energio Limited

ABN 28 001 894 033

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2012

Directors

Dr Ian Burston	Chairman
Kevin Joseph	Executive Director
Don Carroll	Non-Executive Director
Nathan Taylor	Non-Executive Director
Brian King	Non-Executive Director
Giuseppe (Joe) Ariti	Non-Executive Director

Company Secretary

Shane Volk	(Appointed 19 July 2012)
Peter Hunt and George Yatzis	(Appointed 29 February, Resigned 19 July 2012)
Sean Henbury	(Resigned 29 February 2012)

Registered Office and Principal Place of Business

13 Colin Street
West Perth WA 6005
Tel: +61 8 9200 3456
Fax: +61 8 9200 3455
Email: info@energiominerals.net.au

Share Registry

Link Market Services Ltd
Level 2, 178 St Georges Terrace,
Perth WA 6000
Tel: +61 8 9211 6651
Fax: +61 8 9211 6660

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008
Tel: +61 8 6382 4600

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000
Tel: +61 8 9321 4000
Fax: +61 8 9321 4333

Bankers

Commonwealth Bank

Stock Exchange

Energio Limited shares and options are listed on the Australian Securities Exchange (ASX).
ASX Codes: EIO and EIOO

Your Directors present their report on the consolidated entity (referred to hereafter as the group) consisting of Energio Limited and the entities it controlled at the end of or during the financial year ended 30 June 2012.

Directors

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

Dr Ian Burston	Chairman	
Kevin Joseph	Executive Director	
Nathan Taylor	Non-Executive Director	
Don Carroll	Non-Executive Director	
Brian King	Non-Executive Director	*Appointed 29 February 2012*
Giuseppe (Joe) Ariti	Non-Executive Director	*Appointed 19 April 2012*
Athan Lekkas	Non-Executive Director	*Resigned 19 April 2012*

Company Secretary

Shane Volk	CFO and Company Secretary	*Appointed 19 July 2012*
Peter Hunt and George Yatzis	Joint Company Secretaries	*Appointed 29 February and Resigned 19 July 2012*
Sean Henbury	CFO and Company Secretary	*Resigned 29 February 2012*

Principal activities

The principal activity of the Company during the financial year was the completion of the acquisition of a 100% interest in KCM Mining Limited, a Nigerian company holding 15 granted exploration licences in Nigeria and the commencement of an exploration drilling program on the Agbaja Plateau Exploration Licence (EL 12124), in Nigeria.

Results of operations

The profit after tax for the year ended 30 June 2012 attributable to the members of the Company was $10,187,549 (2011: Loss $8,368,569). The profit for the year ended 30 June 2012 was attributable to the recognition of a gain on the acquisition of the company's 100% interest in KCM Mining Holdings Pty Ltd and KCM Mining Limited ($14,420,380), offset by the cost of administration of the company and its exploration programs in Nigeria, which commenced in November 2011 and were ongoing at 30 June 2012.

As at 30 June 2012 the Company had capitalised $50,156,180 in exploration expenditure, the majority of which relates to the Company's Agbaja project in Nigeria.

Dividends – Energio Limited

The Directors do not recommend the payment of a dividend and no amounts have been paid or declared by way of dividend since the start of the financial year.

Review of operations

<u>Change of nature of activities and consolidation of share capital</u>

At the 2011 Annual General Meeting of the Company held on 30 November 2011, shareholders approved a change of Company activities from a Toy and Gaming company to a mineral exploration and potential mine developer, shareholders also approved:

- The consolidation of the number of Company shares and options on issue on a 1:10 basis (the consolidation was completed on 15 December 2011) and

Review of operations (continued)

- The issue of shares of the Company to TGP Australian Limited and Bedford CP Nominee's Pty Ltd for the acquisition of 100% of the shares of Nigerian entity KCM Mining Limited (see below).

Acquisition of KCM Mining Limited

On 17 February 2012 the Company completed the acquisition of all of the shares of KCM Mining Limited (a Nigerian entity) via the purchase of:

- All of the shares of KCM Mining Holdings Pty Ltd (the holder of 75% of the shares of KCM Mining Limited) from TGP Australia Limited and

- 25% of the shares of KCM Mining Limited from Bedford CP Nominee's Pty Ltd.

As consideration for these purchases, the Company issued 85,766,667 fully paid ordinary shares to TGP Australia Limited and 15,583,067 fully paid ordinary shares to Bedford CP Nominee's Pty Ltd. This acquisition was announced by the Company in April 2011, however was subject to various shareholder approvals and re-compliance with ASX listing rules, each of which was successfully completed.

Re-compliance with Australian Securities Exchange (ASX) Listing Rules

At the request of the Company, its shares were suspended from trading on the ASX immediately following the 30 November, 2011 Annual General Meeting to enable re-compliance with chapters 1 and 2 of the ASX Listing Rules which was required because of the shareholder approved change of activities of the Company. The Company's shares were reinstated to official ASX quotation on 15 March 2012 following the re-compliance.

Capital Raising

In December 2011 the Company issued a Prospectus for the offer of 11,250,000 new shares to raise a minimum of $2.250 million with the ability to accept over-subscriptions of up to an additional 11,250,000 shares. The Company announced on 29 February 2012 that the share offering closed over-subscribed with the Company issuing 14,500,000 new shares to raise $2.900 million before expenses.

Exploration Activities

Exploration during the year focussed at the Agbaja Project area which is within Exploration Licence EL12124, one of 15 granted Nigerian Exploration Licences held by the Company's 100% owned Nigerian subsidiary KCM Mining Limited.

In September 2011 the Company commenced an iron ore exploration drilling program, the program is planned as 20,000 metres of reverse circulation (RC) and 11 diamond drill (DD) holes. The objective of the program is to enable the Company to gain an initial understanding of the grade, distribution and other characteristics of the iron ore mineralisation within the Project area; this information will underpin the calculation of a maiden JORC iron ore resource estimation.

As at 30 June 2012 the Company had completed 541 of the exploration program's planned 740 RC holes (for approximately 14,000 metres drilled) and all of the 11 planned DD holes; the drilling has produced approximately 13,000 samples. Exploration drilling was on-going at 30 June 2012, however subsequently the program was suspended due to heavy wet season rains but drilling was in the process of recommencing at the date of this report. Results from the exploration program to 30 June, 2012 have been announced on the ASX and on the Company's web site.

Financial position

As at 30 June 2012 the Company has $4,185,601 (2011: $4,728,195) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure was $50,156,180 (2011: $nil).

Financial position (continued)

The following table shows the gross revenue, losses and share price of the Company at the end of the respective financial years:

	30 June 2008	30 June 2009	30 June 2010	30 June 2011	30 June 2012
Revenue	4,776,393	3,673,137	1,623,219	44,870	14,467,716
Net Profit /(Loss)	(4,023,544)	(7,168,819)	1,694,309	(8,368,569)	10,187,549
Share Price	43c	-	-	3.1c	15c

Note: The company operated as a Toy and Gaming Company until 30 November 2011 when shareholder approved a change in the nature of activities to a mineral exploration and mine development company

Significant changes in the state of affairs

As at the date of this Directors' Report, the Directors are not aware of any matter or circumstance that has arisen that has significantly affected, or may significantly affect, the operations of the group, the results of those operation or the state of affairs of the group in the financial years subsequent to 30 June 2012.

Matters subsequent to the end of the financial year

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect substantially the operations of the group, the results of those operations or the state of affairs of the group in subsequent financial years, other than the following:

- The CEO of KCM Mining Holdings Pty Ltd (a wholly owned subsidiary of the Company), Mr Thomas Revy resigned effective 11 September, 2012. At the date of this report the Company has not appointed a replacement.

Likely developments and expected results of operation

The next significant milestone for the Company will be the announcement of a maiden JORC mineral resource estimate for the Agbaja iron ore project (EL12124). It is expected that this mineral resource estimate will be announced in late September 2012.

The directors anticipate that exploration programs will continue at Agbaja for the foreseeable future, shareholders can thus expect on-going announcements by the Company of the results during the subsequent financial year. Any other future likely developments and expected results of operations are included elsewhere in this directors' report.

Environmental regulation

The Company holds various exploration licences that regulate its exploration activities in Nigeria. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of the Company's exploration activities.

At the date of this report no agency has notified the Company of any environmental breaches during the financial year nor are the Directors aware of any environmental breaches.

Information on directors:

Dr Ian Burston AM, CitWA, B.Eng, Dip AeroEng HonDSc, Chairman and Non-Executive Director

Experience and expertise

Dr Burston has more than 30 years of experience in Western Australian and international iron ore mining and export sales, where he has held executive management and Board positions with some of WA's largest and most successful mining operations. His distinguished career includes the development of several multi-million tonnes per year iron ore export operations with outstanding track records in maximising production, transport efficiencies and project development.

Dr Burston has also held pivotal roles in industry associations and local government and was awarded Citizen of the Year (Industry and Commerce) 1992, Member of the Order of Australia (General Division) 1993, and Honorary Doctor of Science (Curtin) 1995, he is a Fellow of the Institute of Engineers of Australia, the Institute of Mining and Metallurgy and the Institute of Company Directors.

Other current directorships

NRW Holdings Limited (chairman and non-executive director) Mincor Resources NL (non- executive director) and Zanzai Mining Corporation (director),

Former directorships in last 3 years

Carrick Gold Limited from November 2009 to August 2010, Condor Nickel Limited from March 2010 to August 2010, Cape Lambert Resources Limited from July 2006 to August 2008, Auvex Resources Limited from January 2009 to September 2009, Imdex Limited from November 2000 to October 2009, Fortescue Metals Group from October 2008 to August 2011 and the Broome Port Authority (chairman) from 2004 to March 2011.

Special responsibilities

Chair of the board and Member of the Audit and Risk Committee

Interests in shares and options

None

Mr Kevin Joseph B.Eng. Executive Director

Experience and expertise

Mr Joseph has extensive experience in Nigeria and the West African region. A 23 year resident of Nigeria, he has invaluable in-country relationships which assist the group in executing its exploration and development programs.

Mr Joseph is a former Executive Director of Operations for OANDO Petroleum, one of two major local marketers of petroleum in Nigeria. In this role he headed up supply chain development in the West African Region and held executive responsibility for new business development.

Other current directorships

None

Former directorships in last 3 years

None

Special responsibilities

None

Interests in shares and options

None

Information on directors (continued):

Mr Don Carroll B.Eng. Non-Executive Director

Experience and expertise

Mr Carroll is a former executive of BHP Billiton with over 30 years of experience in the mining industry, principally overseas in Asia, the United States and West Africa.

Throughout his 30 year career Mr Carroll has been responsible for the early development of the Kalimantan coal projects, the marketing of minerals in Asia (including China), held the position of President for BHP Billiton in Japan and India, and also CEO for the Guinea Alumina project in West Africa.

Other current directorships

None

Former directorships in last 3 years

None

Special responsibilities

None

Interests in shares and options

2,000,000 ordinary shares in Energio Limited

2,000,000 options over ordinary shares in Energio Limited

Mr Nathan Taylor LLB, B.Com. Non-Executive Director

Experience and expertise

Mr Taylor was Co-head of Equity Capital Markets at StoneBridge Securities Limited, a boutique stockbroker headquartered in Sydney.

Prior joining StoneBridge in late 2008, Mr Taylor worked within the UBS Equity Capital Markets team and prior to this within the Macquarie Bank Equity Capital Markets team.

Throughout his investment banking career, Mr Taylor has been involved in raising over A$6bn for ASX listed companies in the resources and related sectors and over A$10bn for other ASX listed companies.

Prior to working for Macquarie Bank, Mr Taylor worked as a corporate lawyer for Blake Dawson where he was involved in conducting due diligence and structuring a large number of regulated and unregulated M&A transactions.

Other current directorships

Meridien Resources Limited (non-executive director)

Former directorships in last 3 years

None

Special responsibilities

Member of the Audit and Risk Committee

Interests in shares and options

3,100,000 ordinary shares in Energio Limited

2,000,000 options over ordinary shares in Energio Limited

Information on directors (continued):

Mr Brian King Non-Executive Director

Experience and expertise

Mr King has more than 40 years' experience in technical, management and executive roles within the mining sector. Throughout his career he has held various roles including Registered Mine Manager of Rio Tinto's Tom Price and Paraburdoo mining projects from 1982 until 1990.

More recently Mr King has worked with the Terex Group in various senior roles including President of the mining company for 11 years.

Other current directorships

None

Former directorships in last 3 years

None

Special responsibilities

None

Interests in shares and options

280,000 ordinary shares in Energio Limited

Mr Giuseppe (Joe) Ariti B.Sc, Dip MinSc, MBA. Non-Executive Director

Experience and expertise

Mr Ariti is an experienced company director and mining executive with over 25 years' experience in technical, management and executive roles in assessing, developing, managing and financing mining projects and companies in Australia and overseas.

He has been involved in the development and management of both open cut and underground mining project in Australia, Africa, Indonesia and Papua New Guinea.

Other current directorships

Matrix Metals Limited (Non-Executive Director)

Former directorships in last 3 years

Territory Resources Limited from August 2008 to July 2011, Azumah Resources Limited from September 2007 to October 2009, DMC Mining Limited from August 2009 to September 2010, African Iron from January 2011 to June 2012 and Swick Mining Services from February 2008 to February 2012.

Special responsibilities

Chair of the Audit and Risk Committee

Interests in shares and options

600,000 ordinary shares in Energio Limited

Company Secretary

Mr Shane Volk B Bus (Accounting), Grad Dip Corp Gov., ACSA

Mr Volk is an experienced Company Secretary and Chief Financial Officer having most recently served in these positions for ASX listed company's African Iron Limited (2011-2012) and Emmerson Resources Limited (2007-2011) . Mr Volk is a member of Chartered Secretaries Australia and has in excess of 25 years of experience in the resources industry.

Board of directors meetings

The numbers of meetings of the Company's board of directors and each board committee held during the year ended 30 June 2012, and the number of meetings attended by each director were:

	Eligible to Attend	Attended
Ian Burston	4	4
Kevin Joseph	4	4
Dan Carroll	4	4
Nathan Taylor	4	4
Brian King	2	2
Giuseppe Ariti	1	1
Athan Lekkas	3	3

Remuneration Report (Audited)

The directors are please to present your company's 2012 remuneration report which sets out remuneration information for Energio Limited's non-executive directors, executive directors and other key management personnel.

Directors and Key Management Personnel (KMP's) disclosed in this report

The directors and Key Management Personnel disclosed in this report include:

- all Executive and Non-Executive Directors of the Company; and
- Mr Thomas Revy the Chief Executive Officer of group company KCM Mining Holdings Pty Ltd (appointed 12 March 2012).

Changes since the end of the reporting period: Mr Thomas Revy resigned from the position of Chief Executive Officer of KCM Mining Holdings Pty Ltd effective 11 September 2012)

Remuneration Policy

The Company does not have a remuneration committee and has not made use of independent remuneration consultants to determine remuneration. The Board is responsible for making decisions on:

- Non-executive directors fees;
- Remuneration levels of executive directors and other key management personnel;
- The over-arching executive remuneration framework and issue of any performance shares and performance options; and
- Key performance indicators and performance hurdles.

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long-term interests of the Company.

Voting and comments made at the company's 2011 Annual General Meeting

The company received 99.5% of proxy votes in favour of its 2011 remuneration report at the 2011 Annual General Meeting. The company did not receive any specific feedback at the Annual General Meeting or throughout the year on its remuneration practices.

Executive remuneration policy and framework

In determining executive remuneration, the board aims to ensure that remuneration practices are:

- Competitive and reasonable, enabling the company to attract and retain key talent;
- Aligned to the company's strategic and business objectives and the creation of shareholder value;
- Transparent; and
- Acceptable to shareholders.

The executive remuneration framework has three components:

- Base pay and benefits, including superannuation;
- Short-term performance incentives, and
- Long-term incentives through the award of performance shares or performance options.

Non-Executive Director Remuneration Policy

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors.

Non-executive directors' fees and payments are reviewed annually by the board, the most recent review was in December 2011. The board also considers independent remuneration surveys to ensure non-executive directors' fees and payments are appropriate and in line with the market. The Chair's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market.

Non-executive directors do not receive performance-based pay.

Performance based remuneration

No performance based remuneration was paid to any board member or Key Management Personnel during the period covered by this remuneration report due to the early stage of development of the company.

The board recognises the importance of ensuring the market competitiveness of the company's overall remuneration offering to board members and Key Management Personnel and is in the process of reviewing performance based remuneration alternatives for possible future incorporation into overall remuneration.

Directors fees

The current base fees payable to non-executive directors were last reviewed on 5 December 2011 with the revised fees paid effective 1 January 2012. All director remuneration is inclusive of any committee fees. Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $500,000 per annum and was approved by shareholders at the annual general meeting on 30 November 2011.

The following annual non-executive directors fees have applied during the period covered by this remuneration report:

	From 1 January 2012	From 1 July 2011 to 31 December 2011
Chair	$100,000	$36,000
Other Non-Executive Directors	$60,000	$36,000

The following annual remuneration has applied to Mr Kevin Joseph (an executive director), during the period covered by this remuneration report**:**

	From 1 March 2012	From 1 July 2011 to 29 February 2012
Kevin Joseph (executive director) *	US$300,000	US$273,600

* Mr Joseph was also paid $18,000 in director fees by the Company for the 6 month period to 31 December 2011.

Director Service Agreements

On appointment to the board, all executive and non-executive directors enter into a service agreement with the Company in the form of a Letter of Appointment. The letter summarises the board policies and terms including remuneration, relevant to the office of director.

A summary of each director services agreement is detailed below:

	Term of Agreement	Salary and Allowances p.a. (excluding superannuation)	Superannuation	Required Notice Period
Ian Burston (Trading is Ian Burston)	On-going commencing December, 2010	Base Fee $100,000	Nil	None
Kevin Joseph	On-going commencing December, 2010	Base Fee US$300,000	Nil	None
Don Carroll (Trading as Trawalla Resources)	On-going commencing November, 2010	Base Fee $60,000	Nil	None
Nathan Taylor (Longhorn Capital Partners Pty Ltd)	On-going commencing March, 2010	Base Fee $60,000	Nil	None
Brian King (Trading as Brian King Consulting Services)	On-going commencing December, 2010	Base Fee $60,000	Nil	None
Giuseppe (Joe) Ariti (J Ariti & Associates Pty Ltd)	On-going commencing March, 2010	Base Fee $60,000	Nil	None

Key Management Personnel Agreements

Mr Thomas Revy is employed as the Chief Executive Officer of KCM Mining Holdings Pty Ltd, a wholly owned subsidiary of the Company via an executive services agreement. Remuneration and other terms of employment for Mr Revy are commensurate with market conditions and responsibilities of the role.

All agreements with Key Management Personnel may be terminated early by either party with the required notice, subject to termination payments as detailed below:

	Term of Agreement	Salary and Allowances p.a. (excluding superannuation)	Superannuation	Required Notice Period
Thomas Revy	On-going commencing March 2012	Base Salary $330,000 Vehicle Allowance $20,000	12% of Base Salary	Employee: 3 months base salary Company: 6 months base salary

* Base salaries quoted are for the year ended 30 June 2012; they are reviewed annually by the board.
** Termination benefits are payable on early termination by the company, other than for gross misconduct; unless otherwise indicated.

Details of the Director and Key Management Personnel Remuneration

The following table outlines the remuneration of the Directors and Key Management Personnel:

2012	Short-term benefits			Post employ-ment	Share based		% of rem. relating to performance	Value of options/ shares as a % of rem.
	Cash/ salary/ fees $	Cash bonuses $	Non cash benefits $	Super-annuation $	Options/ shares $	Total $	%	%
Directors								
Ian Burston	98,405	-	-	-	-	98,405	-	-
Kevin Joseph	291,771	-	-	-	-	291,771	-	-
Dan Carroll	48,000	-	-	-	-	48,000	-	-
Nathan Taylor	51,000	-	-	-	-	51,000	-	-
Brian King	177,502	-	-	-	-	177,502	-	-
Giuseppe Ariti	12,000	-	-	-	-	12,000	-	-
Athan Lekkas	38,000	-	-	-	-	38,000	-	-
Other Key Management Personnel								
Tom Revy	99,678	-	-	11,961	-	111,639	-	-
	816,356	**-**	**-**	**11,961**	**-**	**828,317**	**-**	**-**

2011	Short-term benefits			Post employ-ment	Share based		% of rem. relating to performance	Value of options/ shares as a % of rem.
	Cash/ salary/ fees	Cash bonuses	Non cash benefits	Super-annuation	Options/ shares	Total		
	$	$	$	$	$	$	%	%
Directors								
Kevin Joseph	18,000	-	-	-	-	18,000	-	-
Dan Carroll	21,000	-	-	-	1,268,520	1,289,520	-	98%
Nathan Taylor	42,000	-	-	-	355,535	397,535	-	89%
Ian Burston	18,000	-	-	-	-	18,000	-	-
Faldi Ismail	16,000	-	-	-	-	16,000	-	-
-Athan Lekkas	36,000	-	-	-	-	36,000	-	-
	151,000	**-**	**-**	**-**	**1,624,055**	**1,775,055**	**-**	**96%**

Share based compensation

The Company did not make any share based compensation payments to directors or Key Management Personnel during the year ended 30 June 2012.

End of Audited Remuneration Report

Shares under option

At the date of this report, the un-issued ordinary shares of Energio Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
12 February 2008	31 December 2012	$12.55	20,000
19 May 2008	31 March 2013	$10.00	1,497,327
27 April 2010	30 November 2013	$0.20	15,120,002
			16,637,329

No options lapsed during the year.

The company did not issue any options during the year.

During the year the Company issued 6,550,000 ordinary shares (on a post 1:10 consolidation basis) upon the exercise of options.

No option holder has any right under the options to participate in any other share issue of the company or any other entity. The options are exercisable at any time on or before the expiry date.

Proceedings on behalf of the company

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

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important. Details of the amounts paid or payable to the auditor (BDO Audit (WA) Pty Ltd) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit and risk committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms, $20,090 (2011:nil).

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 17.

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor

BDO continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors.

Brian King
Director
28 September 2012

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

28 September 2012

Energio Limited
The Board of Directors
13 Colin Street
WEST PERTH WA 6005

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PHILIP MURDOCH TO THE DIRECTORS OF ENERGIO LIMITED

As lead auditor of Energio Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Energio Limited and the entities it controlled during the period.

Philip Murdoch
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Energio Limited (the Company) and the board are committed to achieving and demonstrating the highest standards of corporate standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders and evolve with the development of the group. The Company and its controlled entities together are referred to as the group in this statement.

A description of the group's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year, and they comply with the ASX Corporate Governance Principles and Recommendations.

Principle 1: Lay solid foundations for management and oversight

The relationship between the board and senior management is critical to the group's long-term success. The directors are responsible to the shareholders for the performance of the group in both the short and the longer term and seek to balance sometimes competing objectives in the best interest of the group as a whole. Their focus is to enhance the interests of the shareholders and other key stakeholders and to ensure the group is properly managed.

The responsibilities of the board include:

- Providing strategic guidance to the group including contributing to the development of and approving the corporate strategy.
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives.
- Overseeing and monitoring:
  - organisational performance and the achievement of the group's strategic goals and objectives;
  - progress in relation to the Company's diversity objectives and the implementation of a diversity policy when deemed appropriate; and
  - progress of all major capital expenditures and other significant corporate projects including any acquisitions or divestments.
- Monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors.
- Appointment, performance assessment and if necessary removal of the Managing Director.
- Ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the CFO and Company Secretary.
- Ensuring there are effective management processes in placed and approving major corporate initiatives.
- Enhancing and protecting the reputation of the organisation.
- Overseeing the operation of the group's system for compliance and risk management reporting to shareholders
- Ensuring appropriate resources are available to senior management.

Day to day management of the group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the senior executives and/or executive members of the board.

Principle 2: Structure the Board to add value

The board is currently made up of six directors, two of whom are considered independent. The Board considers a director to be independent where he or she is not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the director's ability to act in the best interests of the Company. This is not compliant with the ASX Corporate Governance Councils recommendations that the majority of directors should be independent non-executives and the Chairman should be independent. The board considers the current composition to be both satisfactory and realistic under the present circumstances.

Principle 2: Structure the Board to add value (continued)

Term of Office

Under the Company's Constitution and the Australian Stock Exchange Listing Rules, all directors are subject to shareholder re-election every three years.

Board Meetings

The full board currently hold a number of scheduled meetings each year, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address significant matters as they arise.

Standing board meeting agenda items include the executive director's report, financial reports, strategic matters, governance and compliance.

The Chair is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the Company's senior executives, including the executive director. In accepting the position, the Chair has acknowledged that it will require a significant time commitment and has confirmed that other positions will not hinder his effective performance in the role of the Chair.

The executive director and the CEO of KCM Mining Holdings Pty Ltd are responsible for implementing group strategies and policies.

Inductions

The induction provided to new directors and senior managers enables them to actively participate in board decision-making as soon as possible. It ensures that they have a full understanding of the Company's financial position, strategies, operations, culture, values and risk management policies. It also explains the respective rights, duties, responsibilities, interaction and roles of the boards and senior executives and the Company's meeting arrangements.

Commitment

Non-executive directors are expected to spend approximately 20 days per year preparing for and attending board and committee meetings and associated activities.

The number of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2012, and the number of meetings attended by each director is disclosed in the remuneration report.

It is the Company's practice to allow its executive directors to accept appointments outside the Company with prior written approval of the board. No appointments of this nature were accepted during the year ended 30 June 2012.

The commitments of non-executive directors are considered by the board prior to the director's appointment to the board of the Company and are reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Company.

Board Member Experience and Expertise

Board members possess complementary business disciplines and experience aligned with the Company objectives. The experience and qualifications of directors are noted in the Directors' Report.

Material Personal Interest

Where any director has a personal interest in a matter, the director is not permitted to be present during discussions or to vote on the matter. The enforcement of this requirement ensures that the interest of shareholders, as a whole, are pursued and not jeopardised by a lack of a majority of independent directors.

Board Committee

The Company is to develop a committee charter for the audit and risk committee, however due to the size of the Company the board has not established committees to review compensation arrangements of senior executives or to manage board succession. The full board approves all management remuneration including the allocation of any options or grant of shares and decides the nomination, selection and retirement of directors.

The Company will give consideration at an appropriate juncture in the Company's development, for the creation of a Nomination and Remuneration committee. The current size of the full board permits it to act as the nomination committee and to regularly review membership. The board will give consideration to appointment of specialist and independent directors when the activities and scale of operation of the group warrant such appointments.

Performance Assessment

The board reviews the performance of board members regularly on an on-going basis. The reviews are conducted by the Chair and involve an exchange of views with all the members of the board. In particular, the board assesses the appropriate mix of skills, experience and expertise required by the board and assesses the extent to which the required skills and experience are represented on the board.

Independent Professional Advice

Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior written approval of the Chair is required but this will not be unreasonably withheld.

Principle 3: Promote ethical and responsible decision making

Code of Conduct

The company is to develop a statement of values and a Code of conduct (the Code) which will be endorsed by the board and will apply to all directors and employees. The Code once developed, will be regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the group's integrity and to take into account legal obligations and reasonable expectations of the company's stakeholders.

In summary, the Code will require that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

The Company has a securities trading policy which outlines the restrictions, closed periods and processes required when directors, CEO and key management personnel trade company securities. Broadly, it states that the purchase and sale of company securities by directors and employees is only permitted during the two day period following the release of the Company's quarterly reports and in the ten days immediately preceding the release of the Company's quarterly reports and cash flow report results to the market. Any transactions undertaken must be notified to the Company Secretary in advance.

The Code will, and the Company's securities trading policy is, discussed with each new director and employee as part of their induction training.

The directors are satisfied that the group has complied with its policies, including trading in securities.

Diversity Policy

The Company at this stage does not believe it is of the size to warrant the development of a diversity policy. The board will monitor this situation and look to develop and implement a diversity policy at the appropriate time. Currently the group has two permanent employees, one of whom is female.

Principle 4: Safeguard integrity in financial reporting

Audit and Risk Committee

The Company has established an Audit and Risk Audit and risk committee, which consists of the following non-executive directors:

Giuseppe (Joe) Ariti	(Chair)
Ian Burston	(Member)
Nathan Taylor	(Member)

All members of the audit and risk committee are financially literate and have an appropriate understanding of the industries in which the group operates.

The audit and risk committee operates in accordance with a charter, the main responsibilities of the committee are to:

- Review, assess and approve the annual report, the half‐year financial report and all other financial information published by the company or released to the market
- Assist the board in reviewing the effectiveness of the organisation's internal control environment covering:
  - Effectiveness and efficiency of operations
  - Reliability of financial reporting
  - Compliance with applicable laws and regulations
- Determine the scope of the internal audit function and ensure that its resources are adequate and used effectively, and assess its performance, including independence
- Oversee the effective operation of the risk management framework
- Recommend to the board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance
- Consider the independence and competence of the external auditor on an ongoing basis
- Review and approve the level of non‐audit services provided by the external auditors and ensure it does not adversely impact on auditor independence
- Review and monitor related party transactions and assess their propriety
- Report to the board on matters relevant to the committee's role and responsibilities

In fulfilling its responsibilities, the audit and risk committee:

- Receive regular reports from management and the external auditors
- Meet with the external auditor at least twice a year, or more frequently if necessary
- Review the processes the CFO has in place to support their certifications to the board
- Review any significant disagreements between the auditors and management, irrespective of whether they have been resolved
- Provide the external auditors with a clear line of direct communication at any time to either the Chair of the audit and risk committee or the Chair of the Board

The audit and risk committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

External Auditors

The external auditor, BDO has engagement terms refreshed annually and has indicated its independence to the Board. The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the auditor and the preparation and content of the audit report.

Principle 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders

Continuous disclosure and shareholder communication

The board adopts communications strategies and practices to promote communication with shareholders, in language capable of interpretation, and to encourage effective participation at General Meetings.

The company secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the group's operations, the material used in the presentation is released to the ASX and posted on the company's web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

The website also enables users to provide feedback and has an option for shareholders to register their email address for direct email updates on company matters.

All shareholders may receive a printed copy of the Company's annual report. In addition, the company seeks to provide opportunities for shareholders to participate through electronic means. Recent initiatives to facilitate this include making all company announcements, media briefings, details of company meetings, press releases and financial reports available on the company's website.

Principle 7: Recognise and manage risk

The board is responsible for satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control. Detailed work on this task is delegated to the audit and risk committee and reviewed by the full board.

The audit and risk committee is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. They monitor the company's risk management by overseeing management's actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risks. In providing this oversight, the committee:

- Reviews the framework and methodology for risk identification, the degree of risk the company is willing to accept, the management of risk and the processes for auditing and evaluating the company's risk management system
- Reviews group-wide objectives in the context of the abovementioned categories of corporate risk
- Reviews and, where necessary, approves guidelines and policies governing the identification, assessment and management of the company's exposure to risk
- Reviews and approves the delegations of financial authorities and addresses any need to update these authorities on an annual basis
- Reviews compliance with agreed policies

The committee recommends any actions it deems appropriate to the board for its consideration.

Management is responsible for designing, implementing and reporting on the adequacy of the company's risk management and internal control system and has to report to the audit and risk committee on the effectiveness of:

- The risk management and internal control system during the year
- The company's management of its material business risks

Risk management

The company's risk management policy and the operation of the risk management and compliance system are managed by the Chief Financial Officer. The board receives reports from the Chief Financial Officer as to the effectiveness of the company's management of material risks that may impede meeting business objectives.

Corporate reporting

In complying with recommendation 7.3, the CFO and Company Secretary has made the following certifications to the board:

- That the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and group and are in accordance with relevant accounting standards.
- That the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks

Principle 8: Remunerate fairly and responsibly

Due to the size of the Company the board has not established committees to review compensation arrangements of senior executives or to manage board succession. The full board approves all management remuneration including the allocation of options and involves itself in the nomination, selection and retirement of directors.

The board is kept advised on remuneration and incentive policies and practices generally and makes specific recommendations in relation to compensation arrangements for executive and non-executive directors and in respect of all equity based remuneration plans.

The board also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior promotions.

Access to professional advice

Issues of substance are considered by the board with external advice from its professional advisers as required. The Board's individual members can seek independent professional advice at the Company's expense in carrying out their duties.

SUMMARY

Energio Limited has adopted or is in the process of adopting the following policies and charters: Board Charter, Corporate Code of Conduct, Securities Trading Policy, Audit and Risk Committee Charter, Continuous Disclosure Policy, and Shareholder Communication Policy. The Company is non-compliant with respect to the directors being considered independent for reasons stated. Similarly the Company does not have a Remuneration Committee or a Nomination Committee. Other corporate practices continue to evolve.

For the year ended 30 June 2012

	Note	Consolidated Entity 2012 $	Consolidated Entity 2011 $
Revenue from continuing operations			
Interest	2	147,336	44,870
Other income			
Gain on acquisition of subsidiary	22	14,420,380	-
Total Income		**14,567,716**	**44,870**
Expenses			
Accounting and audit fees		(315,956)	(222,524)
Consultancy fees		(1,206,792)	(136,235)
Travel and accommodation		(73,053)	(8,045)
Impairment expense	9	(2,000,000)	(5,967,908)
Corporate expenses		(181,647)	(86,569)
Director & employee expenses		(343,735)	(1,775,055)
Legal fees		(224,364)	(209,063)
Occupancy		(29,002)	-
Interest expense	3	(102)	-
Other expenses		(5,516)	(8,040)
Profit /(Loss) before income tax		**10,187,549**	**(8,368,569)**
Income tax benefit	4	-	-
Profit /(Loss) from continuing operations		**10,187,549**	**(8,368,569)**
Profit /(Loss) from discontinued operations		-	-
Profit /(Loss) attributable to the owners of Energio Limited		**10,187,549**	**(8,368,569)**
Other comprehensive income			
Exchange differences on translation of foreign operations		827,084	-
Total comprehensive income /(loss) for the year		**11,014,633**	**(8,368,569)**
Basic Profit (loss) per share (cents per share)	7	6.48	(10.00)
Diluted earnings (loss) per share (cents per share)	7	n/a	n/a
Earnings per share for profit attributable to the ordinary equity holders of the Company			
Basic earnings (loss) per share (cents per share)	7	6.48	(10.00)
Diluted earnings (loss) per share (cents per share)	7	n/a	n/a

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

CONSOLIDATED BALANCE SHEET
As at 30 June 2012

	Note	Consolidated Entity 2012 $	2011 $
ASSETS			
Current assets			
Cash and cash equivalents	8	4,185,601	4,728,195
Trade and other receivables	9	255,289	63,504
Total current assets		4,440,890	4,791,699
Non-current assets			
Property, plant and equipment	10	304,661	-
Exploration and evaluation expenditure	11	50,156,180	-
Total non-current assets		50,460,841	-
Total assets		**54,901,730**	**4,791,699**
LIABILITIES			
Current liabilities			
Trade and other payables	12	775,713	180,261
Provisions	13	6,386	-
Total current liabilities		**782,099**	**180,261**
Non-current liabilities			
Deferred Tax Liability	22	14,100,000	-
Total non-current liabilities		**14,100,000**	**-**
Total Liabilities		**14,882,099**	**180,261**
Net assets		**40,019,631**	**4,611,438**
EQUITY			
Issued capital	14	53,200,557	29,386,502
Reserves	15	4,092,511	2,685,922
Accumulated losses		(17,273,437)	(27,460,986)
Total equity		**40,019,631**	**4,611,438**

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

	Note	Issued Capital	Accumulated Losses	Reserve	Total
Balance at 1 July 2010		**19,854,615**	**(19,092,417)**	**1,061,867**	**1,824,065**
Total comprehensive profit (loss) for the year as reported in the 2011 financial statements		-	(8,368,569)	-	(8,368,569)
Issue of director options		-	-	704,055	704,055
Issue of director shares		-	-	920,000	920,000
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs		9,531,887	-	-	9,531,887
Balance at 30 June 2011		**29,386,502**	**(27,460,986)**	**2,685,922**	**4,611,438**
Balance at 1 July 2011		**29,386,502**	**(27,460,986)**	**2,685,922**	**4,611,438**
Profit for the year		-	**10,187,549**	**-**	**10,187,549**
Other comprehensive income					
Foreign exchange movements		-	-	827,084	827,084
Total comprehensive profit (loss) for the year as reported in the 2012 financial statements		**-**	**10,187,549**	**827,084**	**11,014,633**
Issue of consultant options		-	-	579,505	579,505
Contributions of equity, net of transaction costs		23,814,055	-	-	23,814,055
Balance at 30 June 2012		**53,200,557**	**(17,273,437)**	**4,092,511**	**40,019,631**

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

	Note	Consolidated Entity 2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,208,668)	(895,781)
Interest received		137,856	44,870
Net cash (outflow)/inflow from operating activities	**17**	**(1,070,812)**	**(850,911)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current assets		(57,942)	-
Payments for exploration		(2,329,095)	-
Acquisition of subsidiary, net of cash acquired		1,414,646	-
Loans to/(from) other parties		(2,000,000)	(5,967,908)
Net cash outflow from investing activities		**(2,972,391)**	**(5,967,908)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares net of cost		3,801,501	9,531,886
Payment of share issue costs		(300,892)	-
Net cash inflow financing activities		**3,500,609**	**9,531,886**
Net increase in cash and cash equivalents held		(542,594)	2,713,067
Cash and cash equivalents at beginning of financial year		4,728,195	2,015,128
Exchange gain/(loss) on balance		-	-
Cash and cash equivalents at end of financial year	**8**	**4,185,601**	**4,728,195**

The above statements of cash flows should be read in conjunction with the accompanying note

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Energio Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. Energio Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Energio Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iii) Early adoption of standards

The group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available‑for‑sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Energio Limited ('company' or 'parent entity') as at 30 June 2012 and the results of all subsidiaries for the year then ended. Energio Limited and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one‑half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de‑consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group (refer to note 1(g)).

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

Non‑controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Energio Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non‑monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non‑monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non‑monetary assets such as equities classified as available‑for‑sale financial assets are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(f) Income tax (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Energio Limited and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation. As a consequence, these entities are not taxed as a single entity.

(g) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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. The 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 which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short‑term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(k) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

Land is not depreciated. Depreciation on other assets is calculated using the reducing balance method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Vehicles 4 years
- Computer equipment 3 years
- Office equipment 5 years
- Furniture, fixtures and fittings 3 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(k)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

(l) Intangible assets

(i) Goodwill

Goodwill is measured as described in note 1(g). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash‑generating units for the purpose of impairment testing. The allocation is made to those cash‑generating units or groups of cash‑generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 16).

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(n) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(o) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(p) Contributed equity

Ordinary shares are classified as equity.

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

Where any group company purchases the company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of Energio Limited as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of Energio Limited.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(s) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009‑11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013*)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013* but is available for early adoption. When adopted, the standard will affect in particular the group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the group recognised $15,000 of such gains in other comprehensive income.

There will be no impact on the group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The group has not yet decided when to adopt AASB 9.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013) In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. While the group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

The group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

(t) New accounting standards and interpretations (continued)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(iv) Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013) In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. Had the group adopted the new rules in the current reporting period, profit or loss would not have changed as there is no defined benefit scheme. The group has not yet decided when to adopt the new standard.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(u) Parent entity financial information

The financial information for the parent entity, Energio Limited, disclosed in note 27 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Energio Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation

Energio Limited and its wholly‑owned Australian controlled entities have not implemented the tax consolidation legislation.

(iii) Financial guarantees

Where the parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(v) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Exploration and evaluation

The application of the Company's accounting policy for exploration and evaluation necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of mineral reserves may be determined. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure, it is determined that recovery of the expenditure by future exploitation or sale is unlikely, then the relevant capitalised amount is expensed in the statement of comprehensive income.

(ii) Business combinations

Accounting for business combinations requires determining the fair value of the consideration paid and allocating against the various assets and liabilities of the acquired business at their respective fair values. The company uses all available information to make these fair value determinations, and may hire an independent appraisal firm to assist in making fair value estimates. In some instances, significant assumptions with respect to the timing and amount of future revenues and expenses associated with an asset might have to be used in determining its fair value. Actual timing and amount of net cash flows from revenues and expenses related to that asset over time may differ materially from those initial estimates, and if the timing is delayed significantly or if the net cash flows decline significantly, the asset could become impaired.

(iii) Share based payments

The group measures the cost of equity-settled transactions for which the fair value of goods and services received cannot be reliably estimated, by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using an appropriate option pricing model or fair market value of share or option at the date of grant, using the assumptions detailed in note 23. If any of these assumptions were to change, there may be an impact on the amounts reported.

(w) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the consolidated entity's rights of tenure to that area of interest are current and that the costs are expected to be recouped through the successful development of the area or where activities in the area have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

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

(x) Going concern

This report has been prepared on the going concern basis, which contemplates the continuation of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Consolidated entity has incurred net cash outflow from operating and investing activities for the year ended 30 June 2012 of $4,043,203 (2011: $6,818,819). As at 30 June 2012, the Consolidated entity had net current assets of $3,658,791 (30 June 2011: $4,611,438).

The Directors believe that there are sufficient funds to meet the Group's working capital requirements. However, the Directors recognise that the ability of the Group to continue as a going concern is dependent on the ability of the Group being able to secure additional funding through either the issue of further shares and or options or convertible notes or a combination thereof as required to fund ongoing exploration and for working capital.

Based on the above, the Group is confident that it will successfully raise additional funds, if required, to meet its financial obligations in future periods. As a result the financial report has been prepared on a going concern basis. However should the entity be unsuccessful in securing further working capital the entity may not be able to continue as a going concern.

2. REVENUE

	Consolidated Entity	
	2012 $	2011 $
Other income		
Interest received (Note 2(a))	147,336	44,870
Total Revenue	147,336	44,870
(a) Interest revenue from:		
Financial institutions	147,336	44,870
Total Interest Revenue	**147,336**	**44,870**

3. INTEREST EXPENSE

	Consolidated Entity	
	2012 $	2011 $
Finance Costs		
Interest paid on credit cards	102	-
Total finance costs expensed	102	-

4. INCOME TAX EXPENSE

		Consolidated Entity	
		2012 $	2011 $
	Income tax expense		
	Current tax	-	-
	Deferred tax	-	-
		-	-
(a)	**Numerical reconciliation of income tax benefit to prima facie tax payable**		
	Profit /(Loss) from continuing operations before income tax expense	10,187,549	(8,368,569)
	Tax at the Australian tax rate of 30% (2011: 30%)	3,056,265	(2,510,571)
	Tax effect of amounts that are not deductible /(taxable) in calculating taxable income:		
	Loan impairment	600,000	1,790,372
	Non deductible expenses	187,012	549,935
	Capitalised Exploration	(432,416)	-
	Gain on purchase of subsidiary	(4,326,114)	-
	Income tax benefit not recognised	(915,254)	170,263
	Income tax expense /(benefit)	-	-
(b)	**Tax losses**		
	Unused tax losses for which no deferred tax assets has been recognised	6,514,955	3,464,107
	Potential tax benefit at 30%	1,954,486	1,039,232
(c)	**Unrecognised temporary differences**		
	Deferred tax assets and liabilities not recognised relate to the following:		
	Deferred tax assets		
	Tax losses	6,514,955	3,464,107
	Other temporary differences	-	-
	Losses unavailable	(6,514,955)	(3,464,107)
	Deferred tax liabilities		
	Other temporary differences	-	-
	Net deferred tax assets	-	-

The taxation benefits of tax losses not brought to account will only be obtained if:

(a) assessable income is derived of a nature and of an amount sufficient to enable the benefit from the deductions to be realised;
(b) conditions for deductibility imposed by the law are complied with; and
(c) no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

The Company has deemed that it will not be able to use the income tax losses due to the change in beneficial ownership of the Company and the failure of the same business test.

5. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Compensation

Details of remuneration are contained in the Audited Remuneration Report in the Director's Report. A summary of total compensation paid to Key Management Personnel during the year is as follows:

	Key Management Personnel Compensation	
	2012	2011
Short-term employee benefits	816,356	151,000
Post-employment benefits	11,961	-
Share based payments	-	1,624,054
Total Key Management Personnel Compensation	**828,317**	**1,775,055**

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

No equity instruments were provided as remuneration to key management personnel during the reporting period as compensation (2011: details of options and shares issued are detailed below)

(ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director of Energio Limited, including their personally related parties, are set out below:

2012	Balance at 1 July 2011	Granted during the year as compensation	Exercised during the year	Effect from consolidation of share capital	Balance at 30 June 2012	Vested and exercisable at the end of the year
Directors and Key Management Personnel of the group						
Options						
Nathan Taylor	20,000,000	-	-	(18,000,000)	2,000,000	2,000,000
Athan Lekkas*	-	-	-	-	-	-
Don Carroll	20,000,000	-	-	(18,000,000)	2,000,000	2,000,000
Dr Ian Burston	-	-	-	-	-	-
Kevin Joseph	-	-	-	-	-	-
Brian King ^	-	-	-	-	-	-
Giuseppe (Joe) Ariti^^	-	-	-	-	-	-
Thomas Revy**	-	-	-	-	-	-
Total	40,000,000	-	-	(36,000,000)	4,000,000	4,000,000

No options are vested and un-exercisable at the end of the year, and no options are unvested .

* Athan Lekas resigned as a director of the Company 19 April, 2012

^ Brian King was appointed a director of the Company 29 February, 2012

^^ Giuseppe (Joe) Ariti was appointed a director of the Company 19 April, 2012

** Thomas Revy was appointed Chief Executive Officer of KCM Mining Holdings Pty Ltd 12 March, 2012 and resigned 11 September, 2012

5. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

2011	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors and Key Management Personnel of the group						
Options						
Nathan Taylor	-	20,000,000	-	-	20,000,000	20,000,000
Athan Lekkas*	-	-	-	-	-	-
Don Carroll	-	20,000,000	-	-	20,000,000	20,000,000
Dr Ian Burston	-	-	-	-	-	-
Kevin Joseph	-	-	-	-	-	-
Total	-	40,000,000	-	-	40,000,000	40,000,000

No options were vested and un-exercisable at the end of the year, and no options are unvested.

* Athan Lekas resigned as a director of the Company 19 April, 2012

(iii) Shareholdings

The numbers of shares in the Company held during the financial year by each Director of Energio Limited and other key management personnel of the Company, including their personally related parties are set out below.

There were no shares granted during the reporting period as compensation.

2012	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Effect from consolidation of share capital	Balance at the end of the year
Directors and Key Management Personnel of the group					
Ordinary Shares					
Nathan Taylor	31,000,000	-	-	(27,900,000)	3,100,000
Athan Lekkas*	51,500,000	-	-	(46,350,000)	5,150,000
Don Carroll	20,000,000	-	-	(18,000,000)	2,000,000
Dr Ian Burston	-	-	-	-	-
Kevin Joseph	-	-	-	-	-
Brian King^	-	-	280,000	-	280,000
Giuseppe (Joe) Ariti^^	-	-	600,000	-	600,000
Thomas Revy**	-	-	-	-	-
Total	**102,500,000**	**-**	**880,000**	**(92,250,000)**	**11,130,000**

* Athan Lekas resigned as a director of the Company 19 April, 2012

^ Brian King was appointed a director of the Company 29 February, 2012

^^ Giuseppe (Joe) Ariti was appointed a director of the Company 19 April, 2012

** Thomas Revy was appointed Chief Executive Officer of KCM Mining Holdings Pty Ltd 12 March, 2012 and resigned 11 September, 2012

5. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

2011	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors and Key Management Personnel of the group				
Ordinary Shares				
Nathan Taylor	10,000,000	-	21,000,000	31,000,000
Athan Lekkas*	28,000,000	-	23,500,000	51,500,000
Don Carroll	-	-	20,000,000	20,000,000
Dr Ian Burston	-	-	-	-
Kevin Joseph	-	-	-	-
Total	38,000,000	-	64,500,000	102,500,000

* Athan Lekas resigned as a director of the Company 19 April, 2012, Mr Lekas shares are held personally and beneficially by Dalext Pty Ltd

(c) Loans to key management personnel

No loans were made to directors of Energio Limited and other key management personnel of the Company, including their personally related parties during the current or prior years.

(d) Other transactions with key management personnel

	2012 $	2011 $
Amounts paid:		
Mr Brian King	157,502	-
Mr Ian Burston	67,996	-
Mr Kevin Joseph (on normal commercial terms)	273,771	-
PKF Australia (Company Secretarial, Corporate Advisory and Accounting fees billed on normal commercial terms)	24,000	138,967
	523,269	138,967

i) KCM Mining Holdings Pty Ltd has an agreement with Mr Brian King whereby Mr King provides on-going general consultancy services at a daily rate of $2,000 on normal commercial terms. The agreement may be terminated by either party upon notice, there is no minimum notice period.

ii) Prior to the Company acquiring KCM Mining Holdings Pty Ltd, Dr Ian Burston provided consultancy services to KCM Mining Holdings Pty Ltd at a daily rate of $2,500 on normal commercial terms.

iii) In addition to director fee's the group made the following payments to directors under the terms of separate service agreements - Dr Ian Burston $30,409 and Mr Brian King $157,502, these amounts are included in the sums disclosed in the table for total remuneration of Directors and Key Management Personnel in this remuneration report.

iv) An agreement was in place between the Company and PKF Australia whereby PKF Australia provided company secretarial, administration, and accounting services to the group on normal commercial terms. The engagement was terminated by the group effective 19 July 2012.

Aggregate amounts included in expenses or exploration for each of the above types of other transactions with key management personnel of the group:

Aggregate amounts payable to key management personnel of the group at balance date relating to the above types of transactions.

2012 $	2011 $
94,709	92,200

6. AUDITORS' REMUNERATION

	Consolidated Entity 2012 $	Consolidated Entity 2011 $
During the year the following fees were paid or payable for services provided by the auditor of the group, its related practices and non-related audit firms		
Auditing or reviewing the financial reports		
BDO Audit (WA) Pty Ltd	47,802	83,557
Preparation of investigation accountants report and associated work		
BDO Finance (WA) Pty Ltd	20,090	-
	67,892	83,557

7. PROFIT (LOSS) PER SHARE

	Consolidated Entity 2012 $	Consolidated Entity 2011 $
(a) Reconciliation of earnings used to calculate EPS to net profit or loss		
Net Profit/(Loss)	10,187,549	(8,368,569)
Earnings/(Loss) used in the calculation of basic EPS		
Continuing Operations	10,187,549	(8,368,569)
Discontinuing Operations	-	-
	10,187,549	(8,368,569)

	Number	Number (Note)
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	157,117,106	83,960,531

Note: for comparative purposes the number of shares on issue at 30 June 2011 has been adjusted to reflect the 1:10 consolidation of shares in the financial year ended 30 June, 2012.

8. CASH AND CASH EQUIVALENTS

	Consolidated Entity 2012 $	Consolidated Entity 2011 $
Cash at bank	4,185,601	4,728,195
	4,185,601	4,728,195
Reconciliation of Cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	4,185,601	4,728,195
Bank overdrafts	-	-
	4,185,601	4,728,195

9. TRADE AND OTHER RECEIVABLES

	Consolidated Entity	
	2012 $	2011 $
CURRENT		
GST Receivable	124,941	39,340
Deposits & Prepayments	49,013	24,164
Trade Debtors	10,394	-
Sundry Debtors	63,264	-
Other Receivable	7,677	-
	255,289	63,504

(a) At 30 June 2011 the Company had loaned $5,967,908 KCM Mining Holdings Pty Ltd on an unsecured basis with an interest rate of 5% per annum due to the Company entering into a put and call option deed with TGP in relation to the potential acquisition of KCM Mining Holdings Pty Ltd and in accordance with loan agreement entered into on 7 November 2010. During the period 1 July 2011 until the time the Company acquired all of the shares of KCM Mining Holdings Pty Ltd the Company loaned an additional $2,000,000 to KCM Mining Holdings Pty Ltd on the same terms and conditions. All of the loan amounts were impaired by the Company prior to its acquisition of KCM Mining Holdings Pty Ltd due to the unlikelihood of the loans being repaid.

10. PROPERTY, PLANT AND EQUIPMENT

	Consolidated Entity				
	Motor vehicles $	Software & Hardware $	Plant & Equipment $	Office Equipment Furniture & Fittings $	Total $
Balance at 30 June 2010	**-**	**-**	**-**	**-**	**-**
Additions	-	-	-	-	**-**
Disposals	-	-	-	-	**-**
Depreciation expense	-	-	-	-	**-**
Balance at 30 June 2011	**-**	**-**	**-**	**-**	**-**
Additions	-	31,551	-	24,096	**55,647**
Acquisition of subsidiary	290,097	-	28,969	-	**319,066**
Disposals	-	-	-	-	**-**
Depreciation expense	(62,303)	(1,710)	(5,295)	(744)	**(70,052)**
Balance at 30 June 2012	**227,794**	**29,841**	**23,674**	**23,352**	**304,661**

11. EXPLORATION EXPENDITURE

	Consolidated Entity	
	2012 $	2011 $
Current period exploration expenditure	2.329,095	-
Fair value of exploration upon acquisition	47,000,000	-
Foreign exchange movements	827,085	-
	50,156,180	-

The ultimate recoupment of exploration and development expenditure is dependent on the successful development and commercial exploitation or sale of the respective exploration areas.

12. TRADE AND OTHER PAYABLES

	Consolidated Entity	
	2012 $	2011 $
CURRENT – unsecured liabilities		
Trade & other payables	238,767	63,061
Accrued expenses	493,478	117,200
PAYG withholding	43,455	-
Other	13	-
	775,713	180,261

13. PROVISIONS

	Consolidated Entity	
	2012 $	2011 $
Annual Leave	6,386	-
	6,386	-

14. ISSUED CAPITAL

	Consolidated Entity	
	2012 $	2011 $
(a) Share Capital:		
Ordinary shares, fully paid	52,976,701	29,162,646
(b) Other equity securities:		
Value of conversion rights – convertible notes (Note 14 (e))	223,856	223,856
Total Contributed Equity	53,200,557	29,386,502

(c(i)) Ordinary shares		
At the beginning of the reporting period	29,162,646	19,630,759
Shares issued during the year	24,614,947	10,043,292
Transaction costs relating to share issues	(800,892)	(511,405)
At the end of the reporting date	52,976,701	29,162,646

14. ISSUED CAPITAL (continued)

(c (ii)) Movements in Ordinary Share Capital

Date	Details	No of shares	Issue price	Value
01/07/2010	Opening Balance	623,262,709		20,547,472
19/07/2010	Issue	57,000,000	0.005	285,000
22/12/2010	Issue	80,600,000	0.010	806,000
22/12/2010	Issue	20,000,000	-	-
07/01/2011	Issue	20,000,000	0.010	200,000
31/01/2011	Issue	19,000,000	0.010	190,000
11/02/2011	Issue	37,696,000	0.010	376,960
01/03/2011	Issue	3,900,000	0.010	39,000
01/03/2011	Issue	20,000,000	-	-
11/03/2011	Issue	208,007,776	0.0375	7,800,292
15/03/2011	Issue	12,200,000	0.010	120,000
30/03/2011	Issue	5,800,000	0.010	58,000
11/05/2011	Issue	10,304,000	0.010	103,040
22/06/2011	Issue	1,000,000	0.010	10,000
30/06/2011	Issue	5,500,000	0.010	55,000
30/06/2011	**Balance**	**1,124,270,485**		**30,590,764**
01/08/2011	issue	20,000,000	0.025	500,000
01/08/2011	issue	29,000,000	0.01	290,000
30/09/2011	Issue	5,050,000	0.01	50,500
20/12/2011	issue	59,950,000	0.01	599,500
30/12/2011	Issue	500,000	0.01	5,000
30/12/2011	Consolidation of shares	(1,114,893,236)		
07/03/2012	Issue	14,500,000	0.20	2,900,000
07/03/2012	Issue	85,766,667	0.20	17,153,333
07/03/2012	issue	15,583,067	0.20	3,116,613
30/06/2012	**Balance**	**239,726,983**		**55,205,710**
	Less transaction costs			2,229,009
	At reporting date	**239,726,983**		**52,976,701**

(c (iii)) Number of ordinary shares (summary)

	Consolidated Entity	
	2012 (No)	2011 (No)
At the beginning of the reporting period	1,124,270,485	623,262,709
Shares issued during the year pre-consolidation	114,500,000	-
Shares consolidated during the year	(1,114,893,236)	-
Shares issued during the year post consolidation	115,849,734	501,007,776
At reporting date	**239,726,983**	**1,124,270,485**

(i) Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands.

14. CONTRIBUTED EQUITY (continued)

(d) Options	Consolidated Entity	
	2012 (No)	2011 (No)
At the beginning of the reporting period	199,487,599	116,287,599
Options issued during the year:		
During December 2010	-	100,600,000
During January 2011	-	39,000,000
During March 2011	-	20,000,000
Options exercised during the year:		
During February 2011	-	(37,696,000)
During March 2011	-	(21,900,000)
During May 2011	-	(10,304,000)
During June 2011	-	(6,500,000)
During September 2011	(34,050,000)	-
During December 2011	(59,950,000)	-
Options consolidated during the year	(88,738,770)	-
Options lapsed during the year	(110,000)	-
At reporting date	**16,638,829**	**199,487,599**

(e) Value of conversation rights – Convertible Notes

	2012 $	2011 $
Value of conversion rights (Note 14)	244,248	244,248
Initial transaction cost	(20,392)	(20,392)
	223,856	223,856

(i) On 15 January 2010, the Company obtained the approval of its creditors to enter into a Deed of Company Arrangement (DOCA). The secured convertible notes were settled via an issue of 50,000,000 Shares and 30,000,000 Options exercisable at 1 cent each and expiring on 30 November 2013.

15. RESERVES

	Note	Consolidated Entity 2012 $	Consolidated Entity 2011 $
Share based payments reserve		1,233,240	1,233,240
Options Issue reserve		2,032,187	1,452,682
Foreign currency translation reserve		827,084	-
		4,092,511	2,685,922
Movement:			
Share based payments reserve			
Balance at the beginning of the year		1,233,240	313,240
New shares granted		-	920,000
Balance at the end of the year		1,223,240	1,233,240
Options Issue reserve			
Balance at the beginning of the year		1,452,682	748,627
New options granted		579,505	704,055
Balance at the end of the year		2,032,187	1,452,682
Foreign currency translation reserve			
Balance at the beginning of the year		-	-
Currency translation differences arising during the year		827,084	-
Balance at the end of the year		827,084	-
Total Reserves		4,092,511	2,685,922

(a) Nature and Purpose of Reserves

(i) Share based payment reserve

The share based payments reserve is used to record the fair value of shares issued by the Group to directors as part of remuneration.

(ii) Option Issue reserve

The options issue reserve is used to record the fair value of options issued by the Group to directors as part of remuneration and to consultants for services provided.

(iii) Foreign Currency Translation Reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve.

16. SEGMENT REPORTING

The group has adopted AASB 8 Operating Segments from 1 July 2009 whereby segment information is presented using a 'management approach', i.e. segment information is provided on the same basis as information used for internal reporting purposes by the chief operating decision maker (board of directors that makes strategic decisions).

The group engages in single main operating segment, being mineral exploration, from which it currently earns no revenues and incurs costs associated with carrying out exploration. The groups results are analysed as a whole by the chief operating decision maker (the board of directors of the Company).

On 17 February, 2012 the Company completed the acquisition of a KCM Mining Limited, a Nigerian entity, the group has identified its operating segments giving due consideration to this.

Segment information

Segment information for the year ended 30 June 2012 is as follows:

2012	Exploration	Head Office & Admin	Total
Segment revenue			
Interest Income	-	147,336	147,336
Gain on acquisition of subsidiary	14,420,380	-	14,420,380
Total segment revenue/income	14,420,380	147,336	14,567,716
Segment result	-	10,187,549	10,187,549
Unallocated expense	-	-	-
Profit/(loss) before income tax	-	10,187,549	10,187,549
Income tax benefit			-
Net profit/(loss) for the year	-	10,187,549	10,187,549
Segment net operating loss includes the following significant item:			
Impairment loan expense	-	2,000,000	2,000,000
Segment assets			
Cash and cash equivalents	1,304,224	2,881,377	4,185,601
Exploration and evaluation	50,156,180	-	50,156,180
Property, plant and equipment	251,468	53,193	304,661
Other assets	55,805	199,483	255,289
Total assets	51,767,678	3,134,053	54,901,730
Segment liabilities	(685,425)	(96,974)	(782,099)
Cash flow information			
Net cash used in operating activities	-	(1,070,812)	(1,070,812)
Net cash used in investing activities	(2,329,095)	(643,295)	(2,972,390)
Net cash provided by financing activities	-	3,500,609	3,500,609

16. SEGMENT REPORTING (continued)

Segment information for the year ended 30 June 2011 was as follows:

2011	Australia	Continuing Operations	Total
Segment revenue			
Interest Income	44,870	44,870	44,870
Total segment revenue/income	44,870	44,870	44,870
Segment result	(8,368,569)	(8,368,569)	(8,368,569)
Unallocated expense	-	-	-
Profit/(loss) before income tax	(8,368,569)	(8,368,569)	(8,368,569)
Income tax benefit			-
Net profit/(loss) for the year	(8,368,569)	(8,368,569)	(8,368,569)
Segment Assets and Liabilities			
Segment assets	4,791,699	4,791,699	4,791,699
Unallocated assets	-	-	-
Intersegment eliminations	-	-	-
Total assets	4,791,699	4,791,699	4,791,699
Segment liabilities	180,261	180,261	180,261
Unallocated liabilities	-	-	-
Total liabilities	180,261	180,261	180,261

17. CASH FLOW INFORMATION

	Consolidated Entity	
	2012 $	2011 $
Reconciliation of Cash Flow from Operations with Profit /(Loss) after Income Tax		
Profit /(Loss) after income tax	10,187,549	(8,368,569)
Cash flows excluded from profit attributable to operating activities		
Gain on acquisition of subsidiary	(14,420,380)	-
Non-cash flows in profit from ordinary activities		
Impairment Loss	2,000,000	5,967,908
Depreciation	2,495	-
Interest Expense	102	-
Share based payments	579,505	1,624,054
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in receivables	74,754	(38,522)
(Increase)/decrease in inventories	-	-
Increase/(decrease) in payables	505,163	(35,784)
Cash flow from operations	(1,070,812)	(850,911)

17. CASH FLOW INFORMATION (continued)

(a) Non-cash investing and financing activities

	CONSOLIDATED ENTITY	
	2012	2011
	$	$
Acquisition of 100% interest in KCM Mining Holdings Pty Ltd	17,153,333	-
Acquisition of 25% interest in KCM Mining Limited	3,116,613	-
Equity granted as consulting fees for capital raising	500,000	-
	20,769,946	**-**

Full details of each of the above non-cash investing and financing activities is contained in Note 23 – Share Based Payments.

18. COMMITMENTS

a) Future exploration

The Nigerian Minerals and Mining Act (2007) and the Nigerian Minerals and Mining Regulations (2011) do not prescribe minimum annual expenditure obligations for Exploration Licences, rather these obligation are managed by the Mines Inspectorate Department on a case by case basis. The group expects it will be able to meet any expenditure obligations imposed for any of the Exploration Licences that it holds in the normal course of operations. If any expenditure obligations are not met, then the group has the ability to request a waiver of these obligations or to negotiate amended obligations for the remaining term of the Exploration Licence or relinquish the Exploration Licence.

Annual renewal fees of $12,006 are payable to the government of Nigeria for all Exploration Licences held by the group.

b) Operating leases

<u>Office Premises</u>

The Company leases office premises in West Perth, Western Australia and Agbaja Nigeria. The Perth office lease is for a period of 3 years expiring 30 April 2015 and the Agbaja office lease is for a period of 4 years, expiring 30 April, 2016. Annual commitments payable under these leases are:

2012/13 $134,000

2013/14 $146,000

2014/15 $127,000

The group has no other operating lease commitments

c) Contractual capital commitments

There are no contractual capital commitments

d) Other contractual commitments

The group is party to a drilling contract with Spektra Jeotek AS whereby a demobilisation fee of US$37,500 is payable upon completion by the driller of the current drilling program.

19. EVENTS SUBSEQUENT TO REPORTING DATE

As at the date of this directors' report, the directors are not aware of any matter or circumstance that has arisen that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in the financial years subsequent to 30 June 2012.

20. RELATED PARTY TRANSACTIONS

(a) Subsidiaries

The consolidated financial statements include the financial statements of Energio Limited and the subsidiaries listed in the following table

Name of Entity	Country of Incorporation	Ownership Interest		Investment at Cost	
		2012	2011	2012	2011
KCM Mining Holdings Pty Ltd	Australia	100%	-	17,153,333	-
KCM Mining Limited	Nigeria	100%	-	3,204,715	-

(b) Ultimate parent

Energio Limited is the ultimate parent entity.

(c) Key Management Personnel

Details relating to Key Management Personnel, including remuneration paid, are included in note 5.

(d) Transactions with related parties

Terms and conditions of transactions with related parties

Outstanding inter-company loan balances at year end are unsecured and are not interest bearing.

21. FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group does not use derivative financial instruments, however the group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risks, aging analysis for credit risk.

Risk management is carried out by the Board of Directors. The Board provides written principles for overall risk management and further policies will evolve commensurate with the evolution and growth of the group.

The group holds the following financial instruments:

	CONSOLIDATED ENTITY	
	2012	2011
	$	$
Financial assets		
Cash and cash equivalents	4,185,601	4,728,195
Trade and other receivables	243,036	63,504
	4,428,637	4,791,699
Financial liabilities		
Trade and other payables	775,713	180,262
Provisions for annual leave	6,386	
Borrowings	-	-
	782,099	180,262

The group's principal financial instruments comprise cash and short-term deposits. The group does not have any borrowings in the current financial year.

The main purpose of these financial instruments is to fund the group's operations.

It is, and has been throughout the period under review, the group's policy that no trading in financial instruments shall be undertaken. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

21. FINANCIAL RISK MANAGEMENT (continued)

a) Market risk

(i) Foreign exchange risk

As a result of the group operating overseas (Nigeria), the group is exposed to foreign exchange risk from commercial transaction and recognised assets and liabilities denominated in a currently that is not the groups functional currency.

The group also has transactional currency exposures. Such exposure arises from purchased by an operating entity in currencies other than the groups functional currency.

(ii) Cash flow and fair value interest rate risk

The group's only interest rate risk arises from cash and cash equivalents held. Term deposits and current accounts held with variable interest rates expose the group to cash flow interest rate risk. The group does not consider this to be material to the group and have therefore not undertaken any further analysis of risk exposure.

The following sets out the group's exposure to interest rate risk, including the effective weighted average interest rate by maturity periods:

30 June 2012 Consolidated Entity	Note	Weighted average interest rate	1 year or less $	2-5 years $	Total $
Financial assets					
Cash and cash equivalents	8	2.33%	4,127,583	-	4,127,583
Total			**4,127,583**	**-**	**4,127,583**

30 June 2011 Consolidated Entity	Note	Weighted average interest rate	1 year or less $	2-5 years $	Total $
Financial assets					
Cash and cash equivalents	8	2.07%	4,728,195	-	4,728,195
Total			**4,728,195**	**-**	**4,728,195**

b) Credit risk

The group does not have any significant concentrations of credit risk. Credit risk is managed by the Board and arises from cash and cash equivalents as well as credit exposure including outstanding receivables and committed transactions.

All cash balances held at banks are held at internationally recognised institutions. The majority of receivables are immaterial to the group. Given this the credit quality of financial assets that are neither past due or impaired can be assessed by reference to historical information about default rates. This indicates that the quality is good. .

At 30 June 2011 the group had loaned funds to KCM Mining Holdings Pty Ltd on an unsecured basis with an interest rate of 5% per annum due to the group entering into a put and call option deed with TGP in relation to the potential acquisition of KCM Mining Holdings Pty Ltd and in accordance with loan agreement entered into on 7 November 2010. The loan has been impaired due to the unlikelihood of these funds being repaid at present.

The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised at the start of Note 21.

Financial assets that are neither past due and not impaired are as follows:

	Consolidated Entity	
	2012 $	2011 $
Cash and cash equivalents		
'AA' S&P rating	**4,185,601**	**4,728,195**

21. FINANCIAL RISK MANAGEMENT (continued)

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding.

The group's exposure to the risk of changes in market interest rates relate primarily to cash assets and floating interest rates. The group does not have significant interest-bearing assets and is not materially exposed to changes in market interest rates.

The directors monitor the cash levels of the group on an on-going basis against budget and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

As at reporting date the group had sufficient cash reserves to meet its requirements. The group has no access to credit standby facilities or arrangements for further funding or borrowings in place.

The financial liabilities the group had at reporting date were trade payables incurred in the normal course of the business. These were non interest bearing and were due within the normal 30-60 days terms of creditor payments. No borrowings existed at year end.

Maturities of financial liabilities

The table below analyses the group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Consolidated Entity At 30 June 2012	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	$	$	$	$	$	$	$
Non-derivatives							
Non-interest bearing	775,713	-	-	-	-	775,713	775,713
Variable rate	-	-	-	-	-	-	-
Fixed rate	-	-	-	-	-	-	-
Total non-derivatives	**775,713**	**-**	**-**	**-**	**-**	**775,713**	**775,713**

Consolidated Entity At 30 June 2012	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	$	$	$	$	$	$	$
Non-derivatives							
Non-interest bearing	180,262	-	-	-	-	180,262	180,262
Variable rate	-	-	-	-	-	**-**	-
Fixed rate	-	-	-	-	-	**-**	-
Total non-derivatives	**180,262**	**-**	**-**	**-**	**-**	**180,262**	180,262

d) Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement for disclosure purposes.

The fair value of financial instruments traded in active markets, such as trading and available for sale securities, is based on current quoted market prices at reporting date. The quoted market price used for financial assets held by the group is the current market price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

The entity's principal financial instruments consist of cash and deposits with banks, accounts receivable and trade payables. The main purpose of these non-derivative financial instruments is to finance the entity's operations.

energio Limited

21. FINANCIAL RISK MANAGEMENT (continued)

Summarised sensitivity analysis

The following summarises the sensitivity of the group's financial assets and financial liabilities to interest rate risk. It is assumed that the balance at the reporting date is representative of the year as a whole.

30 June 2012		Interest rate risk			
	Carrying amount	-1% (100 bps)		+1%(100 bps)	
	$'s	Loss	Other equity	Profit	Other equity
Financial assets					
Cash and cash equivalents	4,185,601	41,856	-	41,856	-
Total increase		41,856	-	41,856	

22. BUSINESS COMBINATIONS

(a) Summary of acquisition

On 17 February 2012 Energio Limited acquired:

- 100 % of the issued share capital of KCM Mining Holdings Pty Ltd the owner of 75% of the shares of Nigerian Company KCM Mining, and
- 25% of the issued share capital of KCM Mining Limited directly.

This acquisition afforded the Company 100% ownership of KCM Mining Limited and the 15 granted Mineral Exploration Licences held by it in Nigeria.

Details of the purchase consideration is:

(i) Acquisition of 100% of KCM Mining Holdings Pty Ltd

Issue of 85,766,667 Energio fully paid ordinary shares to TGP Australia Limited at $0.20 totalling $17,153,334

(ii) Acquisition of 25% of KCM Mining Limited

Issue of 15,583,067 Energio fully paid ordinary shares to Bedford CP Nominees at $0.20 totalling $3,116,614

The fair value of assets and liabilities acquired pursuant to the acquisition of KCM Mining Holdings Pty Ltd and KCM Mining Limited are as follows:

	Carrying value of assets and liabilities	Fair value of assets and liabilities acquired
Cash and cash equivalents	1,414,646	1,414,646
Trade and other receivables	58,910	58,910
Property, plant and equipment	316,771	316,771
Capitalised exploration and evaluation expenditure	9,162,684	47,000,000
Total assets	**10,953,011**	**48,790,327**
Trade and other payables	-	-
Deferred tax liability	-	(14,100,000)
Total liabilities	**-**	**-**
Net assets attributable to Energio Limited	**10,953,011**	**34,690,327**

22. BUSINESS COMBINATIONS (continued)

The gain on acquisition of KCM Mining Pty Ltd and KCM Mining Limited is as follows:

	$'s
Fair value of assets acquired	48,790,327
Deferred Tax Liability	(14,100,000)
	34,690,327
Total fair value of consideration paid	20,269,947
Gain on acquisition of subsidiary	**14,420,380**

(iii) Acquired capitalised exploration evaluation expenditure

Management have determined the fair value assigned to capitalised exploration and evaluation expenditure based on an independent valuation which resulted in an increase in the carrying value of the assets of $37,837,316.

(iv) Contingent consideration

No contingent consideration is payable in respect of the acquisition of KCM Mining Holdings Pty Ltd or KCM Mining Limited.

(v) Revenue and profit contribution

The acquired businesses attributed $95,655 in interest income for the group between the period 18 February 2012 to 30 June 2012 and a total of $2,233,371 of deferred exploration and evaluation expenditure.

(b) Purchase consideration – cash outflow

	Consolidated Entity	
	2012	2011
	$	$
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	-	-
Less: Balances acquired		
Cash	(1,414,646)	-
Outflow (inflow) of cash from investing activities	**(1,414,646)**	-

(i) Acquisition related costs

Acquisition related costs of $62,079 are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

23. SHARE BASED PAYMENTS

The group does not currently operate an employee share plan or employee option plan.

Year ended 30 June 2012

(a) Capital Raising Services - shares

On 1 August 2011, the Company issued 20,000,000 shares (now 2,000,000 shares post the 10:1 consolidation of the Company's share capital on 30 November 2011) as consideration for capital raising costs The valuation of the shares has been determined based upon the closing price of the Company's shares on 1 August, 2011. Total value of the shares above is $500,000, this cost has been recognised as equity raising costs.

23. SHARE BASED PAYMENTS (continued)

(b) Purchase of KCM Mining Holdings Pty Ltd and 25% of KCM Mining Limited

On 17 February 2012 the Company completed the acquisition of all of the shares of KCM Mining Limited (a Nigerian entity) via the purchase of all of the shares of KCM Mining Holdings Pty Ltd (the holder of 75% of the shares of KCM Mining Limited) from TGP Australia Limited and 25% of the shares of KCM Mining Limited from Bedford CP Nominee's Pty Ltd.

As consideration for these purchases, the Company issued 85,766,667 fully paid ordinary shares to TGP Australia Limited at a deemed value of $17,153,333 ($0.20 per share) and 15,583,067 fully paid ordinary shares to Bedford CP Nominee's Pty Ltd a deemed value of $3,116,613 ($0.20 per share).

The total value of the shares is $20,269,947 and has been recognised as investments within the Parent entity

(c) Corporate Advisory Services - options

On 17 March 2012, the Company issued 6,250,000 options to a consultant as consideration for corporate advisory services. The options were valued using a BlackScholes Pricing Model as this was deemed by the company to be the most appropriate method to determine the value of the services provided; the following inputs were applied:

	Grant date 17 March 2012
Option expiry date	30 November 2012
Life of the options (years)	1.70685 years
Share price at grant date	$0.20
Option exercise price	$0.20
Risk free rate	4.25%
Expected dividend yield	0%
Expected share price volatility (based on a review of historic volatility)	90%

Total value of the options above is $579,505, this has been recognised in consulting fees.

Year ended 30 June 2011

During the financial year ended 30 June 2011, the Company issued the following share-based payments.

(a) Employee Share Options – Incentive Options

Set out below are summaries of the options granted:

	Number of options (Note A)	Value per option (cents)	Vested during the period (Note A)	Exercisable at period end (Note A)
Exercisable at 1 cent, on or before 30 November 2013	20,000,000	$0.0068	20,000,000	20,000,000
Exercisable at 1 cent, on or before 30 November 2013	20,000,000	$0.0284	20,000,000	20,000,000

Note A: On 30 November, 2011 shareholders approved a 10:1 consolidation of the Capital of the Company. As a result of this consolidation, each tranche of options listed in the above table was consolidated to 2,000,000 which an exercise price of $0.20, the exercise date remains unchanged at on or before 30 November, 2013.

23. SHARE BASED PAYMENTS (continued)

The price was calculated by using Black Scholes Pricing Model applying the following inputs:

	2011
Life of the options (years)	3.00274 and 2.81
Share price at grant date (cents)	0.011 and 0.035
Risk free rate	5.0%
Expected share price volatility (based on historic performance)	90%

Total value of the options above is $704,054.

(b) Employee Shares

On 22 December 2010, the Company issued 20,000,000 shares to Mr Nathan Taylor (now 2,000,000 post the 10:1 consolidation of the Company's share capital on 30 November 2011). The shares were issued and allotted as consideration for services provided by the employee.

The shares were issued for nil consideration and were approved at a meeting of shareholders held on 30 November 2010. The closing share price on 22 December 2010 was $0.011, and the value of the shares is $220,000 based on this 22 December 2010 share price.

On 1 March 2011, the Company issued 20,000,000 shares to Mr Don Carroll (now 2,000,000 shares post the 10:1 consolidation of the Company's share capital on 30 November 2011). The shares were issued and allotted as consideration for services provided by the employee.

The shares were issued for nil consideration and were approved at a meeting of shareholders held on 9 February 2011. The closing share price on 1 March 2011 was $0.035, and the value of the shares is $700,000 based on this 9 February 2011 share price

(c) Broker Shares

On 11 March 2011, the Company issued 13,200,000 shares (now 1,320,000 post the 10:1 consolidation of the Company's share capital on 30 November 2011) in lieu of fees. The valuation of the Broker shares has been determined based upon the valuation of the services provided. As part of the process management has made an estimate of the fair value of these services provided based upon known commercial rates.

Total value of the shares above is $411,513. These have been recognised as equity raising costs.

24. DIVIDENDS

No dividends have been declared or paid during the period

25. CONTINGENT LIABILITIES & EXPENSES

Year ended 30 June 2012

There are no contingent liabilities as at 30th June 2012.

26. CAPITAL COMMITMENTS

There are no capital commitments as at 30th June 2012 (2011: none)

27. PARENT ENTITY INFORMATION

(a) Information relating to Energio Limited

	Energio Limited 2012 $	Energio Limited 2011 $
Current assets	3,080,860	4,791,699
Total assets	**25,361,936**	**4,791,699**
Current liabilities	(685,425)	(180,261)
Total liabilities	**(685,425)**	**(180,261)**
Issued capital	(53,200,527)	(29,386,502)
Retained earnings	31,789,472	27,460,986
Reserves	(4,092,512)	(2,685,922)
Total shareholder equity	**(24,676,511)**	**(4,611,438)**
Loss of parent entity	(4,328,486)	(8,368,569)

(b) Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries

Energio Limited has not entered into any parent entity guarantees for any of its subsidiaries

(c) Details of contingent liabilities of the parent entity

Refer to note 25 for details.

(d) Details of any contractual commitments by the parent entity of the acquisition of property, plant and equipment

There are no contractual commitments by Energio Limited for the acquisition of property, plant and equipment.

(e) Tax consolidation

Energio Limited and its subsidiaries have not formed a tax consolidation group.

The Directors of the Company declare that:

1 The financial statements, comprising the statement of comprehensive income, statement of financial position, cash flow statement, statement of changes in equity accompanying notes are in accordance with the *Corporations Act 2001* and:

(a) Comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) Give a true and fair view of the consolidated entity's financial position as at 30 June 2011, and of its performance for the year ended on that date; and

2 In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

3 The Directors have been given the declaration by a person who performed the Chief Financial Officer function as required by section 295A of the *Corporations Act 2001*; and

4 The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards.

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

On behalf of the Directors

Director

28 August 2012

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ENERGIO LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Energio Limited, which comprises the consolidated balance sheet as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company'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 conduction 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 Energio Limited, would be the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Energio 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 year ended on that date; and

  ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred net cash outflow from operating and investing activities for the year ended 30 June 2012 of $4,043,203. The consolidated entity will have to seek additional funding in order to progress its ongoing exploration and meet additional working capital requirements. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, may be unable to realise its assets and discharge its liabilities in the normal course of business at values stated in the financial report.

Report on the Remuneration Report

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

Opinion

In our opinion, the Remuneration Report of Energio Limited for the year ended 30 June 2012 complies with Section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Philip Murdoch
Director

Perth, Western Australia
Dated the 28th day of September 2012