

WELCOME STRANGER MINING LIMITED

ABN 69 007 670 386

AND ITS CONTROLLED ENTITIES

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2012

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CONTENTS

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	Page No.
Corporate Governance Statement	1
Directors' Report	7
Auditor's Independence Declaration	14
Consolidated Statement of Comprehensive income	15
Consolidated Statement of Financial Position	16
Consolidated Statement of changes in Equity	17
Consolidated Statement of Cash Flows	18
Notes to the Financial Statements	19
Directors' Declaration	39
Independent Auditors' Report	40
Shareholder Information	43

## WELCOME STRANGER MINING LIMITED AND CONTROLLED ENTITIES ANNUAL REPORT 2012

Welcome Stranger Mining Limited is a company limited by shares, incorporated and domiciled in Australia. Its principal place of business is Suite 8, Floor 6, 55 Miller St. Pyrmont Sydney NSW 2009. The registered office is Suite 8, Floor 6, 55 Miller St. Pyrmont Sydney NSW 2009.

### CORPORATE GOVERNANCE STATEMENT

#### Background

The Board of Directors of Welcome Stranger Mining Limited is responsible for the Corporate Governance of Welcome Stranger Mining Limited and its controlled entities. The Board guides and monitors the business and affairs of the group on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Welcome Stranger Mining Limited Corporate Governance Statement on the governance practices adopted by the Company is structured with reference to the ASX Corporate Governance Council's Principles and Recommendations. The practices are summarised below.

The Board is committed to improving its corporate governance practices and embracing the principles put out by the ASX Corporate Governance Council, however the Board is of a view that the adoption of the practices and principles should be in line with the growth in size, changes in the nature and increase in complexity of the Company's business.

The Board aims to achieve all of the Best Practice Recommendations in stages as the Company grows and its circumstances change over time. As reported in the current years' and previous years' annual report, the Company has been concentrating on its efforts to restore the financial position of the Company and does not have sufficient resources to adopt and improve its corporate governance practices at present.

A number of the principles previously adopted by the Company were not consistently adhered to during the period from March 2009 to February 2015. During this period, the Company was placed in voluntary liquidation (July 2009). The liquidation was subsequently terminated on 29 November 2010 via a court order. It is the new Board's intention to apply all principles previously adopted on the resumption of quotation on the ASX and achieve all of the Best Practice Recommendations in stages as the Company grows and its circumstances change over time.

#### Principle 1: Lay solid foundations for management and oversight

For the reasons outlined above, this principle previously adopted by the Company was not consistently adhered to during the period from March 2009 to February 2015.

On resumption of quotation of Welcome Stranger Mining Limited securities on the ASX, it is the Board's intention to ensure the Company is structured such that there are clearly defined roles, segregation of duties and responsibilities and approved levels of authority between the management and the governance of the Company. The Board will set the overall corporate governance policy for the Company including determining the strategic direction, establishing policies and goals for management and monitoring the achievement of them. The Board will delegate responsibility for the day to day management of the Company to the Chief Executive Officer and the senior executive team.

The key responsibilities of the Board will include:

- setting the long-term strategy and annual business plan including objectives and milestones to be achieved;
- evaluating capital, cash and operating risk budgets and making appropriate recommendations on an annual basis;
- reviewing and approving the Company's financial, strategic and operational goals and assessing key business developments as formulated by management in line with the objectives and goals set by the Board;
- monitoring the performance of the Company against the financial objectives and operational goals set by the Board and reviewing the implementation of Board approved strategies;
- assessing the appropriateness of the skill sets and the levels of experience of the members of the Board, individually and as a whole and selecting new members to join the Board when a vacancy exists;
- appointing, removing and determining the terms of engagement of the Directors, Chief Executive Officer and Company Secretary;
- overseeing the delegation of authority for the day to day management of the Company;
- ensuring that the risk management systems, financial reporting and information systems, personnel, policies and procedures are all operating efficiently and effectively by establishing a framework of internal controls and compliance;
- reviewing major contracts, goods or services on credit terms, acceptance of counter-party risks and issuing guarantees on behalf of the Company;

**CORPORATE GOVERNANCE STATEMENT (continued)**

- approving the capital structure and major funding requirements of the Company;
- making recommendations as to the terms of engagement, independence and the appointment and removal of the external auditors;
- setting the Code of Conduct for the Company and ensuring that appropriate standards of corporate governance and ethics are effectively communicated throughout the Company and complied with;
- reviewing the adherence by each director to the Directors' Code of Ethics;
- establishing policies to ensure that the Company complies with the ASX Continuous Disclosure Policy;
- approving the Company's half year and full year reports to the shareholders, ASX and ASIC; and
- ensuring that recruitment, retention, termination, remuneration, performance review and succession planning policies and procedures are in place and complied with.

**Principle 2: Structure the Board to add value**

For the reasons outlined above, this principle previously adopted by the Company was not consistently adhered to during the period from March 2009 to February 2015.

The Board is presently structured to maximise value to the Company and the shareholders. The Board is of a size and composition that is conducive to making decisions expediently, with the benefit of a variety of perspectives, experiences and skills.

**Board composition**

The Board is composed of three directors. The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report are included in the Directors Report.

It is noted that the Company's board composition is not in keeping with the commentary and guidance to Best Practice Recommendations 2.1. The Board is of the opinion that the current stage of uncertainty in relation to the future operations of the Company requires the Company to have a board, which has more of a hands-on and technical experience in order to stabilise the Company. However, the board is committed to follow the guidance to Best Practice Recommendations 2.1 by appointing independent directors to the Board once the future direction of the Company is resolved.

The Board has determined that there are sufficient appropriate alternative governance measures in place to ensure that non compliance with the recommendations does not give rise to undue risk or other material concerns relating to the management and oversight of the Company.

**Term of office**

The members of the Board are elected by the shareholders to ensure that the Board has the appropriate mix of expertise and experience.

In accordance with the Corporations Act 2001, if a person is appointed as Director during the year, the Company must confirm appointment by resolution at the Company's next Annual General Meeting.

One-third of the Board retires and make themselves available for re-election at the following Annual General Meeting, with the exception of the Chief Executive Officer. No Director, with the exception of the Chief Executive Officer, is allowed to retain office for more than 3 years without submitting himself or herself for re-election.

When a vacancy exists on the Board, the Board appoints the most suitable candidate from a panel of candidates, who then must stand for election at the next Annual General Meeting if he or she wishes to continue as a member of the Board in the following year.

**Personal interests & conflicts**

Directors must not take advantage of their position as Directors and must not allow their personal interests, or the interests of any associated person to interfere or exert undue influence on their conduct or decisions as a Director.

Directors also have a duty to avoid conflicts of interest between the best interests of the Company and their own personal or commercial interests. Conflicts of interest can be either actual or potential. If a conflict of interest arises, Directors must disclose their interests to the Board immediately. The Directors concerned must not be present at the meeting while the matter is being considered and must not be allowed to vote on the matter either.

**Independent professional advice**

There are procedures in place, agreed by the Board, to enable directors in furtherance of their duties to seek independent professional advice at the Company's expense.

**CORPORATE GOVERNANCE STATEMENT (continued)**

**Board Standing Committees**

Due to the size of the Company and present uncertainties the Board has decided not to formally establish a Nomination Committee.

Although the Board established an Audit and Risk Management Committee, at the date of this report, the Company has not appointed any member to the Committee and as such, the responsibilities and duties of this Committee were taken up by the Board during the year. The small size and the hands on approach of the Board enable it to handle particular issues relevant to verifying and safeguarding the integrity of the Company's financial reporting with the same efficiency as an Audit and Risk Management Committee.

Consequently, the Company does not comply with Best Practice Recommendations. However the Board will keep this position under review.

*Summary*

In summary, the Company does not meet the requirements of Principle 2 of the Corporate Governance Guidelines in that:

- (i) The Board does not comprise a majority of independent Directors;
- (ii) The Chairperson is not an independent Director;

As explained throughout this section, the Board believes that at the present time each of the recommendations is not cost effective for adoption in a small public company such as Welcome Stranger Mining Limited. However the Board will constantly monitor and review the situation.

**Principle 3 and 10: Promote ethical and responsible decision-making and recognise the legitimate interests of stakeholders**

For the reasons outlined above, this principle previously adopted by the Company was not consistently adhered to during the period from March 2009 to December 2014.

**Code of Conduct & Ethics**

The Company had a Code of Conduct, which sets the standards in accordance with which each director, manager and employee of the Company is expected to act. The code is communicated to all levels of the Company and deals with areas such as professional conduct, customers/consumers, suppliers, advisers/regulators, competitors, the community and the employees.

In addition to the Code of Conduct, the Company also had a Directors' Code of Ethics, which sets out particular issues relevant to directors' obligations to the Company.

**Share trading policy**

The constitution permits directors, senior executives and other officers of the Company to trade in Company shares as long as they comply with the Company's Share Trading Policy. The Share Trading Policy is a code that is designed to minimise the potential for insider trading.

Directors must notify the Chairman of the Board, before they buy or sell shares in the Company. If the Chairman of the Board intends to trade in the Company shares, the Chairman of the Board must give prior notice to the Chairman of the Audit & Risk Management Committee. The details of the share trading must be given to the Company Secretary who must lodge details of such changes with the ASX.

Senior executives must give prior notice to the Chief Executive Officer, while other officers must notify the Company Secretary, before trading in the Company shares and details of all such transactions must be given, in writing, to the Company Secretary within 7 business days.

Any changes in substantial shareholding of the Directors, senior executives or other officers must be reported to the ASX within 2 business days of such trading. The policy also recommends that trading in the Company shares only occur in the following trading windows:

- 30 days after the announcement of the Company's half year results; and
- 30 days after the announcement of the Company's full year results.

**Principle 4: Safeguard integrity in financial reporting**

For the reasons outlined above, this principle previously adopted by the Company was not consistently adhered to during the period from March 2009 to February 2015.

It is the Board's responsibility to ensure an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations such as benchmarking of operational key performance indicators.

**CORPORATE GOVERNANCE STATEMENT (continued)**

*Executive Certification*

Historically the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are required to and have provided assurance to the Board stating that the financial statements and reports of the Company:

- Present a true and fair view, in all material respects, of the operating results and financial condition in accordance with the Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001;
- Are founded on a system of risk management and internal compliance and control, and these are operating efficiently and effectively in all material aspects.

However, as stated on page 3, the principles previously adopted by the Company were not adhered to during the period from March 2009 to February 2015 – including the requirement to obtain assurance from the CEO and the CFO that the financial statements present a true and fair view, in accordance with the Australian Accounting Standards and are founded on a system of risk management and internal compliance and control. It is the Board's intention to apply all principles previously adopted on the resumption of quotation on the ASX - including the requirement to obtain assurances from the CEO and the CFO in relation to the financial statements, systems of risk management and internal controls - in stages as the Company grows and its circumstances change over time.

**Audit & Risk Management Committee – audit responsibilities**

The Company currently does not have an Audit Committee. Historically the Board believes a separate Audit Committee in a company of this size with the absence of independent Directors would be of little value. The small size of the Company and the hands on approach of the Board enable it to handle particular issues relevant to verifying and safeguarding the integrity of the Company's financial reporting with the same efficiency as an audit committee.

The Board is committed to following the Best Practice Recommendation 4.3, and will establish an independent Audit & Risk Management Committee once independent Directors are appointed and the Company increases in size.

**Principle 5: Make timely and balanced disclosure**

Historically, the Company's market disclosure policy is to ensure that shareholders and the market are fully informed of the Company's strategy, performance and details of any information or events that could be material to the value of the Company's securities. The Company is committed to ensuring that all information that may have a material impact on the Company's share value is disclosed to the market in a timely and balanced manner.

The Chief Executive Officer and the Company Secretary, in consultation with the Board, are responsible, for the review, authorisation and disclosure of information to the ASX and for overseeing and coordinating information disclosures to the ASX, shareholders, brokers, analysts, the media and the public.

The Company ensures that it also complies with the requirements of the Listing Rules of the Australian Stock Exchange ("ASX") and the Corporations Act in providing information to shareholders through:

- The half-yearly report to the ASX;
- The Annual Report which is distributed to the ASX and to shareholders prior to the Annual General Meeting;
- The Annual General Meeting and other meetings called to obtain approval from shareholders where appropriate;
- Ad-hoc releases to the ASX as required under the ASX Listing Rules.

However, for the period March 2009 to February 2015, the Company did not comply with this principal in a timely manner. Half yearly reports for the periods December 2009, December 2010, December 2011 and December 2013 are anticipated to be reported to the ASX in February 2015. The Annual Reports for the years ending June 2009, June 2010, June 2011, June 2012 and June 2013 are anticipated to be distributed to the ASX in February 2015. The Annual General Meeting to consider the Annual Reports for years June 2009, June 2010, June 2011, June 2012 and June 2013 is anticipated to be held in March 2015.

It is the Board's intention to apply all principles previously adopted in a timely manner on the resumption of quotation on the ASX and achieve all of the Best Practice Recommendations in stages as the Company grows and its circumstances change over time.

**Principle 6: Respect the rights of shareholders**

**Communication to shareholders**

The Company recognises the rights of its shareholders and other interested stakeholders to have easy access to balanced, understandable and timely information concerning the operations of the Group. The Chief Executive Officer and the Company Secretary are primarily responsible for ensuring communications with shareholders are delivered in accordance with this strategy and with our policy of continuous disclosure.

**CORPORATE GOVERNANCE STATEMENT (continued)**

The Company strives to communicate with shareholders and other stakeholders in a regular manner as outlined in Principle 5 of this statement. However as stated on page 4, in the period from March 2009 to December 2014 the Company did not communicate with shareholders and other stakeholders in a timely manner.

The Board encourages participation of shareholders at the Annual General Meeting or any other shareholder meetings to ensure a high level of accountability and identification with the Company's strategy and goals. Shareholders are requested to vote on the appointment and aggregate remuneration of Directors, the granting of options and shares to Directors, issue of shares and changes to the constitution.

**Annual General Meeting**

Historically, the Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals.

The Board has also requested representatives from the Company's external auditor, to be present at the Annual General Meeting to answer questions that shareholders might have about the scope and conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company and the independence of the auditor.

It is the Boards intention to apply all principles previously adopted on the resumption of quotation on the ASX and implement all of the Best Practice Recommendations in stages as the Company grows and its circumstances change.

**Principle 7: Recognise and manage risk**

**Risk management responsibilities**

The Company's risk management framework is designed to identify, assess, monitor and manage material business risks, both financial and non-financial, to minimise their impact on the achievement of organisational goals.

As no member has been appointed to the Audit & Risk Management Committee, the Board is responsible for reviewing and ratifying the system of risk management, internal compliance and control, codes of conduct and legal compliance.

Historically, the Board delegates to the Chief Executive Officer and the Chief Financial Officer the responsibilities for the establishment, implementation and maintenance of the system of risk management including measures of its effectiveness.

In the period March 2009 to December 2014, the Board did not receive a report from management as required under section 295A of the Corporation Act that the Company's risk management framework is effective for the Company's purpose.

As disclosed on page 4, the principles previously adopted by the Company were not always adhered to during the period from March 2009 to December 2014. It is the Boards intention to apply all principles previously adopted on the resumption of quotation on the ASX and achieve all of the Best Practice Recommendations in stages as the Company grows and its circumstances change over time.

**Principle 8: Encourage enhanced performance**

As stated above, principles previously adopted by the Company were not always adhered to during the period from March 2009 to December 2014.

**Performance evaluation**

The Board has responsibility with respect to the following functions:

- develop policies and procedures to identify, assess and enhance the skills, expertise and competencies of the Directors individually and the Board as a whole; and
- develop a process and establish the criteria for evaluating the performance of the Directors and the Board as a whole.

**Monthly financial results**

Historically, the Chief Financial Officer distributes the monthly financial results of the Company to members of the Board before each monthly Board meeting. This ensures the Board is kept up to date with all the necessary information to effectively discharge their duties in its discussions and deliberations. The Board is also free to meet and question individual members of management to clarify issues on any matter pertaining to the Company.

However, as previously stated the principles, previously adopted by the Company were not always adhered to during the period from March 2009 to February 2015– including the provision of monthly reports. It is the Boards intention to apply all principles previously adopted – including distribution of monthly results before each board meeting - on the resumption of quotation on the ASX and implement all of the Best Practice Recommendations in stages as the Company grows and its circumstances change.

**Director induction and training**

New Directors will be provided with an induction program to introduce them to the Company structure, culture and business operations.

**CORPORATE GOVERNANCE STATEMENT (continued)**

Directors are also encouraged to undertake continuous professional development, at the Company's expense, to keep their skills up to date.

**Principle 9: Remunerate fairly and responsibly**

**Remuneration responsibilities**

The Company's remuneration policy is disclosed in the Directors' Report. The policy has been set to ensure that the performance of Directors, key executives and staff reflect each person's accountabilities, duties and their level of performance, and to ensure that remuneration is competitive in attracting, motivating and retaining staff of the highest quality. A program of regular performance appraisals and objective setting for key executives and staff is in place. These annual reviews take into account individual and company performance, market movements and expert advice.

The Board determines any changes to the remuneration of key executives on an annual basis.

The Board determines and reviews compensation arrangements for the Directors and the executive team.

## WELCOME STRANGER MINING LIMITED AND CONTROLLED ENTITIES ANNUAL REPORT 2012

### DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Welcome Stranger Mining Limited and the entities it controlled. The following persons held office as Directors at any time during or since the end of the financial year.

#### Current directors:

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

<b>Tony Crimmins</b>	Director (Non Executive) appointed 7 October 2010
Qualifications:	Mr Crimmins has a Master of Chemical Engineering and a Master of Business Administration degree.
Special Responsibilities	Director
Interest in Shares & Options:	28,333,333 (15.53% of total share capital) and Nil Options
Experience:	Mr Crimmins is an experienced corporate executive, advisor and company director. He has a background in Chemical and Environmental Engineering. He brings a wealth of experience in management consulting has successfully assisted 12 businesses list onto the Australia Stock Exchange.
Directorships held in Other Listed Entities during the last 3 years	Mr Crimmins is a director of ASX listed companies JAT Energy Limited. Mr Crimmins was a director of FTD Corporation Limited now known as Agri-trade Holdings Limited from 31 May 2010 to 18 January 2011 and RKS Consolidated Limited now known as Skyfii Limited from 23 August 2010 to 3 August 2011..

<b>George Sim</b>	Director (Non Executive) - appointed 31 July 2013
Qualifications:	Mr Sim is a Chartered Accountant having qualified in Scotland in 1977.
Special Responsibilities	Director
Interest in Shares & Options:	28,333,333 (15.53% of total share capital) and Nil Options
Experience:	Mr Sim has over 10 years' experience working in Corporate Advisory.  He has been involved in a number of recapitalizations and has been involved in the listing of 12 companies on ASX.
Directorships held in Other Listed Entities during the last 3 years	Mr Sim has no other Directorships of ASX listed companies nor has he previously held Directorships of ASX listed companies.

<b>Adrian Horbach</b>	Director (Non Executive) - appointed 13 September 2013
Qualifications:	Mr Horbach has a diploma in financial planning and a diploma in technical analysis.
Special Responsibilities	Director
Interest in Shares & Options:	6,000,000 (3.2% of total share capital) and Nil Options
Experience:	Mr Horbach has over 20 years' experience working the financial markets having worked for international money broking firms in Australia, Japan, Hong Kong and Singapore. He has significant experience with capital raising, general strategic and corporate advice, having raised funds for over ten ASX listed companies.
Directorships held in Other Listed Entities during the last 3 years	Mr Horbach has no previous directorships of ASX Listed companies.



**WELCOME STRANGER MINING LIMITED AND CONTROLLED ENTITIES ANNUAL REPORT 2012**

**DIRECTORS' REPORT (continued)**

<b>Greg Cornelsen</b>	Director (Non Executive) - appointed 7 October 2010 – resigned 13 September 2013
Qualifications:	Mr Cornelsen has a Bachelor of Economics.
Special Responsibilities	Director
Interest in Shares & Options:	Nil shares and Nil Options
Experience:	Mr Cornelsen has an extensive network within the Australian business community. He has been involved in a number of small businesses and founded two companies which were sold an ASX listed company.
Directorships held in Other Listed Entities during the last 3 years	Mr Cornelsen is currently a director of BluGlass Limited. He was a director of Reco Financial Services Limited now known as Land and Mineral Exploration Limited from 20 June 2007 until 16 September 2011, FTD Corporation Limited now known as Agri-trade Holdings Limited from 31 May 2010 to 18 January 2011 and RKS Consolidated Limited now known as Skyfii Limited from 23 August 2010 to 3 August 2011.

<b>Steve Nicols</b>	Chairman (Non Executive) - appointed 7 October 2010 – resigned 31 July 2013
Qualifications:	Mr Nicols has a Bachelor of Commerce and is a Certified Public Accountant (CPA)
Special Responsibilities	Chairman
Interest in Shares & Options:	28,333,334 (15.53% of total share capital) and Nil Options
Experience:	Mr Nicols is the principal of Nicols and Brien, a specialised accounting practice with offices in Sydney and Wollongong. He provides advice to businesses for the purposes of reconstruction or profit enhancement. He has recapitalised 7 ASX listed companies.
Directorships held in Other Listed Entities during the last 3 years	Mr Nicols previous directorships of ASX Listed companies include FTD Corporation limited now known as Agri-trade Holdings Limited from 31 May 2010 to 18 January 2011, RKS Consolidated Limited now known as Skyfii Limited from 23 August 2010 to 19 July 2011 and GRP Corporation Limited from 4 November 2010 to 7 July 2011.

Company Secretaries

Mr Graeme Hogan is Company Secretary. He was appointed on 13 September 2013.

Ms Eryn Kestel was appointed Company Secretary on 7 October 2010 until her resignation on 13 September 2013.

**DIRECTORS' REPORT (continued)**

**Directors Meetings**

The current directors of the Company are not in possession of the corporate records for the financial year ended 30 June 2012. It is therefore not possible to provide details of the number of Directors meetings held during the year..

**Principal activity**

The principal activity of the Consolidated Entity is to seek business opportunities in the exploration and development of gold and other precious metals tenements as well as seeking other investments that will add shareholder value.

**Consolidated Results**

For the year ended 30 June 2012, the net result of the consolidated entity after applicable income tax for was a loss of \$73,513 (30 June 2011: loss of \$ 490,279).

**Review of operations**

On 21 July 2011 CommSecure (Hong Kong) Limited was liquidated.

In December 2011 the Company sold its Queensland Gold Tenements in exchange for 3 million shares in Capital Gold Pty Ltd plus a royalty of 3%.

**Dividends**

No dividends were declared for the year ended 30 June 2012 (30 June 2011:\$NIL).

**Likely developments**

For the likely developments in the operations of the economic entity refer to the review of operations.

**Significant Changes in the State of Affairs**

The following significant changes in the state of affairs materially impacted on the Company's operations.

On 22 September 2011, the Company issued 4,015,000 fully paid shares at 1 cent per share to enable lenders to convert their loans to shares. The issue price was 1 cent per share (\$ 40,150).

On 30 December 2011 the Company announced the sale of its Queensland Gold Tenements in exchange for 3 million shares in Capital Gold Pty Ltd plus a royalty of 3% and \$ 12,500 in cash. The 3 million shares represent 2.2% of the share capital of Capital Gold Pty Ltd.

**DIRECTORS' REPORT (continued)**

**Events Subsequent to Balance Date**

No matters other than those listed below have arisen since June 30 2010 that have significantly affected or may significantly affect:-

- The Company's operations in future financial years;
- The results of those operations in future financial years; or
- The Company's state of affairs in future financial years.

**Proposed restructure**

On 21 September 2012 Welcome Stranger Mining Limited announced it had entered into two Memoranda of Agreement (MOAs):

- MOA1 - between Welcome Stranger Mining Limited, NiHAO Mineral Resources International Inc (NiHAO) and Capital Gold Pty Limited (Capital Gold); and
- MOA2 - between Welcome Stranger Mining Limited, Dizon Copper-Silver Mines Inc (Dizon) and Capital Gold.

**a) MOA 1 - agreement with NiHAO and Capital Gold**

The first MOA (with NiHAO and Capital Gold) is for the acquisition of 40% of the issued share capital of Masbate 13 Philippines Inc, (Masbate 13), a subsidiary of NiHAO. Masbate 13 is the registered holder of the exploration licence in respect of the gold, copper prospect of the Mandaon tenement in the Philippines.

Subject to the satisfaction of certain conditions, the Company shall acquire 40% of the share capital of Masbate 13 in exchange for issuing 50 million shares to NiHAO at an indicative listing market value of \$0.20 per share.

The Company will also pay NiHAO cash consideration of US\$250,000.

The Company will also have the option to buy an additional 40% of share capital of Masbate 13 upon terms and conditions acceptable to NiHAO.

**b) MOA 2 - agreement with Dizon and Capital Gold**

The Second MOA (with Dizon and Capital Gold) is for the acquisition of the exclusive mining, processing and operational rights to the Dizon Zambales copper silver gold tailings dam mine in the Philippines.

A new company (**Tailings Newco**) will be incorporated under the laws of the Philippines for the purposes of acquiring the Tailings Rights and it will have the following structure:

- 50% of the share capital of **Tailings Newco** held by Dizon – consideration paid shall be deemed the value of the Tailings Rights;
- 50% of the share capital of **Tailings Newco** held by Capital Gold – consideration paid shall be deemed:
  - i. the payment of all fines and penalties incurred by Dizon and
  - ii. the payment of operating expenses of **Tailings Newco** – sufficient to fully fund the start up operations carried on by **Tailings Newco**.

As part of the transaction, Capital Gold will also pay US \$ 1.5 million to Dizon as reimbursement for the upkeep and maintenance the Tailings Dam mine site to date.

The above parties shall then sell their shares in **Tailings Newco** to Welcome Stanger Mining Limited in exchange for:

- Dizon receiving 90 million shares in Welcome Stanger Mining Limited at an indicative market price of A\$0.20; and
- Capital Gold receiving 80 million shares in Welcome Stanger Mining Limited at an indicative market price of A\$0.20.

**c) Conditions Precedent**

The transactions contemplated under the two MOAs are subject to a number conditions precedent including:

- (a) The parties entering into formal agreements in relation to the subscription of shares;
- (b) Completion of legal and technical due diligence by Dizon and NiHAO on Welcome Stranger Mining Limited and Capital Gold;
- (c) Dizon and NiHAO being satisfied that Capital Gold and Welcome Stranger Mining Limited have the financial, legal, operational, and technical capabilities to undertake the transactions;
- (d) The granting of an environmental licence over the Tailings Rights to Dizon or to **Tailings Newco**, to clean up, operate, and rehabilitate the Tailings Dam mine site;

**DIRECTORS' REPORT (continued)**

**Events Subsequent to Balance Date (continued)**

- (e) Capital Gold receiving a satisfactory legal opinion as to the validity and enforceability of the agreements under applicable Philippines laws;
- (f) Welcome Stranger Mining Limited shareholders approving the transactions;
- (g) Welcome Stranger Mining Limited obtaining all other regulatory approvals in accordance with the Corporations Act 2001 (Australia), the ASX Listing Rules and the Company's constitution;
- (h) ASX providing a list of conditions (including re-comply with Chapters 1 and 2 of the ASX listing rules) that once satisfied, will result in ASX lifting the suspension on the Company's shares trading on ASX; and
- (i) Capital Gold able to raise (via its entry into Welcome Stranger Mining Limited) the necessary financial requirements under the relevant MOAs.

**h) Consolidation of Company's capital and subsequent capital raisings**

Subject to shareholder approval, the existing issued share capital of Welcome Stranger Mining Limited will be consolidated on a 20 to one basis (Consolidation).

Also, subject to shareholder, ASX and ASIC approval, Welcome Stranger Mining Limited plans to raise \$5 million through the issue of 25 million shares (post Consolidation) at an issue price of \$0.20 per Share (Capital Raising).

Upon completion of the Consolidation, the Capital Raising and the two MOAs (but still subject to final valuation of the assets and properties to be infused into Welcome Stranger Mining Limited), the parties will have the following shareholdings:

1. Original shareholders	9,120,452	(3.59%)
2. Capital Gold	80,000,000	(31.48%)
3. Dizon	90,000,000	(35.42%)
4. NiHAO	50,000,000	(19.68%)
5. New shareholders (after capital raising)	25,000,000	(9.84%)
Total	254,120,452	(100%)

On 1 October 2013, the Company announced the remaining legal agreements to give effect to the above transaction have been received and will be executed shortly.

On the 26 May 2014 at a general meeting of shareholder, the following resolutions were approved

- That every 20 shares in the company be consolidated to one Share
- Approval was given to make a significant change in the nature of its activities from a secure payments company to a mineral resources development company.
- The Company approved and authorized the Directors to allot and issue to the Capital Gold vendors, in accordance with the Capital Gold SPA, a total of 80,000,000 shares (on a post-consolidation-basis) to the Capital Gold Vendors,
- The Company approved and authorized the Directors to allot and issue to Dizon in accordance with the Dizon-SPA a total of 90,000,000 shares (on a post consolidation basis) to Dizon
- The Company approved and authorized the Directors to allot and issue to Oregalore or its nominee in accordance with the Masbate 13 SPA, a total of 50,000,000 shares (on a post consolidation basis).
- The Company approved and authorized the Directors to issue and allot up to 25,000,000 shares (on a post consolidation basis). At an issue price of \$0.20 each to be issued and allotted pursuant to a prospectus.
- Antonio Victoriano Gregorio III was elected as a Director on and from the completion of the above acquisitions
- Helen Tiu was elected as a Director on and from the completion of the above acquisitions.

On 13 November 2014 the Company entered into a \$57,990 convertible loan with an unrelated party. The loan may only be converted with shareholders in general meeting voting to approve conversion of the loan into shares at an issue price of A\$0.005 cents per share.

On 18 November 2014, the Company entered into a \$83,475 convertible loan with an unrelated party. The loan may only be converted with shareholder in general meeting voting to approve the conversion of the loan into shares at an issue price of A\$0.005 cents per share.

On 30 January 2015, the Company entered into a \$20,000 convertible loan with an unrelated party. The loan may only be converted with shareholders in general meeting voting to approve the conversion of the loan into shares at an issue price of A\$0.005 cents per share.

## DIRECTORS' REPORT (continued)

### Insurance of Directors and officers

The Company no longer holds an insurance policy to insure the Directors and officers of the Company and its controlled entities against all liabilities to other persons that may arise from their position.

### Options

There were no options outstanding at the date of this report.

There were no options granted which expired during or since the end of the financial year.

### Remuneration Report

This Report details the nature and amount of remuneration for each director of Welcome Stranger Mining Limited and for the executive receiving the highest remuneration. All the Directors as at 30 June 2008 have been removed by the shareholders and new Directors and a new Board were elected in October 2010.

#### Non executive Directors

No remuneration has been paid to the non-executive directors.

#### Executive Directors and executives

The Company did not employ any Executive directors or executives during the financial year.

### B. Share options

The Company had established a Directors, Executives and staff share option plan under which share options can be issued in lieu of payment for services or as rewards for performance.

During the year, no share options have been issued to any directors, executives or staff.

### C. Key Management Remuneration

#### Current Directors

The following currently hold office as Director of the Company.

Tony Crimmins                      Director (Non Executive) – appointed 7 October 2010;

George Sim                         Director (Non Executive) – appointed 31 July 2013;

Adrian Horbach                    Director (Non Executive) – appointed 13 September 2013.

The current Directors and key management personnel detailed above have not receive any remuneration in respect of their duties in relation to Welcome Stranger Mining Limited.

#### Previous Directors

The following persons held office as Director for some time during the financial year:

Greg Cornelsen                    Director (Non Executive) – appointed 7 October 2010 – resigned 13 September 2013;

Steve Nicols                        Director (Non Executive) – appointed 7 October 2010 – resigned 31 July 2013;

In relation to the Directors, there was no remuneration paid to each key management personnel of Welcome Stranger Mining Limited during the financial year.

### Environmental regulations

The Consolidated Entity's operations are not subject to environmental regulations under either Commonwealth or State legislation.

### Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the year.

### Non-Audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

WELCOME STRANGER MINING LIMITED AND CONTROLLED ENTITIES ANNUAL REPORT 2012

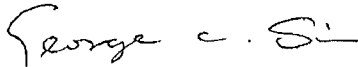
**DIRECTORS' REPORT (continued)**

- All non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditors; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110:Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

**Auditor's Independence Declaration**

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 14 of this Annual Report.

Signed this 19th day of February 2015 in accordance with a resolution of the Directors.



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Mr George Sim (Director)



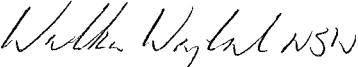
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Mr Tony Crimmins (Director)

AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF WELCOME STRANGER MINING LIMITED AND CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2012 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

  
Walker Wayland NSW  
Chartered Accountants

  
Grant Allsopp  
Partner

Dated this 19<sup>th</sup> day of February 2015, Sydney

**WELCOME STRANGER MINING LIMITED AND CONTROLLED ENTITIES ANNUAL REPORT 2012**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012**

		<b>Consolidated Group</b>	
		<b>2012</b>	<b>2011</b>
	Note	\$	\$
Revenue		-	231
ASX Registry Fees		(26,643)	(25,418)
Bank Charges		(168)	(304)
Foreign Exchange Loss		-	(62,748)
Diminution in value of fixed assets		-	(381,000)
Professional Fees		(36,364)	(21,040)
Other expenses		(10,338)	-
Loss before income tax		<u>(73,513)</u>	<u>(490,279)</u>
Income tax expense	4	-	-
Loss for the year		<u>(73,513)</u>	<u>(490,279)</u>
<b>Other Comprehensive Income</b>			
Foreign Exchange on translation on foreign subsidiaries		-	62,748
<b>Total Comprehensive Income</b>		<u>(73,513)</u>	<u>(427,531)</u>
Loss attributable to members of the parent entity		<u>(73,513)</u>	<u>(490,279)</u>
Total comprehensive income attributable to members of the parent entity		<u>(73,513)</u>	<u>(427,531)</u>
Basic earnings per share from operations		(0.0)	(0.4)
Diluted earnings per share from operations		(0.0)	(0.4)

The above statement of comprehensive income is to be read in conjunction with the notes to the financial statements.



**WELCOME STRANGER MINING LIMITED AND CONTROLLED ENTITIES ANNUAL REPORT 2012**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012**

		<b>Consolidated Group</b>	
		<b>2012</b>	<b>2011</b>
	Note	\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		139	13,766
Trade and other receivables	5	3,319	-
Income tax receivable		-	-
Other current assets		-	-
<b>TOTAL CURRENT ASSETS</b>		<u>3,458</u>	<u>13,766</u>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	6	-	-
<b>TOTAL NON-CURRENT ASSETS</b>		<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>		<u>3,458</u>	<u>13,766</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	7	1,069	18,014
Interest bearing liabilities	8	-	10,000
Unearned revenue	9	50,000	-
<b>TOTAL CURRENT LIABILITIES</b>		<u>51,069</u>	<u>28,014</u>
<b>TOTAL LIABILITIES</b>		<u>51,069</u>	<u>28,014</u>
<b>NET ASSETS</b>		<u>(47,611)</u>	<u>(14,248)</u>
<b>EQUITY</b>			
Contributed equity	10	24,631,777	24,591,627
Accumulated losses		<u>(24,679,388)</u>	<u>(24,605,875)</u>
<b>TOTAL EQUITY</b>		<u>(47,611)</u>	<u>(14,248)</u>

The above statement of financial position is to be read in conjunction with the notes to the financial statements.

**WELCOME STRANGER MINING LIMITED AND CONTROLLED ENTITIES ANNUAL REPORT 2012**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012**

	<b>CONTRIBUTED EQUITY</b>	<b>ACCUMULATED LOSSES</b>	<b>OTHER RESERVES</b>	<b>TOTAL</b>
<b>Consolidated Group</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 July 2010</b>	24,771,547	(24,115,596)	(62,748)	593,203
Capital Contributions	412,000	-	-	412,000
Capital Distributions	(591,920)	-	-	(591,920)
Currency translation differences	-	-	62,748	62,238
Profit for the period	-	(490,279)	-	(490,279)
Total comprehensive income for the year	-	(490,279)	62,748	(427,531)
<b>Balance at 30 June 2011</b>	<b>24,591,627</b>	<b>(24,605,875)</b>	<b>-</b>	<b>(14,248)</b>
<b>Balance at 1 July 2011</b>	<b>24,591,627</b>	<b>(24,605,875)</b>	<b>-</b>	<b>(14,248)</b>
Capital Contributions	40,150	-	-	40,150
Profit for the period	-	(73,513)	-	(73,513)
Total comprehensive income for the year	-	(73,513)	-	(73,513)
<b>Balance at 30 June 2012</b>	<b>24,631,777</b>	<b>(24,679,388)</b>	<b>-</b>	<b>(47,611)</b>

The above statement of changes in equity is to be read in conjunction with the notes to the financial statements.

**WELCOME STRANGER MINING LIMITED AND CONTROLLED ENTITIES ANNUAL REPORT 2012**

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012**

		<b>Consolidated Group</b>	
		<b>2012</b>	<b>2011</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (inclusive of GST)		-	231
Mining royalties received (inclusive of GST)		-	124,768
Payments to suppliers and employees (inclusive of GST)		<u>(93,777)</u>	<u>(43,366)</u>
Net cash provided by (used in) operating activities	14	<u>(93,777)</u>	<u>81,633</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for mining investments		-	(175,000)
Deposit for sale of mining tenements		<u>50,000</u>	-
Net cash provided by investing activities		<u>50,000</u>	<u>(175,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Commercial loan funds received		-	10,000
Commercial loan funds paid		(10,000)	-
Proceeds from issue of securities		40,150	206,000
Capital Distribution to security holders		-	<u>(591,920)</u>
Net cash provided by (used in) financing activities		<u>30,150</u>	<u>(375,920)</u>
<b>CASH</b>			
Net increase in cash held		(13,627)	(469,287)
Cash at beginning of financial year		<u>13,766</u>	<u>483,053</u>
Cash at end of financial year	14	<u>139</u>	<u>13,766</u>

The above statement of cash flows is to be read in conjunction with the notes to the financial statements

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2012**

This financial report includes the consolidated financial statements and notes of Welcome Stranger Mining Limited and controlled entities ('Consolidated Group' or 'Group'). The separate financial statements of the parent entity, Welcome Stranger Mining Limited have not been presented within this financial report as permitted by the Corporations Act 2001. The financial statements are authorised for issue on xx January 2015 by the Directors of the Company.

**1. Statement of Significant Accounting Policies**

**Basis of Preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions.

The financial statements also comply with International Financial Reporting Standards.

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

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**a) Going concern**

The financial statements have been prepared on a going-concern basis notwithstanding that the Consolidated Entity incurred an operating loss after income tax of \$73,513 as at 30 June 2012 (30 June 2011: loss of \$490,279).

The Consolidated Entity is currently in the final process of recapitalising its operations. Accordingly, the Director's are of the opinion that the Company will be able to meet its current trade and other payables, as well as repay its debts as and when they fall due. Therefore, the Directors are of the opinion that the financial statements be prepared on a going-concern basis.

The stated purpose of the Company on exit from liquidation is to recapitalise and to seek opportunities to enable the reinstatement of its securities to official quotation on the ASX. The Company intends to expand its royalties and tenement as well as seeking other business opportunities within the gold mining sector and other investments that will add shareholder value.

In the event that Welcome Stranger Mining Limited is unable to realise its object of obtaining profitable opportunities or complete any further capital raisings it will be required to realise its assets and extinguish its liabilities in a manner other than in the normal course of business such as voluntarily administration. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts or classification of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

**b) Principles of Consolidation**

A Controlled Entity is any entity over which Welcome Stanger Mining Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities.

A list of Controlled Entities is contained in Note 24 to the financial statements.

The assets and liabilities of all Controlled Entities have been incorporated into the consolidated financial statements as well as their results for the year.

All inter-Group balances and transactions between entities in the Consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the Parent Entity.

**c) Income Tax**

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

Current income tax expense (credit) charged to 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 measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**Note 1: Statement of Significant Accounting Policies (Continued)**

**c. Income Tax (continued)**

Deferred income tax expense 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 (credit) are charged or credited directly to equity instead of 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 expensed but future tax deductions are available. No deferred income tax is 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 period 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.

Where temporary differences exist in relation to investments in subsidiaries, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**d) Significant accounting judgment, estimates and assumptions**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

*Cash flow interest rate risk*

The Group's exposure to the risk of changes in market interest rates relates primarily to the cash and discounting of future mining receivables.

*Foreign currency risk*

Until 17 November 2007, when the Group's contract to supply market information services to HSBC in Hong Kong ended, the Group had transactional currency exposure. In the 2007 approximately 42% of the Groups sales were denominated in Hong Kong dollars whilst approximately 2% of its costs are denominated in this currency. No material currency risk remains.

*Credit risk*

The Group trades only with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis, with the result that the Group's exposure to bad debts is not significant.

*Liquidity risk*

The Groups objective is to maintain a balance between continuity of funding and flexibility through the use of finance leases wherever possible.

**e) Segment reporting**

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**Note 1 Statement of Significant Accounting Policies (Continued)**

**e) Segment reporting (continued)**

environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

**f) Foreign currency translation**

*(i) Functional and presentation currency*

Both the functional and presentation currency of Welcome Stranger Mining Limited and its Australian subsidiaries are Australian dollars (\$). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

*(ii) Transaction and balances*

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

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

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

**g) Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand. For the purposes of the Cash Flow Statement, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if any.

**h) Trade and other receivables**

Trade receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts. Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the group will not be able to collect the debt.

**Investments and other financial assets**

Financial assets are recognised at fair value, plus directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and when allowed and appropriate, re-evaluates this designation at each financial year-end.

**i) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subject to impairment testing at least annually.

**Parent investment subsidiaries**

Investments in subsidiaries are carried at cost in the Balance Sheet of the parent entity.

**j) Plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Information technology equipment – over 3 to 4 years Furniture & Fittings – over 5 to 6 years

Leasehold improvements – over 5 to 6 years

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**Note 1 Statement of Significant Accounting Policies (Continued)**

**k) Leases**

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

*(i) Finance leases*

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

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

*(ii) Operating leases*

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

**l) Impairment of non-financial assets**

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed.

**m) Trade and other payables**

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

**n) Interest bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

*Borrowing costs*

Borrowing costs are recognised as an expense when incurred.

*Provisions and employee benefits*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**Note 1 Statement of Significant Accounting Policies (Continued)**

**n) Interest bearing loans and borrowings(Continued)**

using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

*Employee leave benefits*

(i) Wages, salaries and annual leave

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

(ii) Long service leave

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

*Superannuation plans*

The company and a controlled entity contribute to several complying superannuation plans. Contributions owing are recognised against income when payable.

**o) Contributed equity**

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

**p) Revenue recognition**

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

*(i) Sales of services*

Sales revenue is recognised where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured. For accrued consulting and project implementation revenues, stage of completion is measured by reference to the labour incurred to date as a percentage of total estimated labour for each contract. When the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred. Sales revenues received in advance of services supplied are recognised over the period underlying the revenue, which is typically twelve months. Revenue that is receivable or has been received but has not been recognised at balance date is disclosed as unearned income in current liabilities.

*(ii) Interest income*

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.

**q) Income tax and other taxes**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Note 1 Statement of Significant Accounting Policies (Continued)

q) Income tax and other taxes (Continued)

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss: or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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

*Tax consolidation legislation*

Legislation to allow consolidated entities, comprising a parent entity and its Australian resident wholly owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2003. This legislation, which includes mandatory and elective elements, is applicable to the Company. At this time the Company does not intend to consolidate for tax purposes but will consider it in the future should the need arise.

*Research and development tax offsets*

The Group has received reimbursements of tax offsets for eligible Research and Development expenditure in the years following the years in which the expenditure was incurred. The Group's policy has been to bring these tax offsets to account as income tax benefits in the years in which the tax offset payments become certain.

*Other taxes*

Revenues, expenses and assets are recognised net of the amount of GST except:

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Note 1 Statement of Significant Accounting Policies (Continued)

q) Income tax and other taxes (Continued)

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

r) Government Grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

s) Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members divided by the weighted average number of ordinary shares. Diluted EPS is calculated as net profit attributable to members, adjusted for non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

t) Comparatives

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current year.

u) Critical Accounting Estimates and Judgments

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

Key Estimates — Impairment

At each reporting date, the group reviews the carrying value of tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amounts of the asset, being the higher of the asset's fair value costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

v) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

— reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:

- a. the objective of the entity's business model for managing the financial assets; and
- b. the characteristics of the contractual cash flows.

- AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1,3,4,5,7,101,112,118,120,121,127,128,131,132,136,137, 139, 1023 & 1038 and Interpretations 2,5,10,12,19 & 127] (applies to periods beginning on or after 1 January 2013).

This standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9

- AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012)

- This standard makes amendment to AASB 112: Income Taxes

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Note 1 Statement of Significant Accounting Policies (Continued)

v) New Accounting Standards for Application in Future Periods (Continued)

- Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

- AASB 2010-10: Further amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7] (applies to periods beginning on or after 1 January 2013).
- This standard makes amendments to AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect the AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transaction date.

- AASB 9: Financial Instrument (December 2010) and AASB 2010-7: Amendments to Australian & Accounting Standards arising from AASB 9 (December 2010) [AASB 1,3,4,5,6,101,102,108,112,120,121,127, 128,131,137,139,1023, &1028 and Interpretations 2,5,10,12,19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013)

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

- The key changes made to accounting requirements include:
  - i. Simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - ii. Simplifying the requirements for embedded derivatives;
- Removing the tainting rules associated with held-to-maturity assets;
- Removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised costs
- Allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognized in profit or loss and there is no impairment or recycling on disposal of the instrument;
- Requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- Requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the equity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Group has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1,2,3,5,4,7,9,2009-11,101, 107,112,118,121, 124,132,138,139, 1023& 1038 and Interpretations 5,9,16 &17] (applicable for annual reporting periods commencing on or after 1 January 2013)
- AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purposes Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of this Standard on its financial statements.
- AASB 11 replaces AASB 131-Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have a joint control of the arrangement have rights to assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Note 1 Statement of Significant Accounting Policies (Continued)

v) New Accounting Standards for Application in Future Periods (Continued)

- AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a “structured entity”, replacing the “special purpose entity” concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group.

To facilitate the application of AASB’s 10,11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Group.

- AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurement.
- AASB 13 requires: Inputs to all fair value measurements to be categorized in accordance with a fair value hierarchy; and Enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) to be measured at fair value

These Standards are not expected to significantly impact the Group

- AASB 2011-9: Amendments to Australian Accounting Standards- Presentation of Items of Other Comprehensive Income [AASB 1,5,7,101, 112, 120, 121, 132,134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).
- The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.
- This Standard affects presentation only and is therefore not expected to significantly impact of the Group.
- AASB 119: Employee Benefits (September 2011) and AASB 2011-10; Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013).
- These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Group does not have any defined benefit plans and so is not impacted by the amendment.
- AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognize an obligation for such benefits at the earlier of;
  - i. For an offer that may be withdrawn – when the employee accepts;
  - ii. For an offer that cannot be withdrawn – when the offer is communicated to affected employees; and
  - iii. Where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier that the first two conditions – when the related restructuring costs are recognized.

The Group has not yet been able to reasonably estimate the impact of these changes to AASB 119.

- AASB 2011-4 Amendments to Australian Standards to Remove Individual Key Management Personnel Disclosure Requirements (applicable for annual reporting periods beginning on or after 1 July 2013)
- This Standard makes amendments to AASB 124: Related Party Disclosures to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3).

This Standard is not expected to significantly impact the Group’s financial report as a whole because it is anticipated that such disclosure will be contained in the director’s report.
- AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014)
- This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group’s financial statements.
- AASB 2013-4: Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (Applicable for annual reporting periods commencing on or after 1 January 2014).
- AASB 2013-4 makes amendments to AASB 139: Financial Instruments Recognition and Measurement to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from counterparty to a central counterparty as a consequence of laws or regulations. This standard is not expected to significantly impact the Group’s financial statement.
- AASB 2013-5: Amendments to Australian Accounting Standards – Investment Entities (applicable for annual reporting periods commencing on or after 1 January 2014).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Note 1 Statement of Significant Accounting Policies (Continued)

v) New Accounting Standards for Application in Future Periods (Continued)

- AASB 2013-5 amends AASB 10: Consolidated Financial Statements to define an 'Investment entity and requires with limited exceptions, that is the subsidiaries of such entities be accounted for a fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

- AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

The standard will be applicable retrospectively (subject to comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the Group on initial application included certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognize gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

- Interpretation 21: Levies (applicable for annual reporting periods commencing on or after 1 January 2014).

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognized, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact to Group's financial statements.

- AASB 2013-3: Amendments to AASB 136-Recoverable Amount Disclosure for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).

This standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

- AASB 2013-4: Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (applicable for annual reporting periods commencing on or after 1 January 2014)

- AASB 2013-4 makes amendments to AASB 139: Financial instruments: Recognition and Measurement to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This standard is not expected to significantly impact the Group's financial statements.

- AASB 2013-5: Amendments to Australian Accounting Standards – Investment Entities (applicable for annual reporting periods commencing on or after 1 January 2014)

- AASB 2013-5 amends AASB 10: Consolidated Financial Statements to define an 'investment entity' and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

- IFRS 15: Revenue from Contracts with Customers

- replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue-related Interpretations
- establishes a new control-based revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1: Statement of Significant Accounting Policies (continued)

v) New Accounting Standards for Application in Future Periods (continued)

- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

The Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian Standard (AASB 15 Revenue from Contracts with Customers), along with a new Exposure Draft (ED) on income from transactions of Not-for-Profit (NFP) entities by September 2014. The standard is effective for annual reporting periods beginning on or after 1 January 2017. The entity has not yet assessed the full impact of this Standard.

	Consolidated Group	
	2012	2011
<b>NOTE 2: REVENUE</b>	\$	\$
Revenue from interest received	-	232
<b>Total Revenue from continuing operations</b>	-	232

**NOTE 3: DIVIDENDS**

No dividend (2011: \$NIL) was declared in respect of the year ending 30 June 2012.

**NOTE 4: INCOME TAX**

	Consolidated Group	
	2012	2011
	\$	\$

**(a) Income tax expense**

The major components of income tax expense are:

**Income Statement**

*Current income tax*

Current Income tax expense	-	-
Income tax benefit reported in the income statement	-	-

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Total accounting profit before income tax	(73,513)	(490,289)
At the groups statutory income tax rate of 30% (2008: 30%)	(22,054)	(147,083)
Prior period losses brought to account	22,054	147,083
Income tax (benefit) expense attributable to ordinary activities	-	-

**(d) Tax losses**

Gross unused losses for which no deferred tax asset has been recognised

	10,925,632	10,903,578
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The Potential future income tax benefit will only be obtained if:

- Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- The relevant Company and/or the Group continues to comply with the conditions for deductibility imposed by the law; and
- No changes in tax legislation adversely affect the relevant Company and/or the Group in realising the benefit.

**WELCOME STRANGER MINING LIMITED AND CONTROLLED ENTITIES ANNUAL REPORT 2012**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 4: INCOME TAX (Continued)**

Welcome Stranger Mining Limited and its wholly-owned Australian entities (The Tax Group) do not intend to form a tax consolidated group at this point in time. The Tax Group will consider consolidation for tax purposes in the future should the need arise.

**NOTE 5: TRADE AND OTHER RECEIVABLES**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	\$	\$
CURRENT	-	-
Security deposits	-	-
Other debtors	3,319	-
	<u>3,319</u>	<u>-</u>

**NOTE 6: OTHER FINANCIAL ASSETS**

Investment in Capital Gold Pty Ltd	175,000	175,000
Investment in controlled entities - Impairment	<u>(175,000)</u>	<u>(175,000)</u>
	<u>-</u>	<u>-</u>

**Consolidated Group**

	<b>2012</b>	<b>2011</b>
	\$	\$

**NOTE 7: TRADE AND OTHER PAYABLES**

Current		
Other creditors and accruals	1,069	18,014
	<u>1,069</u>	<u>18,014</u>

**NOTE 8: INTEREST BEARING LIABILITY**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	\$	\$
Current	-	10,000
	<u>-</u>	<u>10,000</u>

**NOTE 9: UNEARNED REVENUE**

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	\$	\$
Unearned revenue	50,000	-
	<u>50,000</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 10: CONTRIBUTED EQUITY

	Note	Consolidated Group	
		2012 No.	2011 No.
<b>a. No. of shares capital issued</b>			
No. of issued ordinary shares at beginning of period		178,394,044	104,469,789
Shares consolidated during the year	(i)	-	(83,575,745)
Shares issued during the year	(iii)	-	85,000,000
Shares issued during the year	(iv)	-	17,500,000
Shares issued during the year	(v)	-	35,000,000
Shares issued during the year	(vii)	-	20,000,000
Shares issued during the year	(viii)	4,015,000	-
No. of issued and paid up shares at reporting date		182,409,044	178,394,044

**b. Value of share capital issued**

		\$	\$
Value of ordinary shares at beginning of reporting period		24,591,627	24,711,547
Capital Distributions during the year	(ii)	-	(559,958)
Shares issued during the year	(iii)	-	25,500
Shares issued during the year	(iv)	-	5,500
Shares issued during the year	(v)	-	175,000
Capital Distributions during the year	(vi)	-	(31,962)
Shares issued during the year	(vii)	-	206,000
Shares issued during the year	(viii)	40,150	-
		24,631,777	24,591,627

- (i) On 6 October 2010, the Company consolidated the existing share capital on a 5 for 1 basis. The shareholders approved the consolidation in an extraordinary general meeting on 6 October 2010;
- (ii) On 7 October 2010, the Company reduced its capital by way of a distribution equal to 1/2 cent per share. The total amount returned to shareholders was \$ 559,958.
- (iii) On 10 November 2010, the Company issued 85 million shares to the Investment group at \$ 0.0003 to raise \$ 25,500. The shareholders approved the consolidation in an extraordinary general meeting on 6 October 2010;
- (iv) On 10 November 2010, the Company issued 17.5 million shares to unrelated sophisticated investors at \$ 0.0003 to raise \$5,500. The shareholders approved the consolidation in an extraordinary general meeting on 6 October 2010;
- (v) On 10 November 2010, the Company issued 35 million shares to unrelated sophisticated investors at \$ 0.005 to raise \$ 175,000 The shareholders approved the consolidation in an extraordinary general meeting on 6 October 2010;
- (vi) On 29 October 2010, the Company returned \$ 31,962 to shareholders.
- (vii) On 13 December 2010, the Company issued 20 million fully paid ordinary shares to Queensland Ores Holdings Ltd in exchange for gold and copper exploration tenements in Queensland ;
- (viii) On 29 November 2011, the Company issued 4,015,000 fully paid shares to enable lenders to convert their loans to shares. The issue price for the shares was 1 cent per share (\$ 40,150).

**c. Capital Management**

The Directors control the capital of the Group to ensure funding is available for future projects.

The Directors effectively manage the Group's Capital by assessing the Groups financial risks and adjusting its Capital Structure in response for changes in these risks and the market.

As at 30 June 2012 the Groups Capital is Ordinary Share Capital. At 30 June 2011 the Group's Capital consisted of ordinary share Capital and loans from associated entity.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**NOTE 11: CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There are no contingent liabilities accounted for as at 30 June 2012 and there has been no change in contingent liabilities since the last annual reporting date.

**NOTE 12: SEGMENT REPORTING**

Primary Reporting — Business Segments

During the year the Company was predominately dormant. The Company was placed in voluntary administration in June 2009 and all the key management and employees left the Company in the first half of the year. The Company operates in only on one segment being as a holding and administration company located in Australia.

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
<b>NOTE 13: CASH FLOW INFORMATION</b>	<b>\$</b>	<b>\$</b>
<b>a. Cash at bank</b>	159	13,766
<b>b. Reconciliation of Cash Flow from Operations with Profit after Income Tax</b>		
Profit after income tax	(73,513)	(490,279)
Foreign exchange loss	-	62,748
Diminution in value of fixed assets	-	380,000
Changes in operating assets and liabilities:		
(Increase) / decrease in current receivables	(3,319)	124,768
Increase / (decrease) in payables	(16,945)	4,396
Cashflow from operations	<u>(93,777)</u>	<u>81,633</u>

**NOTE 14: EVENTS AFTER THE BALANCE SHEET DATE**

No matters other than those listed below have arisen since June 30 2010 that have significantly affected or may significantly affect:-

- The Company's operations in future financial years;
- The results of those operations in future financial years; or
- The Company's state of affairs in future financial years.

**Proposed restructure**

On 21 September 2012, Welcome Stranger Mining Limited announced it had entered into two Memoranda of Agreement (MOAs):

- 1) MOA1 - between Welcome Stranger Mining Limited, NiHAO Mineral Resources International Inc (NiHAO) and Capital Gold Pty Limited (Capital Gold); and
- 2) MOA2 - between Welcome Stranger Mining Limited, Dizon Copper-Silver Mines Inc (Dizon) and Capital Gold.

**1. MOA 1 - agreement with NiHAO and Capital Gold**

The first MOA (with NiHAO and Capital Gold) is for the acquisition of 40% of the issued share capital of Masbate 13 Philippines Inc, (Masbate 13), a subsidiary of NiHAO. Masbate 13 is the registered holder of the exploration licence in respect of the gold, copper prospect of the Mandaon tenement in the Philippines.

Subject to the satisfaction of certain conditions, the Company shall acquire 40% of the share capital of Masbate 13 in exchange for issuing 50 million shares to NiHAO at an indicative listing market value of \$0.20 per share.

The Company will also pay NiHAO cash consideration of US\$250,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTE 14: EVENTS AFTER THE BALANCE SHEET DATE (continued)**

The Company will also have the option to buy an additional 40% of share capital of Masbate 13 upon terms and conditions acceptable to NiHAO.

**2. MOA 2 - agreement with Dizon and Capital Gold**

The Second MOA (with Dizon and Capital Gold) is for the acquisition of the exclusive mining, processing and operational rights to the Dizon Zambales copper silver gold tailings dam mine in the Philippines.

A new company (*Tailings Newco*) will be incorporated under the laws of the Philippines for the purposes of acquiring the Tailings Rights and it will have the following structure:

- I. 50% of the share capital of *Tailings Newco* held by Dizon – consideration paid shall be deemed the value of the Tailing Rights;
- II. 50% of the share capital of *Tailings Newco* held by Capital Gold – consideration paid shall be deemed:
  - iii. the payment of all fines and penalties incurred by Dizon and
  - iv. the payment of operating expenses of *Tailings Newco* – sufficient to fully fund the start up operations carried on by *Tailings Newco*.

As part of the transaction, Capital Gold will also pay US \$ 1.5 million to Dizon as reimbursement for the upkeep and maintenance the Tailings Dam mine site to date.

The above parties shall then sell their shares in *Tailings Newco* to Welcome Stanger Mining Limited in exchange for:

- I. Dizon receiving 90 million shares in Welcome Stanger Mining Limited at an indicative market price of A\$0.20; and
- II. Capital Gold receiving 80 million shares in Welcome Stanger Mining Limited at an indicative market price of A\$0.20.

**3. Conditions Precedent**

The transactions contemplated under the two MOAs are subject to a number conditions precedent including:

- (a) The parties entering into formal agreements in relation to the subscription of shares;
- (b) Completion of legal and technical due diligence by Dizon and NiHAO on Welcome Stranger Mining Limited and Capital Gold;
- (c) Dizon and NiHAO being satisfied that Capital Gold and Welcome Stranger Mining Limited have the financial, legal, operational, and technical capabilities to undertake the transactions;
- (d) The granting of an environmental licence over the Tailing Rights to Dizon or to *Tailings Newco*, to clean up, operate, and rehabilitate the Tailings Dam mine site;
- (e) Capital Gold receiving a satisfactory legal opinion as to the validity and enforceability of the agreements under applicable Philippines laws;
- (f) Welcome Stranger Mining Limited shareholders approving the transactions;
- (g) Welcome Stranger Mining Limited obtaining all other regulatory approvals in accordance with the Corporations Act 2001 (Australia), the ASX Listing Rules and the Company's constitution;
- (h) ASX providing a list of conditions (including re-comply with Chapters 1 and 2 of the ASX listing rules) that once satisfied, will result in ASX lifting the suspension on the Company's shares trading on ASX; and
- (i) Capital Gold able to raise (via its entry into Welcome Stranger Mining Limited) the necessary financial requirements under the relevant MOAs.

**4. Consolidation of Company's capital and subsequent capital raisings**

Subject to shareholder approval, the existing issued share capital of Welcome Stranger Mining Limited will be consolidated on a 20 to one basis (Consolidation).

Also, subject to shareholder, ASX and ASIC approval, Welcome Stranger Mining Limited plans to raise \$5 million through the issue of 25 million shares (post Consolidation) at an issue price of \$0.20 per Share (Capital Raising).

## WELCOME STRANGER MINING LIMITED AND CONTROLLED ENTITIES ANNUAL REPORT 2012

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 14: EVENTS AFTER THE BALANCE SHEET DATE (continued)

Upon completion of the Consolidation, the Capital Raising and the two MOAs (but still subject to final valuation of the assets and properties to be infused into Welcome Stranger Mining Limited), the parties will have the following shareholdings:

(a) Original shareholders	9,120,452	(3.59%)
(b) Capital Gold	80,000,000	(31.48%)
(c) Dizon	90,000,000	(35.42%)
(d) NiHAO	50,000,000	(19.68%)
(e) New shareholders (after capital raising)	25,000,000	(9.84%)
Total	254,120,452	(100%)

On 1 October 2013 the Company announced the remaining legal agreements to give effect to the above transaction have been received and will be executed shortly.

On the 26 May 2014 at a general meeting of shareholders, the following resolutions were approved

- That every 20 shares in the company be consolidated to one Share
- Approval was given to make a significant change in the nature of its activities from a secure payments company to a mineral resources development company.
- The Company approved and authorized the Directors to allot and issue to the Capital Gold vendors, in accordance with the Capital Gold SPA, a total of 80,000,000 shares (on a post-consolidation-basis) to the Capital Gold Vendors,
- The Company approved and authorized the Directors to allot and issue to Dizon in accordance with the Dizon-SPA a total of 90,000,000 shares (on a post consolidation basis) to Dizon
- The Company approved and authorized the Directors to allot and issue to Oregalore or its nominee in accordance with the Masbate 13 SPA, a total of 50,000,000 shares (on a post consolidation basis).
- The Company approved and authorized the Directors to issue and allot up to 25,000,000 shares (on a post consolidation basis). At an issue price of \$0.20 each to be issued and allotted pursuant to a prospectus.
- Antonio Victoriano Gregorio III was elected as a Director on and from the completion of the above acquisitions
- Helen Tiu was elected as a Director on and from the completion of the above acquisitions.

On 13 November 2014 the Company entered into a \$57,990 convertible loan with an unrelated party. The loan may only be converted with shareholders in general meeting voting to approve conversion of the loan into shares at an issue price of A\$0.005 cents per share.

On 18 November 2014, the Company entered into a \$83,475 convertible loan with an unrelated party. The loan may only be converted with shareholder in general meeting voting to approve the conversion of the loan into shares at an issue price of A\$0.005 cents per share.

On 30 January 2015, the Company entered into a \$20,000 convertible loan with an unrelated party. The loan may only be converted with shareholders in general meeting voting to approve the conversion of the loan into shares at an issue price of A\$0.005 cents per share.

#### NOTE 15: RELATED PARTY TRANSACTIONS

	2012	2011
	\$	\$
(a) Key management personnel		
Details of directors' remuneration are disclosed in the Remuneration Report in the Directors' Report.		
Payment for professional services in relation to re-capitalisation:		
— Steve Nicols	-	-
— Greg Cornelsen	-	-
— Tony Crimmins	-	-
(b) Other transactions with directors and directors' related entities:		
Payment for professional services in relation to re-capitalisation and litigation support to Nicols and Brien - Accountants of which Steve Nicols is a Partner.	-	21,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 15: RELATED PARTY TRANSACTIONS (Continued)

Unsecured loans from the investor group which includes the following directors and related parties:	-	10,000
— Steve Nicols		
— Greg Cornelsen		
— Tony Crimmins		

Other than those remunerations received by the Directors as disclosed in the remuneration report in the Directors report, there are no other Director related transactions that the current directors are aware of during the financial year ended 30 June 2012 and the previous financial period ended 30 June 2011.

NOTE 16: FINANCIAL INSTRUMENTS

*a. Financial Risk Management*

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to and from subsidiaries.

*Financial Risks*

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

*Interest Rate Risk*

Interest rate risk is managed with a mixture of fixed and floating rate debt.

*Foreign currency risk*

The group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the group's measurement currency.

*Liquidity risk*

The group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

*Credit risk*

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

*(a) Interest Rate Risk*

The consolidated group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	\$	\$
<b>Financial Assets:</b>		
Cash and cash equivalents	139	13,766
Future mining royalties receivables	-	-
<b>Net exposure</b>	139	13,766

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 16: FINANCIAL INSTRUMENTS (cont)

Consolidated 2012	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE %	FLOATING INTEREST RATE \$	NON INTEREST BEARING \$	TOTAL \$
Cash and cash equivalents	-	-	139	139
Net current receivables – maturing at various dates in the year ending 30 June 2012	-	-	3,319	3,319
	-	-	3,458	3,458

NOTE 16: FINANCIAL INSTRUMENTS (cont)

Financial Assets

consolidated 2011	WEIGHTED AVERAGE INTEREST RATE (i) %	FLOATING INTEREST RATE \$	NON INTEREST BEARING \$	TOTAL \$
Cash and cash equivalents	-	-	13,766	13,766
Net current receivables – maturing at various dates in the year ending 30 June 2012	-	-	-	-
	-	-	-	13,766

Financial Assets

consolidated 2011	WEIGHTED AVERAGE INTEREST RATE (i) %	FLOATING INTEREST RATE \$	NON INTEREST BEARING \$	TOTAL \$
Cash and cash equivalents	-	-	13,766	13,766
Net current receivables – maturing at various dates in the year ending 30 June 2012	-	-	-	-
	-	-	-	13,766

NOTE 17: CONTROLLED ENTITIES

Name of ultimate parent

Name of ultimate parent	ACN	COUNTRY OF INCORPORATION	OWNERSHIP 2012 %	OWNERSHIP 2011 %
Welcome Stranger Mining Limited	007 670 386			
<b>Controlled entities</b>				
Australian Potash Pty Ltd (deregistered March 2012)	065 915 684	Australia	-	100
Extranet Technologies Pty Limited (deregistered 16 December 2012)	083 407 229	Australia	100	100
CommSecure Australia Pty Limited (deregistered 1 March 2012)	001 950 670	Australia	-	100
CommSecure (Hong Kong) Limited (liquidated 21 July 2011)		Hong Kong	-	100

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**NOTE 18: EARNINGS PER SHARE**

The following income and share data was used in the calculations of basic and diluted EPS:

	<b>Consolidated Group</b>	
	<b>2012</b>	<b>2011</b>
	\$	\$
Earnings used in calculating basic and diluted EPS	(73,513)	(490,259)
Weighted average number of ordinary shares on issue used in the calculation of basic EPS	180,741,612	119,195,414
Weighted average number of potential ordinary shares used in the calculation of diluted EPS	180,741,612	119,195,414

**NOTE 19: PARENT ENTITY DISCLOSURES**

The Corporations Amendment (corporate Reporting Reform) Act 2010 (Cth) (Amendment Act) received Royal Assent on 28 June 2010. The amendment Act will not require the Consolidated Group to prepare detailed financial statements for the Parent Entity for the year ended on or after 30 June 2010. Following are the disclosures requirements for the Parent Entity.

A. Statement of comprehensive income

	<b>Parent Entity</b>	
	<b>2012</b>	<b>2011</b>
	\$	\$
Profit / (Loss) for the year net of income tax	(73,513)	(116,422)
Total Comprehensive Income for the year	(73,513)	(116,422)

B. Statement of Financial Position

Total Current Assets	3,458	13,766
Total Non-Current Assets	-	-
Total Assets	3,458	13,766
Total Current Liabilities	51,069	18,014
Interest Bearing Liabilities	-	10,000
Total Non-Current Liabilities	-	-
Total Liabilities	51,069	28,014
Net Assets	(47,611)	(14,248)
Issued Capital	24,631,777	24,385,627
Retained Earnings	-	-
Accumulated losses	(24,679,388)	(24,399,875)
Total Equity	(47,611)	(14,248)

C. Contingent liabilities

At the balance date the parent entity has no contingent liabilities.

D. Outstanding liabilities arising from subsidiaries

At the balance date the parent entity has no outstanding balances arising from subsidiaries.

E. Contractual commitments

At the balance date the parent entity has not entered into any material contractual agreements

## WELCOME STRANGER MINING LIMITED AND CONTROLLED ENTITIES ANNUAL REPORT 2012

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### **NOTE 20: COMPANY DETAILS**

The registered office of the Company is:

Welcome Stranger Mining Limited

Floor 6, Suite 8,

55 Miller St.

Pymont.

Sydney NSW 2009.

The principal place of business is:

Welcome Stranger Mining Limited

Floor 6, Suite 8,

55 Miller St.

Pymont.

Sydney NSW 2009.

WELCOME STRANGER MINING LIMITED AND CONTROLLED ENTITIES ANNUAL REPORT 2012

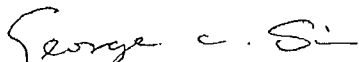
**DIRECTORS' DECLARATION**

In the opinion of the Directors of Welcome Stranger Mining Limited:

1. the financial statements and notes, set out on pages 15 to 38 are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards; and
  - (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the consolidated group;
  - (c) comply with International Financial Reporting Standards as disclosed in Note 1.
  
2. The chief executive officer and chief financial officer of the company have each declared that:
  - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
  - (b) The financial statements and notes for the financial year comply with the Accounting Standards, and
  - (c) The financial statements and notes for the financial year give a true and fair view.
  
3. In relation to statement that there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, attention is drawn to note 1(a) to the financial statements.

The Group's mid to long term future is dependent upon the successful identification and acquisition of profitable business which the Company is currently seeking.

Signed this 19th day of February 2015 in accordance with a resolution of the Board of Directors.



Mr George Sim (Director)



Mr Tony Crimmins (Director)



## Report on the Financial Report

Website: [www.wwnsw.com.au](http://www.wwnsw.com.au)

We have audited the accompanying financial report of Welcome Stranger Mining Limited as set out on pages 15 to 39 which comprises the consolidated statement of financial position as at 30 June 2012, and 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, a summary of significant accounting policies and other explanatory notes 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 control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards (IFRS).

### *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 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 control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### *Independence*

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

#### *Basis for Qualified Opinion*

Welcome Stranger Mining Limited was placed into liquidation on 2 July 2009. The company was removed from liquidation on 29 October 2010. A number of records have been misplaced and the Directors are unable to categorically state that the financial report is correctly stated for the years ended 30 June 2009 and 30 June 2010. Since the opening balances enter into determination of financial performance and cash flows, we have been unable to determine whether adjustments might have been necessary in respect of the income for the year recorded in the consolidated statement of comprehensive income and the cash flows recorded in the consolidated statement of cash flows for the year ended 30 June 2011.

#### *Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph the financial report of Welcome Stranger Mining Limited is in accordance with the *Corporations Act 2001*, including:

- a. except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph the financial report of Welcome Stranger Mining Limited 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 2012 and of its performance for the period 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 1.

#### *Emphasis of Matter – Going Concern*

Without qualifying our opinion, we draw attention to Note 1 in the financial report which states that in the event that the Group is unable to realise its object of obtaining profitable opportunities or complete any further capital raisings it will be required to realise its assets and extinguish its liabilities in a manner other than in the normal course of business.

### Report on the Remuneration Report

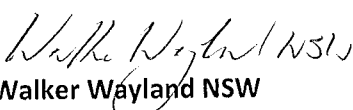
We have audited the remuneration report included in pages 12 of the directors' report for the period ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

#### *Basis of Qualified Opinion*

Commsecure Limited was placed into liquidation on 2 July 2009. The company was removed from liquidation on 29 October 2010. number of records have been misplaced and the Directors are unable to categorically state that the financial report is correctly stated for the years ended 30 June 2009 and 30 June 2010. We have been unable to gain sufficient appropriate evidence over the comparative period figures for the year ended 30 June 2011.

#### *Qualified Auditor's Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph the remuneration report of Welcome Stranger Limited for the period ended 30 June 2012 complies with s300A of the *Corporations Act 2001*

  
**Walker Wayland NSW**  
Chartered Accountants

  
**Grant Allsopp**  
Partner

Dated this 19th day of February 2015  
Sydney

**ASX ADDITIONAL INFORMATION**

**Major Shareholders**

**Twenty Largest shareholders as at 31 December 2014**

Anthony Crimmins	28,333,333	15.53%
George Calder & Susan Elizabeth Sim	28,333,333	15.53%
Sinbad Pty Ltd	28,333,333	15.53%
Moran Holdings (QLD) Pty Ltd	14,000,000	7.68%
Anthony & Rosemarie Camuglia	7,500,000	4.11%
Joseph & Kirsten Camuglia	7,500,000	4.11%
John & Natasha Camuglia	7,500,000	4.11%
Kinetic Advisors Pty Ltd	7,500,000	4.11%
Suburban Holdings Pty Ltd	7,500,000	4.11%
Alan Kennedy & Derek Ward	7,500,000	4.11%
Welton Holdings Pty Ltd	6,000,000	3.29%
HESTIAN PTY LTD	2,870,108	1.57%
Pital Pty Ltd	1,500,000	0.82%
Pigeons Investment Pty Ltd	1,500,000	0.82%
Adam & Lisa Hajek	1,500,000	0.82%
Thomas Crimmins	1,500,000	0.82%
Michael Egan Pty Ltd	1,500,000	0.82%
Autus Capital Pty Ltd	1,500,000	0.82%
MR WARWICK BARNETT BOWDEN	1,040,000	0.57%
FIVESENOUGH PTY LTD	991,302	0.54%
	<hr/>	
	163,901,409	89.82%

**Substantial Shareholders**

As at 31 December 2014, the following shareholders were regarded as substantial shareholders:

	<b>Number of Shares</b>
Anthony Crimmins	28,333,333
George Calder & Susan Elizabeth Sim	28,333,333
Sinbad Pty Ltd	28,333,333
Moran Holdings (QLD) Pty Ltd	14,000,000
Anthony & Rosemarie Camuglia	7,500,000
Joseph & Kirsten Camuglia	7,500,000
John & Natasha Camuglia	7,500,000
Kinetic Advisors Pty Ltd	7,500,000
Suburban Holdings Pty Ltd	7,500,000
Alan Kennedy & Derek Ward	7,500,000

**Distribution of Shareholdings**

At 31 December 2014, the distribution of shareholdings was as follows:

Range	Number of holders	% of holders	Number of shares	% of shares
1 – 1,000 shares	46	3.9%	45,756	0.0%
1,001 – 5,000 shares	789	67.4%	1,875,557	1.0%
5,001 – 10,000 shares	120	10.3%	897,715	0.5%
10,001 – 100,000 shares	163	13.9%	5,030,269	2.8%
100,001 shares and over	52	4.4%	174,559,748	95.7%
	<hr/>			
	1,170	99.9%	182,409,045	100.0%

## WELCOME STRANGER MINING LIMITED AND CONTROLLED ENTITIES ANNUAL REPORT 2012

As at 31 December 2014, there were 379 shareholders with less than a marketable parcel of ordinary shares totaling 341,739 shares.

### **Registered Office**

The registered office of the Company is:

Floor 6, Suite 8,  
55 Miller St.  
Pyrmont.  
Sydney NSW 2009  
Telephone (02) 9571 8300  
Facsimile (02) 9571 8200

### **Company Secretary**

Mr Graeme Hogan

### **Share Registry**

Security Transfer Registrars Pty Ltd  
770 Canning Highway,  
Applecross  
WA 6953

### **Mailing Address**

PO Box 535,  
Applecross  
WA 6953

Telephone (08) 9315 2333  
Facsimile (08) 9315 2233  
Website [www.securitytransfer.com.au](http://www.securitytransfer.com.au)

### **Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited under Security Code Welcome Stranger Mining.