 97,206 |
| | 1,238,288 | 400,305 |

## Notes to the financial statements (cont'd)

### 9. Other financial assets (cont'd)

| | Year ended 30 June 2012 $ | Year ended 30 June 2011 $ |
|---|---|---|
| ***Loans and Receivables*** | | |
| Loan to other entity [iii] | 232,796 | 232,796 |
| Provision for non payment of loan | (232,796) | - |
| | - | - |
| Loan to related party [iv] | 422,839 | 1,616,150 |
| | 422,839 | 1,848,946 |
| | 1,661,127 | 2,149,251 |

i. As at 30 June 2012 PMI also holds fully paid ordinary shares in a variety of unlisted junior explorers. The following table summarises the holdings:

| Company | Jurisdiction | Number of fully paid ordinary shares |
|---|---|---|
| Metalstorm Resource Corporation | Canada | 5,458,140 |
| Davcha Resources International Ltd | Canada | 814,285 |
| Ming Gold Pty Limited | Australia | 2,000,000 |
| Falls Resources Pty Limited | Australia | 50,000 |
| AAT Corporation Limited | Australia | 23,076,923 |
| Tamar Gold Limited | Australia | 1,000,000 |

Messrs Straw and McMurray are Directors of both Metalstorm, Davcha Resources and PMI. Mr Sutton is a Director of AAT Corporation Limited and PMI.

ii. As at 30 June 2012 PMI also holds fully paid ordinary shares in a variety of listed explorers. The following table summarises the holdings:

| Company | Securities Exchange | Number of fully paid ordinary shares |
|---|---|---|
| Artha Resource Corporation | TSX:V | 3,581,821 |
| Meridien Resources Limited | ASX | 10,000 |
| Silver Mines Limited | ASX | 1,800,000 |
| Austin Explorer Limited | ASX | 2,000,000 |
| Global Strategic Metals NL | ASX | 666,000 |

## Notes to the financial statements (cont'd)

### 9. Other financial assets (cont'd)

Messrs Straw and McMurray are Directors of both Artha Resources and PMI. Messrs Sutton and Straw are Directors of both Silver Mines Limited and PMI.

iii. PMI has purchased Senior Secured Convertible Redeemable Notes (notes) totalling C$250,000. The notes attract a 15% interest rate.

Following due diligence the Company resolved not to proceed with the investment and required at the maturity of the notes, principal and interest be refunded as provided by the terms of the notes. Greenock or its subsidiary PTM Minerals as at the date of this financial report has not repaid any principal or interest. The Company has commenced legal action to protect its investment.

iv. During the financial year (NCD) repaid $1,616,150 and interest relating to the purchase of drilling equipment. The Company also during the financial period provided short-term finance at commercial rates to purchase equipment and provide working capital. Messrs Straw and Flinn are Directors of both PMI and NCD.

In addition, the Company has made small loans totalling $46,240 to initiate early stage exploration in associated companies.

### 10. Trade and other payables

| | Year ended 30 June 2012 $ | Year ended 30 June 2011 $ |
|---|---|---|
| Accruals | 107,017 | 97,920 |
| | 107,017 | 97,920 |

No interest is charged on payables

# Notes to the financial statements (cont'd)

## 11. Issued capital

| | Year ended 30 June 2012 $ | Year ended 30 June 2011 $ |
|---|---|---|
| Fully paid ordinary (30 June 2011 and 1 July 2010: 3,079,727) | 3,829,178 | 3,079,727 |
| | 3,829,178 | 3,079,727 |

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

### *11.1 Fully paid ordinary shares*

| | Number of shares | Share capital $ |
|---|---|---|
| Balance as at 1 July 2010 | - | - |
| Issue of shares | | |
| Founder shares, 31 August 2010 | 2,000,000 | 200 |
| Seed raising @ $0.40, 30 September 2010 | 1,100,000 | 440,000 |
| Seed raising @ $1.00 28 June 2011 | 2,851,530 | 2,851,530 |
| Share issue costs | - | (212,003) |
| Balance as at 30 June 2011 | 5,951,530 | 3,079,727 |
| Issue of shares | | |
| Seed raising @ $1.00 21 September 2011 | 376,923 | 376,923 |
| Initial Public Offering @ $1.25 3 February 2012 | 461,880 | 577,350 |
| Share issue costs | - | (198,822) |
| | 6,790,333 | 3,835,178 |

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

# Notes to the financial statements (cont'd)

## 11. Issued capital (cont'd)

### *11.2 Options*

As at the 30 June 2012 there were the following Company options:

| Issuing entity | Number of shares under option | Class of shares | Exercise price of option | Expiry date of option |
|---|---|---|---|---|
| Precious Metals Investments Ltd | 10,000,000 | Ordinary | $0.75 | 20 June 2016 |
| Precious Metals Investments Ltd | 142,995 | Ordinary | $1.25 | 17 February 2015 |
| Precious Metals Investments Ltd | 500,000 | Ordinary | $1.75 | 31 October 2016 |
| Precious Metals Investments Ltd | 500,000 | Ordinary | $2.25 | 31 October 2017 |

## 12. Reserves

| | Year ended 30 June 2011 $ | Year ended 30 June 2011 $ |
|---|---|---|
| Investments revaluation | (447,114) | 37,384 |
| | (447,114) | 37,384 |

### *12.1 Investments revaluation reserve*

| | Year ended 30 June 2012 $ | Year ended 30 June 2011 $ |
|---|---|---|
| Balance at beginning of year | 37,383 | - |
| Net (loss) / gain arising on revaluation of available-for-sale financial ass ets | (484,497) | 37,383 |
| Balance at the end of year | (447,114) | 37,383 |

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

# Notes to the financial statements (cont'd)

## 13. Retained earnings

| | Year ended 30 June 2012 $ | Year ended 30 June 2011 $ |
|---|---|---|
| Accumulated losses | (1,615,996) | (451,260) |
| | (1,615,996) | (451,260) |

| | Year ended 30 June 2012 $ | Year ended 30 June 2011 $ |
|---|---|---|
| Balance at beginning of year | (451,260) | - |
| Loss attributable to owners | (1,164,736) | (451,260) |
| Balance at the end of year | (1,615,996) | (451,260) |

## 14. Dividends

No dividend has been paid.

# Notes to the financial statements (cont'd)

## 15. Earnings per share

| | Year ended 30 June 2012 | Year ended 30 June 2011 |
|---|---|---|
| Basic earnings per share | ($0.17) | ($0.08) |
| Diluted earnings per share | ($0.17) | ($0.08) |
| | Number | Number |
| **Weighted average number of shares used as the denominator** | | |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 6,790,333 | 5,951,530 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | 6,790,333 | 5,951,530 |
| **Earnings used in calculating earnings per share** | | |
| Earnings used in calculating basic and diluted earnings per share | ($1,164,736) | ($451,260) |

## *16.* Related party transactions

### *16.1 Trading transactions*

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

i. Centric Minerals Management Pty Limited (Centric) was paid $438,436 (2011:$70,000) to provide management and administrative services to the Company. The amount included office space, facilities, administration and company secretarial duties. As at balance date the Company has no amounts owed to or owed by Centric. Messrs Sutton and Straw are directors of both PMI and Centric.

### *16.2 Other related party transactions*

*16.2.1 Equity interests in related parties*

i. The Company holds 3,581,821 fully paid ordinary shares of 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.

## Notes to the financial statements (cont'd)

### 16. Related party transactions (cont'd)

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. Messrs Straw and Flinn are Directors of both PMI and NCD.
iii. The Company holds 5,458,140 fully paid ordinary shares in Metalstorm Resources Corporation (MRC) a North American based resource explorer incorporated in Canada. Messrs Straw and McMurray are Directors of both PMI and MRC.
iv. The Company holds 814,285 fully paid ordinary shares in Davcha Resources International Limited (Davcha) a North American based investment company incorporated in Canada. Messrs Straw and McMurray are Directors of both PMI and Davcha.
v. The Company holds 1,800,000 fully paid ordinary shares in Silver Mines Limited (SVL) an Australian based explorer listed on the Australian Securities Exchange. Messrs Sutton and Straw are Directors of both PMI and SVL.
vi. During the financial period NCD repaid the Company $1,616,150 for the purchase of drilling equipment. In addition, the Company has loaned NCD funds on a short-term basis at commercial rates for the purchase of equipment and working capital. Messrs Straw and Flinn are Directors of both PMI and NCD.

*16.2.2 Other transactions with related parties*

i. Dayton Way Financial Pty Limited, an entity controlled by Mr Sutton received $251,406 from the Company in relation to Directors fees and travel costs relating to Mr Sutton and fees associated with raising equity for the Company.

### 17. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

# Notes to the financial statements (cont'd)

## 17. Cash and cash equivalents (cont'd)

| | Year ended 30 June 2012 $ | Year ended 30 June 2011 $ |
|---|---|---|
| Cash and bank balances | 63,016 | 356,545 |
| Bank overdraft | - | - |
| Balance at the end of year | 63,016 | 356,545 |

### *17.1 Reconciliation of loss for the year to net cash flows from operating activities*

| | Year ended 30 June 2012 $ | Year ended 30 June 2011 $ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss for the year | (1,167,824) | (451,260) |
| Investment revenue recognised in loss | (61,392) | - |
| Gain on disposal of available-for-sale assets | (42,313) | - |
| Net foreign exchange loss | 27,394 | 20,861 |
| Doubtful debt provision | 232,796 | |
| Impairment of associate | - | 30,000 |
| Share of loss of associate | 113,286 | 66,145 |
| | (898,053) | (334,254) |
| Movements in working capital | | |
| Increase in trade and other receivables | (17,166) | (34,120) |
| Increase in related party receivable | - | (32,709) |
| Decrease/(increase) in other asset | 10,000 | (20,000) |
| Increase in trade and other payables | 9,097 | 97,920 |
| Net cash generated by operating activities | (896,122) | (323,163) |

## 18. Principal activities

The Company's principal activities in the course of the financial year were the investment in listed and unlisted entities in the mineral exploration sector and an investment in a drilling services company.