

Cove Resources Limited

(Subject to a Deed of Company Arrangement)

ABN 94 131 445 335

Annual Report - 30 June 2013

The Deed Administrator of Cove Resources Limited (Subject to Deed of Company Arrangement) has delegated the authority to prepare and execute this annual report to Mr Winton Willesee in his capacity as the Executive Chairman of the Company. In this regard, the annual report has been prepared by Mr Willesee and the Deed Administrator is not responsible for its contents. The Deed Administrator, his servants, agents and employees do not make any representation or warranty (express or implied) as to the accuracy, reasonableness or completeness of the information contained in this document and do not accept responsibility or liability for the accuracy of any information included, or any failure to include information in this document.

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Cove Resources Limited
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Corporate directory
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Directors	Winton Willesee (Executive Chairman) Greg Miles (Non-executive Director) Erlyn Dale (Non-executive Director and Company Secretary)
Company secretary	Erlyn Dale
Registered office	Suite 25, 145 Stirling Highway, Nedlands, Western Australia 6009 Phone: (08) 9389 3110 Phone: (08) 9389 3199
Principal place of business	Suite 25, 145 Stirling Highway, Nedlands, Western Australia 6009
Share register	Computershare Investor Services Pty Ltd Level 2, 45 St Georges Terrace, Perth, Western Australia 6000
Auditor	Ernst & Young 11 Mounts Bay Road Perth Western Australia 6000
Stock exchange listing	Cove Resources Limited shares are listed on the Australian Securities Exchange (ASX code: CVE)

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Directors' report
For the year ended 30 June 2013

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Cove Resources Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2013.

Directors

The following persons were directors of Cove Resources Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Winton Willesee (Executive Chairman)*

Greg Miles (Non-executive Director)

Erlyn Dale (Non-executive Director) - appointed 23 February 2015

Garry Hemming (Managing Director) - resigned 12 September 2014

Grant Freeman (Non-executive Director) - resigned 22 October 2013

*Non-Executive Chairman during the period and Executive Chairman at the date of this report.

The Directors role ceased during the period of administration.

Principal activities

During the financial year the principal activities of the consolidated entity consisted of:

- Continued activities exploring for gold and base metals on its tenements whilst concurrently seeking to fund, resource and progress the development of the Koivu ilmenite project.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations and significant changes in the state of affairs

The loss for the consolidated entity after providing for income tax amounted to \$10,010,664 (30 June 2012: \$919,788). The significant loss during the financial year is mainly attributed to an impairment loss recognised on the Group's exploration and evaluation assets of \$8,298,875 following the Directors' review of the capitalised exploration and evaluation costs of all areas of interest against the criteria outlined under the accounting standards taking into account the material uncertainty surrounding the Group's ability to continue as a going concern (refer to note 10 for more details). The increase in operating losses also reflects the increased activities following the acquisitions of Blenheim Resources Pty Ltd in 2012 and planned acquisition of the Koivu project.

On 10 July 2012, the consolidated entity announced that it had executed definitive agreements to acquire the Koivu Titanium Project in Finland from Endomines AB (publ) Sweden. It was announced that the Due Diligence (DD) study carried out supports mine production of a high quality titanium pigment concentrate to supply the European market.

Consideration for the project was to be Euro 3 million cash paid over 27 months + 2% NSR royalty to Endomines AB (publ) as seller and a share component with Delta Minerals FZE under a nomination agreement equivalent to Euro 6 million based at A\$0.20 per Cove share - a significant premium to the share price at the time. 19,050,000 ordinary shares were issued to the vendor as part consideration for the acquisition.

The acquisition of the Koivu Titanium Project was designed to enable the consolidated entity to quickly progress from explorer to producer and become an international supplier of titanium pigment feedstock.

During the financial year, the Company entered into an agreement with RMB Resources Limited (RMB) for a credit approved \$5 million Working Capital Facility to partly fund the Bankable Feasibility Study of the Koivu Titanium Project in Finland and for related corporate purposes. The facility comprised of a \$5 million term loan and was fully approved by the Investment Committee of RMB Resources.

The drawdown under the facility was subject to completion of a number of conditions precedent typical for a facility of this nature including but not limited to the successful sourcing of accompanying equity funds.

The conditions precedent were not satisfied and accordingly no drawdown was available to, or made by, the Company. As a result, the Company was unable to obtain the required funding to complete the acquisition of the Koivu Project. The full amount capitalised on the project was fully impaired as part of the impairment assessment described in note 10 to the financial statements.

The Group's going concern basis of preparation is discussed under note 2 to the financial statements.

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Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

On 17 January 2014, the consolidated entity announced that it had appointed Mr Bryan Hughes of Pitcher Partners as Administrator of the Company pursuant to section 436A of the Corporations Act 2001.

The Company's securities had previously been voluntarily suspended from trading on the official list of ASX on 22 July 2013.

On 20 December 2013 (prior to the appointment of the Administrator), the Company entered into a reconstruction deed (Reconstruction Deed) with Cygnet Capital Pty Ltd (Proponent) for the reconstruction and recapitalisation of the Company.

Following his appointment, the Administrator called for proposals to recapitalise the Company with a view to seeking reinstatement to trading of its securities on ASX. The Administrator ultimately accepted the Reconstruction Deed put forward by the Proponent with some minor variations (Reconstruction Proposal).

On 5 March 2014 the Administrator provided an update to the market and announced that following meetings of creditors of the Company and its subsidiary, Blenheim Resources Pty Ltd ('Blenheim') held on 24 February 2014 and 26 February 2014 respectively, creditors resolved that the Company and Blenheim execute deeds of company arrangements to facilitate the proposal from the Proponent for the recapitalisation and restructure of the Company. The transaction is subject to the completion of certain conditions precedent, including shareholder approval and ASX approval and once completed, would see funds injected into the Company to provide for a return to creditors and enable the Company to seek reinstatement to official quotation on the ASX.

On 12 March 2015, the Administrator provided an update to the market on the Reconstruction Proposal, as well as advising on recent changes to Directors and Company Secretary appointments and resignations. The Administrator advised that the Proponent recently requested changes to the capital raising structure of the Reconstruction Proposal and at a meeting of creditors held on 11 March 2015, creditors agreed to vary the Deed of Company Arrangement ('DOCA') for the Company to facilitate these changes. Since initial creditor approval, the Proponent has been working towards meeting the obligations required to complete the Reconstruction Proposal. While it was originally anticipated that the recapitalisation and restructure would be completed in July 2014, this has been delayed. Barring any further delays, the Proponent currently anticipates that the Reconstruction Proposal will be complete and the Company will be in a position to be reinstated to official quotation on the ASX in the second quarter of 2015.

The revised Reconstruction Proposal from the Proponent can be summarised as follows:

- (a) all liabilities, contingent liabilities, obligations, warranties and long term commitments of the Company capable of being released by a deed of company arrangement will be released and compromised by the DOCA;
- (b) the Company will undertake the following capital raisings and issues of securities:
 - (i) an issue of 125,000,000 Shares to White Swan Nominees Pty Ltd (and/or its nominees) pursuant to the conversion of its Class A Convertible Notes;
 - (ii) an issue of 155,000,000 Shares to Exempt Investors pursuant to the conversion of their Class B Convertible Notes to raise \$310,000;
 - (iii) an issue of up to 600,000,000 Shares at an issue price of 0.0025 cents each to raise up to \$1,500,000, together with up to 300,000,000 free attaching Bonus Options on the basis of 1 Bonus Option for every 2 Shares issued exercisable at \$0.005 each expiring on 30 June 2019;
 - (iv) an issue of 250,000,000 New Options exercisable at \$0.005 each to Cygnet Capital Pty Ltd (and/or its nominees) expiring on 30 June 2019;
 - (v) an issue of 11,369,000 Shares to Mr Mark Whittle (and/or his nominees)
 - (vi) an issue of 36,000,000 Shares and 18,000,000 New Options exercisable at \$0.005 each to brokers and capital providers (and/or their nominees) expiring on 30 June 2019;

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- (vii) an issue of 14,000,000 Shares and 7,000,000 New Options exercisable at \$0.005 each to Leydin Freyer Corporate Pty Ltd (and/or its nominees) expiring on 30 June 2019;
 - (viii) an issue of 20,000,000 Shares and 10,000,000 New Options exercisable at \$0.005 each to Mr Winton Willesee (and/or his nominees) expiring on 30 June 2019;
 - (ix) an issue of 4,000,000 Shares and 2,000,000 New Options exercisable \$0.005 each to Mr Greg Miles (and/or his nominees) expiring on 30 June 2019;
- (c) of the funds referred to above, \$180,000 will be made available to the creditors of the Company to be allocated to unsecured creditors (inclusive of priority employee claims and the Administrator's costs); and
- (d) following completion of all of the matters set out above, the DOCA will be fully effectuated, the Deed Administrator will retire and the Company will be fully released and discharged from all creditor claims capable of being released by a DOCA and the Company will seek reinstatement of its Shares to trading on ASX.

A meeting notice was sent out to the Shareholders on 2 April 2015. The Resolutions proposed in the Notice will enable the terms of the DOCA to be completed. If the Resolutions are passed and the proposed restructuring and recapitalisation is completed, the Company will seek reinstatement of its Shares to trading on ASX.

If any of the relevant Resolutions are not passed by the Shareholders, the Company will remain subject to the DOCA, the trading suspension imposed by the ASX will remain in force and the Administrator will need to consider other alternatives, which is likely to include placing the Company into liquidation (in which event no return to Shareholders is anticipated).

As part of the Recapitalisation Proposal, the Company has restructured its Board with Garry Hemming ceasing to be a Director, and Erlyn Dale joining Winton Willesee and Greg Miles on the Board in February 2015.

The Class B Convertible Notes were issued in accordance with convertible note agreements pursuant to which the company has been advanced the sum of \$310,000 to facilitate the DOCA process.

Subsequent to year-end, all outstanding options expired without being exercised.

No other matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The Company is preparing to seek the relevant shareholder approvals to facilitate the effectuation of the deed of company arrangement and a quotation of its securities on ASX. Should the shareholders approve the relevant resolutions the Company intends to seek the equity funds to complete the aforementioned effectuation of the deed of company arrangement and quotation of its securities on ASX.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

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Information on directors

Name:	Winton Willesee
Title:	Executive Chairman
Qualifications:	BBus., DipEd., PGDipBus., MCom., FFin, CPA, MAICD, ACIS/ACSA
Experience and expertise:	Mr Willesee is an experienced company director. Winton brings a broad range of skills and experience in strategy, company development, corporate governance, company public listings, merger and acquisition transactions and corporate finance. Mr Willesee has considerable experience with ASX listed and other companies over a broad range of industries having been involved with many successful ventures from early stage through to large capital development projects. Winton has fulfilled the role of chairman and/or director of a number of listed companies. Mr Willesee holds formal qualifications in economics, finance, accounting, education and governance. He is a Fellow of the Financial Services Institute of Australasia, a Member of the Australian Institute of Company Directors, a Member of CPA Australia and a Chartered Secretary.
Other current directorships:	Chairman of Birimian Group (appointed 31 January 2013), Basper Limited (appointed 28 October 2014) and Metallum Limited (appointed 14 March 2011) and is also a director of PhytoTech Medical Limited (appointed 21 October 2014).
Former directorships (last 3 years):	Bioprospect Limited (retired 15 September 2013), Base Resources Limited (retired 26 November 2013), Coretrack Limited (retired 4 March 2010), Otis Energy Limited (retired 21 January 2015), Torrens Energy Limited (retired 2 May 2014) and Newera Resources Limited (retired 31 July 2014).
Special responsibilities:	Nil
Interests in shares:	700,000 fully paid ordinary shares
Name:	Miss Erlyn Dale (appointed 23 February 2015)
Title:	Non-Executive Director and Company Secretary
Qualifications:	BCom
Experience and expertise:	Miss Dale has a broad range of experience in company administration and corporate governance having been involved with several listed and unlisted public and other companies. Miss Dale holds a Bachelor of Commerce (Accounting and Finance) and is currently undertaking a Graduate Diploma in Applied Corporate Governance with the Governance Institute of Australia.
Other current directorships:	Nil
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	Nil
Interests in options:	Nil
Name:	Mr Greg Miles
Title:	Non-Executive Director
Qualifications:	Bsc GDip (Geol), MAIG
Experience and expertise:	Mr Miles is a geologist having graduated from the Australian National University in Canberra. He has extensive experience in the exploration and delineation of mineral resources in a wide variety of commodities and provinces and has lead successful teams in the discovery of new gold, iron ore and base metal resources, primarily in Western Australia. Highlights include the discovery and development of the 40Mt Mount Caudan Iron Ore Deposit, Parker Range Project and exploration and development of gold resources at West Kalgoorlie Project.
	Mr Miles is a member of the Australian Institute of Geoscientists and Australian Institute of Company Directors.
Other current directorships:	Executive Director of Cassini Resources Limited (appointed 18 August 2011) and Non-Executive Director of Blackham Resources Limited (appointed 17 October 2011)
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	125,000 fully paid ordinary shares

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Name: Mr Garry Hemming (resigned 12 September 2014)
Title: Managing Director
Qualifications: BAppScAppGeol, MAusIMM
Experience and expertise: Garry Hemming has over 35 years of experience as an exploration geologist and manager in the mining sector throughout Australia and internationally. Garry has extensive experience in a range of commodities such as gold, platinum, base metals, uranium, iron ore, mineral sands, diamonds and rare metals, and he has been personally involved in a number of significant discoveries in Australia, South East Asia and Africa. Garry has significant experience as a company director in Australia and the United Kingdom, and has been closely involved in all aspects of locating mining projects and taking them from detailed exploration through to feasibility studies.

Other current directorships: Nil
Former directorships (last 3 years): Nil
Special responsibilities: Nil
Interests in shares: Nil

Name: Mr Grant Freeman
Title: Non-Executive Director (resigned 22 October 2013)
Qualifications: MBA, M.Fin
Experience and expertise: Grant Freeman has extensive experience in corporate finance and equity capital markets within the energy and resources sector in Australia and internationally. His key areas of expertise include capital raisings, corporate strategy and mergers and acquisitions. Grant held the position of Chairman with Blenheim Resources Limited and has extensive experience gained in his previous roles as Managing Director of Casimir Capital (Asia Pacific) Pty Ltd, a boutique investment banking firm specialising in the mining sector. He has also fulfilled the role of Executive Director at other Investment Banking and Management Consultancy Firms. Since graduating from Bond University with a Master of Finance and Master of Business Administration, Grant has completed many corporate, debt and equity transactions in Africa, North America, Europe and Australia.

Other current directorships: Nil
Former directorships (last 3 years): Nil
Special responsibilities: Nil
Interests in shares: 125,000 fully paid ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Miss Erlyn Dale was appointed Company Secretary on 23 February 2015. Miss Dale has a broad range of experience in company administration and corporate governance having been involved with several listed and unlisted public and other companies. Miss Dale holds a Bachelor of Commerce (Accounting and Finance) and is currently undertaking a Graduate Diploma in Applied Corporate Governance with the Governance Institute of Australia.

Mr Sam Wright retired as Company Secretary on 23 February 2015.

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Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2013, and the number of meetings attended by each director were:

	Full Board Attended	Held
Winton Willesee	9	9
Garry Hemming	9	9
Greg Miles	9	9
Grant Freeman	9	9

Held: represents the number of meetings held during the time the director held office.

NB: The full board fulfilled the role of Nomination and Remuneration Committee and of Audit Committee and no separate committee meetings were held outside directors meetings.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration

Shareholders approve the maximum aggregate remuneration for non-executive directors. The Remuneration Committee recommends the actual payments to directors and the Board is responsible for ratifying any recommendations, if appropriate. ASX listing rules require the aggregate non-executive directors remuneration be determined periodically by a general meeting. The aggregate approved remuneration for non-executive directors is \$500,000.

It is recognised that non-executive directors' remuneration is ideally structured to exclude equity based remuneration. However, whilst the Company remains small and the full Board, including the non-executive directors, are included in the operations of the Company more closely than may be the case with larger companies the non-executive directors are entitled to participate in equity based remuneration schemes.

All directors are entitled to have their indemnity insurance paid by the Company.

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Executive remuneration

The Company's remuneration policy for executive directors and senior management is designed to promote superior performance and long term commitment to the Company. Executives receive a base remuneration which is market related, and may be entitled to performance based remuneration at the ultimate discretion of the Board.

Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the interests of the Company and shareholders to do so.

Executive remuneration and other terms of employment are reviewed annually by the Remuneration Committee having regard to performance and relevant comparative information. No independent remuneration expert was used in the current year.

The Committee's reward policy reflects its obligation to align executive's remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policy are:

- reward reflects the competitive market in which the Company operates;
- individual reward should be linked to performance criteria on a discretionary basis; and
- executives should be rewarded for both financial and non-financial performance.

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives.

The total remuneration of executives consists of the following:

- salary - executive directors receive a sum payable in cash;
- bonus - executive directors are eligible to participate in a bonus or profit participation plan if deemed appropriate;
- long term incentives - executive directors may participate in share option schemes with the prior approval of shareholders. Executives may also participate in employee share option schemes, with any option issues generally being made in accordance with thresholds set in plans approved by shareholders. The Board however, considers it appropriate to retain the flexibility to issue options to executives outside of approved employee option plans in exceptional circumstances; and
- other benefits - executive directors and senior managers are eligible to participate in superannuation schemes and other appropriate additional benefits.

Voting at the company's 2012 Annual General Meeting ('AGM')

At the 2012 AGM, 100% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2012. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Appointment of the Administrator

On 17 January 2014, the Board resolved to appoint Mr Bryan Hughes of Pitcher Partners as Administrator of the Company pursuant to section 436A of the Corporations Act 2001.

Details of remuneration

Amounts of remuneration

Details of the remuneration of the key management personnel of the consolidated entity are set out in the following tables.

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	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus	Other	Super-annuation	Long service leave	Equity-settled options	Total
2013	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Grant							
Freeman****	105,000	-	-	-	-	-	105,000
Greg Miles**	40,000	-	-	-	-	-	40,000
Winton Willesee*	60,000	-	-	-	-	-	60,000
<i>Executive Directors:</i>							
Garry Hemming***	218,218	-	-	21,582	-	-	239,800
	423,218	-	-	21,582	-	-	444,800

* Winton Willesee had accrued Directors fees amounting to \$45,000 for the October 2012 – June 2013 period, which have been included in the table above. As part of the DOCA entered into in 2014, Mr. Willesee agrees to forego the outstanding amount upon the execution of the DOCA expected to be in May 2015.

** Greg Miles had accrued Directors fees amounting to \$30,000 for the October 2012 – June 2013 period, which have been included in the table above. As part of the DOCA entered into in 2014, Mr. Miles agrees to forego the outstanding amount upon the execution of the DOCA expected to be in May 2015.

*** Garry Hemming had accrued Directors fees amounting to \$180,000 for the October 2012 – June 2013 period, which have been included in the table above. As part of the DOCA entered into in 2014, Mr. Hemming agrees to forego the outstanding amount upon the execution of the DOCA expected to be in May 2015.

****Grant Freeman had accrued Directors fees amounting to \$30,000 for the October 2012 – June 2013 period, which have been included in the table above. As part of the DOCA entered into in 2014, Mr. Freeman agrees to forego the outstanding amount upon the execution of the DOCA expected to be in May 2015.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Bonus	Other	Super-annuation	Long service leave	Options	Total
2012	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Grant Freeman	59,435	-	-	-	-	249,700*	309,135
Greg Miles	40,000	-	-	-	-	-	40,000
Winton Willesee	60,000	-	-	-	-	-	60,000
<i>Executive Directors:</i>							
Garry Hemming	124,643	-	14,545	13,607	-	249,700*	402,495
Harry Hill**	11,000	-	-	-	-	-	11,000
	295,078	-	14,545	13,607	-	499,400	822,630

* The share based payments for Mr. Freeman and Mr. Hemming were restated to reflect the underlying vested on issuance nature of 18,000,000 options issued in the 2012. This restatement is to record the full value of these options of \$499,400 being expensed in the 2012 year (increased from the previously stated \$246,080).

**Mr. Harry Hill retired on 9 January 2012.

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The proportion of remuneration linked to performance and the fixed proportion are as follows. This is also the portion that is option related:

Name	Fixed remuneration		At risk – share based payments	
	2013	2012	2013	2012
<i>Non-Executive Directors:</i>				
Grant Freeman	100%	19%	-%	81%
Greg Miles	100%	100%	-%	-%
Winton Willesee	100%	100%	-%	-%
<i>Executive Directors:</i>				
Greg Hemming	100%	38%	-%	62%
Harry Hill	-%	100%	-%	-%

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Winton Willesee
Title: Non-Executive Chairman
Term of agreement: Ongoing – ceased on appointment of administrator
Details: During the period prior to the administration, Cove entered into an agreement with Mr Willesee on normal commercial terms for the provision of Non-executive Director services. Mr Willesee was to receive a fee of \$60,000 per annum and a further \$1,000 per day (inclusive of superannuation) for each day of executive work completed (as approved by the Board). Mr Willesee has agreed to forgo amounts totalling \$45,000 that were owed but not paid for the year ended 30 June 2013 at the time of the administration*. A new agreement is being contemplated whereby Mr Willesee will be entitled to be paid an amount of \$4,000 per calendar month for his services as Executive Chairman after the Company achieves a relisting on ASX.

Name: Greg Miles
Title: Non-executive Director
Term of agreement: Ongoing – ceased on appointment of administrator
Details: During the period prior to the administration, Cove entered into an agreement with Mr Miles on normal commercial terms for the provision of Non-Executive Director services. Mr Miles was to receive a fee of \$40,000 per annum and a further \$1,000 per day (inclusive of superannuation) for each day of executive work completed (as approved by the Board). Mr Miles has agreed to forgo amounts totalling \$30,000 that were owed but not paid for the period ended 30 June 2013 at the time of the administration*. A new agreement is being contemplated whereby Mr Miles will be entitled to be paid an amount of \$2,500 per calendar month for his services as a director after the Company achieves a relisting on ASX.

Name: Grant Freeman
Title: Non-executive Director
Term of agreement: Ceased on resignation on 22 October 2013
Details: During the period prior to the administration, Cove entered into an agreement with Mr Freeman on normal commercial terms for the provision of Non-Executive Director services. Mr Freeman was entitled to receive a fee of \$40,000 per annum and a further \$1,000 per day (inclusive of superannuation) for each day of executive work completed (as approved by the Board). Mr Freeman has agreed to forgo amounts totalling \$30,000 that were owed but not paid for the period ended 30 June 2013 at the time of the administration*.

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Name: Garry Hemming
Title: Managing Director
Term of agreement: Ongoing – ceased on appointment of administrator
Details: Cove entered into an executive employment agreement with Mr Garry Hemming with a salary of \$220,000 per annum exclusive of superannuation. Mr Hemming has agreed to forgo amounts totalling \$180,000 that were owed but not paid for the period ended 30 June 2013 at the time of the administration*. The period of notice required to terminate that contract was 4 months.

Name: Erlyn Dale
Title: Non-executive Director and Company Secretary
Details: An agreement is being contemplated whereby Miss Dale will be entitled to be paid an amount of \$2,500 per calendar month for her services as a director after the Company achieves a relisting on ASX. A separate agreement will be struck for Company Secretarial services on arm's length commercial terms.

* It should be noted that significant amounts of these cash payments were foregone at the time of the administration in order to increase the amounts available to other creditors under the DOCA.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2013 or 30 June 2012.

Options and performance rights issued as part of remuneration

There were no options issued to directors and other key management personnel as part of compensation during the year ended 30 June 2013. Options issued in 2012 to the Directors and Key Management Personnel as part of compensation are as below:

Name	Number of Options Granted during the Year 2012	Number of options vested during the year 2012
Garry Hemming	9,000,000	9,000,000
Grant Freeman	9,000,000	9,000,000

The issue in 2012 includes 6,000,000 listed options and 12,000,000 performance options to Mr. Hemming and Mr. Grant when they joined the Group as part of the acquisition of Blenheim Resources Limited. These were all vested on issue as sign-on incentives. The terms and conditions of the performance options were as follows:

Grant date	Exercisable date	Exercise price	Fair value per option at grant date
(i) 16 December 2011	23 December 2014	\$0.30	\$0.037
(ii) 16 December 2011	23 December 2014	\$0.45	\$0.022
(iii) 16 December 2011	23 December 2014	\$0.60	\$0.015

* (i) Vest if the Cove 14 day VWAP exceeds 30 cents.

** (ii) Vest if the Cove 14 day VWAP exceeds 45 cents.

*** (iii) Vest if the Cove 14 day VWAP exceeds 60 cents.

The performance conditions were chosen as they are aligned with the Group's long term goal of increase the shareholders' wealth.

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For the year ended 30 June 2013

Options granted carry no dividend or voting rights. \$nil (2012: \$499,400) of the options have been recognised in the remuneration to the Directors and Key Management Personnel during the financial year. Nil (2012: Nil) of the options were exercised, forfeited or lapsed during the period. Subsequent to year end all the performance options held by management lapsed.

Additional information

The earnings of the consolidated entity for the three years to 30 June 2013 since listing are summarised below:

	2013 \$	2012 \$	2011 \$
Revenue	22,611	192,757	80,961
Net loss before tax	(10,010,664)	(919,788)	(588,555)
Net loss after tax	(10,010,664)	(919,788)	(588,555)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2013	2012	2011
Share price at financial year end (\$)	0.01	0.10	0.19
Basic loss per share (cents per share)	(16.62)	(2.17)	(2.52)

This concludes the remuneration report, which has been audited.

Shares issued on the exercise of options

There were no ordinary shares of Cove Resources Limited issued on the exercise of options during the year ended 30 June 2013 and up to the date of this report.

There were 46,699,823 options on issue at 30 June 2013. Subsequent to year-end, all of these options have expired without exercise resulting in no options outstanding as at the date of this report.

Indemnity and insurance of officers

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal. No indemnity has been paid with respect to the Company's auditors.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the term of its 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.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former audit partners of Ernst & Young

There are no officers of the company who are former audit partners of Ernst & Young.

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Directors' report
For the 30 June 2013

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Winton Willesee
Chairman

8 April 2015

Auditor's Independence Declaration to the Directors of Cove Resources Limited (Subject to a Deed of Company Arrangement)

In relation to our audit of the financial report of Cove Resources Limited (Subject to a Deed of Company Arrangement) for the year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



V L Hoang
Partner
8 April 2015

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Corporate Governance Statement
For the year ended 30 June 2013

The Company is committed to implementing high standards of corporate governance. In determining what those high standards should involve, the Company has turned to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines where they are appropriate in the context of the Company's size and nature.

Unless disclosed below, all the best practice recommendations of the 2nd edition of ASX Corporate Governance Council have been applied for the financial year ended 30 June 2013.

The Company is currently undertaking a review of its corporate governance policies with the view to adopting the 3rd edition of ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations within the coming months.

Principal No	Recommendation	Compliance	Reason for Non-compliance
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	The Board has adopted a formal board charter setting out the responsibilities of the Board. This charter can be accessed at the Company's website.	Comply
1.2	Disclose the process for evaluating the performance of senior executives.	The process for evaluating board performance is set out in the board evaluation policy which can be accessed at the Company's website.	Comply
1.3	Provide the information indicated in the Guide to reporting on Principal 1.	The Board charter can be accessed at the Company's website. During the 2013 financial year the Company did not undertake a formal performance appraisal of management.	Comply
2.1	A majority of the Board should be independent of Directors.	During the 2013 financial year the Company had three independent directors, Mr Willesee, Mr Miles and Mr Freeman and one non-independent Director, Garry Hemming.	Comply
2.2	The chair should be an independent Director.	The Chairman, Mr Willesee, was during the 2013 financial year an independent Director.	Comply
2.3	The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	The Company's Chairman and Managing Director were not, during the 2013 financial year, was the same person.	Comply
2.4	The Board should establish a nomination committee.	The Company currently does not have a separate Nomination Committee. The roles and responsibilities of the Nomination Committee assumed by the full Board. This Nomination Committee charter can be assessed at the Company's website.	Given the size of the Board, the Directors believe it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to the Nomination Committee.

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Corporate Governance Statement
For the year ended 30 June 2013

Principal No	Recommendation	Compliance	Reason for Non-compliance
2.5	Disclose the process for evaluating the performance of the Board, its committee and individual Directors.	The performance evaluation of Board members occurs by way of an informal review by the full Board (in the absence of the relevant Board member). An informal performance evaluation of the board was undertaken during the financial year in accordance with the above process.	Comply
2.6	Provide the information indicated in the Guide to reporting on Principle 2.	The skills, experience and expertise and period of office relevant to each Director is disclosed in the Directors' Report which forms part of the Annual Report. The Directors are entitled to take independent professional advice at the expense of the Company.	Comply
3.1	Establish a code of conduct and disclose the code for a summary of the code as to: <ul style="list-style-type: none"> the practice necessary to maintain confidence in the Company's integrity; the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	The Company has adopted a Code of Conduct, which can be accessed at the Company's website.	Comply
3.2	Establish a policy concerning diversity and disclose that policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually the objectives and the progress in achieving them.	The Company has adopted a Diversity Policy which can be accessed at the Company's website.	Comply
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	Does not comply	The Board is currently developing a set of measurable objectives in accordance with the diversity policy. Once this has been achieved, the Company will be in a position to disclose these

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Corporate Governance Statement
For the year ended 30 June 2013

Principal No	Recommendation	Compliance	Reason for Non-compliance
			measurable objectives and its progress towards achieving them.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organization, women in senior executive positions and women on the Board.	During the financial year the Company did not employ any women within its organisation.	Comply
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	A copy of the code of conduct and the diversity policy is available at the Company's website.	Comply
4.1	The Board should establish an audit committee.	The Company currently does not have a separate Audit Committee. The roles and responsibilities of the Audit Committee are assumed by the full Board.	Given the size of the Board, the Directors believe it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to an audit committee.
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> consists only of Non-Executive Directors; consists of a majority of independent Directors; is chaired by an independent chair, who is not chair of the Board; has at least three members. 	As above.	Not satisfied. As the full board participates in the audit committee function, executive and non-executive directors are included.
4.3	The audit committee should have a formal charter.	The audit committee charter can be accessed at the Company's website.	Comply
4.4	Provide the information in the Guide to reporting on Principle 4.	Disclosed at points 4.1 to 4.4 above.	Comply
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has adopted a Continuous Disclosure Policy which can be accessed at the Company's website.	Comply
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	The Company's Continuous Disclosure Policy can be accessed at the Company's website.	Comply
6.1	Design a communications policy for promoting effective	The Company has adopted a Shareholder Communications	Comply

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Corporate Governance Statement
For the year ended 30 June 2013

Principal No	Recommendation	Compliance	Reason for Non-compliance
	communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	Policy which can be accessed at the Company's website.	
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	The Company communicates with its shareholders publicly via announcements to the ASX which also appear on the Company's website.	Comply
7.1	Establish policies for the oversight and management of material business risk and disclose a summary of those policies.	The Company has adopted a Risk Management Policy which can be accessed at the Company's website. This policy outlines the key material risks faced by the Company as identified by the Board.	Comply
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Did not comply	The Board will adopt a robust internal risk management process.
7.3	The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board received assurances from management as required by the Corporations Act.	Comply
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Disclosed at points 7.1 to 7.3 above.	Comply
8.1	The Board should establish a remuneration committee.	The Company has not established a separate remuneration committee. The roles and	Given the size of the Board, the Directors believe it is sufficient for

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Corporate Governance Statement
For the year ended 30 June 2013

Principal No	Recommendation	Compliance	Reason for Non-compliance
		responsibilities of a Remuneration are currently undertaken by the full Board.	the full board to assume those responsibilities that are ordinarily assigned to a remuneration committee.
8.2	<p>The Remuneration Committee should be structured so that it:</p> <ul style="list-style-type: none"> • consists of a majority of independent directors; • is chaired by an independent director; and • has at least three members. 	As above.	As above
8.3	Companies should clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.	This information is set out in the Remuneration Report which forms part of this Annual Report.	Comply
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	<p>This information is set out in the Remuneration Report which forms part of this Annual Report.</p> <p>There are no schemes or retirement benefits for non-executive directors.</p>	Comply

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Statement of comprehensive income
For the year ended 30 June 2013

	Note	Consolidated 2013 \$	2012 \$
Revenue	5	22,611	192,757
Expenses			
Administrative Expenses		(282,745)	(263,375)
Accounting and Audit Fees		(57,198)	(25,772)
Compliance and regulatory fees		(44,644)	(41,344)
Employee benefits expense		(568,665)	(194,060)
Consultants		(81,727)	(83,366)
Insurance costs		(16,355)	(10,929)
Professional fees		(390,582)	(459,630)
Share based payments		(253,320)	(47,480)
Tenement management costs		(7,345)	13,411
Impairment of exploration and evaluation costs	10	(8,298,875)	-
Finance costs		(12,822)	-
Other expenses		(18,997)	-
Loss before income tax expense		(10,010,664)	(919,788)
Income tax expense	6	-	-
Loss after income tax expense for the year attributable to the owners of Cove Resources Limited	15	(10,010,664)	(919,788)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year attributable to the owners of Cove Resources Limited		<u>(10,010,664)</u>	<u>(919,788)</u>
		Cents	Cents
Basic loss per share	26	(16.62)	(2.17)
Diluted loss per share	26	(16.62)	(2.17)

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

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Statement of financial position
As at 30 June 2013

		Consolidated	
	Note	30 June 2013	30 June 2012
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	7	28,376	1,811,532
Trade and other receivables	8	14,996	199,181
Total current assets		<u>43,372</u>	<u>2,010,713</u>
Non-current assets			
Property, plant and equipment	9	-	10,181
Exploration and evaluation	10	-	4,035,668
Total non-current assets		<u>-</u>	<u>4,045,849</u>
Total assets		<u>43,372</u>	<u>6,056,562</u>
Liabilities			
Current liabilities			
Trade and other payables	11	930,479	310,318
Borrowings	12	262,822	-
Total current liabilities		<u>1,193,301</u>	<u>310,318</u>
Total liabilities		<u>1,193,301</u>	<u>310,318</u>
Net (liabilities)/assets		<u>(1,149,929)</u>	<u>5,746,244</u>
(Shareholder deficit)/Equity			
Issued capital	13	9,257,358	6,396,187
Reserves	14	1,180,810	927,490
Accumulated losses	15	(11,588,097)	(1,577,433)
Total (deficiency)/equity		<u>(1,149,929)</u>	<u>5,746,244</u>

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

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Statement of changes in equity
For the year ended 30 June 2013

Consolidated	Issued capital \$	Accumulated losses \$	Option reserve \$	Total equity \$
Balance at 1 July 2011	5,260,971	(657,645)	300,560	4,903,886
Loss after income tax expense for the year	-	(919,788)	-	(919,788)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(919,788)	-	(919,788)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 13)	1,135,216	-	-	1,135,216
Options issued during the year	-	-	579,450	579,450
Performance rights issued during the year	-	-	47,480	47,480
Balance at 30 June 2012	<u>6,396,187</u>	<u>(1,577,433)</u>	<u>927,490</u>	<u>5,746,244</u>
Consolidated	Issued capital \$	Accumulated losses \$	Option reserve \$	Total deficiency \$
Balance at 1 July 2012	6,396,187	(1,577,433)	927,490	5,746,244
Loss after income tax expense for the year	-	(10,010,664)	-	(10,010,664)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(10,010,664)	-	(10,010,664)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 13)	2,861,171	-	-	2,861,171
Share-based payments	-	-	253,320	253,320
Balance at 30 June 2013	<u>9,257,358</u>	<u>(11,588,097)</u>	<u>1,180,810</u>	<u>(1,149,929)</u>

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

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Statement of cash flows
For the year ended 30 June 2013

		Consolidated	
	Note	2013	2012
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(670,694)	(625,865)
Interest received		21,920	190,714
		<u> </u>	<u> </u>
Net cash used in operating activities	25	<u>(648,774)</u>	<u>(435,151)</u>
Cash flows from investing activities			
Payments for exploration and evaluation		(1,384,382)	(1,216,325)
Purchase of exploration tenement assets		-	(203,000)
		<u> </u>	<u> </u>
Net cash used in investing activities		<u>(1,384,382)</u>	<u>(1,419,325)</u>
Cash flows from financing activities			
Proceeds from borrowings		250,000	-
		<u> </u>	<u> </u>
Net cash from financing activities		<u>250,000</u>	<u>-</u>
Net decrease in cash and cash equivalents		(1,783,156)	(1,854,476)
Cash and cash equivalents at the beginning of the financial year		<u>1,811,532</u>	<u>3,666,008</u>
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial year	7	<u><u>28,376</u></u>	<u><u>1,811,532</u></u>

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

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Notes to the financial statements
For the year ended 30 June 2013

Note 1. General information

The financial statements cover Cove Resources Limited as a consolidated entity consisting of Cove Resources Limited and its subsidiaries. The financial statements are presented in Australian dollars, which is Cove Resources Limited's functional and presentation currency.

Cove Resources Limited is a listed, for profit, public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 25
145 Stirling Highway
Nedlands, Western Australia, 6009

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements. On 17 January 2014 the Board resolved to appoint Mr Bryan Hughes of Pitcher Partners as Administrator of the Company pursuant to section 436A of the Corporations Act 2001. Further details of the activities under administration are included under note 2 – Inherent uncertainty – Going concern and note 24 Events after the reporting period.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 8 April 2015. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The impact on the accounting policies of the consolidated entity from the adoption of relevant Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income

The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The amendments also introduced the term 'Statement of profit or loss and other comprehensive income' clarifying that there are two discrete sections, the profit or loss section (or separate statement of profit or loss) and other comprehensive income section.

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB'). The financial report is presented in Australian dollars.

The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Notes to the financial statements
For the year ended 30 June 2013

Note 2. Significant accounting policies (continued)

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Inherent Uncertainty - Going concern

The financial report has been prepared on the going concern basis as it is the Directors' intention to continue the business for the foreseeable future. There is a material inherent uncertainty regarding whether the Company will continue as a going concern due to the following:

- As at 30 June 2013 the consolidated entity had net current liabilities of \$1,149,929, net liabilities of \$1,149,929 and generated a net loss after tax of \$10,010,664 for the year then ended and subsequently were voluntarily suspended from trading on the official list of ASX on 22 July 2013.
- On 17 January 2014 the Company appointed Mr Bryan Hughes of Pitcher Partners as Administrator of the Company pursuant to section 436A of the Corporations Act 2001. On 20 December 2013 (prior to the appointment of the Administrator), the Company entered into a reconstruction deed (Reconstruction Deed) with Cygnet Capital Pty Ltd (the Proponent) for the reconstruction and recapitalisation of the Company.

Following his appointment, the Administrator called for proposals to recapitalise the Company with a view to seeking reinstatement to trading of its securities on ASX. The Administrator ultimately accepted the Reconstruction Deed put forward by the Proponent with some minor variations (Reconstruction Proposal).

On 24 February 2014, the Company obtained the approval of its creditors to enter into a DOCA to facilitate acceptance of the Reconstruction Proposal. On 11 March 2015 the Company obtained approval of its creditors to vary the DOCA to facilitate acceptance of some further variations to the Reconstruction Proposal.

A summary of the revised Reconstruction Proposal from the Proponent is included under note 24 Events after the reporting period. Details of the proposed resolutions required for the execution of the Reconstruction Proposal are included in the Notice of Meeting sent to the Company's shareholders on 2 April 2015. Following the completion of all of the matters detailed in note 24 including the transferring of \$180,000 to the Creditor Trust set up under the DOCA, the DOCA will be fully effectuated. Consequently, the Deed Administrator will retire and the Company will be fully released and discharged from all creditor claims capable of being released by a DOCA. The Company will seek reinstatement of its Shares to trading on ASX for further capital raisings and therefore continue as a going concern. ASX requires that the Company has available at least \$1,000,000 in cash, net of liabilities, immediately prior to Reinstatement. Insufficient interest in the capital raising would result in the Group not being able to re-list in the ASX.

This basis of preparation of the financial report assumes that the Company will be able to:

- obtain necessary approval from the Shareholders in relation to its proposed resolutions as outlined in the Notice of Meeting sent to the Company's shareholders on 2 April 2015
- raise sufficient funds to meet its payment obligations under the DOCA and minimum cash requirements and other listing requirements stipulated by the ASX
- complete the restructuring and associated capital raising in accordance with the Restructuring Proposal to recapitalise
- raise further capital in the future to continue its exploration activities

The Directors cannot be certain of the success or of the timing of the intended fund raising activities, however it is planned that these will commence subsequent to the completion and lodgement of the Financial Reports of the Consolidated Entity for the periods ended 30 June 2013, 31 December 2013, 30 June 2014 and 31 December 2014. In the event that the Company is not recapitalised, the Company will not resume as a going concern.

The financial report does not include:

- the impact due to the Company's ability to obtain the required funding; or
 - adjustments relating to the recoverability and classification of recorded asset amounts; or
 - the amounts and classification of liabilities that might be necessary
- should the Company and consolidated entity not continue as a going concern.

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Notes to the financial statements
For the year ended 30 June 2013

Note 2. Significant accounting policies (continued)

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 21.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Cove Resources Limited ('company' or 'parent entity') as at 30 June 2013 and the results of all subsidiaries for the year then ended. Cove Resources Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies so as to obtain benefits from these activities. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest

Interest 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 the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Notes to the financial statements
For the year ended 30 June 2013

Note 2. Significant accounting policies (continued)

Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income)

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred tax reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated 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 enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Property, plant and equipment

Each class of property, plant and equipment is carried at cost, less any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	33%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

Note 2. Significant accounting policies (continued)

Exploration and evaluation expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserve.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Exploration & Evaluation assets are transferred to Development Assets once technical feasibility and commercial viability of an area of interest are demonstrable. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Employee benefits

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment and market conditions. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying the Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

Note 2. Significant accounting policies (continued)

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the non-vesting condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited as a result of failure to satisfy a non-market vesting condition.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital

Ordinary shares are classified as equity.

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

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed, any non-controlling interest in the acquiree, the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Earnings per share

Basic earnings per share

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

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Note 2. Significant accounting policies (continued)

Diluted earnings per share

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

Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2013. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments and its consequential amendments

This is a new Principal standard which replaces AASB 139. This new Principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Amendments to AASB 9 (December 2009 & 2010 editions) (AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.

The consolidated entity will adopt this standard and the amendments from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 10 Consolidated Financial Statements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns (e.g. dividends, remuneration, returns that are not available to other interest holders including losses) from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights (e.g. voting rights, potential voting rights, rights to appoint key management, decision making rights, kick out rights) that give it the current ability to direct the activities that significantly affect the investee's returns (e.g. operating policies, capital decisions, appointment of key management). The consolidated entity will not only have to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

Note 2. Significant accounting policies (continued)

AASB 11 Joint Arrangements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses in accordance with the standards applicable to the particular asset, liability, revenue or expense. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 12 Disclosure of Interests in Other Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. It contains the entire disclosure requirements associated with other entities, being subsidiaries, associates and joint ventures. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'. The adoption of this standard from 1 July 2013 will significantly increase the amount of disclosures required to be given by the consolidated entity such as significant judgements and assumptions made in determining whether it has a controlling or non-controlling interest in another entity and the type of non-controlling interest and the nature and risks involved.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 July 2013 should be minimal, although there will be a change in the way fair value is determined as well as increased disclosures where fair value is used.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

This revised standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make changes to the accounting for defined benefit plans and the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. The later will require annual leave that is not expected to be wholly settled within 12 months to be discounted allowing for expected salary levels in the future period when the leave is expected to be taken. The adoption of this standard from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report for annual reporting periods beginning 1 July 2013. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity as the change will impact the location of disclosures only.

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments make numerous consequential changes to a range of Australian Accounting Standards and Interpretations, following the issuance of AASB 10, AASB 11 and revised AASB 127 and AASB 128. The adoption of these amendments from 1 July 2013 will not have a material impact on the consolidated entity.

Note 2. Significant accounting policies (continued)

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The amendments are applicable to annual reporting periods beginning on or after 1 January 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities. The adoption of the amendments from 1 July 2013 will not have a material impact on the consolidated entity.

AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039

This amendment is applicable to annual reporting periods beginning on or after 1 January 2013. The amendment removes reference to Australian Interpretation 1039 in AASB 1048 following the withdrawal of Interpretation 1039. The adoption of this amendment will not have a material impact on the consolidated entity.

AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments

These amendments are applicable to annual reporting periods beginning on or after 1 January 2013. They amend AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of these amendments will not have a material impact on the consolidated entity.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

Annual Improvements to IFRSs 2010-2012 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

Note 2. Significant accounting policies (continued)

Annual Improvements to IFRSs 2011-2013 Cycle

These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the use of the guidance in AASB 3. The adoption of these amendments from 1 July 2015 will not have a material impact on the consolidated entity.

AASB 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue—Barter Transactions Involving Advertising Services).

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- (a) Step 1: Identify the contract(s) with a customer
- (b) Step 2: Identify the performance obligations in the contract
- (c) Step 3: Determine the transaction price
- (d) Step 4: Allocate the transaction price to the performance obligations in the contract
- (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The standard is effective 1 January 2017 and will be applicable to the group effective 1 July 2017. Early application of this standard is permitted. The Group is in the process of assessing the impact of the new standard on its financial statements.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimates

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Impairment of exploration and evaluation costs

The future recoverability of exploration and evaluation costs are dependent on a number of factors, including the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environment restoration obligations) and changes to commodity prices. To the extent that deferred exploration and evaluation costs is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

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Note 3. Critical accounting judgements, estimates and assumptions (continued)

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Judgements

Going Concern

The consolidated financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

An inherent uncertainty regarding whether the Company will continue as a going concern arises as, at 30 June 2013 the consolidated entity had net current liabilities (being current assets less current liabilities) and subsequently ceased trading. On 17 January 2014 the consolidated entity appointed an Administrator. On 24 February 2014, the Company obtained the approval of its creditors to enter into a Deed of Company Arrangement (DOCA) to facilitate acceptance of the Reconstruction Proposal. On 11 March 2015 the Company obtained approval of its creditors to vary the DOCA to facilitate acceptance of some further variations to the Reconstruction Proposal. Further details of the going concern assumption are detailed under note 2.

The Directors cannot be certain of the success or of the timing of the intended fund raising activities, however it is planned that these will commence subsequent to the completion and lodgement of the Financial Reports of the Consolidated Entity for the periods ended 30 June 2013, 31 December 2013, 30 June 2014 and 31 December 2014.

Note 4. Operating segments

Identification of reportable operating segments

Identification and measurement of segments – AASB 8 requires the ‘management approach’ to the identification measurement and disclosure of operating segments. The ‘management approach’ requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity’s chief operating decision maker (being the Board of Directors), for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. The Group considers its operations as one segment, being exploration of mineral assets in Australia.

Note 5. Revenue

	Consolidated	
	2013	2012
	\$	\$
Interest	21,920	190,714
Other revenue	691	2,043
Revenue	<u>22,611</u>	<u>192,757</u>

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Note 6. Income tax expense

Numerical reconciliation of income tax expense and tax at the statutory rate

Loss before income tax expense	(10,010,664)	(919,788)
Tax at the statutory tax rate of 30%	(3,003,199)	(275,936)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Impairment expense	2,489,663	-
Share-based payments	75,996	14,244
Sundry items	-	718
	(437,540)	(260,974)
Current year tax losses not recognised	437,540	260,974
Income tax expense	-	-

Deferred tax assets have not been brought to account in respect of tax losses and temporary differences because as at 30 June 2013 it is not probable that future taxable amounts will be available to utilise those temporary differences and losses

Note 7. Current assets - cash and cash equivalents

	Consolidated	Consolidated
	30 June 2013	30 June 2012
	\$	\$
Cash at bank	28,376	1,811,532

Note 8. Current assets - trade and other receivables

	Consolidated	Consolidated
	30 June 2013	30 June 2012
	\$	\$
Trade receivables	-	117,939
GST receivable	14,996	81,242
	14,996	199,181

Receivables are non-interest bearing and unsecured.

Note 9. Non-current assets - property, plant and equipment

	Consolidated	Consolidated
	30 June 2013	30 June 2012
	\$	\$
Plant and equipment - at cost	-	10,181

Note 10. Non-current assets - exploration and evaluation

	Consolidated	Consolidated
	30 June 2013	30 June 2012
	\$	\$
Exploration and evaluation	-	4,035,668

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Note 10. Non-current assets - exploration and evaluation (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Exploration & Evaluation \$
Balance at 1 July 2011	1,276,503
Expenditure during the year	<u>2,759,165</u>
Balance at 30 June 2012	4,035,668
Expenditure during the year	1,218,382
Deposit paid for Koivu Titanium Project	3,044,825
Write-off of exploration expenditure (a)	<u>(8,298,875)</u>
Balance at 30 June 2013	<u><u>-</u></u>

(a) The consolidated entity's accounting policy in relation to Exploration and Evaluation expenditure is described under Note 2. Expenditure on an area of interest is capitalised and carried forward where rights to tenure of the area of interest are current and:

- (i) it is expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale; or
- (ii) exploration and evaluation activities are continuing in an area of interest but at reporting date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Significant judgement is required in determining whether it is likely that future economic benefits will be derived from the capitalised exploration and evaluation expenditure. At the reporting date, the Directors have performed an assessment of all areas of interest to determine whether the respective capitalised exploration and evaluation costs continued to meet the criteria outlined above taking into the material uncertainty surrounding the Group's ability to continue as a going concern as disclosed under note 2. This resulted in the carrying value of the exploration and evaluation assets fully impaired to nil, which represents the Group's estimated fair value of these tenements under the current market conditions (Level 3 fair value). The impairment expense is shown as a separate line item in the Statement of Comprehensive Income.

Note 11. Current liabilities - trade and other payables

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Trade payables	494,912	199,039
Other payables and accruals	<u>435,567</u>	<u>111,279</u>
	<u><u>930,479</u></u>	<u><u>310,318</u></u>

Refer to note 17 for further information on financial instruments.

As noted throughout this report, the Company appointed an Administrator on 17 January 2014. All trade and other payables have been recorded at their amortised cost until such time where the creditors have agreed to settlement of amounts owing. Under the Reconstruction Proposal, an Agreed amount of \$180,000 will be available to settle creditors' claims under the DOCA and the Administrator's fees upon the completion of required restructuring and capital raising activities as described under note 24 Events after the reporting date.

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Note 12. Current liabilities - borrowings

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Convertible notes payable (including accrued interest)	<u>262,822</u>	<u>-</u>

In 2013, the Company entered into a convertible note agreement with White Swan Nominees Pty Ltd, pursuant to which the Company issued five Class A Convertible Notes in exchange for a total of \$250,000 (i.e. \$50,000 per note). The convertible note is an 18 month facility, with an interest rate of 12% and are secured against all of the Company present and future acquired property. At the holders' discretion, the notes can be converted to the Company's ordinary shares at a conversion price per share equal to 80% of the five-day VWAP of shares on the ASX prior to the date on which written notice of the election to convert is given. Under the Reconstruction Proposal, the notes will be settled via an issue of 125,000,000 Shares to White Swan Nominees Pty Ltd (and/or its nominees) as described under note 24 Events after the reporting date.

Note 13. Equity - issued capital

	Consolidated			
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>65,422,860</u>	<u>46,186,987</u>	<u>9,257,358</u>	<u>6,396,187</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2011	38,736,001		5,260,971
Acquisition of Tally Ho	22 July 2011	250,982	\$0.22	55,215
Acquisition of Blenheim	9 January 2012	<u>7,200,004</u>	<u>\$0.15</u>	<u>1,080,001</u>
Balance	30 June 2012	46,186,987		6,396,187
Acquisition of Koivu Titanium Project	3 October 2012	19,050,000	\$0.15	2,845,000
Share based Payment RFCM	8 April 2013	<u>185,873</u>	<u>\$0.09</u>	<u>16,171</u>
Balance	30 June 2013	<u>65,422,860</u>		<u>9,257,358</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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For the year ended 30 June 2013

Note 13. Equity - issued capital (continued)

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the date of this Annual Report.

Note 14. Equity - reserves

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Options reserve	<u>1,180,810</u>	<u>927,490</u>

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Options Reserve \$
Balance at 1 July 2011	300,560
Options issued during the year	579,450
Options vested during the year	<u>47,480</u>
Balance at 30 June 2012	927,490
Options vested during the year	<u>253,320</u>
Balance at 30 June 2013	<u><u>1,180,810</u></u>

Options reserve – the reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for supply of goods and services.

Note 15. Equity - accumulated losses

	Consolidated	
	30 June 2013	30 June 2012
	\$	\$
Accumulated losses at the beginning of the financial year	(1,577,433)	(657,645)
Loss after income tax expense for the year	<u>(10,010,664)</u>	<u>(919,788)</u>
Accumulated losses at the end of the financial year	<u><u>(11,588,097)</u></u>	<u><u>(1,577,433)</u></u>

Note 16. Equity – dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Cove Resources Limited
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Note 17. Financial instruments

Financial risk management objectives

a) Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and convertible note.

The main purpose of non-derivative financial instruments is to raise finance for the Group's operations.

Derivatives are not currently used by the Group for hedging purposes. The Group does not speculate in the trading of derivative instruments.

i. Treasury Risk Management

The full board of the Company meets on a regular basis to analyse interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

ii. Financial Risks

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk, commodity risk and credit risk.

Interest rate risk

The Group does not have any debt that may be affected by interest rate risk.

Sensitivity analysis

As at June 2013 if interest rates moved by +/- 75 basis points from the weighted average rate for the year with all other variables held constant, post tax loss would have been \$295 higher/lower (2012 - \$13,586 lower/higher) as a result of higher/lower interest income from cash and cash equivalents.

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 this risk by preparing forward looking cash flow analysis in relation to its operational, investing and financing activities and monitoring its cash assets and assets readily convertible to cash in the context of its forecast future cash flows. The Group continually monitors its access to additional equity capital should that be required, maintains a reputable credit profile and manages the credit risk of its financial assets.

Refer to Going Concern in Note 2.

Commodity price volatility

Commodities prices, including current and expected future prices of ilmenite, fluctuate and are affected by numerous factors beyond the control of Cove Resources. These factors include worldwide and regional supply and demand for commodities, general world economic conditions and the outlook for interest rates, inflation and other economic factors on both a regional and global basis. These factors may have a positive or negative effect on Cove Resources' exploration, project development and production plans and activities, together with the ability to fund those plans and activities.

Price risk

The consolidated entity is not exposed to any significant price risk.

Cove Resources Limited
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Notes to the financial statements
For the year ended 30 June 2013

Note 17. Financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

Consolidated
30 June 2013 30 June 2012
\$ \$

Cash and cash equivalents

- AA Rated

28,376 1,811,532

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 30 June 2013						

Non-derivatives

Trade and other payables	-%	930,479	-	-	-	930,479
Borrowings	12%	262,822	-	-	-	262,822
Total non-derivatives		<u>1,193,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,193,301</u>

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Consolidated - 30 June 2012						

Non-derivatives

Non-interest bearing

Trade and other payables	-%	310,318	-	-	-	310,318
Total non-derivatives		<u>310,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>310,318</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. Refer to note 11, note 12 and note 24 for the proposed settlement of the trade and other payables and borrowings under the proposed Reconstruction Plan.

Cove Resources Limited
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Notes to the financial statements
For the year ended 30 June 2013

Note 18. Key management personnel disclosures

Directors

The following persons were directors of Cove Resources Limited during and subsequent to the financial year:

Mr Winton Willesee	Chairman
Mr Garry Hemming (Resigned 12 September 2014)	Managing Director
Mr Greg Miles	Non-Executive Director
Mr Grant Freeman (Resigned 22 October 2013)	Non-Executive Director
Miss Erlyn Dale (Appointed 23 February 2015)	Non-Executive Director

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2013	2012
	\$	\$
Short-term employee benefits	423,218	309,623
Post-employment benefits	21,582	13,607
Share-based payments	-	499,400
	<u>444,800*</u>	<u>822,630</u>

* The administrator was appointed on 17 January 2014. It should be noted that significant amounts of these cash payments were foregone at the time of the administration in order to increase the amounts available to other creditors under the DOCA details can be found in the remuneration report.

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ Other	Balance at the end of the year
30 June 2013					
<i>Ordinary shares</i>					
Winton Willesee	700,000	-	-	-	700,000
Greg Miles	125,000	-	-	-	125,000
Grant Freeman	125,000	-	-	-	125,000
	<u>950,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>950,000</u>
30 June 2012					
<i>Ordinary shares</i>					
Winton Willesee	700,000	-	-	-	700,000
Greg Miles	125,000	-	-	-	125,000
Grant Freeman	-	-	125,000	-	125,000
	<u>825,000</u>	<u>-</u>	<u>125,000</u>	<u>-</u>	<u>950,000</u>

*Acquired through purchase of Blenheim Resources. Refer note 23.

Cove Resources Limited
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Notes to the financial statements
For the year ended 30 June 2013

Note 18. Key management personnel disclosures (continued)

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ Other	Balance at the end of the year
30 June 2013					
<i>Options over ordinary shares</i>					
Winton Willesee	1,000,000	-	-	-	1,000,000
Greg Miles	557,500	-	-	-	557,500
Garry Hemming	9,000,000	-	-	-	9,000,000
Grant Freeman	9,000,000	-	-	-	9,000,000
	<u>19,557,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,557,500</u>

At 30 June 2013, 7,557,500 options were exercisable, with 12,000,000 not exercisable. Subsequent to year end all options lapsed.

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ Other	Balance at the end of the year
30 June 2012					
<i>Options over ordinary shares</i>					
Winton Willesee	1,000,000	-	-	-	1,000,000
Greg Miles	512,500	-	-	45,000	557,500
Garry Hemming	-	9,000,000	-	-	9,000,000
Grant Freeman	-	9,000,000	-	-	9,000,000
	<u>1,512,500</u>	<u>18,000,000</u>	<u>-</u>	<u>45,000</u>	<u>19,557,500</u>

* Miss Erlyn Dale does not hold shares or options in the Company.

Note 19. Commitments

Consolidated
30 June 2013 30 June 2012
\$ \$

Exploration and Lease commitments

Committed at the reporting date but not recognised as liabilities, payable:

Within one year	31,840	1,348,400
One to five years	-	4,081,800
More than five years	-	183,800
	<u>31,840</u>	<u>5,614,000</u>

Note 20. Related party transactions

Parent entity

Cove Resources Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 22.

Key management personnel

Disclosures relating to key management personnel are set out in note 18 and the remuneration report in the directors' report.

Cove Resources Limited
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Note 20. Related party transactions (continued)

Receivable from and payable to related parties

An amount of \$26,943 was owed to Roscorio Pty Ltd, a related party of Garry Hemming for expense reimbursements. Other than remuneration owed to directors, there were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 21. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of comprehensive income

	Parent	
	2013	2012
	\$	\$
Loss after income tax	(10,010,664)	(919,788)
Total comprehensive income	(10,010,664)	(919,788)

Statement of financial position

	Parent	
	30 June 2013	30 June 2012
	\$	\$
Total current assets	43,372	2,010,713
Total assets	43,372	6,056,562
Total current liabilities	1,193,301	310,318
Total liabilities	1,193,301	310,318
Equity		
Issued capital	9,257,358	6,396,187
Options reserve	1,180,810	927,490
Accumulated losses	(11,588,097)	(1,577,433)
Total equity	(1,149,929)	5,746,244

Contingent liabilities

As at 30 June 2013 Cove Resources Limited had no contingent liabilities (2012: Nil).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2013 and 30 June 2012.

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Note 22. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		30 June 2013 %	30 June 2012 %
Blenheim Resources Pty Ltd	Australia	100%	100%
Cove Resources Finland Oy	Finland	100%	0%

Note 23. Acquisition of controlled entity

In the prior year the parent entity acquired 100% of the share capital of Blenheim Resources Limited (now Blenheim Resources Pty Ltd), thereby obtaining control of the Company. The acquisition was treated as an asset acquisition resulting the recognition of an Exploration and evaluation assets of \$1,728,091.

Purchase consideration	Fair Value \$
Cash	203,000
Ordinary shares issued to shareholders	450,000
Ordinary shares issued to tenement vendors	630,000
Options issued to shareholders	120,000
Options issued to tenement vendors	84,000
Options issued to directors	231,700
	<u>1,718,700</u>
Less:	
Cash	(1,280)
Receivables	(73,171)
Property, plant and equipment	(5,170)
Trade and other payables	89,012
Identifiable assets acquired and liabilities assumed	<u>1,728,091</u>
Exploration and evaluation assets acquired	<u><u>1,728,091</u></u>

Cove Resources Limited
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Notes to the financial statements
For the year ended 30 June 2013

Note 24. Events after the reporting period

On 17 January 2014, the consolidated entity announced that it had appointed Mr Bryan Hughes of Pitcher Partners as Administrator of the Company pursuant to section 436A of the Corporations Act 2001.

The Company's securities had previously been voluntarily suspended from trading on the official list of ASX on 22 July 2013.

On 20 December 2013 (prior to the appointment of the Administrator), the Company entered into a reconstruction deed (Reconstruction Deed) with Cygnet Capital Pty Ltd (Proponent) for the reconstruction and recapitalisation of the Company.

Following his appointment, the Administrator called for proposals to recapitalise the Company with a view to seeking reinstatement to trading of its securities on ASX. The Administrator ultimately accepted the Reconstruction Deed put forward by the Proponent with some minor variations (Reconstruction Proposal).

On 5 March 2014 the Administrator provided an update to the market and announced that following meetings of creditors of the Company and Blenheim held on 24 February 2014 and 26 February 2014 respectively, creditors resolved that the Company and Blenheim execute DOCAs to facilitate the proposal from the Proponent for the recapitalisation and restructure of the Company. The transaction is subject to the completion of certain conditions precedent, including shareholder approval and ASX approval and once completed, would see funds injected into the Company to provide for a return to creditors and enable the Company to be reinstated to official quotation on the ASX.

On 12 March 2015, the Administrator provided an update to the market on the reconstruction proposal, as well as advising on recent changes to Directors and Company Secretary appointments and resignations. The Administrator advised that the Proponent had recently requested changes to the capital raising structure of the Reconstruction Proposal and at a meeting of creditors of the Company held on 11 March 2015, creditors agreed to vary the DOCA for the Company to facilitate these changes. Since initial creditor approval the Proponent has been working towards meeting the obligations required to complete the Reconstruction Proposal. While it was originally anticipated that the recapitalisation and restructure would be completed in July 2014, this has been delayed. Barring any further delays, the Proponent currently anticipates that the Reconstruction Proposal will be complete and the Company will be in a position to seek reinstatement to official quotation on the ASX in the second quarter of 2015.

The revised Reconstruction Proposal from the Proponent can be summarised as follows:

- (a) all liabilities, contingent liabilities, obligations, warranties and long term commitments of the Company capable of being released by a deed of company arrangement will be released and compromised by the DOCA;
- (b) the Company will undertake the following capital raisings and issues of securities:
 - (i) an issue of 125,000,000 Shares to White Swan Nominees Pty Ltd (and/or its nominees) pursuant to the conversion of its Class A Convertible Notes;
 - (ii) an issue of 155,000,000 Shares to Exempt Investors pursuant to the conversion of their Class B Convertible Notes to raise \$310,000;
 - (iii) an issue of up to 600,000,000 Shares at an issue price of 0.0025 cents each to raise up to \$1,500,000, together with up to 300,000,000 free attaching Bonus Options on the basis of 1 Bonus Option for every 2 Shares issued exercisable at \$0.005 each expiring on 30 June 2019;
 - (iv) an issue of 250,000,000 New Options exercisable at \$0.005 each to Cygnet Capital Pty Ltd (and/or its nominees) expiring on 30 June 2019;
 - (v) an issue of 11,369,000 Shares to Mr Mark Whittle (and/or his nominees);
 - (vi) an issue of 36,000,000 Shares and 18,000,000 New Options exercisable at \$0.005 each to brokers and capital providers (and/or their nominees) expiring on 30 June 2019;

Cove Resources Limited
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- (vii) an issue of 14,000,000 Shares and 7,000,000 New Options exercisable at \$0.005 each to Leydin Freyer Corporate Pty Ltd (and/or its nominees) expiring on 30 June 2019;
 - (viii) an issue of 20,000,000 Shares and 10,000,000 New Options exercisable at \$0.005 each to Mr Winton Willesee (and/or his nominees) expiring on 30 June 2019; and
 - (ix) an issue of 4,000,000 Shares and 2,000,000 New Options exercisable \$0.005 each to Mr Greg Miles (and/or his nominees) expiring on 30 June 2019;
- (c) of the funds referred to above, \$180,000 will be made available to the creditors of the Company to be allocated to unsecured creditors (inclusive of priority employee claims and the Administrator's costs); and
- (d) following completion of all of the matters set out above, the DOCA will be fully effectuated, the Deed Administrator will retire and the Company will be fully released and discharged from all creditor claims capable of being released by a DOCA and the Company will seek reinstatement of its Shares to trading on ASX.

A meeting notice was sent out to the Shareholders on 2 April 2015. The Resolutions proposed in the Notice will enable the terms of the DOCA to be completed. If the Resolutions are passed and the proposed restructuring and recapitalisation is completed, the Company will seek reinstatement of its Shares to trading on ASX.

If any of relevant Resolutions are not passed by the Shareholders, the Company will remain subject to the DOCA, the trading suspension imposed by the ASX will remain in force and the Administrator will need to consider other alternatives, which is likely to include placing the Company into liquidation (in which event no return to Shareholders is anticipated).

As part of the Recapitalisation Proposal, the Company has restructured its Board with Garry Hemming ceasing to be a Director, and Erlyn Dale joining Winton Willesee and Greg Miles on the Board in February 2015.

The Class B Convertible Notes were issued in accordance with convertible note agreements pursuant to which the company have been advanced the sum of \$310,000 to facilitate the DOCA process.

Subsequent to year-end, all outstanding options expired without being exercised.

No other matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 25. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2013	2012
	\$	\$
Loss after income tax expense for the year	(10,010,664)	(919,788)
Adjustments for:		
Share-based payments	253,320	47,480
Impairment of exploration and evaluation	8,298,875	-
Other non-cash expenses	18,947	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	184,185	(165,732)
Increase in trade and other payables	606,563	602,889
Net cash used in operating activities	<u>(648,774)</u>	<u>(435,151)</u>

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Notes to the financial statements
For the year ended 30 June 2013

Note 26. Loss per share

	Consolidated	
	2013	2012
	\$	\$
Loss after income tax attributable to the owners of Cove Resources Limited	<u>(10,010,664)</u>	<u>(919,788)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	<u>60,231,035</u>	<u>42,385,148</u>
Weighted average number of ordinary shares used in calculating diluted loss per share	<u>60,231,035</u>	<u>42,385,148</u>
	Cents	Cents
Basic loss per share	(16.62)	(2.17)
Diluted loss per share	(16.62)	(2.17)

Options on issue are considered to be potential ordinary shares and have been included in the determination of diluted loss per share only to the extent to which they are dilutive. There are 46,699,823 options as at 30 June 2013 (2012: 46,699,823 options). These options have not been included in the determination of basic loss per share because they are considered to be anti-dilutive.

Note 27: Auditors remuneration

	Consolidated	
	2013	2012
	\$	\$
Remuneration of Ernst & Young Australia for:		
Auditing or reviewing the financial report	30,000	-
Remuneration of Bentley for:		
Auditing or reviewing the financial report	-	25,300
Taxation services and corporate services	-	890

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Notes to the financial statements
For the year ended 30 June 2013

Note 28. Share-Based Payments

Options

During the year, nil (2012: 30,156,823) options and performance options were issued.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

	2013		2012	
	Number of options	Weighted average exercise price (cents)	Number of options	Weighted average exercise price (cents)
Outstanding at the beginning of the year	46,699,823	30	16,543,000	25
Granted	-	-	18,156,823	25
Performance rights issued	-	-	12,000,000	45
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding at year end	<u>46,699,823</u>	<u>30</u>	<u>46,699,823</u>	<u>30</u>

The options outstanding at 30 June 2013 had a weighted average exercise price of \$0.30 (2012: \$0.30) and a weighted average remaining contractual life of 0.8 years (2012: 1.6 years).

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

The life of the options is based on the historical exercise patterns, which may not eventuate in the future. A summary of the key assumptions used in 30 June 2012 valuation are as below:

Grant dates	Between 22 July 2011 to 9 January 2012
Share prices	Between \$0.155 to \$0.22
Exercise prices	\$0.25
Maximum life	2 years to 2.5 years
Risk free rates	3.42% to 4.75%
Volatility	60%
Indicative value	\$0.022 to \$0.05
Fair value	\$579,450

Shares

During the financial year, the Company issued 19,253,873 shares, most of which relates to the acquisition of the Koivu Titanium Project (2012: 7,450,986 shares). The fair value of the shares at the date of transactions of \$2,861,171 was used to as approximate of the fair value of the assets acquired as the fair value of the underlying assets cannot be measured reliably (2012: \$1,135,216).

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Directors' declaration
For the year ended 30 June 2013

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

- (a) Subject to the achievement of the matters described in note 2, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 2 to the financial statements;
- (c) the attached financial statements and notes thereto for the financial year ended 30 June 2013 are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position as at 30 June 2013 and performance of the consolidated entity for the year ended on that date;
- (d) The Directors have been given the declarations required by section 295A of the Corporations Act 2001

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

On behalf of the directors



Winton Willesee
Chairman

8 April 2015

Independent auditor's report to the members of Cove Resources Limited (Subject to a Deed of Company Arrangement)

Report on the financial report

We have audited the accompanying financial report of Cove Resources Limited (Subject to a Deed of Company Arrangement), which comprises the consolidated statement of financial position as at 30 June 2013, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* 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 2, 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 *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

- a. the financial report of Cove Resources Limited (Subject to a Deed of Company Arrangement) is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

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

Opinion

In our opinion, the Remuneration Report of Cove Resources Limited (Subject to a Deed of Company Arrangement) for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial report which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



Ernst & Young



V L Hoang
Partner
Perth
8 April 2015

Cove Resources Limited
(Subject to a Deed of Company Arrangement)
Shareholder information
30 June 2013

The shareholder information set out below was applicable as at 23 March 2015.

SHAREHOLDINGS

As at the date of this report the following shareholders had lodged substantial shareholder notices with the Company:

1. On 1 September 2011 a substantial shareholder was received by the Company notifying the Company that Deck Chair Holdings Pty Ltd was a substantial shareholder holding a relevant interest in 2,970,000 shares representing 8.99% voting power. As at the date of this report, Deck Chair Holdings Pty Ltd is shown on the Company's register as holding a relevant interest in 3,397,733 representing 5.19% voting power.
2. On 11 March 2011 a substantial shareholder was received by the Company notifying the Company that Mahsor Holdings Pty Ltd was a substantial shareholder holding a relevant interest in 3,120,337 shares representing 8.06% voting power. As at the date of this report Mahsor Holdings Pty Ltd is shown on the Company's register as holding a relevant interest in 3,323,553 representing 5.08% voting power.

CLASSES OF SHARES AND VOTING RIGHTS

Voting rights

The voting rights attached to the fully paid ordinary shares of the Company are as follows:

- 1) At a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and
- 2) On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

DISTRIBUTION OF SHAREHOLDERS

Range	Holders	Units	%
1 – 1,000	5	16	0.00%
1,001 – 5,000	22	73,184	0.11%
5,001 – 10,000	83	790,005	1.21%
10,001 – 100,000	186	8,830,017	13.50%
100,001 and above	75	55,729,639	85.18%
Total	371	65,422,861	100.00%

As at the date of this report, there were 323 holders of unmarketable parcels comprising a total of 13,469,298 ordinary shares (based on a share price of \$0.0025, being the proposed re-listing price). There is no on-market buy back currently in place and there are currently no restricted securities.

TOP SHAREHOLDERS

Rank	Name	Units	% of Units
1.	DELTA MINERALS FZE	19,050,000	29.12
2.	CORAZON MINING LIMITED	3,500,000	5.35
3.	DECK CHAIR HOLDINGS PTY LTD	3,397,733	5.19
4.	MAHSOR HOLDINGS PTY LTD <ROSHAM FAMILY S/F NO2 A/C>	3,323,553	5.08
5.	SAMMY RESOURCES PTY LTD	2,000,000	3.06
6.	MIKONOS INVESTMENTS PTY LTD	1,440,186	2.20
7.	MYCATMAX PTY LTD <THE VIKING S/F A/C>	1,270,000	1.94
8.	MR STEPHEN CHARLES FLETCHER	1,102,142	1.68
9.	MR KINGSLEY BARTHOLOMEW	1,000,004	1.64
10.	KEA HOLDINGS PTY LTD <IOS HOLDING A/C>	861,935	1.32
11.	KATONE INVESTMENTS PTY LTD	846,254	1.29
12.	SEIVAD INVESTMENTS PTY LTD	794,328	1.21
13.	YANDAL INVESTMENTS PTY LTD	725,000	1.11
14.	AZALEA FAMILY HOLDINGS PTY LTD <NO 2 A/C>	700,000	1.07
15.	MAINCOAST PTY LTD	670,000	1.02
16.	WALSAL NOMINEES PTY LTD	659,722	1.01
17.	MIKONOS INVESTMENTS PTY LTD <ROSHAM FAMILY A/C>	650,505	0.99
18.	MATCH CORP PTY LTD <CAA A/C>	643,333	0.98
19.	MIKINOS INVESTMENTS PTY LTD	600,000	0.92
20.	MR ADAM JOHN TRETHOWAN	553,000	0.85
TOTAL TOP 20 SHAREHOLDERS		43,787,695	66.93