

Precious Metals Investments Limited

ACN 144 973 259

Annual report for the financial year ended 30 June 2013

Corporate Directory

Directors

David Sutton	Chairman
Charles Straw	Managing Director
Kevin Lynn	Finance Director
Douglas Flinn	Non-Executive Director
James Merrillees	Non-Executive Director
Todd McMurray	Non-Executive Director

Company Secretaries

Kevin Lynn & Richard Holstein

Australian Company Number

144 973 259

Registered Office

Level 5
17 – 19 Bridge St.,
SYDNEY NSW 2000

Phone: +61 2 9253 0903

Fax: + 61 2 9253 0901

Company Auditor

Moyes Yong & Co
Chartered Accountants
Level 7, Norwich House
6 O'Connell St.,
SYDNEY NSW 2001

Company Solicitor

McPherson & Kelly Lawyers
Level 21
20 Bond St.,
SYDNEY NSW 2000

Bank

National Australia Bank
225 George St.,
SYDNEY NSW 2000

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Chairman's letter

Dear Shareholder

On behalf of the Directors it is my pleasure to present you with the Precious Metals Investments Annual Financial Report for the year ended 30 June 2013.

Precious Metals was formed to take advantage of investment opportunities within the gold and silver exploration and mining sectors in listed and unlisted entities operating in Australia and overseas. Since inception, the Company has done this by investing in carefully selected companies and projects which it considers to be highly prospective.

The junior resources sector continues to face challenges globally and Precious Metals is not immune to these pressures, particularly the difficulties in accessing capital in the short term. As such the Company has been focused on decreasing standing costs and minimizing expenditure where possible, which includes a strategic review of its assets.

In previous Company updates, Precious Metals had indicated its intent to list Metalstorm Resources Corporation in Canada. Unfortunately, market conditions have not allowed this listing to take place to date, however the Company is confident that Metalstorm's tenements are highly prospective and remains optimistic that it will list in the near future.

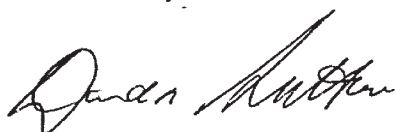
As many industry insiders are now deliberating about the precious metals sector 'bottoming out', we are starting to note a renewed optimism and sentiment. Again, we remain optimistic that the market will improve and that Precious Metals will once again be in a position to take advantage of key investment opportunities as they become available.

In the meantime, Precious Metals continues to assess new prospects and opportunities, and looks forward to providing a number of potentially exciting developments for shareholders in the near future.

Once again we wish to thank you for your continued support.

Yours sincerely

Yours sincerely



D. H. Sutton
Chairman
Sydney, 24 September 2013

Review of operations

During the financial year and up to the date of this report Precious Metals Investments Limited (the Company or Precious Metals) has the following investments, in line with the Company's investment strategy.

The summary of investments is as follows:

Ming Gold Pty Limited

Ming Gold Pty Limited (Ming Gold) is an Australian incorporated company established for the purpose of exploring for gold and copper deposits in Australia and abroad. Ming Gold has an initial focus on the 'World Class' nature of the Paterson Province of the Pilbara region of Western Australia for Telfer-style gold and gold-copper deposits. The Company has secured 1,623km² of exploration licences and licence applications, all within a relatively short distance to the operating Telfer mine currently producing 750,000oz of Au and 37,000t of Cu annually. Precious Metals has 2,000,000 fully paid ordinary shares and 500,000 options. The options have an exercise price of \$0.20 and expire 20 December 2014.

Artha Resources Corporation

Artha Resources Corporation (Artha) is a Canadian-based mineral exploration company listed on the Toronto Venture Exchange (TSX.V: AHC). Artha is focused on the outstanding mineral exploration and development potential of northern Argentina. In this grossly underexplored region, Artha has built a strategic and dominant exploration portfolio that covers over 2,175km². Precious Metals has been issued 3,581,821 fully paid and non-assessable common shares without par value in the capital of Artha. In addition, a subscription agreement allows for 581,821 warrants to purchase 581,821 fully paid and non-assessable common shares without par value in the capital of Artha on or before 17 September 2012 at an issue price of C\$0.25.

Metalstorm Resources Corporation

Metalstorm Resources Corporation (Metalstorm) is a public, unlisted Canadian based mineral explorer with three properties in Nevada and Arizona prospective for gold, silver and copper. Metalstorm is focused on listing on a public securities exchange in the near term. Precious Metals has irrevocably subscribed for 5,458,140 common shares in Metalstorm.

Davcha Resources International Limited

Davcha Resources International Limited (Davcha) is a Canadian based unlisted resources explorer and investment vehicle. Davcha's primary investment is 3.3 million fully paid and non-assessable common shares without par value in the capital of Artha Resources Corporation. Precious Metals has applied to Davcha for 814,285 voting common shares in Davcha at an issue price of C\$0.14 per share.

Review of operations (cont'd)

New Competitive Drilling Pty Limited

New Competitive Drilling Pty Limited (NCD) is an Australian based specialist reverse circulation (RC) drilling services company. NCD operates in Australia with the vision of expanding its fleet of drill rigs progressively over the next three years. Precious Metals has been issued 270,000 fully paid ordinary shares in NCD.

Global Strategic Metals

Global Strategic Metals (ASX: GSZ) is an Australia based exploration company listed on the Australia Securities Exchange and the Frankfurt Stock Exchange (9EC). The company currently has interests in precious, base metals and lithium. The flagship company project is an 80% interest in the advanced Wolfsberg Lithium project in Austria. Precious Metals has 666,000 fully paid ordinary shares and 166,500 options. The options have an exercise price of \$0.20 expiring on 14 July 2013.

AAT Corporation Limited

AAT Corporation Limited (AAT) is an unlisted Australian public company. AAT is currently in the process of negotiating the acquisition of an offshore operating gold mine. Precious Metals has 23,076,923 fully paid ordinary shares in AAT.

Tamar Gold Limited

Tamar Gold Limited (Tamar) is an unlisted Australian public company. Tamar is a gold exploration and development company holding substantial assets in Tasmania. The company is focused on the discovery, delineation and development of large (plus 1 million ounces) economic gold deposits, has low overheads and excellent leverage potential. Precious Metals has 1,000,000 fully paid ordinary shares in the company.

Directors' report

The Directors of Precious Metals Investments Limited submit herewith the annual report of the Company for the financial year ended 30 June 2013. In order to comply with the provisions of the Corporations Act 2001, the Directors report is as follows:

Information about the Directors

The names and particulars of the Directors of the Company during or since the end of the financial year are:

Name	Particulars
D.H. Sutton	<p>Mr Sutton has many years' experience in stockbroking and investment banking including management of corporate finance, advisory, and share broking activities. He currently owns and manages Dayton Way Financial Pty Limited, a boutique financial services company focusing on the resources sector, which has offices in Sydney and Hong Kong.</p> <p>Mr Sutton became a member of the Stock Exchange of Melbourne and subsequently, Australian Securities Exchange Limited. Prior to his current role, Mr Sutton was a partner and Director of several stock exchange member firms including Clarke & Co and Macnab Clarke.</p> <p>Mr Sutton's past experience includes Directorships in several industrial and resource companies. He is currently Chairman of Silver Mines Limited (ASX: SVL), Sinovus Mining Limited (ASX: SNV) and a Director of Empire Energy Group Limited (ASX: EEG) and EHG Corporation Limited (ASX: EHG).</p>
C.D. Straw	<p>Mr Straw is an economic geologist with almost 20 years experience in the mining industry globally. His experience is multi-faceted, comprising of executive management of public and private mineral explorers – including mineral exploration, joint ventures, project evaluation and acquisition, project development and corporate finance as well as geospatial technology applications.</p> <p>Mr Straw holds an Honours Degree in Applied Geology from the University of NSW (UNSW), Sydney and a Graduate Certificate in Applied Finance and Investment from the Securities Institute of</p>

Directors' report (cont'd)

Information about the Directors (cont'd)

C.D. Straw
(con't) Mining, Metallurgy and Petroleum (CIM), the Australasian Institute of Mining and Metallurgy (AusIMM) and the Society of Economic Geologists.

Mr Straw has led the successful exploration and evaluation of precious and base metals projects in Australia, South America, North America and China and has an international network of technical and financial relationships providing both project flow and project finance. He is currently a Director and CEO of Silver Mines Limited (ASX: SVL) and of Artha Resources Corporation (TSX.V: AHC). Mr Straw also has current Board positions on a number of private and unlisted public companies specialising in corporate finance, minerals industry consulting, drilling and mineral exploration.

K.M. Lynn Mr Lynn is a Chartered Accountant, with a Master's Degree in Finance. He has over 20 years experience in the resources sector as Chief Financial Officer with project finance, fund raising and project generation experience. Mr Lynn is currently acting as Company Secretary or Director of a number of public and listed public companies including Burleson Energy Limited (ASX: BUR), Silver Mines Limited (ASX: SVL), Hill End Gold Limited (ASX:HEG), Ignite Energy Limited, Granite Power Limited and Resource Base Limited (ASX: RBX).

Mr Lynn is also Company Secretary.

Directors' report (cont'd)

Information about the Directors (cont'd)

- W.T. McMurray Mr McMurray has over 23 years experience financing and promoting the interests of public and private companies, including 16 years as a senior officer with Canadian listed mining companies. He has helped raise more than \$100 million for mineral exploration and development and was recently part of the team that developed, and then sold St Jude Resources in a deal valued at \$120 million. Mr McMurray is currently a Director and President of Artha Resources Corporation (TSX.V: AHC), a Canadian listed mineral explorer, and Metalstorm Resources Corporation.
- J. Merrillees Mr Merrillees is an exploration geologist with more than 15 years applied mineral exploration experience. He has led teams and worked on mineral exploration projects throughout Australia, Europe, South America, Asia and Africa. His experience includes all aspects of project generation, project management, resource evaluation, strategy setting and commercial deal making across a range of commodities and deposit styles. Following over 12 years with BHP Billiton's Minerals Exploration Group in senior technical and leadership roles, Mr Merrillees worked as an independent consultant and Exploration Manager for a number of ASX-listed companies. Mr Merrillees is currently Consulting Geologist with Chalice Gold Mines. He holds Bachelor of Science (Geology) and Bachelor of Commerce (Accounting and Finance) degrees from the University of New South Wales (UNSW), Sydney and a Graduate Diploma in Applied Finance from Kaplan Professional.

Directors' report (cont'd)

Information about the Directors (cont'd)

D.F. Flinn Mr Flinn studied geology at Australian National University (ANU) in Canberra and subsequently worked in the iron ore industry in the Pilbara from 1966 to 1971. From 1972 to 1985, Mr Flinn was a partner in Walpett Engineering Pty Limited, a steel fabrication business. He then became Managing Director and owner, a position that he still holds.

Mr Flinn has been an investor in exploration and mining companies since 1966 with a broad range of international investments across most commodities.

The above named Directors held office during the whole of the financial year and since the end of the financial year.

Directorships of other listed companies held during the past 3 years

<u>Name</u>	<u>Company</u>	<u>Period of directorship</u>
D.H. Sutton	Silver Mines Limited	Since 2006
	Sinovus Mining Limited	Since 2006
	Empire Energy Group Limited	Since 1997
	EHG Corporation Limited	Since 2013
	AAT Corporation Limited	Resigned 2013
	Earth Heat Resources Limited	Resigned 2010
C.D. Straw	Silver Mines Limited	Since 2008
	Artha Resources Corporation	Since 2009
T.W. McMurray	Artha Resources Corporation	Since 1996
K.M. Lynn	Resource Base Limited	Since 2009

Directors' shareholdings

The following table sets out each Directors' relevant interest in shares, options and performance rights in shares of the Company as at the date of this report.

Directors	Precious Metals Investments Limited		
	Fully paid	Share options	Performance rights
	ordinary shares		
	Number	Number	Number
D.H. Sutton	400,000	2,000,000	150,000
C.D. Straw	600,000	3,000,000	150,000
K.M. Lynn	200,000	1,000,000	150,000
T.W. McMurray	200,000	1,000,000	150,000
J. Merrillees	200,000	1,000,000	150,000
D.F. Flinn	300,000	1,000,000	150,000

Directors' report (cont'd)

Directors' shareholdings (cont'd)

During financial year ended 30 June 2013, pursuant to resolutions passed at the Company's Annual General Meeting held on 10 October 2011, an aggregate of 900,000 performance rights were granted to the following Directors of the Company:

Directors	Number of performance rights granted	Issuing entity	Number of ordinary shares under performance rights
D.H. Sutton	150,000	Precious Metals Invest. Ltd	150,000
C.D. Straw	150,000	Precious Metals Invest. Ltd	150,000
K.M. Lynn	150,000	Precious Metals Invest. Ltd	150,000
T.W. McMurray	150,000	Precious Metals Invest. Ltd	150,000
J. Merrillees	150,000	Precious Metals Invest. Ltd	150,000
D.F. Flinn	150,000	Precious Metals Invest. Ltd	150,000

The performance rights granted entitle the holder to one (1) fully paid ordinary share in the Company at no cost on the condition certain performance hurdles are met.

The performance hurdles are as follows:

- i. That the Director remains in continuous employment with the Company for 3 years and 3 months after the date of approval of the Performance Rights Share plan; and
- ii. The share price of the Company increases by 100% of its initial listing price over a 10 day period within a 3 year period from the approval of the Performance Rights Share plan; and
- iii. That an investment made by the Company has increased by three times its initial cost and realised at least three times its initial cost (including transaction costs) within a 3 year period from the approval of the Performance Rights Share Plan.

Remuneration of Directors

No Director received a payment as part of his consideration for agreeing to hold the position during the financial year ended 30 June 2013. The Company however accrued \$204,000 for Directors' fees during that period to be paid in the future.

The below table sets out remuneration to be paid to Directors in relation to the financial year ended 30 June 2013. During this period the Company did not employ any staff.

Directors' report (cont'd)

Remuneration of Directors (cont'd)

	Short-term benefits		Post employment benefits	Other	Total
	Fees	Other fees	Superannuation	Options & rights	
Directors	\$	\$	\$	\$	\$
D.H. Sutton	60,000	-	-	-	60,000
C.D. Straw	60,000	-	-	-	60,000
K.M. Lynn	30,000	-	-	-	30,000
T.W. McMurray	18,000	-	-	-	18,000
J. Merrillees	18,000	-	-	-	18,000
D.F. Flinn	18,000	-	-	-	18,000

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, an investment in a drilling services company. Details regarding the investments are contained in notes [8] and [9] of the financial accounts.

Review of operations

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

Changes in the state of affairs

There was no significant change in the state of affairs of the Company during the financial year.

Directors' meetings

The following table sets out the number of meetings of the Company's Directors during the year ended 30 June 2013 and the number of meetings attended by each Director.

Directors	Number of meetings held	Number of meetings attended
D.H. Sutton	2	2
C.D. Straw	2	2
K.M. Lynn	2	2
T.W. McMurray	2	1
J. Merrillees	2	2
D.F. Flinn	2	1

Directors' report (cont'd)

Directors' meetings (cont'd)

In light of the current activities and size of the Company, it is not presently considered necessary for separate Audit, Nomination and Remuneration Committees of the board. No Audit, Remuneration or Nomination and Remuneration Committee meetings were held during the year, with all relevant matters being considered by the full board of Directors. This situation will be kept under constant review by the board.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future developments

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

Dividends

No dividend has been paid or declared since the start of the financial year and the Directors do not recommend the payment of a dividend in respect of the financial year.

Shares under option or issued on exercise of options

No share has been issued during or since the end of the financial year as a result of the exercise of an option over unissued shares.

Details of unissued shares under option as at the date of this report are as follows:

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

Directors' report (cont'd)

Shares under option or issued on exercise of options (cont'd)

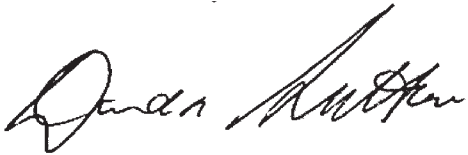
The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or any other body corporate or registered scheme.

Auditor's independence declaration

The auditor's independence declaration is included on page 8 of the annual report.

This Directors' report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'D.H. Sutton', written in a cursive style.

D.H. Sutton

Director

Sydney, 24 September 2013

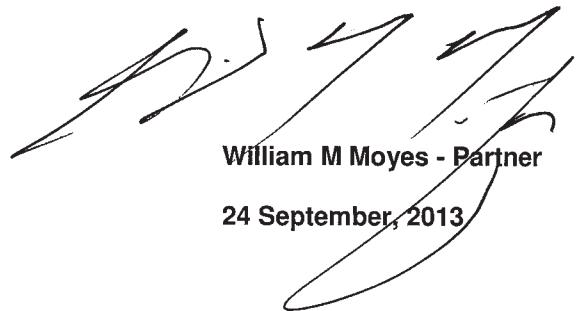
**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF PRECIOUS METALS INVESTMENTS LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Precious Metals Investments Limited.

As lead audit principal for the audit of the financial statements of Precious Metals Investments Limited for the financial period ended 30 June 2013, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

- (i) the auditor's independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Moyes Yong & Co Partnership
Chartered Accountants
Level 7, Norwich House
6 O'Connell Street
Sydney NSW 2000



William M Moyes - Partner
24 September, 2013

PRECIOUS METALS INVESTMENTS LIMITED
A.C.N. 144 973 259

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report to the members of Precious Metals Investments Limited

Report on the financial report

We have audited the accompanying financial report of Precious Metals Investments Limited (the Company), which comprises the Statement of Financial Position as at 30 June 2013 and the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Precious Metals Investments Limited
Independent Auditor's Report

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Precious Metals Investments Limited, would be in the same terms if given to the directors as at the time of this director's report.

Opinion

In our opinion:

- a) the financial report of Precious Metals Investments Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2013 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 3.

Emphasis of Matter

We draw attention to Note 3.2 to the financial statements which makes reference to the directors assessment of the ability of the Company to continue as a going concern. Having regards to information made available to us by the directors, our opinion is not modified in respect of this matter.

Report on the remuneration report

We have audited the Remuneration Report included on pages 6 to 7 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion:

In our opinion the Remuneration Report of Precious Metals Investments Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

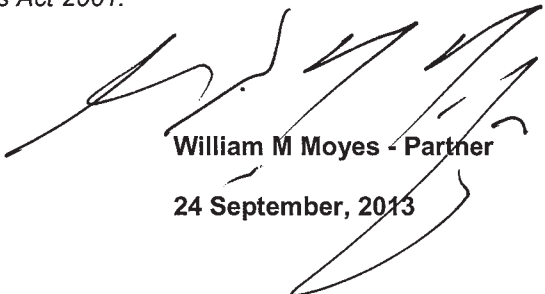
Moyes Yong & Co Partnership

Chartered Accountants

Level 7, Norwich House

6 O'Connell Street

Sydney NSW 2000



William M Moyes - Partner
24 September, 2013

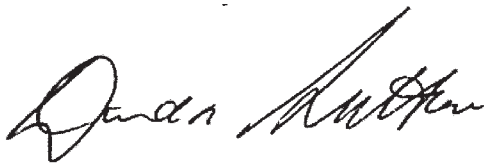
Directors' declaration

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;
- b) in the Directors' opinion, the attached financial statements are in compliance with International Financial reporting Standards, as stated in note 3 to the financial statements; and
- c) 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 Company.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'D.H. Sutton', written in a cursive style.

D.H. Sutton
Director
Sydney, 24 September 2013

Statement of comprehensive income
For the year ended 30 June 2013

	Notes	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
Revenue from ordinary activities			
Investment income	4	16,892	61,392
Consulting fees	4	37,556	-
Other gains	4	1,643	42,313
		<u>56,091</u>	<u>103,705</u>
Expenses from Ordinary Activities			
Accounting and administration		(259,608)	(382,970)
Audit Fees		(12,000)	(16,500)
Directors Fees		(204,000)	(255,000)
Unrealised foreign exchange loss		-	(27,394)
Marketing and project generation		(192,563)	(156,603)
Write-off in exploration investment		(215,369)	-
Provision for doubtful debt		-	(232,796)
Listing costs		-	(86,980)
Share of loss of associate	8	(18,272)	(113,286)
Total expenses		<u>(901,812)</u>	<u>(1,271,529)</u>
Loss before tax		(845,721)	(1,167,824)
Income tax expense	5	-	-
LOSS FOR THE YEAR		<u>(845,721)</u>	<u>(1,167,824)</u>
Other comprehensive income, net of income tax			
Net (loss)/gain on available-for-sale financial assets		(169,988)	(484,497)
Other comprehensive income for the year, net of tax		<u>(169,988)</u>	<u>(484,497)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(1,015,709)</u>	<u>(1,652,321)</u>

**Statement of financial position
at 30 June 2013**

	Notes	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
Assets			
Current assets			
Cash and bank balances	17	1,111	63,016
Trade and other receivables	6	36,276	35,346
GST Receivable		4,070	15,939
Current tax assets	5	-	-
Other assets	7	10,000	10,000
Total current assets		51,457	124,301
Non-current assets			
Investments in associates	8	72,297	90,569
Other financial assets	9	1,147,463	1,661,127
Total non-current assets		1,219,760	1,751,696
Total assets		1,271,217	1,875,997
Liabilities			
Current liabilities			
Trade and other payables	10	517,946	107,017
Total current liabilities		517,946	107,017
Net assets		753,271	1,768,980
Equity			
Capital and reserves			
Issued capital	11	3,835,178	3,835,178
Reserves	12	(617,102)	(447,114)
Retained earnings	13	(2,464,805)	(1,619,084)
Total equity		753,271	1,768,980

Statement of changes in equity
For the year ended 30 June 2013

	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	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	<u>3,835,178</u>	<u>(447,114)</u>	<u>(1,619,084)</u>	<u>1,768,980</u>
Issue of ordinary shares	-	-	-	-
Share issue costs	-	-	-	-
Listed investments	-	(169,988)	-	(169,988)
Loss for the year	-	-	(845,721)	(845,721)
Total comprehensive income for the year	-	(169,988)	(845,721)	(1,015,709)
Balance at 30 June 2013	<u>3,835,178</u>	<u>(617,102)</u>	<u>(2,464,805)</u>	<u>753,271</u>

**Statement of cash flows
for the year ended 30 June 2013**

	Notes	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
Cash flows from operating activities			
Receipts from customers		36,626	-
Payments to suppliers		(225,374)	(896,122)
Cash from operations		(188,748)	(896,122)
Interest paid		-	-
Income taxes paid		-	-
Net cash generated by operating activities		(188,748)	(896,122)
Cash flows from investing activities			
Payments to acquire financial assets		(198,989)	(1,703,538)
Proceeds on sale of financial assets		59,640	295,977
Interest received		-	61,392
Repayments by related party		(71,088)	1,616,150
Amounts advanced to related party		337,280	(422,839)
Net cash used in investing activities		126,843	(152,858)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the company		-	954,273
Payment for share issue costs		-	(198,822)
Net cash generated by financing activities		-	755,451
Net increase in cash and cash equivalents		(61,905)	(293,529)
Cash and cash equivalents at the beginning of the year		63,016	356,545
Cash and cash equivalents at the end of the year	17	1,111	63,016

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 amounts reported in the current period (and/or prior periods)

The following new and revised Standards and interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

Standards affecting presentation and disclosure

Amendments to AASB 101
'Presentation of Financial
Statements'

The amendment (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income' introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section:

- (a) items that will not be reclassified subsequently to profit or loss; and
- (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be

Notes to the financial statements (cont'd)

2.1 Standards and Interpretations affecting amounts reported in the current period (and/or prior periods) (cont'd)

	allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2012-5 'Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle') requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position), when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed.

Standards and interpretations affecting the reporting results or financial position

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

Notes to the financial statements (cont'd)

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorization 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', and the relevant amending standards	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014

Notes to the financial statements (cont'd)

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

AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	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 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015

Notes to the financial statements (cont'd)

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

AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013	30 June 2014
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014
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

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'). The financial statements were authorised for issue by the Directors on [23] September 2013.

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.

Going concern

Notwithstanding the Company's negative cash flows and historical performance the financial report has been prepared on a going concern basis. The assessment is based on the cash on hand balance at year end and outstanding payables. The Company's negative cash flows are a result of the Company not disposing of its listed securities until an optimal time. If required, the Company does have the ability to raise extra funds through share placement or realisation of its investments in unlisted shares. The Company is currently in early discussion regarding the disposal of unlisted investments which will provide liquidity. However, should sufficient and appropriate capital not be available on a timely basis to the Company, the Directors would require the cessation of operational activities and a further reduction in expenditure. The business would, under this scenario, continue to operate with existing cash reserves.

The Directors are satisfied that the Company would be able to continue on a going concern basis.

Notes to the financial statements (cont'd)

Significant accounting policies (cont'd)

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.

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

Notes to the financial statements (cont'd)

Significant accounting policies (cont'd)

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.

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 than 12 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

Notes to the financial statements (cont'd)

Significant accounting policies (cont'd)

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.

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.

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 2013 \$	Year ended 30 June 2012 \$
Revenue:		
Consulting Fees	<u>37,556</u>	<u>-</u>
Interest income:		
Related party	<u>16,892</u>	<u>61,392</u>
Other gains:		
Gain on disposal of available-for-sale investments	<u>1,643</u>	<u>42,313</u>

Notes to the financial statements (cont'd)

5. Income tax

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
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 2013 \$	Year ended 30 June 2012 \$
Loss before tax	(845,721)	(1,164,736)
Income tax benefit calculated at 30%	(253,716)	(349,421)
Effect of expense that is not deductible in determining taxable loss	-	112,043
Future tax benefit deferred	253,716	237,378
Income tax expense recognised in profit or loss	-	-

The tax rate used for the 2013 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 2013 \$	Year ended 30 June 2012 \$
Trade receivables	36,276	35,346
Allowance for doubtful debts	-	-
	36,276	35,346

No interest is charged on receivables.

Notes to the financial statements (cont'd)

7. Other assets

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
Rental security bond	<u>10,000</u>	<u>10,000</u>
	<u>10,000</u>	<u>10,000</u>

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%

As at 30 June 2013 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 PMZ and NCD. In addition, Mr Straw holds 5% of NCD.

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 2013 \$	Year ended 30 June 2012 \$
Total assets	2,036,812	2,865,622
Total liabilities	<u>(1,858,857)</u>	<u>(2,664,360)</u>
Net assets	<u>177,955</u>	<u>201,262</u>
Companies share of net assets in associates	<u>80,080</u>	<u>90,569</u>
	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
Total revenue	<u>2,968,008</u>	<u>2,794,906</u>
Total loss for year	<u>(40,610)</u>	<u>(251,747)</u>
Company's share of loss of associates	<u>(18,272)</u>	<u>(113,286)</u>

9. Other financial assets

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
Available-for-sale investments carried at fair value		
Unquoted shares ⁽ⁱ⁾	928,016	928,016
Quoted shares ⁽ⁱⁱ⁾	<u>92,148</u>	<u>310,272</u>
	<u>1,020,164</u>	<u>1,238,288</u>

Notes to the financial statements (cont'd)

9. Other financial assets (cont'd)

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
Loans and Receivables		
Loan to other entity ⁽ⁱⁱⁱ⁾	232,796	232,796
Provision for non payment of loan	<u>(232,796)</u>	<u>(232,796)</u>
	-	-
 Loan to related party ^(iv)	 <u>127,299</u>	 <u>422,839</u>
	<u>127,299</u>	<u>422,839</u>
	<u>1,147,463</u>	<u>1,661,127</u>

- i. As at 30 June 2013 PMZ 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 PMZ. Mr Sutton is a Director of AAT Corporation Limited and PMZ.

- ii. As at 30 June 2013 PMZ 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
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 PMZ. Messrs Sutton and Straw are Directors of both Silver Mines Limited and PMZ.

- iii. PMZ 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. New Competitive Drilling during the financial period repaid \$105,000 relating to short-term finance at commercial rates to purchase equipment and provide working capital. Messrs Straw and Flinn are Directors of both PMZ and NCD.

10. Trade and other payables

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
Accruals	<u>517,946</u>	<u>107,017</u>
	<u>517,946</u>	<u>107,017</u>

No interest is charged on payables.

Notes to the financial statements (cont'd)

11. Issued capital

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
Fully paid ordinary (30 June 2013: 6,790,333)	<u>3,835,178</u>	<u>3,835,178</u>
	<u>3,835,178</u>	<u>3,835,178</u>

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)
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)
	<u>6,790,333</u>	<u>3,835,178</u>

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 2013 \$	Year ended 30 June 2012 \$
Investments revaluation	<u>(617,102)</u>	<u>(447,114)</u>
	<u>(617,102)</u>	<u>(447,114)</u>

12.1 Investments revaluation reserve

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
Balance at beginning of year	(447,114)	37,383
Net (loss) / gain arising on revaluation of available-for-sale financial assets	<u>(169,988)</u>	<u>(484,497)</u>
Balance at the end of year	<u>(617,102)</u>	<u>(447,114)</u>

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 2013 \$	Year ended 30 June 2012 \$
Accumulated losses	<u>(2,464,805)</u>	<u>(1,619,084)</u>
	<u>(2,464,805)</u>	<u>(1,619,084)</u>
	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
Balance at beginning of year	(1,619,084)	(451,260)
Loss attributable to owners	<u>(845,721)</u>	<u>(1,167,824)</u>
Balance at the end of year	<u>(2,464,805)</u>	<u>(1,619,084)</u>

14. Dividends

No dividend has been paid.

Notes to the financial statements (cont'd)

15. Earnings per share

	Year ended 30 June 2013	Year ended 30 June 2012
Basic earnings per share	(\$0.12)	(\$0.17)
Diluted earnings per share	(\$0.12)	(\$0.17)
	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	6,790,333
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	6,790,333	6,790,333
Earnings used in calculating earnings per share		
Earnings used in calculating basic and diluted earnings per share	<u>(\$845,721)</u>	<u>(\$1,164,736)</u>

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 and is due to be paid \$379,195 (2012: \$438,436) 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 PMZ and Centric.

16.2 Other related party transactions

16.2.1 Equity interests in related parties

- i. The Company holds 3,781,821 (2012: 3,581,821) fully paid ordinary shares of Artha Resources Corporation (Artha) a Canadian based company listed on the Toronto Stock Exchange. During the financial period the Company

Notes to the financial statements (cont'd)

16. Related party transactions (cont'd)

- subscribed for 200,000 fully paid ordinary shares in Artha at a cost of 5 Canadian cents per share (AUD \$9,862). Messrs Straw and McMurray are Directors of both PMZ and Artha.
- ii. PMZ 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 PMZ 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. During the financial period the Company loaned AUD 56,088 to MRC for working capital. The loan is unsecured and does not attract any interest. Messrs Straw and McMurray are Directors of both PMZ 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 PMZ 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. Since balance date the holding has been disposed of at an average price of \$0.02 per share. Messrs Sutton and Straw are Directors of both PMZ and SVL.
 - vi. New Competitive Drilling during the financial period repaid \$105,000 relating to short-term finance at commercial rates to purchase equipment and provide working capital. Messrs Straw and Flinn are Directors of both PMZ and NCD. Messrs Straw and Flinn are Directors of both PMZ and NCD.

16.2.2 Other transactions with related parties

- i. Dayton Way Financial Pty Limited, an entity controlled by Mr Sutton received nil (2012: \$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.

Notes to the financial statements (cont'd)

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:

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
Cash and bank balances	1,111	63,016
Bank overdraft	-	-
Balance at the end of year	<u>1,111</u>	<u>63,016</u>

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

	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
Cash flows from operating activities		
Loss for the year	(845,721)	(1,167,824)
Investment revenue recognised in loss	(16,892)	(61,392)
Gain on disposal of available-for-sale assets	(1,643)	(42,313)
Net foreign exchange loss	-	27,394
Doubtful debt provision	-	232,796
Write-off in investment	215,369	-
Share of loss of associate	<u>18,272</u>	<u>113,286</u>
	(630,615)	(898,053)
Movements in working capital		
Decrease / (Increase) in trade and other receivables	10,939	(17,166)
Decrease in other asset	20,000	10,000
Increase in trade and other payables	<u>410,928</u>	<u>9,097</u>
Net cash generated by operating activities	<u>(188,748)</u>	<u>(896,122)</u>

Notes to the financial statements (cont'd)

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.

Additional information as at 18 September 2013

Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully paid ordinary shares	
	Number	Percentage
C. Straw	600,000	8.8
Catholic Church insurances Limited	500,000	7.4
Custodial Services Limited	469,000	6.9
D. Sutton	400,000	5.9
Leftone Nominees Pty Limited	325,000	4.8
Walpett Engineering Pty Limited	300,000	4.4
M. and F. Schmelz	250,000	3.7
Silver Mines Limited	250,000	3.7
Cameron Bloom Photography Pty Limited	235,000	3.5
S. Houston	225,000	3.3
G. Duddle	200,000	2.9
JSM Resources Pty Limited	200,000	2.9
K. Lynn	200,000	2.9
T. McMurray	200,000	2.9
J. Ianni	137,400	2.0
Dejavu Limited	100,000	1.5
Property Dynamics AB	80,000	1.3
L. Marks	75,000	1.1
Smarties Investments Pty Limited	75,000	1.1
Energo Transits Corp	67,600	1.0
	4,889,000	72.0
Total fully paid ordinary shares	6,790,333	100.0

Distribution of holders of fully paid ordinary shares

Holding Ranges	Holders	Total Units	%
1 – 1,000	2	2,000	0.1
1,001 – 5,000	22	63,280	0.9
5,001 – 10,000	35	335,880	4.9
10,001 – 100,000	58	1,897,773	27.9
100,001 – 99,999,999	15	4,491,400	66.2
Totals	132	6,790,333	100.0

Corporate Governance Statement

Precious Metals Investments Limited ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance and therefore has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Principles & Recommendations"). Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the Principles & Recommendations, the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" reporting regime.

Disclosure of Corporate Governance Practices

Summary Statement

	P & R ¹	If not, why not ²		P & R ¹	If not, why not ²
Recommendation 1.1	✓		Recommendation 4.2		✓
Recommendation 1.2	n/a	n/a	Recommendation 4.3	✓	
Recommendation 1.3 ³	n/a	n/a	Recommendation 4.4 ³	n/a	n/a
Recommendation 2.1	✓		Recommendation 5.1	✓	
Recommendation 2.2	✓		Recommendation 5.2 ³	n/a	n/a
Recommendation 2.3	✓		Recommendation 6.1	✓	
Recommendation 2.4		✓	Recommendation 6.2 ³	n/a	n/a
Recommendation 2.5	✓		Recommendation 7.1	✓	
Recommendation 2.6	✓		Recommendation 7.2	✓	
Recommendation 3.1	✓		Recommendation 7.3	✓	
Recommendation 3.2 ³	n/a	n/a	Recommendation 7.4 ³	n/a	n/a
Recommendation 3.3 ³	n/a	n/a	Recommendation 8.1		✓
Recommendation 3.4	n/a	n/a	Recommendation 8.2		✓
Recommendation 4.1		✓	Recommendation 8.3	✓	
			Recommendation 8.4 ³	n/a	n/a

1 Indicates where the Company has followed the Principles & Recommendations.

2 Indicates where the Company has provided "if not, why not" disclosure.

3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the financial year.

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, then directly to the Chair or the lead independent Director, as appropriate.

Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:

During the financial year the Company did not have any senior executives except for the Managing Director.

Recommendation 1.3:

Companies should provide the information indicated in the *Guide to reporting on Principle 1*.

Disclosure:

During the financial year the Company did not have any senior executives.

Principle 2 – Structure the board to add value

Recommendation 2.1:

A majority of the Board should be independent Directors.

Disclosure:

The Board does have a majority of independent Directors.

The independent Directors of the Board are Doug Flinn, Kevin Lynn, Todd McMurray and James Merrillees. The non-independent Directors of the Board are David Sutton and Charles Straw.

Recommendation 2.2:

The Chair should be an independent Director.

Disclosure:

The Chair of the Board is David Sutton. Currently he is not independent as he holds 5.9% of the voting shares of the Company.

Recommendation 2.3:

The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

Disclosure:

The Chief Executive Officer is Charles Straw who is not Chair of the Board.

Recommendation 2.4:

The Board should establish a Nomination Committee.

Notification of Departure:

The Company has not established a separate Nomination Committee.

Explanation for Departure:

Given the current size and composition of the Company, the Board believes that there would be no efficiencies gained by conducting separate Nomination Committee

meetings. Accordingly, the Board performs the role of Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Nomination Committee by ensuring the Director with conflicting interests is not party to the relevant discussions.

Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.

Disclosure:

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual Directors. The Board, in its capacity as the Nomination Committee, is responsible for evaluating the Managing Director.

These evaluations are performed on an ongoing informal basis.

Recommendation 2.6:

Companies should provide the information indicated in the *Guide to reporting on Principle 2*.

Disclosure:

Skills, Experience, Expertise and term of office of each Director

A profile of each Director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

Identification of Independent Directors

The independent Directors of the Company are Kevin Lynn, Todd McMurray, James Merrillees and Doug Flinn. These Directors are independent as they are non-executive Directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds are set out below.

Company's Materiality Thresholds

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

Statement concerning availability of Independent Professional Advice

To assist Directors with independent judgement, it is the Board's policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination Matters

The full Board carries out the role of the Nomination Committee. The full Board did not officially convene as a Nomination Committee during the Reporting Period; however nomination-related discussions occurred from time to time during the Reporting Period as required. To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter.

The explanation for departure set out under Recommendation 2.4 above explains how the functions of the Nomination Committee are performed.

Performance Evaluation

During the Reporting Period an evaluation of the Board, its committees, and individual Directors took place in accordance with the process disclosed at Recommendation 2.5.

Selection and (Re)Appointment of Directors

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it evaluates the range of skills, experience and expertise of the existing Board; considers the balance of independent Directors on the Board as well as the particular skills and qualifications of potential candidates that will best increase the Board's effectiveness. A potential candidate is considered with reference to their skills and expertise in relation to other Board members. If relevant, the Nomination Committee recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by Shareholders at the next annual general meeting. The Board's Policy and Procedure for Selection and (Re)Appointment of Directors is available on the Company's website. Please refer to the section above marked Website Disclosure.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each Director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment or three years following that Director's last election or appointment (whichever is the longer). However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one Director or a third of the total number of Directors must resign. A Director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of Directors is not automatic.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Recommendation 3.2:

Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

Disclosure:

The Company is in the process of establishing a policy concerning diversity.

Recommendation 3.3:

Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Disclosure:

As soon as the diversity policy is completed the Company will report against measurable objectives for achieving gender diversity.

Recommendation 3.4:

Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

Disclosure:

As soon as the diversity policy is completed the Company will disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

Principle 4 – Safeguard integrity in financial reporting

Recommendations 4.1 and 4.2:

The Board should establish an Audit Committee and the Audit Committee should be structured so that it:

- consists only of non-executive Directors
- consists of a majority of independent Directors
- is chaired by an independent Chair, who is not Chair of the Board

- has at least three members.

Notification of Departure:

The Company has not established a separate Audit Committee and therefore it is not structured in accordance with Recommendation 4.2.

Explanation for Departure:

Given the current size and operations of the Company, the Board believes that there would be no efficiencies gained by conducting separate Audit Committee meetings. Accordingly, the Board performs the role of Audit Committee. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Audit Committee it carries out those functions which are delegated in the Company's Audit Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Audit Committee by ensuring the Director with conflicting interests is not party to the relevant discussions.

Recommendation 4.3:

The Audit Committee should have a formal charter.

Disclosure:

The Company has adopted an Audit Committee Charter.

Recommendation 4.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 4*.

Disclosure:

The full Board, in its capacity as the Audit Committee, held two meetings during the Reporting Period. To assist the Board to fulfil its function as the Audit Committee, it has adopted an Audit Committee Charter. The explanation for departure set out under Recommendations 4.1 and 4.2 above explains how the functions of the Audit Committee are performed.

Details of each of the Director's qualifications are set out in the Directors' Report. All members of the Board consider themselves to be financially literate and have industry knowledge.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent).

Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1:

Companies should establish written policies designed to ensure compliance with NSX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:

The Company has established written policies designed to ensure compliance with NSX Listing Rule disclosure and accountability at a senior executive level for that compliance.

Recommendation 5.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 5*.

Disclosure:

The Company is listed on the NSX. The Company utilises the policies regarding timely and balanced disclosure.

Principle 6 – Respect the rights of shareholders

Recommendation 6.1:

Companies should design a communications policy for promoting effective communication with Shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:

The Company has designed a communications policy for promoting effective communication with Shareholders and encouraging Shareholder participation at general meetings.

Recommendation 6.2:

Companies should provide the information indicated in the *Guide to reporting on Principle 6*.

Disclosure:

The Company prepares a timely information to Shareholders and encourages communication with the CEO.

Principle 7 – Recognise and manage risk

Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board will delegate day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board. As part of the Company's risk management system, the Managing Director is required to report on the process of, and on all matters associated with, risk management on a regular basis. The Managing Director is to report to the Board as to the effectiveness of the Company's management of its material business risks at least annually.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management which, if exceeded, will require prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

During the Reporting Period, the Company has formalised its systems for managing its material business risks. The Company has established a risk report which identifies the Company's material business risks and risk management strategies for these risks. The Managing Director reviews the risk report annually or as required and presents the risk report and any updates to the Board at each Board meeting.

Recommendation 7.2:

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure:

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from the Managing Director as to the effectiveness of the Company's management of its material business risks.

Recommendation 7.3:

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:

The Managing Director and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

Recommendation 7.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 7*.

Disclosure:

The Board has received the report from the Managing Director under Recommendation 7.2.

The Board has received the assurance from the Managing Director and the Chief Financial Officer under Recommendation 7.3.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1:

The Board should establish a Remuneration Committee.

Notification of Departure:

The Company has not established a separate Remuneration Committee.

Explanation for Departure:

Given the current size and operations of the Company, the Board believes that there would be no efficiencies gained by conducting separate Remuneration Committee meetings. Accordingly, the Board performs the role of Remuneration Committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Remuneration Committee by ensuring the Director with conflicting interests is not party to the relevant discussions.

Recommendation 8.2:

The Remuneration Committee should be structured so that it:

- consists of a majority of independent Directors;
- is chaired by an independent Director; and
- has at least three members.

Notification of Departure:

The Company has not established a separate Remuneration Committee.

Explanation for Departure:

Refer to recommendation 8.1 above.

Recommendation 8.3:

Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.

Disclosure:

Non-executive Directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive Directors is not linked to individual

performance. Given the Company is at its early stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unlisted options to non-executive Directors, subject to obtaining the relevant approvals. This policy is subject to annual review.

Recommendation 8.4:

Companies should provide the information indicated in the *Guide to reporting on Principle 8*.

Disclosure:

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which will form of part of the Directors' Report prepared for Shareholders relating to financial year 2012 assuming the Company lists on the NSX.

The full Board, in its capacity as the Remuneration Committee, will hold at least one meeting during the Reporting Period. To assist the Board to fulfil its function as the Remuneration Committee, it has adopted a Remuneration Committee Charter.

The explanation for departure set out under Recommendation 8.1 above explains how the functions of the Remuneration Committee are performed.

There are no termination or retirement benefits for non-executive Directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.