



29<sup>th</sup> September 2014

Company Announcements Platform  
Australian Stock Exchange  
10<sup>th</sup> Floor, 20 Bond Street  
Sydney  
NSW 2000

## **FeOre Limited Annual Financial Report**

The Directors of FeOre Limited (ASX: FEO) are pleased to submit the annual financial report of the consolidated entity for the financial period from 1 July 2013 to 30 June 2014

For and on behalf of FeOre Limited

Louis Yang  
Executive Director & CEO



## **FeOre Limited**

ARBN 152 971 821

(an exempted company incorporated in Bermuda Registration Number 45631)

## **Annual Financial Report**

For the Period Ended 30 June 2014

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## **FORWARD LOOKING STATEMENT**

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This report contains certain forward looking statements which by nature, contain risk and uncertainty because they relate to future events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements.

Certain statements made herein, including statements relating to matters that are not historical facts and statements of FeOre's beliefs, intentions and expectations about developments, results and events which will or may occur in the future, constitute "forward-looking information" within the meaning of applicable legislation and "forward-looking statements" within the meaning of applicable provisions. Forward-looking information and statements relate to future events or future performance, reflect current expectations or beliefs regarding future events and are typically identified by words such as "anticipate," "could," "should," "expect," "seek," "may," "intend," "likely," "plan," "estimate," "will," "believe" and similar expressions suggesting future outcomes or statements regarding an outlook.

Forward-looking statements and information are made based upon certain assumptions and other important factors that, if untrue, could cause the actual results, performances or achievements of the Company to be materially different from future results, performances or achievements expressed or implied by such statements or information. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which the Company will operate, including the price of iron ore and petroleum, anticipated costs and ability to achieve goals, as well as the timing of the completion of any fund-raising activities. Certain important factors that could cause actual results, performances or achievements to differ materially from those in the forward-looking statements and information include, among others, iron ore and petroleum price volatility, discrepancies between actual and estimated production, mineral and petroleum reserves and resources, mining operational and development risks, litigation risks, regulatory restrictions (including environmental regulatory restrictions and liability), activities by governmental authorities, currency fluctuations, the speculative nature of iron ore exploration, the global economic climate, dilution, share price volatility, competition, loss of key employees, funding requirements and defective title to mineral claims or property. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements and information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended.

All such forward-looking information and statements are based on certain assumptions and analysis made by FeOre's management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. These statements, however, are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information or statements. Such factors include, among other things, the political risks associated with business operations in Mongolia and Kyrgyz Republic; the impact of changes in, changes in interpretation to or changes in enforcement of, laws, regulations and government practices in the jurisdictions in which FeOre operates; and changes in the attitudes of the Mongolian and Kyrgyz Republic government.

Important factors that could cause actual results to differ from these forward-looking statements include those described under the Directors' Report section included in FeOre's Annual Financial Report. These risk factors may be generally stated as the risk that the assumptions and estimates expressed above do not occur, including the assumption in many forward-looking information or statements that other such information or statements will be correct. The reader is cautioned not to place undue reliance on forward-looking information or statements. All forward-looking information and statements herein are made as of the date hereof. FeOre does not intend or undertake to update or revise forward-looking statements or information, whether written or oral or whether as a result of new information, future events or otherwise, that may be made by FeOre or on its behalf, except as required by law.

## **CORPORATE INFORMATION**

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**ARBN 152 971 821**

### **Directors**

Harry King, (Chairman)  
Louis Yang  
Steven Hodgson  
He Chuan

### **Company Secretary**

Dion Cohen

### **Registered Office**

Clarendon House  
2 Church Street  
Hamilton HM 11, Bermuda

### **Head Office**

62/F, The Center  
99 Queen's Road Central  
Hong Kong  
Tel: +852 3960 6518

### **Share Registry**

Computershare Investor Services Pty Limited  
Level 4, 60 Carrington Street  
Sydney NSW 2000  
Australia  
Tel: +61 2 8234 5000

### **Stock Exchange Listing**

Australian Securities Exchange (ASX)

### **Principal Banker**

DBS Bank (Hong Kong) Limited  
11th Floor, South East Wing,  
Somerset House, Taikoo Place,  
979 King's Road,  
Hong Kong

### **Auditors**

Ernst & Young  
680 George Street  
Sydney NSW 2000  
Australia

## DIRECTORS' REPORT

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**The Directors submit their report on the consolidated entity (hereinafter referred to as the “Group”) for the financial year ended 30 June 2014.**

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### DIRECTORS

The names and details of the Company's Directors in office during the year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

| Names                  | Position                          | Appointed         | Resigned      |
|------------------------|-----------------------------------|-------------------|---------------|
| Mr. Harry King         | Chairman & Non-executive Director | 9 July 2014       |               |
| Dr. Louis Yang         | Executive Director & CEO          | 9 July 2014       |               |
| Mr. Steven Hodgson     | Non-executive Director            | 5 August 2013     |               |
| Mr. He Chuan           | Non-executive Director            | 1 June 2014       |               |
| Dr. Tim Sun            | Chairman & Non-executive Director | 20 September 2011 | 9 July 2014   |
| Ms. Christina (Jun) Mu | Non-executive Director            | 5 August 2011     | 1 June 2014   |
| Mr. Bruce Higgins      | Non-executive Director            | 5 August 2011     | 5 August 2013 |

#### Harry King - Chairman & Non-executive Director

Mr. King graduated from Xian Jiaotong University in 1983. He worked for various central government departments and state-owned enterprises for a considerable period of time and has more than 20 years' experience in government organizations and enterprises management. Mr. King was the deputy director and Chairman of Workers Union of Mechanic and Electronic Products Importation and Exportation Office of the State Council, the deputy general manager of China Machinery Industry Marketing & Supply Shenzhen Group Corporation and managing director of China National Machinery Hong Kong Company.

Mr. King is currently a director of Sino Oil and Gas Holdings Limited (since September 2012) (Hong Kong listed).

#### Louis Yang - Executive Director & Chief Executive Officer

Dr. Yang is a renowned leader with more than 20 years of experiences in the oil & gas industry in the PRC. Dr. Yang is a founder of Beijing Orion Energy Technology Development Co., Ltd., a top oil & gas service company in the PRC with over 1,000 employees, and the company was licensed by the PRC Central Government with Class-A certificates to operate in the oil & gas exploration and development businesses. The company has served Petro China, CNOOC and Sinopec for more than 9 years. Dr. Yang was the founding CEO and president of Asian American Gas Inc., which currently produces more than 1 million cubic meters of natural gas per day. Dr. Yang holds a Doctorate degree in Geology from China University of Mining and Technology.

#### Steven Hodgson – Non-executive Director

Mr. Hodgson has 20 years of extensive experience in the mining industry, the last 8 years as mining consultant working for clients across the globe in multiple commodities. Mr. Hodgson is experienced in data management, exploration, resource estimation, feasibility study and legal compliance adhering to international mining codes. Mr. Hodgson holds a Bachelor of Applied Science degree in Geology from Curtin University in Western Australia, and a Graduate Diploma in Information Systems from Curtin University Business School. He is a member of the Australian Institute of Geoscientists and Australasian Institute of Mining and Metallurgy.

Mr. Hodgson held no directorships in other listed entities other than FeOre during the three years prior to the current year.



## DIRECTORS' REPORT

### He Chuan - Non-executive Director

Mr. He has over 30 years of experience in the field of strategic investment and corporate management. Mr. He has served as a senior management in numerous China and Hong Kong corporations, and was previously a vice-president of Sino Oil & Gas Holdings Ltd (HK:0702) focusing in project development. Mr. He holds a Bachelor degree majoring in Politics from Fujian Normal University.

Mr. He held no directorships in other listed entities other than FeOre during the three years prior to the current year.

### DIRECTORS' REMUNERATION

Due to the nature of the Company's operations which consisted of minerals exploration and evaluation, the remuneration of each Director is paid as per the agreement entered into between the Company and the Director and is currently not directly related to financial results.

The actual remuneration of the Directors during the period under review is as follows:

| Name                   | Annual Remuneration Received in 2014 | Annual Remuneration Received in 2013 |
|------------------------|--------------------------------------|--------------------------------------|
| Dr. Tim Sun            | US\$ 80,000                          | US\$80,000                           |
| Mr. Bruce Higgins      | A\$ 7,185                            | A\$80,000                            |
| Ms. Christina (Jun) Mu | US\$ 73,333                          | US\$80,000                           |
| Mr. Steven Hodgson     | HK\$120,000                          | NA                                   |
| Mr. He Chuan           | HK\$ 10,000                          | NA                                   |

### INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report, the interests of current Directors (or Directors during the period under review) in the shares and options of the Company were as follows:

| Name                   | Number of ordinary shares   | Number of options over ordinary shares |
|------------------------|-----------------------------|--|
| Dr. Tim Sun            | —                           | 2,272,163 <sup>(Note 2)</sup>          |
| Mr. Bruce Higgins      | 708,001 <sup>(Note 1)</sup> | —                                      |
| Ms. Christina (Jun) Mu | —                           | 2,272,163 <sup>(Note 3)</sup>          |

Notes:

1. 708,000 shares were held by Bruce Eric George Higgins and Ruth Janine Higgins ATF the Higgins Family Superannuation Fund
2. Those options were held through China Fortune Capital Holdings Limited, Mr. Tim Sun's nominated entity
3. Those options were held through Crosia Limited, Ms. Christina (Jun) Mu's nominated entity

### INFORMATION ON SENIOR MANAGEMENT AND COMPANY SECRETARY

#### Louis Yang - Executive Director & Chief Executive Officer

Dr. Yang is a renowned leader with more than 20 years of experiences in the oil & gas industry in the PRC. Dr. Yang is a founder of Beijing Orion Energy Technology Development Co., Ltd., a top oil & gas service company in the PRC with over 1,000 employees, and the company was licensed by the PRC Central Government with Class-A certificates to operate in the oil & gas exploration and development businesses. The company has served Petro China, CNOOC and Sinopec for more than 9 years. Dr. Yang was the founding CEO and president of Asian American Gas Inc., which currently produces more than 1 million cubic meters of natural gas per day. Dr. Yang holds a Doctorate degree in Geology from China University of Mining and Technology.

## **DIRECTORS' REPORT**

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### **Dion Cohen – Company Secretary**

After qualifying as a Chartered Accountant in 1995, Mr. Cohen was involved in corporate finance and private equity. His experience ranges from mergers and acquisition structuring, to capital raisings and management of mining companies in private equity ownership. Mr. Cohen held the position of Chief Financial Officer of International Ferro Metals Limited, a company listed on the Main Board of the London Stock Exchange and has held board positions in both listed and unlisted companies. Mr. Cohen was a director of Timpetra Resources Limited and is currently the CFO of South American Ferro Metals Limited.

### **DIVIDEND**

No dividends were paid or declared for future payment during the financial year.

### **PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES**

There have been significant changes in the nature of the Group's principal activities during the period as the Company has disposed of its entire interest in the Mongolian Iron projects in June 2014.

On 23 July 2014, the Company announced that it has entered into a binding memorandum of understanding with an independent third party to acquire 100% of Quangas Poly Ltd, which indirectly holds interests in three oil & gas projects in Kyrgyz Republic.

### **OPERATING AND FINANCIAL REVIEW**

#### **Review of Financial Performance**

The Group has reported a net profit of US\$7.5 million for the year ended 30 June 2014 compared to a net loss of US\$3.9 million for the year ended 30 June 2013. Basic and diluted earnings per share for the year ended 30 June 2014 was US\$1.41 cents per share (F2013: US\$0.73 cents loss per share).

The Group incurred costs of US\$2.0 million for administration (2013 restated: US\$1.9 million) and US\$0.2 million relating to a foreign exchange gain during the year (2013 restated: US\$2.1 million loss).

Net cash utilized in operations during the year amounted to US\$1.5 million (2013 restated: US\$1.2 million).

The net cash inflow in investing activities amounted to US\$47.0 million (2013 restated: US\$1.9 million), broken down as follows:

- US\$50.9 million from discontinued operation (2013: US\$0.02 million). This net inflow comprised of an inflow of cash of US\$51.0 million for the purchase consideration, cash utilised by discontinued operation for the year of US\$0.04 million and cash balance disposed with the sale of US\$0.05 million. The cash flow statement has been restated to separate the cash flow from discontinued operation from cash flow of the Company's existing operations and should be read in conjunction with note 6 of the Financial Report.
- US\$2.8 million cash outflow (2013: Nil) relating to the transaction costs on the sale of entire interest of Topone Star Investments Limited.
- US\$1.1 million (2013: US\$1.7 million), relating to the operating and development expenditure of the discontinued operations, namely the Ereeny and Dartsagt Projects. This comprised of water borehole development, power transmission construction, design and engineering studies related to mineral processing, mine infrastructure development and the purchase of fixed assets.

Cash on hand was US\$43.2 million as at 30 June 2014 (at 30 June 2013: US\$22.1 million).



## **DIRECTORS' REPORT**

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### **Review of Operations**

Set out below is a review of significant activity for FeOre Limited for the year ended 30 June 2014.

#### MONGOLIA PROJECTS

For the financial year ended 30 June 2014, the Company made steady progress in the preparation and development of the Ereeny Project and the Dartsagt Project (the Mongolia Projects). For the Ereeny Project, such progress includes, among others

- the receipt of a General Environmental Impact Assessment (GEIA) report from the Ministry of Environment and Green Development (MEGD) in July 2013;
- various statutory submissions, including the completion of the installation of the first part of power transmission line;
- capacity expansion permit for the living and construction use power supply; and
- the design of living-use water pipeline.

In relation to the Dartsagt Project, the Company submitted a Mongolia-standard feasibility study (FS) to the Mineral Resource Authority of Mongolia (MRAM) for approval.

On 22 January 2014, the Company announced that it has entered into a conditional share purchase agreement with China Energy (Cayman) Limited, an independent private company, for the sale of all of the Company's interest in TSI (the Agreement or the Transaction) which indirectly holds the Ereeny and Dartsagt Projects. The total consideration for the sale is US\$56.7million, including US\$51.03 million for all of the Company's interest in TSI and a conditional final deferred consideration of US\$5.67 million.

The Transaction was approved by the shareholders of the Company through a special shareholders' meeting held in April 2014, and was subsequently completed in May 2014.

#### REPURCHASE OF CONVERTIBLE BOND

In May 2014, the Company has completed the repurchase of the US\$25 million convertible bonds (the Convertible Bonds).

### **Risk Management**

#### **1. Risks relating to Future Investment Opportunities**

Since the disposition of the Company's entire interest in TSI, the Company has been actively identifying and reviewing investment opportunities to add shareholder value. It is noted that the Company's shares may be suspended from trading in the event an acquisition of a substantial undertaking is not made within 6 months of completion of the sale of TSI (or such later period as ASX may determine).

The Company acknowledges that any acquisition carries risks, and will continue to review all risks relating to any investment opportunities (including the Potential Acquisition (as defined below)). All material risks will be fully disclosed when shareholder approval is sought for such transaction.

In July 2014, the Company has entered into a binding memorandum of understanding with an independent third party to acquire 100% of Quangas Poly Ltd, a company that has cooperation and profit sharing agreements with Kyrgyzneftegaz (the Kyrgyz Republic national oil & gas company) concerning three oil projects in the Kyrgyz Republic (or Kyrgyzstan). The acquisition requires shareholders' approval and re-compliance with the admission requirements to ASX. The risks relating to the project will be disclosed in the notice of meeting and a prospectus. Please refer to the "Significant Events after the Balance Sheet Date" section of this Directors' Report for further details regarding the transaction.

## **DIRECTORS' REPORT**

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### **2. Potential Capital Requirement for Future Investment Opportunities**

The Company acknowledges that it may not have the sufficient capital required for the acquisition of a substantial undertaking, and it may be required to raise funds by ways of debt or equity. The Company will closely monitor the capital market environment and determine the appropriate time and terms for any fund raising activity (if required).

### **3. Other Risks**

In addition to the risk factors identified above, the Board is aware that there may be additional risk factors associated with the business, including but not limited to exploration and development risk, sovereign and title risks, corporate governance risk, legal and counter-part risks, staffing risks and others. The Company views risk management as an essential factor in its goal of maximizing shareholder value and continues to actively identify risks and implement risk management measures. The Board regularly reviews its risk profile and is responsible for implementing risk management strategy and policies, internal compliance and internal control.

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

Other than the activities described in this report, there were no other significant changes in the state of affairs of the Company for the year ended 30 June 2014.

## **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

### SHARE BUY-BACK

In July 2014, the Company completed a share buy-back of 416,753,871 shares of the Company at A\$0.0755 per share. Total cash utilized for the share buy-back amounts to approximately A\$31,464,917.

Following the share buy-back, the share capital of the Company will include 416,753,871 treasury shares.

### PROPOSED ACQUISITION OF OIL PROJECTS IN KYRGYZSTAN

On 23 July 2014, the Company announced that it has entered into a binding memorandum of understanding (MoU) with an independent third party (the Vendor) to acquire 100% of Quangas Poly Ltd (the Target Company) (the Proposed Acquisition) for a consideration of up to US\$23 million, with the final price to be adjusted according to an independent valuation of the Target Company. The Company has paid a refundable deposit of US\$10 million to the Vendor in July 2014, which is refundable in the event that, for whatever reason, the Proposed Acquisition does not complete.

The Target Company has cooperation and profit sharing agreements with Kyrgyzneftegaz (the Kyrgyz Republic national oil & gas company) concerning three oil projects in the Kyrgyz Republic (or Kyrgyzstan).

The completion of the Proposed Acquisition is conditional upon certain conditions precedent (as set out in the appendix of the Company's announcement dated 23 July 2014) being satisfied by no later than 6 months from the date of the MoU. ASX has confirmed that the Proposed Acquisition constitutes a change in the nature and scale of the Company's activities in terms of Listing Rule 11.1, and that the Company will be required under Listing Rule 11.1.3 to comply with all of the requirements of Chapters 1 and 2 of the Listing Rules before it completes the transaction. The Company expects to lodge a prospectus and convene a meeting of shareholders (to approve the transaction) in October 2014 and to satisfy the conditions to re-admission in November 2014.

For further details regarding the Target Company and the Proposed Acquisition, please refer to the Company's announcement dated 23 July 2014.

## **DIRECTORS' REPORT**

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### **FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES**

The Company will focus on the identifying of potential investments opportunities to add shareholders' value. Subject to the identification and acquisition of a suitable investment project, the Company will formulate an appropriate business strategy specific to the project.

### **INDEMNIFICATION OF AUDITORS**

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

### **MEETINGS OF DIRECTORS**

During the financial year ended 2014, three meetings of Directors (including sub-committees meetings of Directors) were held. Attendances by each director during the period were as follows:

|                        | <b>Directors' Meetings<br/>Number eligible to attend*</b> | <b>Number attended</b> |
|------------------------|---|------------------------|
| Dr. Tim Sun            | 3   | 3                      |
| Mr. Bruce Higgins      | 1   | 1                      |
| Ms. Christina (Jun) Mu | 3   | 3                      |
| Mr. Steven Hodgson     | 2   | 2                      |
| Mr. He Chuan           | 0   | 0                      |

\* The information represents the number of meetings eligible to be attended and the number of meetings attended by the retiring or resigning director or the newly appointed director.

The Company has arranged insurance cover to each of its Directors and the Chief Executive Officer which provide an indemnity for specified liabilities, costs or expenses including legal fees which they may become liable for while an officer of the Company or the Group.

The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending legal proceedings arising from their conduct while acting in the capacity of Director or officer of the Company, other than conduct involving a willful breach of duty in relation to the Company.

### **SHARE OPTIONS**

As at the date of this report, there were 8,152,571 options to acquire ordinary shares in the Company in issue.

Other than as set out above, there have been no unissued shares or interests under option in the Company or a controlled entity during and since the reporting date.

During the period, employees, consultants and executives have not exercised any options to acquire any fully paid ordinary shares in the Company.

### **AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration for the period ended 30 June 2014 has been received and can be found on page 48 of the annual financial report.

## **DIRECTORS' REPORT**

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### **ROUNDING**

The Company has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the Directors' report have been rounded off to the nearest US\$1000.

This Report of the Directors is signed in accordance with a resolution of the Board of Directors.

On behalf of the Board



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Harry King  
Chairman & Non-executive Director  
FeOre Limited  
Dated this 29<sup>th</sup> day of September, 2014



## CORPORATE GOVERNANCE STATEMENT

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Achieving a high standard of corporate governance is a priority for the Board of Directors.

The Company has reviewed the Corporate Governance Principles and Recommendations (2<sup>nd</sup> Edition) prepared by the ASX Corporate Governance Council in order to provide a framework for its corporate governance practices with regard to the Company's particular circumstances and in particular its size and level of resources.

### PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

As the Company has a small board at year end comprising one executive director, three non-executive directors and a small management team, roles and functions must necessarily be flexible to deliver the Company's objectives. The statement of Board and management responsibilities is found within the Board Charter on the Company's website.

### PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

The Board comprises one executive director (Dr. Louis Yang) and three non-executive directors (Mr. Harry King, Mr. Steven Hodgson and Mr. He Chuan). Dr. Louis Yang and Mr. Harry King are substantial shareholders of the Company and are not considered to be independent directors in terms of the ASX Corporate Governance Council's discussion of independent status. Despite this relationship, the Board believes that Dr. Louis Yang and Mr. Harry King are able, and will make quality and independent judgements in the best interests of the Company on all relevant issues before the Board. Mr. Steven Hodgson and Mr. He Chuan are considered to be independent directors in terms of the ASX Corporate Governance Council's discussion of independent status. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of a majority of independent directors.

The appointment date of each director is disclosed in the Directors' Report. The below table sets out the nature and value of Mr. Yang and Mr. King's interest in the Company.

| Name of Director | Interest in number of shares | Percentage Interest* | Nature of Interest  |
|------------------|------------------------------|----------------------|---|
| Mr. Harry King   | 28,000,000                   | 24.92%               | Shares held via Sagalio Limited, of which Mr. King is a director of.  |
| Dr. Louis Yang   | 14,000,000                   | 12.46%               | Shares held via Major Port Limited (14,000,000 shares) and Jolly Medal Limited (4,000,000 shares), both of which Dr. Yang is a director of. |

\*excluding 416,753,871 treasury shares held by the Company.

The Chairman is a non-executive director and the roles of Chairman and Chief Executive Officer are exercised by different individuals. Although the Chairman is not an independent director, the Board believes that this is both appropriate and acceptable at this stage of the Company's development.

The skills, experience and expertise of each director is set out in the Directors' Report.

Directors are entitled to seek independent professional advice at the Company's expense in the furtherance of their duties.

The Company believes it is not of a size to justify a Nomination Committee. If vacancies arise on the Board, all directors are involved in search and recruitment. The Board seeks to achieve a balance of entrepreneurial, capital markets, technical, operational, commercial and financial skills from mining industry and broader business backgrounds.

No formal evaluation of the performance of the Board was undertaken due to the staggered appointment of directors.



## CORPORATE GOVERNANCE STATEMENT

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Under the Company's Constitution, no director except the Managing Director may hold office for a period in excess of three years or beyond the third annual general meeting following the director's election without being submitted for re-election. At every annual general meeting one third of the Directors or the number nearest to but not exceeding one third must retire from office and are eligible for re-election.

### PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

#### Code of conduct

The Board has adopted a formal Code of Conduct (Obligations to Stakeholders) and a formal Code of Conduct for directors and key officers to promote lawful, ethical and responsible decision-making by directors, management and employees. The Codes promote compliance with laws and regulation and avoidance of conflicts of interest, embraces the values of honesty, integrity, enterprise, excellence, accountability, justice, independence and equality of stakeholder opportunity. The Codes of Conduct are available on the Company's website.

#### Policy for trading in Company's securities

The Board has adopted in accordance with ASX Listing Rules 12.9, 12.10, 12.11 and 12.12 a policy on trading in the Company's securities by directors, senior executives and employees which raises awareness of the law in relation to insider trading, specifies blackouts and provides notification protocols. The trading policy is located on the Company's website.

#### Gender diversity

The Company has a policy of selecting and recruiting the best staff for each position in the Company regardless of race and gender. The company values diversity and has a goal to report the diversity within the company annually and initially target a range of 25 to 35% female employees within 4 years. The current gender balance is as per the table below:

|                   | Percentage of Employment |            |
|-------------------|--------------------------|------------|
|                   | Female                   | Male       |
| Board of Director | 0%                       | 100%       |
| Senior Management | 0%                       | 100%       |
| Others            | 67%                      | 33%        |
| <b>Total</b>      | <b>22%</b>               | <b>78%</b> |

### PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Company does not currently have an Audit Committee. The Board considers that the formation of an Audit Committee is not warranted at this time given the size of the Board.

The Board will at some time consider forming an Audit Committee if the size of the Board increases and efficiencies may be derived from a formal committee structure.

The Board as a whole acts as the Audit Committee and performs the functions thereof including the making sure that the financial records of the Company have been properly maintained and that the Company's financial statements for the period ended 30 June 2014 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

### **PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE**

#### **Disclosure policy**

The Board places a strong emphasis on full and appropriate disclosure and has adopted a Continuous Disclosure Policy to ensure timely and accurate disclosure of price-sensitive information to shareholders through the lodgment of announcements with ASX. Clear procedures govern the preparation, review and approval of all announcements including technical material.

### **PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS**

The Board is committed to open and accessible communication with holders of the Company's shares and other securities.

The Board is responsible for the communication strategy to promote effective communications with shareholders and to encourage effective participation at general meetings. The Company adheres to best practice in its preparation of Notices of Meetings and through its share registry offers to members the option of receiving shareholder communications electronically.

In accordance with ASX recommendations, the Company publishes all relevant announcements on its website after ASX has acknowledged that the announcements have been released. The Continuous Disclosure Policy can be found on the Company's website. Subject to ASX disclosure rules, the Company communicates regularly with shareholders, brokers and analysts and publishes the information provided on its website.

### **PRINCIPLE 7 – RECOGNISE AND MANAGE RISK**

The Board has been committed to ensuring that the risks associated with the Company's business activities are properly identified, monitored and managed and to embedding in its management and reporting systems a number of risk management controls. Operational management regularly reviews the risks and controls and updates the Board in light of changing circumstances and emergent risk factors and weightings.

The Board considers that the Company is not of a size sufficient to warrant the establishment of an internal audit function or a risk management committee.

The Chief Executive Officer has declared in writing to the Board that the declaration in accordance with section 295A of the Corporations Act is founded on a sound system of internal control and that the system is operating effectively in all material respects in relation to financial risks.

### **PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY**

The Directors consider the current size of the Board does not warrant the establishment of a separate Remuneration Committee. However, the Board will at some time consider forming a Remuneration Committee if the size of the Board increases and efficiencies may be derived from a formal committee structure. Nonetheless the Board is committed to ensuring that the principles of fair and responsible remuneration govern its operations.

There are no schemes for retirement benefits, other than superannuation, for non-executive directors.

## Consolidated Statement of Comprehensive Income For the Year Ended 30 June 2014

|   | Note | 2014<br>US\$'000 | 2013<br>Restated<br>US\$'000 |
|---|------|------------------|------------------------------|
| Revenue   |      | -                | -                            |
| Cost of goods sold  |      | -                | -                            |
| Gross profit  |      | -                | -                            |
| Bank interest income  |      | 266              | 739                          |
| Exchange gain   |      | 216              | -                            |
| Others  |      | 40               | -                            |
| Total income  |      | 522              | 739                          |
| Administration costs  |      | (1,961)          | (1,901)                      |
| Exchange loss   |      | -                | (2,141)                      |
| Depreciation  |      | -                | -                            |
| Total operating expenses  |      | (1,961)          | (4,042)                      |
| Income/(Loss) before income tax from continuing operations      |      | (1,439)          | (3,303)                      |
| Income tax expense  | 4    | -                | -                            |
| Income/(Loss) for the year from continuing operations           |      | (1,439)          | (3,303)                      |
| Discontinued operation  |      |                  |                              |
| Profit from discontinued operation                              | 6    | 9,046            | (680)                        |
|   |      | <b>7,607</b>     | <b>(3,983)</b>               |
| Other comprehensive loss for the year                           |      |                  |                              |
| Items that may be subsequently recycled to profit and loss      |      |                  |                              |
| Foreign currency translation                                    |      | (122)            | (60)                         |
| Total comprehensive income/(loss) for the year                  |      | 7,485            | (4,043)                      |
| Income/(Loss) attributable to :                                 |      |                  |                              |
| Members of the parent entity                                    |      | 7,485            | (3,847)                      |
| Non-controlling interest  |      | -                | (136)                        |
|   |      | <b>7,485</b>     | <b>(3,983)</b>               |
| Total comprehensive income/(loss) attributable to :             |      |                  |                              |
| Members of the parent entity                                    |      | 7,485            | (3,895)                      |
| Non-controlling interest  |      | -                | (148)                        |
|   |      | <b>7,485</b>     | <b>(4,043)</b>               |
| <b>Earnings per share from continuing operations</b>            |      |                  |                              |
| Basic and diluted earnings (loss) per share (US cent per share) |      | 1.41             | (0.73)                       |

This statement should be read in conjunction with the notes to the financial report.

## Consolidated Statement of Financial Position

### As at 30 June 2014

|                                   | Note | 2014<br>US\$'000 | 2013<br>US\$'000 |
|-----------------------------------|------|------------------|------------------|
| <b>Current assets</b>             |      |                  |                  |
| Cash and cash equivalents         | 7    | 43,255           | 22,139           |
| Other receivables                 | 8    | -                | 1,159            |
| Other current assets              | 9    | -                | 207              |
| Total current assets              |      | 43,255           | 23,505           |
| <b>Non-current assets</b>         |      |                  |                  |
| Property, plant & equipment       | 10   | -                | 1,310            |
| Other receivable                  | 11   | 4,742            | -                |
| Restricted cash                   | 12   | 5,670            | -                |
| Exploration and evaluation assets | 13   | -                | 75,452           |
| Total non-current assets          |      | 10,412           | 76,762           |
| <b>Total assets</b>               |      | 53,667           | 100,267          |
| <b>Current liabilities</b>        |      |                  |                  |
| Other payables                    | 14   | -                | 103              |
| Financial liability               | 15   | -                | 24,849           |
| Total current liabilities         |      | -                | 24,952           |
| <b>Non-current liability</b>      |      |                  |                  |
| Deferred tax liability            |      | -                | 18,014           |
| Total non-current liability       |      | -                | 18,014           |
| <b>Total liabilities</b>          |      | -                | 42,966           |
| <b>Net assets</b>                 |      | 53,667           | 57,301           |
| <b>Equity</b>                     |      |                  |                  |
| Contributed equity                | 16   | 52,600           | 52,600           |
| Reserves                          | 17   | 776              | 766              |
| Accumulated earnings/(losses)     |      | 291              | (7,194)          |
| Parent entity interest            |      | 53,667           | 46,172           |
| Non-controlling interest          |      | -                | 11,129           |
| <b>Total equity</b>               |      | 53,667           | 57,301           |

This statement should be read in conjunction with the notes to the financial report.

## Consolidated Statement of Cash Flows

### For the Year Ended 30 June 2014

|   | Note | 2014<br>US\$'000 | 2013<br>Restated<br>US\$'000 |
|---|------|------------------|------------------------------|
| <b>CASH FLOWS RELATED TO OPERATING ACTIVITIES</b>     |      |                  |                              |
| Payments to suppliers                                 |      | (1,816)          | (1,937)                      |
| Interest and other items of a similar nature received |      | 266              | 739                          |
| NET OPERATING CASH FLOWS                              |      | (1,550)          | (1,198)                      |
| <b>CASH FLOWS RELATED TO INVESTING ACTIVITIES</b>     |      |                  |                              |
| Payments for development                              |      | -                | (238)                        |
| Purchase of assets                                    |      | -                | -                            |
| Borrowings  |      | (1,122)          | (1,743)                      |
| Transaction cost on sale of discontinued operation    |      | (2,776)          | -                            |
| Net cash inflow from discontinued operation           | 6    | 50,934           | 21                           |
| NET INVESTING CASH FLOWS                              |      | 47,036           | (1,960)                      |
| <b>CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>     |      |                  |                              |
| Repayment of convertible bond                         | 15   | (25,000)         | -                            |
| NET FINANCING CASH FLOWS                              |      | (25,000)         | -                            |
| NET INCREASE/(DECREASE) IN CASH HELD                  |      | 20,486           | (3,158)                      |
| Effect of foreign translation                         |      | 631              | (2,128)                      |
| Cash and cash equivalents at beginning of year        |      | 22,138           | 27,425                       |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>       |      | <b>43,255</b>    | <b>22,139</b>                |

This statement should be read in conjunction with the notes to the financial report.



## Consolidated Statement of Changes in Equity For the Year Ended 30 June 2014

|  | Issued<br>Capital<br>US\$'000 | Accumulated<br>earnings/(losses)<br>US\$'000 | Share based<br>payment reserve<br>US\$'000 | Foreign currency<br>translation reserve<br>US\$'000 | Owners of<br>Parent<br>US\$'000 | Non-<br>controlling<br>interest<br>US\$'000 | Total<br>US\$'000 |
|--|-------------------------------|--|--|---|---------------------------------|---|-------------------|
| Balance at 1 July 2012                           | 52,600                        | (3,347)                                      | 776  | 38  | 50,067                          | 11,277                                      | 61,344            |
| Loss for the year                                | -                             | (3,847)                                      | -  | -   | (3,847)                         | (136)                                       | (3,983)           |
| Exchange Translation                             | -                             | -  | -  | (48)  | (48)                            | (12)  | (60)              |
| <b>Total Comprehensive<br/>loss for the year</b> |                               | <b>(3,847)</b>                               |  | <b>(48)</b>   | <b>(3,895)</b>                  | <b>(148)</b>                                | <b>(4,043)</b>    |
| <b>Balance at 30 June<br/>2013</b>               | <b>52,600</b>                 | <b>(7,194)</b>                               | <b>776</b>                                 | <b>(10)</b>   | <b>46,172</b>                   | <b>11,129</b>                               | <b>57,301</b>     |
| Profit for the year                              | -                             | 7,607  | -  | 10  | 7,617                           | (11,129)                                    | (3,512)           |
| Exchange translation                             | -                             | (122)  | -  | -   | (122)                           | -   | (122)             |
| <b>Total Comprehensive<br/>loss for the year</b> | <b>-</b>                      | <b>7,485</b>                                 | <b>-</b>                                   | <b>10</b>   | <b>7,495</b>                    | <b>(11,129)</b>                             | <b>(3,634)</b>    |
| <b>Balance at 30 June 20<br/>14</b>              | <b>52,600</b>                 | <b>291</b>                                   | <b>776</b>                                 | <b>-</b>  | <b>53,667</b>                   | <b>-</b>                                    | <b>53,667</b>     |

This statement should be read in conjunction with the notes to the financial report.

## **NOTES TO THE FINANCIAL INFORMATION**

FeOre Limited (the "Company") is a for profit company and is incorporated in Bermuda on 1 August 2011 and the consolidated financial statements of the company and its subsidiaries (the "Group") for the year ended 30 June 2014 are authorised for issue in accordance with a resolution of the directors on 26<sup>th</sup> September 2014 .

The principal activities of the company and its subsidiaries were exploration activities in Mongolia.

### **Note 1 – Summary of Significant Accounting Policies**

#### **(a) Basis of preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of Australian Accounting Standard Board (AASB).

The financial statements also comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on a historical cost basis, except for investment properties, land and buildings, derivative financial instruments and available-for-sale investments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships. The financial report is presented in US dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated.

#### **(b) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting periods as the parents Company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in subsidiaries held by "Company" are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

## **NOTES TO THE FINANCIAL INFORMATION**

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **(b) Basis of consolidation (continued)**

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are allocated a value of exploration and evaluation expenditure within partly owned subsidiaries. Non-controlling interest are represented within equity in the consolidated statement of financial position, separately from equity of the owners of the parent.

#### **(c) New Accounting Standards and Interpretations**

The AASB has issued new and amended accounting standards and interpretations for the period and which the Group applied. A discussion of those future requirements and their impact on the Group follows:

- **AASB 10 Consolidated Financial Statements**

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation - Special Purpose Entities*.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.

- **AASB 11 Joint Arrangements**

AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly- controlled Entities - Non-monetary Contributions by Ventures*.

AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.

Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128. Amendments made by the IASB in May 2014 add guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business

- **AASB 12 Disclosure of Interests in Other Entities**

AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.

- **AASB 13 Fair Value Measurement**

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.

- **AASB 119 Employee Benefits**

The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.

## **NOTES TO THE FINANCIAL INFORMATION**

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **(c) New Accounting Standards and Interpretations (continued)**

- **International Financial Reporting Interpretations Committee 20 Stripping Costs in the Production Phase of a Surface Mine**  
This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset. If an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset".  
  
The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate. Consequential amendments were also made to other standards via AASB 2011-12.
- **AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities**  
AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.
- **AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle**  
AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following:  
Repeat application of AASB 1 is permitted (AASB 1)  
Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 *Presentation of Financial Statements*)
- **AASB 2012-9 Amendments to AASB 1048 arising from the withdrawal of Australian Interpretation 1039**  
AASB 2012-9 amends AASB 1048 *Interpretation of Standards* to evidence the withdrawal of Australian Interpretation 1039 *Substantive Enactment of Major Tax Bills in Australia*.
- **AASB 1053 Application of Tiers of Australian Accounting Standards**  
This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:  
a. Tier 1: Australian Accounting Standards  
b. Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements  
Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.  
The following entities apply Tier 1 requirements in preparing general purpose financial statements:  
a. For-profit entities in the private sector that have public accountability (as defined in this standard)  
b. The Australian Government and State, Territory and Local governments  
The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:  
a. For-profit private sector entities that do not have public accountability  
b. All not-for-profit private sector entities  
c. Public sector entities other than the Australian Government and State, Territory and Local governments.  
Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1, 2012-7 and 2012-11.
- **AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements**  
This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

None of the above standards and amendments are expected to significantly impact the Group.



**NOTES TO THE FINANCIAL INFORMATION****Note 1 – Summary of Significant Accounting Policies (continued)****(c) New Accounting Standards and Interpretations (continued)**

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ending 30 June 2014.

|                     |   |
|---------------------|---|
| AASB 2012-3         | Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities                   |
| Interpretation 21   | Levies  |
| AASB 1055           | Budgetary Reporting   |
| AASB 9              | Financial Instruments   |
| AASB 2013-3         | Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets  |
| AASB 2013-4         | Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139] |
| AASB 2013-5         | Amendments to Australian Accounting Standards – Investment Entities   |
| AASB 2013-7         | Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders [AASB 1038]    |
| Annual Improvements |   |
| 2010–2012 Cycle     | Annual Improvements to IFRSs 2010–2012 Cycle  |
| Annual Improvements |   |
| 2011–2013 Cycle     | Annual Improvements to IFRSs 2011–2013 Cycle  |
| AASB 1031           | Materiality   |
| AASB 2013-9         | Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments             |
| IFRS 14             | Interim standard on regulatory deferral accounts  |
| Amendments to       |   |
| IAS 16 and IAS 38   | Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)                  |
| IFRS 15             | Revenue from Contracts with Customers   |

None of the above standards are expected to have a significant impact on the Group.



## **NOTES TO THE FINANCIAL INFORMATION**

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **(d) Business combinations**

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the identifiable net assets of the acquiree and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

#### **(e) Income tax**

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

## **NOTES TO THE FINANCIAL INFORMATION**

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **(e) Income tax (continued)**

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### *Other taxes*

Revenues, expenses and assets are recognised net of the amount of Goods and Service Tax (GST) or Value Added Tax (VAT) except:

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

The net amount of GST/VAT recoverable from or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the taxation authority.

#### **(f) Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the leased term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the leased term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expenses and reduction of the liability.

## **NOTES TO THE FINANCIAL INFORMATION**

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **(g) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short term deposits with a maturity of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

#### **(h) Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

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

eligible for capitalisation. All other repairs and maintenance are recognised in profit and loss as incurred.

##### *Depreciation*

Depreciation is calculated on a diminishing value basis over the estimated useful life of the specific assets.

The depreciation rates used for each class of depreciable assets are:

##### Class of Fixed Asset

|                                  |     |
|----------------------------------|-----|
| Buildings                        | 5%  |
| Furniture, Fixtures and Fittings | 10% |
| Office Equipment                 | 20% |
| Vehicles and equipment           | 20% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

##### *Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

#### **(i) Exploration and evaluation costs**

Direct and indirect costs attributable to finding the mineral resources are allocated to the exploration and evaluation assets. General and administrative costs that are not related directly to operational activities in the areas of interest have been expensed as incurred.

Exploration and evaluation assets are reclassified when technical feasibility and commercial viability has been established.



## **NOTES TO THE FINANCIAL INFORMATION**

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **(i) Exploration and evaluation costs (continued)**

The exploration and evaluation assets are assessed against facts and circumstances to determine whether the carrying amount exceeds the recoverable amount. The facts and circumstances considered include whether the rights to explore are current, whether any area of interest has been removed from plans for substantive exploration, whether a decision has been taken to discontinue activities and whether data suggests that the carrying amounts are unlikely to be recovered from development or sale.

#### **(j) Restoration and rehabilitation**

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environmental is disturbed at the production location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred by the development/construction of the mine. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognised in profit and loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognised immediately in profit or loss.

#### **(k) Financial Instruments**

##### *Initial recognition and measurement*

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

Financial instruments are initially measured at cost on trade date which includes transaction costs when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

##### *Classification and subsequent measurement*

Financial instruments are subsequently measured at fair value or amortised cost using the effective interest rate method.

*Amortised cost* is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

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

## **NOTES TO THE FINANCIAL INFORMATION**

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **(k) Financial Instruments (continued)**

*The effective interest method* is used to allocate interest income or interest expenses over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial liability. Revisions to expected future net cash flows will necessitate adjustments to the carrying value with a consequential recognition of an income or expense in profit or loss.

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

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

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

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

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

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

##### *(iii) Financial liabilities*

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

##### *Impairment*

Objective evidence that a financial asset is impaired includes default by a debtor, evidence that the debtor is likely to enter bankruptcy or adverse economic conditions in the stock exchange. At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset has been impaired through the occurrence of a loss event. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to indicate that an impairment has arisen.

Where a subsequent event causes the amount of the impairment loss to decrease (e.g. payment received), the reduction in the allowance account (provision for impairment of receivables) is taken through profit and loss.

However, any reversal in the value of an impaired available for sale asset is taken through other comprehensive income rather than profit and loss.

Impairment losses are recognised through an allowance account for loans and receivables in the statement of comprehensive income.



## **NOTES TO THE FINANCIAL INFORMATION**

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **(k) Financial Instruments (continued)**

##### *Derecognition*

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

#### **(l) Impairment of Non-Financial Assets**

Non-financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Assets that suffered impairments are tested for possible reversal of the impairment where events or changes in circumstances indicate impairment may have reversed.

#### **(m) Foreign currency translation**

##### *Functional and presentation currency*

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

##### *Transactions and balances*

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

## **NOTES TO THE FINANCIAL INFORMATION**

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **(m) Foreign currency translation (continued)**

##### *Group companies*

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at period end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed of.

#### **(n) Employee Benefits**

##### *Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

##### *Long service leave*

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expect future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match as closely as possible the estimated future cash outflows.

#### **(o) Trade and other creditors**

Trade and other payables are carried at amortised cost due to their short term nature and are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

#### **(p) Revenue and Other Income**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

## **NOTES TO THE FINANCIAL INFORMATION**

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **(p) Revenue and Other Income (continued)**

##### *Interest revenue*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to the net carrying amount of the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

#### **(q) Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### **(r) Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

##### *Key judgments – exploration and evaluation expenditure*

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period.

##### *Key judgments – asset impairment*

The Group assesses each cash generating unit annually to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. These assessments require the use of estimates and assumptions such as long-term commodity prices, discount rates, future capital requirements, exploration potential and operating performance. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties less costs for disposing the asset. Fair value for mineral assets is generally determined as the present value of estimated future cash flows arising from the continued use of the asset, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

## **NOTES TO THE FINANCIAL INFORMATION**

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **(r) Critical Accounting Estimates and Judgments (continued)**

##### *Key judgments – recognition of asset acquisitions*

In determining the recognition of asset and business acquisitions, an assessment of the underlying assets and operations of the acquired entity is completed. Where the Group acquires an entity for tenements only, rather than acquiring an operation with clear distinct processes, the acquisition is deemed to be an asset acquisition, rather than a business combination.

##### *Key judgments – recoverable reserves and resources*

Estimated receivable reserves and resources are used to determine the depreciation of mine production assets, in accounting for deferred stripping costs and in performing impairment testing. Estimates are prepared by appropriately qualified persons, but will be impacted by forecast commodity prices, exchange rates, production costs and recoveries amongst other factors. Changes in assumptions will impact the carrying value of assets and depreciation and impairment charges recorded in the income statement.

##### *Key judgments – environmental rehabilitation costs*

The provisions for rehabilitation costs are based on estimated future costs using information available at the balance sheet date. To the extent the actual costs differ from these estimates, adjustments will be recorded and the income statement may be impacted.

##### *Key judgments – share-based payments*

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using the Black Scholes model.

#### **(s) Earnings Per Share**

Basic earnings per share is calculated as net profit attributable to members of the parent adjusted to excluded any costs of serving equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- Cost of servicing equity (other than dividends) and preference share dividends
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses

Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

#### **(t) Operating segments**

An operating segments are component of entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available (refer to Note 6).



## **NOTES TO THE FINANCIAL INFORMATION**

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **(t) Operating segments (continued)**

An operating segments are component of entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available (refer to Note 6).

The operating segments have been identified based on the information provided to the chief operating decision makers being the Board of Directors.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services
- Nature of the production processes
- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services and if applicable,
- Nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

#### **(i) Identification of reportable segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director and the Board of Directors (the Chief Operating Decision Makers) in assessing performance and determining the allocation of resources. The operating segments identified by management are each exploration tenement.

The Group operates entirely in the industry of mineral exploration, evaluation and development for different metals and minerals, including copper, gold, silver, coal, and others.

- (ii) Discrete pre-tax financial information, being expenditure incurred year to date and from the start date, about each of these segments is reported to the Chief Operating Decision Makers on a monthly basis.

Accounting policies, segment revenue, and expenses are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

All expenses incurred for exploration and evaluation which qualify for capitalisation as described in Note 13 are capitalised.

There are no intersegment transactions within the Group's segment.

The segment results include the capitalised allocation of overhead that can be directly attributed to an individual business segment.



## **NOTES TO THE FINANCIAL INFORMATION**

### **Note 1 – Summary of Significant Accounting Policies (continued)**

#### **(t) Operating segments (continued)**

The following items and associated assets and liabilities are not allocated to segments as they are not considered part of the core operations of any segment:

- finance costs;
- certain general and administration expenses;
- impairment write offs for full value of tenements; and
- income tax expense/benefit.

#### **(u) Contributed equity**

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

#### **(v) Share Based Payments**

The Group provides benefits to its employees (including Directors) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using the Black Scholes model, further details of which are given in Note 16.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than (if applicable):

- Non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment in equity or cash, and
- Conditions that are linked to the price of the shares of the Group (market conditions).

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods.

## NOTES TO THE FINANCIAL INFORMATION

### Note 2 - Auditors' Remuneration

|   | 2014<br>US\$'000 | 2013<br>US\$'000 |
|---|------------------|------------------|
| Remuneration of the auditor of the parent entity for: |                  |                  |
| - auditing and reviewing the financial statements     | 60               | 61               |
| - non-audit services                                  | -                | -                |
| Total   | 60               | 61               |

### Note 3 – Earnings Per Share

|   | 2014<br>US\$'000 | 2013<br>US\$'000 |
|---|------------------|------------------|
| Reconciliation of earnings to profit or loss                    |                  |                  |
| Profit/(loss) for the year                                      | 7,485            | (3,983)          |
| Profit/(loss) attributable to non-controlling equity interest   | -                | 136              |
| Profit/(loss) attributable to the owners of the Company         | 7,485            | (3,847)          |
| Basic and diluted earnings (loss) per share (US cent per share) | 1.41             | (0.73)           |

The weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share: 529,110,001 (2013: 529,110,001).

The weighted average number of ordinary shares to be issued with options was not included in the calculation of earnings per share for the options are unlikely to be executed as the exercise price is higher than stock price.

### Note 4 – Income Tax Expense

|              | 2014<br>US\$'000 | 2013<br>US\$'000 |
|--------------|------------------|------------------|
| Current tax  | -                | -                |
| Deferred tax | -                | -                |
| Total        | -                | -                |

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

Prima facie tax payable on profit from ordinary activities before income tax at 0%

- economic entity

Add / (less) tax effect of:

- difference in overseas tax rates

- non-deductible expenses

Income tax attributable to entity

|  |       |       |
|--|-------|-------|
|  | (311) | (170) |
|  | 311   | 170   |
|  | -     | -     |

## NOTES TO THE FINANCIAL INFORMATION

## Note 5 – Dividends

No dividends were declared or paid during the year ended 30 June 2014 (2013: Nil).

## Note 6 – Discontinued operations

On 31 May 2014, the Group sold its entire mining segment; the segment was not a discontinued operation or classified as held for disposal at 30 June 2013 and the comparative consolidated statement of other comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

|   | 2014<br>US\$'000 | 2013<br>US\$'000      |
|---|------------------|-----------------------|
| Results of discontinued operation                         |                  |                       |
| Revenue   | 2                | 2                     |
| Expenses  | (1,246)          | (682)                 |
| Results from operating activities                         | (1,244)          | (680)                 |
| Tax   | -                | -                     |
| Results from operating activities, net of tax             | (1,244)          | (680)                 |
| Gain on sale of discontinued operation                    | 13,066           | -                     |
| Transaction cost  | (2,776)          | -                     |
| Tax on gain on disposal of discontinued operation         | -                | -                     |
| Profit (loss) for the year                                | 9,046            | (680)                 |
| Basic earnings (loss) per share (USD)                     | 0.017            | (0.001)               |
| Cash flow from (used in) discontinued operation           | US\$'000         | US\$'000              |
| Net cash used in operating activities                     | (37)             | 183                   |
| Net cash from investing activities                        | 51,447           | 272                   |
| Net cash from financing activities                        | -                | -                     |
| Effect of foreign translation                             | (476)            | (434)                 |
| Net cash inflows for the year                             | 50,934           | 21                    |
| Effect of disposal on the financial position of the Group |                  | 31-May-14<br>US\$'000 |
| Property, plant and equipment                             |                  | (1,038)               |
| Exploration and evaluation assets                         |                  | (74,925)              |
| Prepaid expenses  |                  | (1,154)               |
| Trade and other receivables                               |                  | (467)                 |
| Cash and cash equivalents                                 |                  | (53)                  |
| Deferred tax liabilities                                  |                  | 18,014                |
| Trade and other payables                                  |                  | 405                   |
| NCI   |                  | 10,885                |
| Net assets and liabilities                                |                  | (48,333)              |

## NOTES TO THE FINANCIAL INFORMATION

## Note 6 – Discontinued operations (continued)

|  |          |
|--|----------|
| Consideration received, satisfied in cash                              | 51,030   |
| Total cash outflow of discontinued operation                           | (43)     |
| Cash and cash equivalents disposed                                     | (53)     |
| Net cash inflow  | 50,934   |
| Consideration received as restricted financial asset                   | 5,670    |
| Consideration received as non-current receivable                       | 4,742    |
| Less: Net assets and liabilities (excluding Cash and cash equivalents) | (48,280) |
| Profit on disposal   | 13,066   |

## Note 7 – Cash and Cash Equivalents

|                           | 30-Jun-14<br>US\$'000 | 30-Jun-13<br>US\$'000 |
|---------------------------|-----------------------|-----------------------|
| Cash at banks and on hand | 1,222                 | 919                   |
| Short-term deposits       | 42,033                | 21,220                |
|                           | 43,255                | 22,139                |

Cash at banks earns interest at floating rates based on daily bank deposit rates (average annual deposit rate was approximately 3.3%). Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Group only deposits cash surpluses with major banks of high quality credit standing.

## Note 8 – Other Receivables

|                 | 2014<br>US\$'000 | 2013<br>US\$'000 |
|-----------------|------------------|------------------|
| Prepayments     | -                | 846              |
| Tax receivables | -                | 286              |
| Others          | -                | 27               |
|                 | -                | 1,159            |

## Note 9 – Other Current Assets

|                              | 2014<br>US\$'000 | 2013<br>US\$'000 |
|------------------------------|------------------|------------------|
| Forward contract receivables | -                | 207              |
|                              | -                | 207              |

## NOTES TO THE FINANCIAL INFORMATION

## Note 10 – Property, Plant &amp; Equipment

|                          | Land     | Buildings | Furniture,<br>fixture and<br>fittings | Equipment | Vehicles | Construction in<br>progress | Total property,<br>plant &<br>equipment |
|--------------------------|----------|-----------|---------------------------------------|-----------|----------|-----------------------------|---|
| As at 30 June<br>2013    | US\$'000 | US\$'000  | US\$'000                              | US\$'000  | US\$'000 | US\$'000                    | US\$'000                                |
| At cost                  | 36       | 732       | 57                                    | 99        | 407      | 112                         | 1,443                                   |
| Accumulated depreciation | -        | (13)      | (18)                                  | (28)      | (74)     | -                           | (133)                                   |
| Total                    | 36       | 719       | 39                                    | 71        | 333      | 112                         | 1,310                                   |
| As at 30 June<br>2014    |          |           |                                       |           |          |                             |   |
| At cost                  | -        | -         | -                                     | -         | -        | -                           | -                                       |
| Accumulated depreciation | -        | -         | -                                     | -         | -        | -                           | -                                       |
| Total                    | -        | -         | -                                     | -         | -        | -                           | -                                       |

## Movements in Carrying Amounts

Movement in the carrying amount for each class of property, plant & equipment between the beginning and the end of the current financial year:

|  | Land     | Buildings | Furniture,<br>fixture and<br>fittings | Equipment | Vehicles | Construction in<br>progress | Total property,<br>plant &<br>equipment |
|--|----------|-----------|---------------------------------------|-----------|----------|-----------------------------|---|
|  | US\$'000 | US\$'000  | US\$'000                              | US\$'000  | US\$'000 | US\$'000                    | US\$'000                                |
| Closing balance at 1 July 2012               | 13       | 76        | 24                                    | 6         | 265      | 252                         | <b>636</b>                              |
| Exchange re-alignment                        | (1)      | (6)       | (2)                                   | (1)       | (20)     | (18)                        | (48)                                    |
| Disposal                                     | -        | -         | (7)                                   | -         | (4)      | (29)                        | (40)                                    |
| Additions                                    | 24       | 558       | 32                                    | 77        | 125      | -                           | 816                                     |
| Transfers                                    | -        | 93        | -                                     | -         | -        | (93)                        | -                                       |
| Depreciation                                 | -        | (2)       | (8)                                   | (11)      | (33)     | -                           | (54)                                    |
| Closing balance at 30 June<br>2013           | 36       | 719       | 39                                    | 71        | 333      | 112                         | 1,310                                   |
| Exchange re-alignment                        | (7)      | (138)     | (8)                                   | (15)      | (66)     | (23)                        | (257)                                   |
| Disposal                                     | -        | (23)      | -                                     | -         | -        | -                           | (23)                                    |
| Additions                                    | -        | 57        | -                                     | -         | -        | -                           | 57                                      |
| Transfers                                    | -        | 87        | -                                     | -         | -        | (87)                        | -                                       |
| Depreciation                                 | -        | (2)       | (7)                                   | (9)       | (30)     | -                           | (48)                                    |
| Disposal from sales of equity<br>investments | (29)     | (700)     | (24)                                  | (47)      | (237)    | (2)                         | (1,039)                                 |
| Closing balance at 30 June<br>2014           | -        | -         | -                                     | -         | -        | -                           | -                                       |



## NOTES TO THE FINANCIAL INFORMATION

## Note 11 – Non-Current receivable

|                              | 30-Jun-14<br>US\$'000 | 30-Jun-13<br>US\$'000 |
|------------------------------|-----------------------|-----------------------|
| Non-Current receivable       | 4,742                 | -                     |
| Total non-current receivable | 4,742                 | -                     |

The receivable was bearing 7.5% compound interest per annum being advancement to Taisheng Development LLC issued on 22 April 2014, which matures on 30 September 2015.

## Note 12 – Restricted Cash

The restricted cash of \$5.67m relates to the final payment made on the sale of the discontinued operation (Note 6) during the period to China Energy (Cayman) Ltd ('Buyer'). The cash is being reserved in an escrow account. The withdrawal of these funds by the Group are contingent upon a successful listing on the Hong Kong Stock Exchange by an affiliate of the Buyer of the discontinued operation no later than 30 September 2015. If the affiliate is unsuccessful in listing, the funds in the escrow account shall be converted into 6.3% of the initial share capital of the Buyer's affiliate by the earlier of three months after the unsuccessful listing or 30 September 2015.

## Note 13 – Exploration and Evaluation Assets

|   | 2014<br>US\$'000 | 2013<br>US\$'000 |
|---|------------------|------------------|
| At the beginning of the year                              | 75,452           | 74,655           |
| Exchange re-alignment                                     | (622)            | (196)            |
| Exploration expenditure during the year                   | 95               | 993              |
| Exploration tenements disposed through sale of investment | (74,925)         |                  |
| At the end of the year                                    | -                | 75,452           |

Tai Sheng is the beneficial owner of exploration licence 5930X and mining licence MV-017028 which covers 908 hectares in Dartsagt Mongolia and 326 hectares in Ereeny, Mongolia respectively.

Both licences had been sold along with Tai Sheng on 31 May 2014.

## Note 14 – Other Payables

|                      | 2014<br>US\$'000 | 2013<br>US\$'000 |
|----------------------|------------------|------------------|
| Other payables       | -                | 103              |
| Total other payables | -                | 103              |

## NOTES TO THE FINANCIAL INFORMATION

## Note 15 – Financial Liability

|                                | 2014<br>US\$'000 | 2013<br>US\$'000 |
|--------------------------------|------------------|------------------|
| Face value of convertible bond | -                | 25,000           |
| Less: issue costs              | -                | (151)            |
| Total financial liability      | -                | 24,849           |

The Company had issued non-interest bearing convertible bonds raising a total of US\$25 million which had been redeemed on 7 May 2014.

## Note 16 – Contributed Equity

## Authorised share capital:

1,000,000,000,000 share with par value of US\$0.00001 each

|   | Number             | US\$'000      |
|---|--------------------|---------------|
| <b>Fully paid ordinary shares</b>   |                    |               |
| Shares issued to Promoters  | 283,200,001        |               |
| Pre IPO shares issued (A\$0.141 per share)                                | 53,100,000         | 7,325         |
| Issue of shares for purchase of TSI<br>(A\$0.25 per share)                | 22,800,000         | 5,844         |
| Placement to wholesale and institutional investors<br>(A\$0.25 per share) | 100,000,000        | 25,631        |
| IPO shares issued (A\$0.25 per share)                                     | 70,010,000         | 17,944        |
| Costs of Offer  | -                  | (4,144)       |
| As at 30 June 2013  | <b>529,110,001</b> | <b>52,600</b> |
| Shares issued during 2014   | -                  | -             |
| As at 30 June 2014  | <b>529,110,001</b> | <b>52,600</b> |

## Note 17 – Reserves

|                             | Note | 2014<br>US\$'000 | 2013<br>US\$'000 |
|-----------------------------|------|------------------|------------------|
| Share based payment reserve | (a)  | 776              | 776              |
| Exchange reserve            |      | -                | (10)             |
| Consolidated balance        |      | <b>776</b>       | <b>766</b>       |

(a) The Share Based Payment reserve is used to record the value of share based payments issued to employees as part of their remuneration. The Company issued 8,152,571 options as follows:

- Mr. Quintus Roux – 3,408,245 options;
- Ms. Christina Mu – 2,272,163 options;
- Mr. Tim Sun – 2,272,163 options;
- Mr. Leo Hui – 200,000 options.

## NOTES TO THE FINANCIAL INFORMATION

## Note 17 – Reserves (continued)

The options fully vested as at 30 June 2012 and expire in 4 years after the grant date which is 15 December 2011. Valuation of the options is based on Black-Scholes methodology using the following assumptions:

|                                      |  |
|--------------------------------------|--|
| Market value of shares on grant date | A\$0.2   |
| Exercise price                       | A\$0.25  |
| Expected price volatility            | 65%  |
| Risk free rate                       | 4.75%  |
| Expected life of options             | 4 years  |
| Expected Dividend yield              | Zero   |
| Black-Scholes fair value             | A\$0.095   |
| Other considerations                 | Upon exercise of options, two thirds of the shares granted are escrowed for 2 years and one third is escrowed for 3 years. |

|                             | 2014<br>US\$'000 | 2013<br>US\$'000 |
|-----------------------------|------------------|------------------|
| <b>Share based reserve</b>  |                  |                  |
| Opening balance             | 776              | 776              |
| Share based payment expense | -                | -                |
| Closing balance             | 776              | 776              |

(b) The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign controlled entities and associates.

|   | 2014<br>US\$'000 | 2013<br>US\$'000 |
|---|------------------|------------------|
| <b>Foreign currency translation reserve</b>                   |                  |                  |
| Opening balance   | (10)             | 38               |
| Foreign exchange movements on translation of foreign entities | -                | (48)             |
| Disposal of subsidiaries                                      | 10               | -                |
| Closing balance   | -                | (10)             |

## Note 18 – Related Party Disclosures

## Subsidiaries

The consolidated financial information within this report includes the financial statements of FeOre and the subsidiaries listed in the following table.

2014

| Name                              | Country of<br>Incorporation | % interest |
|-----------------------------------|-----------------------------|------------|
| Resource Depot Holdings Limited   | BVI                         | 100%       |
| Resource Depot Limited            | Hong Kong                   | 100%       |
| Aspiration Global Limited         | BVI                         | 100%       |
| Total Dynamic Investments Limited | BVI                         | 100%       |
| Total Dynamic Investments LLC     | Mongolia                    | 100%       |

## NOTES TO THE FINANCIAL INFORMATION

### Note 18 – Related Party Disclosures (continued)

2013

| Name                            | Country of<br>Incorporation | % interest |
|---------------------------------|-----------------------------|------------|
| Topone Star Investments Ltd     | BVI                         | 100%       |
| Tai Sheng Development LLC       | Mongolia                    | 80%        |
| Resource Depot Holdings Limited | BVI                         | 100%       |
| Resource Depot Limited          | Hong Kong                   | 100%       |

### Note 19 – Capital and Leasing Commitments

#### (a) Finance Lease Commitments

The Group and the Company have no finance lease commitments as at 30 June 2014 (2013: Nil).

#### (b) Operating Lease Commitments (US\$'000)

Non-cancellable operating leases of the Group and the Company contracted for but not capitalised in the financial statements:

|                                  | 2014 | 2013 |
|----------------------------------|------|------|
| Payable – minimum lease payment: | -    | 18   |
| Not later than 12 months         | -    | -    |
| Between 12 months to 5 years     | -    | 18   |

#### (c) Capital Expenditure Commitments (US\$'000)

The exploration commitments of the Group and the Company for Project Ereeny and Project Dartsagt are tabulated below:

| Payable:                     | 2014 | 2013  |
|------------------------------|------|-------|
| Not later than 12 months     | -    | -     |
| Between 12 months to 5 years | -    | 1,045 |
|                              | -    | 1,045 |

### Note 20 – Financial Risk Management

The Group's financial instruments consist mainly of deposit with banks, receivables and payables. The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

## NOTES TO THE FINANCIAL INFORMATION

## Note 20 – Financial Risk Management (continued)

| Financial Assets (US\$'000) | 2014   | 2013   |
|-----------------------------|--------|--------|
| Cash and cash equivalents   | 43,255 | 22,139 |
| Loan receivable             | 4,742  | -      |
| Restricted cash             | 5,670  | -      |
| Total Financial Assets      | 53,667 | 22,139 |

| Financial Liabilities (US\$'000) | 2014 | 2013   |
|----------------------------------|------|--------|
| Financial liabilities            | -    | 24,849 |
| Trade and other payables         | -    | 103    |
| Total Financial Liabilities      | -    | 24,952 |

## Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and commodity and equity price risk.

## (a) Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contractual obligations that could lead to a financial loss to the Group.

The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note).

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties and as such collateral is not requested nor is it the Group's policy to scrutinise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored.

In addition, receivable balances are monitored on an ongoing basis. The Group's credit management procedures has resulted in the Group's experiencing no bad debts.

## (b) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages risk through the following mechanisms:



## NOTES TO THE FINANCIAL INFORMATION

## Note 20 – Financial Risk Management (continued)

## (b) Liquidity Risk (continued)

- preparing forward looking cash flow analysis in relation to its operational, investing and financial activities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit risk profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

*Financial liability and financial asset maturity analysis  
(within 1 year)*

| <b>Financial liabilities due for payment (US\$'000)</b> | 2014 | 2013   |
|---|------|--------|
| Financial liabilities – convertible bond                | -    | 25,000 |
| Trade and other payables                                | -    | 103    |
| Total contractual outflows                              | -    | 25,103 |

| <b>Financial assets – cash flows realisable (US\$'000)</b> | 2014   | 2013    |
|--|--------|---------|
| Cash and cash equivalents                                  | 43,255 | 22,139  |
| Loan receivable  | 4,742  | -       |
| Restricted cash  | 5,670  | -       |
| Net inflow/(outflow) on financial instruments              | 53,667 | (2,964) |

## (c) Market Risk

- Interest rate risk* - Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. At 30 June 2014, approximately 85.6% of cash at bank is held in higher yielding short term bank accounts and term deposits to maximise the return to the Group.

*Sensitivity Analysis*

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonable possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

## NOTES TO THE FINANCIAL INFORMATION

## Note 20 – Financial Risk Management (continued)

## (c) Market Risk (continued)

|                           | Increase in interest rate by 1% |                    | Decrease in interest rate by 1% |                    |
|---------------------------|---------------------------------|--------------------|---------------------------------|--------------------|
|                           | Profit<br>US\$'000              | Equity<br>US\$'000 | Profit<br>US\$'000              | Equity<br>US\$'000 |
| Year ended 30 June 2013   |                                 |                    |                                 |                    |
| Cash and cash equivalents | 221                             | -                  | (221)                           | -                  |
| Year ended 30 June 2014   |                                 |                    |                                 |                    |
| Cash and cash equivalents | 432                             | -                  | (432)                           | -                  |

- ii. *Foreign exchange risk* - Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies.

The Group's year-end statement of financial position exposure to foreign currency risk was as follows, based on notional amounts. The following are financial assets and liabilities in currencies other than the functional currencies of the entity in which they are recorded:

| As at 30 June 2014 (US\$'000)                  | AUD    | HKD | MNT |
|--|--------|-----|-----|
| Cash and cash equivalents                      | 30,635 | -   | -   |
| Receivables                                    | -      | -   | -   |
| Payables                                       | -      | -   | -   |
| Gross statement of financial position exposure | 30,635 | -   | -   |

| As at 30 June 2013 (US\$'000)                  | AUD    | HKD | MNT |
|--|--------|-----|-----|
| Cash and cash equivalents                      | 18,854 | -   | 96  |
| Receivables                                    | -      | -   | 651 |
| Payables                                       | (26)   | -   | 103 |
| Gross statement of financial position exposure | 18,828 | -   | 850 |

A 10% weakening of the US dollar against the following currencies at 30 June 2014 would have decreased profit by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

## NOTES TO THE FINANCIAL INFORMATION

## Note 20 – Financial Risk Management (continued)

(c) Market Risk (continued)

|                    | Consolidated 2014 |         |
|--------------------|-------------------|---------|
| Effect in US\$'000 | Equity            | Profit  |
| AUD                | -                 | (3,063) |
| HKD                | -                 | -       |
| MNT                | -                 | -       |

|                    | Consolidated 2013 |         |
|--------------------|-------------------|---------|
| Effect in US\$'000 | Equity            | Profit  |
| AUD                | -                 | (1,883) |
| HKD                | -                 | -       |
| MNT                | -                 | (85)    |

A 10% strengthening of the US dollar against the above currencies at 30 June 2014 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The following significant exchange rates applied during the financial year:

|     | Average exchange rate | Spot rate as at the end of the year |
|-----|-----------------------|-------------------------------------|
| AUD | 0.92                  | 0.94                                |
| HKD | 0.13                  | 0.13                                |
| MNT | 1,687                 | 1,810                               |

- iii. *Commodity price risk* - Commodity price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities.

The Group has no exposure to commodity price risk as it is not yet in production.

*Net Fair Value*

Fair values are those amounts at which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair values of financial assets and financial liabilities presented in the financial statements are not materially different to the carrying value of these assets and liabilities, including the value of non-current receivables. The non-current receivable would be classified as a level 2 financial asset under the fair value hierarchy. The fair value of these receivables are estimated based on parameters such as interest rates, specific country risk factors, individual creditworthiness and the risk characteristics of the receivable.

## NOTES TO THE FINANCIAL INFORMATION

## Note 21 – Key Management Personnel Disclosures

*Compensation of Key Management Personnel*

|   | 2014<br>US\$'000 | 2013<br>US\$'000 |
|---|------------------|------------------|
| Short-term employee benefits (Salary/fee) | 176              | 268              |
|   | 176              | 268              |

*Shareholdings of Key Management Personnel*

The Group issued US\$100,000 convertible note to Bruce Higgins and Ruth Janine Higgins ATF Higgins Family Superannuation fund in 2011. The note was converted to 708,000 shares of FeOre as a part of pre-IPO shares issued. No other shares were held by KMP as at or during the year ended 30 June 2014.

*Option Holdings of Key Management Personnel***2014**

| Name                   | Balance              | Granted during the year | Option expired | Balance              | Vested at 30 June 2014 |                  |
|------------------------|----------------------|-------------------------|----------------|----------------------|------------------------|------------------|
|                        | 01.07.13<br>(number) | (number)                | (number)       | 30.06.14<br>(number) | Total<br>(number)      | Exercisable<br>% |
| Mr. Tim Sun            | 2,272,163            | -                       | -              | 2,272,163            | 2,272,163              | 100%             |
| Ms. Christina (Jun) Mu | 2,272,163            | -                       | -              | 2,272,163            | 2,272,163              | 100%             |
| Mr. Quintus Roux       | 3,408,245            | -                       | -              | 3,408,245            | 3,408,245              | 100%             |
|                        | 7,952,571            | -                       | -              | 7,952,571            | 7,952,571              | 100%             |

**2013**

| Name                   | Balance              | Granted during the year | Option expired | Balance              | Vested at 30 June 2013 |                  |
|------------------------|----------------------|-------------------------|----------------|----------------------|------------------------|------------------|
|                        | 01.07.12<br>(number) | (number)                | (number)       | 30.06.13<br>(number) | Total<br>(number)      | Exercisable<br>% |
| Mr. Tim Sun            | 2,272,163            | -                       | -              | 2,272,163            | 2,272,163              | 100%             |
| Ms. Christina (Jun) Mu | 2,272,163            | -                       | -              | 2,272,163            | 2,272,163              | 100%             |
| Mr. Quintus Roux       | 3,408,245            | -                       | -              | 3,408,245            | 3,408,245              | 100%             |
| Total:                 | 7,952,571            | -                       | -              | 7,952,571            | 7,952,571              | 100%             |

There have been no other transactions involving key management personnel.

**NOTES TO THE FINANCIAL INFORMATION****Note 22 – Parent Entity**

The following information has been extracted from the books and records of the parent, FeOre Limited and has been prepared in accordance with Accounting Standards.

The financial information for the parent entity, FeOre Limited has been prepared on the same basis as the consolidated financial statements except as disclosed below.

*Investments in subsidiaries*

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity.

**Statement of Financial Position**

|                                 | <b>2014</b><br><b>US\$'000</b> | <b>2013</b><br><b>US\$'000</b> |
|---------------------------------|--------------------------------|--------------------------------|
| Assets                          |                                |                                |
| Current Assets                  | 43,255                         | 22,757                         |
| Non- current assets             | 10,412                         | 49,292                         |
| Total Assets                    | 53,667                         | 72,049                         |
| Liabilities                     |                                |                                |
| Current liabilities             | -                              | 24,876                         |
| Total liabilities               | -                              | 24,876                         |
| Equity                          |                                |                                |
| Issued capital                  | 52,600                         | 52,600                         |
| Share-based reserve             | 776                            | 776                            |
| Accumulated earnings / (losses) | 291                            | (6,203)                        |
| Total Equity                    | 53,667                         | 47,173                         |

**Statement of Comprehensive Income**

|                                  |       |         |
|----------------------------------|-------|---------|
| Total gain/(loss) for the period | 6,494 | (3,083) |
| Total comprehensive income       | 6,494 | (3,083) |

Details of contractual commitments have been included at Note 20.



**NOTES TO THE FINANCIAL INFORMATION****Note 23 – Reconciliation of Cash Flow to the Operating Loss**

|   | 2014<br>US\$'000 | 2013<br>US\$'000 |
|---|------------------|------------------|
| Operating gain/(loss)                                 | (1,439)          | (3,303)          |
| Exchange realignment                                  | (216)            | 2,141            |
| (Increase)/decrease in receivables and other assets * | (20)             | -                |
| Increase/(decrease) in creditors *                    | 125              | (36)             |
|   | (1,550)          | (1,198)          |

\* Reconciliation is presented after adjustments for balances acquired through business combination and balances related to exploration activity.

**Note 24 – Subsequent events****Share buy-back**

This was announced to ASX 22 January 2014 and being approved by the Company's shareholders on 25 April 2014. On 1 July 2014, 416, 753,871 fully paid ordinary shares were bought back for A\$0.0755, at a total cost of approximately A\$31,464,917.

Following the buy-back, the Company's share capital will include 416,753,871 treasury shares.

**Proposed acquisition of oil projects in the Kyrgyz Republic**

The Company has entered into a binding memorandum of understanding (the MoU) with Gain Diligence Limited (the Seller) to acquire 100% of Quangas Poly Ltd (the Target Company) (the Transaction), which could lead to establishment of profitable oil production operations in the Kyrgyz Republic.

In consideration for the acquisition, the Company will pay the Seller up to US\$23m, with the final price to be adjusted according to an independent valuation of the Target Company. FeOre have paid to the Seller a deposit of US\$10m, refundable in the event that, for whatever reason, the Transaction does not complete.

Completion of the Transaction is conditional upon certain conditions precedent (set out in the appendix of the announcement on 23 July 2014) being satisfied by no later than 6 months of the MoU.

**Note 25 – Company Details**

The registered office of the Company is:

FeOre Limited  
Clarendon House  
2 Church Street  
Hamilton, HM 11, BERMUDA

The principal place of business of the Company is:

FeOre Limited  
62/F, The Center, 99 Queen's Road Central, HONG KONG

## **ANNUAL FINANCIAL STATEMENTS**

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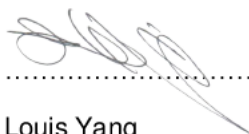
### **DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of FeOre Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Group:
  - (i) present fairly the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) comply with Australian Accounting Standards;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

On behalf of the board

  
.....

Louis Yang

Executive Director & CEO

Dated: 29<sup>th</sup> September 2014

## AUDITOR'S INDEPENDENCE DECLARATION

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Ernst & Young  
680 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

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Fax: +61 2 9248 5959  
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### Auditor's Independence Declaration to the Directors of FeOre Limited

In relation to our audit of the financial report of FeOre Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Australian professional accounting bodies.

A handwritten signature in grey ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in grey ink, appearing to be 'S Jarrett'.

Scott Jarrett  
Partner  
Sydney

29 September 2014



Ernst & Young  
680 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
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### Independent auditor's report to the members of FeOre Limited

#### Report on the financial report

We have audited the accompanying financial report of FeOre Limited which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

#### Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### Independence

In conducting our audit we have complied with the independence requirements of the Australian professional accounting bodies.

## INDEPENDENT AUDITOR REPORT

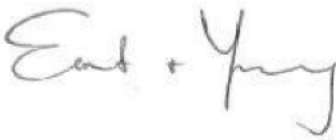
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### Opinion

In our opinion:

1. the financial report presents fairly, in all material respects, the financial positions of the company and the consolidated entity as of 30 June 2014 and their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

A handwritten signature in grey ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in grey ink that appears to read 'Scott Jarrett'.

Scott Jarrett  
Partner  
Sydney

29 September 2014



## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Stock Exchange Limited in respect of listed public companies only.

The shareholder information set out below was applicable as at 17 September 2014.

### DISTRIBUTION OF SHAREHOLDERS

Analysis of numbers of equity securities holders by size of holding:

| Category (size of holding) | Total Holders | Units               | % of Issued Capital* |
|----------------------------|---------------|---------------------|----------------------|
| 1 – 1,000                  | 3             | 12                  | 0.00%                |
| 1,001 – 5,000              | 1             | 2,000               | 0.00%                |
| 5,001 – 10,000             | 26            | 209,100             | 0.19%                |
| 10,001 – 100,000           | 47            | 1,572,326           | 1.40%                |
| 100,001 – and over         | 31            | 110,572,692         | 98.41%               |
| <b>Total</b>               | <b>108</b>    | <b>112,356,130*</b> | <b>100%</b>          |

\*excluding 416,753,871 treasury shares held by the Company.

The number of shareholders held in less than marketable parcels is 29.

### SUBSTANTIAL SHAREHOLDERS

|                            | Fully Paid Ordinary Shares |               |
|----------------------------|----------------------------|---------------|
|                            | Number                     | Percentage*   |
| Sgalio Limited             | 28,000,000                 | 24.92%        |
| Century Elite Holdings Ltd | 14,000,000                 | 12.46%        |
| Grand Step Global Limited  | 14,000,000                 | 12.46%        |
| Gunuq Limited              | 13,825,761                 | 12.31%        |
| Major Port Limited         | 10,000,000                 | 8.90%         |
| Frountere Limited          | 9,314,000                  | 8.29%         |
| River Fortune Ventures Ltd | 7,893,000                  | 7.02%         |
| <b>Total</b>               | <b>97,032,761</b>          | <b>86.36%</b> |

\*excluding 416,753,871 treasury shares held by the Company.

### VOTING RIGHTS

The voting rights attached to each class of equity securities are as follows:

#### Ordinary shares

- Each ordinary share (other than treasury shares held by the Company) is entitled to one vote when a poll is called, otherwise each member (other than the Company in the capacity of a holder of treasury shares) present at a meeting or by proxy has one vote on a show of hands.
- Treasury shares do not carry a right to vote.

#### Options

- Options do not carry a right to vote.

## ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

### TWENTY LARGEST SHAREHOLDERS – ORDINARY SHARES

The shareholder information set out below was applicable as at 17 September 2014.

| Rank         | Name   | Fully Paid Ordinary Shares |               |
|--------------|--|----------------------------|---------------|
|              |  | Number                     | Percentage*   |
| 1            | Sagalio Limited  | 28,000,000                 | 24.92%        |
| 2            | Century Elite Holdings Ltd   | 14,000,000                 | 12.46%        |
| 3            | Grand Step Global Limited  | 14,000,000                 | 12.46%        |
| 4            | Gunuuq Limited   | 13,825,761                 | 12.31%        |
| 5            | Major Port Limited   | 10,000,000                 | 8.90%         |
| 6            | Frountere Limited  | 9,314,000                  | 8.29%         |
| 7            | River Fortune Ventures Ltd   | 7,893,000                  | 7.02%         |
| 8            | Jolly Medal Limited  | 4,000,000                  | 3.56%         |
| 9            | RBC Investor Services Australia Nominees Pty Ltd<br>< 30936 Fondorru PT A/C>       | 1,900,000                  | 1.69%         |
| 10           | Omni offices Pty Limited   | 1,115,000                  | 0.99%         |
| 11           | Mr. Yalei Hao  | 1,002,000                  | 0.89%         |
| 12           | Articbreeze Pty Ltd  | 744,874                    | 0.66%         |
| 13           | Forsyth Barr Custodians Ltd<br><Forsyth Barr Ltd-Nominee A/C>                      | 467,500                    | 0.42%         |
| 14           | Miss Sharon Bennie   | 400,000                    | 0.36%         |
| 15           | Mr. Anthony Crisafi  | 393,500                    | 0.35%         |
| 16           | Bond Street Custodians Limited<br><JBL-I72355 A/C>                                 | 375,180                    | 0.33%         |
| 17           | Mr. Graham Jenkins & Mrs Marianne Jenkins<br>& Ms Mikaela Jenkins <Gramar S/F A/C> | 340,000                    | 0.30%         |
| 18           | Fondorru Pty Ltd   | 325,000                    | 0.29%         |
| 19           | Orgia Pty Ltd <Wood Super Fund A/C>  | 320,000                    | 0.28%         |
| 20           | Mr Jason Benjamin Rich   | 277,416                    | 0.25%         |
| <b>Total</b> |  | <b>108,693,231</b>         | <b>96.74%</b> |

\*excluding 416,753,871 treasury shares held by the Company.

### RESTRICTED SECURITIES

The number and class of restricted securities and securities subject to voluntary escrow that are in issue are as follows:

| Options   | Number of options |
|---|-------------------|
| Escrow until 15/12/2014<br>(inclusive of a voluntary escrow period from 16/12/2013 to 15/12/2014) | 2,717,525         |
| <b>Total</b>  | <b>2,717,525</b>  |

## **ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

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### **COMPANY SECRETARY**

Dion Cohen

### **REGISTERED OFFICE**

Clarendon House  
2 Church Street  
Hamilton HM 11, Bermuda

### **HEAD OFFICE**

62/F, The Center  
99 Queen's Road Central  
Hong Kong  
Tel: +852 3960 6518

### **SHARE REGISTRY**

Computershare Investor Services Pty Limited  
Level 4, 60 Carrington Street  
Sydney NSW 2000  
Australia  
Tel +61 2 8234 5000

### **STOCK EXCHANGE LISTING**

Quotation has been granted for 112,356,130 ordinary shares of the Company (excluding 416,753,871 treasury shares held by the Company) on all member exchanges of the Australian Stock Exchange Limited.

### **ON-MARKET BUY-BACK**

There is no current on-market buy-back in respect of the Company's shares.