# Glory Resources Limited and its Controlled Entities

**ABN 38 142 870 102**

## Annual Report

## For the Year Ended 30 June 2012

# Contents

# Corporate Information

This financial report includes the consolidated financial statements and notes of Glory Resources Limited and controlled entities ("Glory Resources" or "Group") for the period 1 July 2011 to 30 June 2012.

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Director's report. The Director's report is not part of the financial report.

**Directors**

Mr Jason Bontempo
Mr Bernard Aylward
Mr Jeremy Wrathall
Mr Lui Giuliani

**Company Secretary**

Ms Pippa Leverington

**Registered Office**

32 Harrogate Street
West Leederville WA 6007

**Website**

www.gloryresources.com.au

**Share Registry**

Link Market Services Limited
Ground Floor
178 St Georges Terrace
Perth WA 6000

**Auditors**

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

**Stock Exchange**

Australian Securities Exchange Limited

**ASX Code: GLY**

# Directors' Report

Your Directors present the following report on Glory Resources Limited and its controlled entities (referred to hereafter as the "Group") for the year ended 30 June 2012. The comparative period presented in the consolidated financial statements is from the date of incorporation on 30 March 2010 to 30 June 2011 ("period").

## INFORMATION ON DIRECTORS

The names of the Directors in office during the period and until the date of this report are as follows. All Directors were in office for the entire period unless otherwise stated:

| | |
|---|---|
| Mr Jason Bontempo | Executive Director |
| Mr Jeremy Wrathall [1] | Non-executive Chairman |
| Mr Bernard Aylward | Technical Director |
| Mr Lui Giuliani [2] | Non-executive Director |
| Mr Jeremy King [3] | Executive Director |

Note:
[1] Mr Wrathall was appointed a director on 1 January 2012 and appointed Chairman on 1 February 2012
[2] Mr Giuliani was appointed a director on 1 January 2012
[3] Mr Jeremy King resigned as a director on 1 January 2012

| | | |
|---|---|---|
| Mr Jason Bontempo | - | Executive Director |
| Qualifications | - | BCom CA |
| Experience | - | Jason Bontempo has 18 years experience in investment banking, corporate advisory and public company management since commencing his career and qualifying as a chartered accountant with Ernst & Young.<br><br>Mr Bontempo has worked in Australia and the UK initially providing corporate advice and assisting in the financing of resource companies on both the ASX and AIM markets including resource asset acquisitions and divestments. More recently Mr. Bontempo has been directly involved in the management of mineral and resources focused public companies serving on the board and in the executive management team focusing on advancing and developing mineral resource assets and business development. |
| Interest in Shares and Options | - | 1,500,000 ordinary shares<br>3,000,000 unlisted options ($0.17, 27 July 2016)<br>1,500,000 unlisted options ($0.25, 31 October 2014) |
| Current directorships in listed companies | - | Non-Executive Director of Red Emperor Resources NL<br>Non-Executive Director of Matrix Metals Limited<br>Non-Executive Director of Orca Energy Resources Limited (formerly Monitor Energy Limited) |
| Former directorships held in past three years | - | Executive Director of International Goldfields Limited<br>Non-Executive Director Mojo Limited<br>Non-Executive Director of Kupang Resources Ltd (formerly Chameleon Mining NL) |

# Directors' Report (continued)

| | | |
|---|---|---|
| Mr Jeremy Wrathall | - | Non-Executive Chairman (appointed a director 1 January 2012 and appointed Chairman 1 February 2012) |
| Qualifications | - | Degree in Mining Engineering, Fellow of the Institute of Materials, Minerals and Mining (IOM3) |
| Experience | - | Jeremy Wrathall is a mining engineer from the Camborne School of Mines with experience of underground mining in the South African gold mining industry. Mr. Wrathall is currently the managing director of investment and advisory house Salamanca Resources (UK) Limited and is based in London.<br><br>Mr Wrathall has extensive experience of investment banking having worked as a mining analyst, mining specialist salesman and mining investment banker over the last 23 years. In former roles he was the Global Head of Mining Equities at Deutsche Bank, Global Head of Mining Equity Sales at UBS and more recently the Managing Director of the Metals & Mining Investment Banking team at Renaissance Capital. Prior to joining Renaissance Capital he co-founded and managed Haywood Securities UK Ltd and GMP Securities Europe, both of which were focussed on the metals and mining industry globally. He has extensive experience of evaluating and leading mining equity transactions across various markets: including London, ASX, TSX and JSE. |
| Interest in Shares and Options | - | Nil ordinary shares<br>1,500,000 unlisted options ($0.25, 31 October 2014)<br>Subject to receipt of shareholder approval to be sought at the Company's Annual General Meeting, Mr Wrathall will be issued a further 1,000,000 options ($0.25, 28 February 2014) subject to vesting conditions. |
| Current directorships in listed companies | - | None |
| Former directorships held in past three years | - | None |

| | | |
|---|---|---|
| Mr Bernard Aylward | - | Non-Executive Director |
| Qualifications | - | MAusIMM |
| Experience | - | Bernard Aylward (MAusIMM) is an honours graduate in Geology from the University of Melbourne, and has 20 years experience in Mineral Exploration, Mine Development and Production. Previously, Mr Aylward served as General Manager of Geology of Azumah Resources Ltd where he oversaw the expansion of the WA gold project to over 1 million ounces gold resource.<br><br>Prior to that, Mr Aylward's experience included a senior executive role with Croesus Mining NL as Exploration Manager involved in the delineation of high-grade underground gold deposits at the Norseman Gold operations and working for Sons of Gwalia Limited where he was directly involved in the exploration drilling and expansion of the Safari Bore resource and the Deep South discoveries. |
| Interest in Shares and Options | - | Nil ordinary shares<br>200,000 unlisted options ($0.30, 31 March 2013)<br>1,000,000 unlisted options ($0.17, 27 July 2016)<br>800,000 unlisted options ($0.25, 31 October 2014) |
| Current directorships in listed companies | - | Non-Executive Director of International Goldfields Limited<br>Executive Director of Taruga Gold Limited |
| Former directorships held in past three years | - | Nil |

# Directors' Report (continued)

| | | |
|---|---|---|
| Mr Lui Giuliani | - | Non-Executive Director (appointed 1 January 2012) |
| Qualifications | - | BBus CA |
| Experience | - | Lui Giuliani is a member of the Institute of Chartered Accountants of Australia, holds a Bachelor of Business degree from Curtin University and completed a Strategic Management course at the Macquarie Graduate School of Management.<br><br>Mr Giuliani has over 20 years of business experience through both his professional Chartered Accounting roles and ownership of various businesses. Mr Giuliani is currently managing director of Aspire Capital Partners.<br><br>Prior to establishing Aspire Capital, he had a 20 year career at Ernst & Young and was a partner at Ernst & Young for over 7 years. Mr Giuliani is currently a member of the Advisory Board of The Georgiou Group and has directorships/board advisory roles with Intercon Millar Logistics, Emissions Assessments and Austral Fisheries. |
| Interest in Shares and Options | - | None<br>Subject to receipt of shareholder approval to be sought at the Company's Annual General Meeting, Mr Giuliani will be issued a further 200,000 options ($0.25, 28 February 2014) subject to vesting conditions. |
| Current directorships in listed companies | - | None |
| Former directorships held in past three years | - | None |

| | | |
|---|---|---|
| Mr Jeremy King | - | Executive Director (resigned 1 January 2012) |
| Qualifications | - | LLB |
| Experience | - | Mr Jeremy King, LLB, is a senior executive at Grange Consulting Pty Ltd, where he specialises in corporate advisory, strategic advice and managing legal issues associated with Grange's clients. Mr King is a corporate lawyer with over 10 years experience in domestic and international legal, financial and corporate matters.<br><br>He spent several years in London where he worked with Allen & Overy LLP and Debevoise & Plimpton LLP and has extensive corporate experience, particularly in relation to cross-border private equity, leveraged buy-out acquisitions and acting for banks, financial institutions and corporate issuers in respect of various debt and equity capital raisings. |
| Interest in Shares and Options | - | At the date of his resignation on 1 January 2012, Mr King held:<br>15,000 ordinary shares<br>1,000,000 unlisted options ($0.17, 27 July 2016)<br>500,000 unlisted options ($0.25, 31 October 2014) |
| Current directorships in listed companies | - | None |
| Former directorships held in past three years | - | None |

# Directors' Report (continued)

**Company Secretary**

Ms Pip Leverington (Appointed 1 January 2012)

Ms Leverington has over 7 years' of experience in the legal profession, primarily in the areas of equity capital markets, mergers and acquisitions, corporate restructuring, corporate governance and mining and resources. She was a lawyer at a corporate law firm for a number of years before joining the Company and has a Bachelor of Laws degree.

Ms Emma Wates (Appointed 1 September 2011) (Resigned 31 December 2011)

Ms Shannon Robinson (Resigned 31 August 2011)

## PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activities of the Group for the year was precious metal development and resource mineral exploration. In December 2011, the Company acquired a 100% interest in the Sapes Gold Project (refer "Sapes Acquisition" below).

## OPERATING RESULTS

The net loss after tax of the Group amounted to $2,556,707 for the year ended 30 June 2012 (2011: $2,717,766).

## REVIEW OF OPERATIONS

### CORPORATE

The following significant transactions occurred during the year ended 30 June 2012.

**Sapes Acquisition**

During the period, Glory Resources Limited ("GLY" or the "Company") entered into an agreement to acquire a 100% interest in the high grade Sapes Gold Project located in north-eastern Greece from Cape Lambert Resources Limited ("Sapes Acquisition").

The consideration payable to Cape Lambert Resources Limited for the Sapes Acquisition comprised A$32.7m payable in cash, 16 million new shares in the Company and a further A$10m (in cash or new shares in the Company) payable upon achievement of certain operational milestones.

On 4 November 2011, the Company lodged a prospectus with ASIC to raise a minimum of A$42.5m, through the issue of a minimum of 170 million shares at an issue price of A$0.25 per share, to fund the Sapes Acquisition and to provide funding for project permitting, initial mine development, ongoing exploration program and general working capital ("Capital Raising").

As announced on 3 November 2011, the Company entered into a subscription agreement with Eldorado Gold Corporation ("Eldorado") such that Eldorado would participate in the Capital Raising and hold 19.9% of the Company on completion of the offer.

In late November 2011, the Company completed the Capital Raising and announced that it had raised A$42,570,480. Completion of the Sapes Acquisition occurred on 16 December 2011.

On 23 December 2011, the Company was reinstated to quotation on ASX.

# Directors' Report (continued)

**Shares issued**

During the year, the Group raised a total of $44,770,480 from the issue of new shares in the Company, before costs. Shares issued by the Company during the period were as follows:

| | Issue Price | Number of Shares Issued |
|---|---|---|
| Share placement (15 August 2011) | $0.17 | 12,943,178 |
| Capital Raising (Prospectus – 4 November 2011) | $0.25 | 170,281,920 |
| Vendor shares (Sapes Acquisition – 16 December 2011) [1] | $0.215 | 16,000,000 |
| | | 199,225,098 |

[1] Escrowed for 12 months from date of issue

**Shares released from Escrow**

On 29 October 2011, 1,725,000 fully paid ordinary shares were released from escrow. On 16 January 2012, 1,000,000 fully paid ordinary shares were released from escrow.

**Unlisted options issued**

During the year, the Group issued the following unlisted options:

| | Number of Options Issued | Grant Date | Exercise Price | Expiry Date |
|---|---|---|---|---|
| Options issued to Directors | 4,300,000 | 24-Nov-11 | $0.25 | 31-Oct-14 |
| Options issued to Consultants and Management | 5,200,000 | 16-Dec-11 | $0.25 | 31-Oct-14 |
| Options issued to Brokers | 1,785,000 | 16-Dec-11 | $0.25 | 31-Oct-14 |
| Options issued to Consultants and Management | 1,350,000 | 21-Feb-12 | $0.25 | 28-Feb-14 |
| Options issued to Consultants and Management | 1,000,000 | 29-Jun-12 | $0.25 | 30-Jun-14 |

## PROJECT INFORMATION

## GREECE - Sapes Gold Project (Sapes)

The high grade Sapes Gold project is a typical high-sulphidation epithermal gold deposit. It has a JORC Measured and Indicated Resource of 830koz @ 9.8g/t Au (Measured 647koz @ 8.9g/t Au and Indicated 183koz @ 14.9g/t Au) and with a JORC Proved and Probable Ore Reserve of 637koz @ 15.1g/t Au (Proved 23koz @3.5g/t Au and Probable 614koz @ 17.2g/t Au). The detailed figures for the Resources and Reserves are presented in Tables 1 and 2 respectively.

| | |
|---|---|
| Location | Thrace, Greece |
| JORC Mineral Resource/Reserve | Resources of 830koz @ 10g/t Au, Reserves of 1.3Mt @ 15g/t for 637koz Au |
| Exploration Target | Significant exploration upside, new resource potential exists along strike of Viper ore body and previously identified drill targets within the license area |
| Mining and Processing | Currently planned to be a majority underground mining operation followed by single stage crushing, SAG milling with gravity gold removal and sulphide flotation to produce a Gold-Copper concentrate. Overall estimate of 80% recovery split, 65% gold concentrate and 15% dore bar. |
| Project stage | Feasibility Study: updated December 2010, gold production 510,000oz, capex US$100m and opex US$297/oz, 7 year mine life.<br>Permitting: Preliminary Environmental Impact Study (PEIS) approved by Ministry of Environment in July 2012. Environmental Impact Study advanced and targeted to be lodged in quarter four 2012. |

# Directors' Report (continued)

In accordance with the Sapes Gold Project Feasibility Study (last updated in 2010), the Company is targeting initial life of mine gold production of 510,000oz Au with total estimated capital expenditure of US$100m and estimated operating costs of US$297/oz over a seven year mine life.

The Sapes Gold Project is considered to be highly prospective and holds substantial opportunity for further exploration upside, as there has been no systematic exploration on the Sapes Gold Project lease since 1998.

Initially, Glory intends to drill along strike to the west of the existing Viper ore body as this area is considered to be highly prospective. The Company also intends to follow up on previously identified drill targets within the license area.

**Table 1: Sapes Project Resources Statement**

| Orebody | Category | Cut-Off Grade (g/t) | Tonnes | Grades | | | Ounces of Gold |
|---|---|---|---|---|---|---|---|
| | | | | Au Gold (g/t) | Ag (g/t) | Cu (%) | |
| **Viper** | **Measured** | **4.0** | **710,000** | **22.2** | **11.5** | **0.4** | **507,000** |
| St Demetrios | Measured | 1.0 | 730,000 | 3.5 | 3.2 | | 82,000 |
| Scarp | Measured | 1.0 | 820,000 | 2.2 | 1.5 | | 58,000 |
| | **sub-total** | | **2,260,000** | **8.9** | **5.2** | **0.2** | **647,000** |
| **Viper** | **Indicated** | **4.0** | **280,000** | **19.5** | **9.0** | **0.4** | **176,000** |
| St Demetrios | Indicated | 1.0 | 50,000 | 2.6 | 2.8 | | 4,000 |
| Scarp | Indicated | 1.0 | 50,000 | 1.7 | 1.1 | | 3,000 |
| | **sub-total** | | **380,000** | **14.9** | **7.1** | **0.3** | **183,000** |
| **Rounded** | **Total** | | **2,640,000** | **9.8** | **5.5** | **0.1** | **830,000** |

**Table 2: Sapes Project Reserves Statement**

| Orebody | Category | Cut-Off Grade (g/t) | Tonnes | Grades | | | Ounces of Gold |
|---|---|---|---|---|---|---|---|
| | | | | Au Gold (g/t) | Ag (g/t) | Cu (%) | |
| St Demetrios | Proved | 1.0 | 200,000 | 3.5 | 5.2 | | 23,000 |
| | **sub-total** | | **200,000** | **3.5** | **5.2** | | **23,000** |
| Viper | Probable | 4.0 | 1,109,000 | 17.2 | 8.8 | 0.3 | 613,000 |
| St Demetrios | Probable | 1.0 | 10,000 | 3.6 | 4.4 | | 1,000 |
| | **sub-total** | | **1,119,000** | **17.2** | **8.8** | **0.3** | **614,000** |
| **Rounded** | **Total** | | **1,319,000** | **15.1** | **8.2** | **0.3** | **637,000** |

### Permitting and Socialisation

The Sapes Preliminary Environmental Impact Study ("PEIS"), which is the first step in the environmental approval process, was submitted to the Ministry of Environment ("MOE") in December 2010. Approval of the PEIS by the Gold Committee of the MOE was received on 16 July 2012. Approval of the PEIS further evidences the Greek Government's commitment to gold mine development in Greece.

The Company completed various baseline and environmental studies during the year and continues to progress the completion of its Environmental Impact Study ("**EIS**"), which is expected to be lodged in quarter four of 2012.

A socialisation program in respect of project development with the local community and authorities, continued during the year. A number of meetings with various groups within the local community have been held, with public acceptance of the project increasing. The regional Government's technical services departments, important for the permitting process, have also been contacted and visited with positive feedback received. To assist with the socialisation program, the Company has appointed the services of an Athens based public relations consultant.

# Directors' Report (continued)

**Geology**

Aurum Exploration Services ("**Aurum"**), an independent geological consulting firm based in Ireland, completed re-logging of existing Sapes drill core and re-modelling of the total drill hole database using Datamine software, which has enabled a detailed three-dimensional re-evaluation of the various mineralised zones within the deposits. An ongoing re-assessment of structural and lithological controls to the mineralisation is aimed at identifying as yet undiscovered mineralised zones for testing during the forthcoming drilling program.

**Sapes Exploration**

During the year the Company commenced a detailed review of the historical exploration data available for Sapes and prepared an exploration program. Initially the Company intends to focus exploration drilling along strike of the existing ore body, as this area is considered to be highly prospective. The Company will also follow up on previously identified drill targets within the highly prospective licence area.

The application for a 6,000 m reverse circulation ("**RC"**) and diamond core ("**DC"**) drilling exploration program is progressing as expected with positive recommendations and opinions received from central, local and regional relevant government departments. Approval is expected in quarter three 2012.

The drilling program is planned to prove continuity of the high grade Viper Deposit and test the proposed initial development of the decline that passes through the mineralised area. The Company believes that the drilling program has the potential to add significant new resources to the existing Viper resource inventory.

The Company has engaged the consulting services of Mr Andrew Shaw. Mr Shaw was the project exploration manager and key geologist associated with the exploration and drilling work at Sapes in the late 1990's. Mr Shaw was also co-author of chapters of the feasibility study completed in 2001. Mr Shaw's knowledge of Sapes will be invaluable in developing future exploration programs.

**Geophysics Program**

Ground geophysics including 3D/IP-resistivity and magnetic surveys over an approximate area of 4 $km^2$ centred at Viper progressed during the year despite some adverse weather being encountered. Processing and interpretation of the 3D data for the areas surveyed is currently underway.

**CANADA - Onion Lake Project (PGM-Ni-Cu)**

The Company is exploring the Onion Lake Project, which is prospective for Copper-Nickel-Platinum Group Elements and is comprised of approximately 190 $km^2$ of contiguous mining claims. GLY holds the right to earn a 75% interest in the Onion Lake Project pursuant to a joint venture with TSX listed Benton Resources Limited. The Company currently holds a 30% interest in the Onion Lake Project.

The Project is located approximately 50 km north of Thunder Bay, Ontario, Canada and is adjacent to Magma Metals (Canada) Limited's Thunder Bay North Polymetallic Property which is host to an Indicated NI 43-101 and JORC compliant resource of 741,000 Pt equivalent ounces. Panoramic Resources Ltd recently completed the acquisition of former ASX/TSX listed Magma Metals via a corporate takeover to the value of $40m.

The North American Mid-Continent Rift (MCR) is an emerging PGM-Cu-Ni environment and is host to several large nickel, copper, and Platinum Group Metal deposits.

# Directors' Report (continued)

Since Glory's involvement in the project in 2011 significant advances have been made on the project. A mafic-ultramafic intrusion geochemically similar to Magma Metals' Intrusive Complex was intersected in a small diamond drill program early in 2011. Through mechanical trenching in June of 2011 it was determined that the linear intrusion trended towards the western border with Magma Metals and appears to be a distal expression of their magmatic system. A limited prospecting program was conducted over a portion of the property in the summer of 2011 with a detailed airborne survey conducted in the fall. A second seven-hole diamond drill program followed the geophysical survey but was unsuccessful in locating a large portion of the magmatic system however it did encounter narrow intersections of mafic MCR magmatism as well as alteration associated with Magma Metals' Intrusive Complex.

To date only about 20% of the property has been explored and an even smaller percentage of geophysical targets have been ground-truthed. Glory is undertaking an extensive ground exploration program during the summer of 2012 to systematically evaluate each geophysical target to be followed by diamond drilling.

This phase of exploration is intended to thoroughly investigate the magnetic features interpreted from four rounds of geophysical surveying and modelling. The program will focus on 1) prospecting all prospective areas of the property for favourable ultramafic-mafic rocks; 2) the creation of a complete geological map of the property to aid in geophysical interpretation and modelling; 3) prospecting the linear and sinuous magnetic trends identified through interpretation of geophysics; and 4) evaluating access for diamond drilling. This round of exploration will finalise the first exploration expenditure commitment on the second phase of the earn-in on the Project moving Glory towards a 60% interest in the Project.

This exploration program is expected to be completed by October of 2012. Geophysical interpretation and modelling to date has provided an abundance of potential diamond drill targets. This first pass ground exploration program will allow for better ranking of these targets.

**CANADA - Eagle Lake Project (Gold) & Way Lake Project (PGM-Ni-Cu)**

**Way Lake**

The Way Lake Project is a prospective PGM-Cu-Ni project located approximately 12 kilometres east-southeast of the town of Sioux Lookout, Ontario, Canada. The property is comprised of 4 unpatented mining claims (864 hectares) covering the interpreted extent of a large peridotite body referred to as the Way Lake Intrusion. The Way Lake claims are 100% owned by Glory Resources.

Previous historical work on the project identified numerous broad zones of conductivity suggesting the potential of sulphide mineralisation along the margins of the intrusion. No modern exploration has been conducted on the intrusion other than Glory conducting a first-pass exploration program in the fall of 2011. This program revealed that the historical conductive zones are obscured under vast areas of vegetation and overburden. A three-line soil sampling program has identified coincident zones of anomalous gold, copper, nickel and PGE values over some of the conductive zones. Five ultramafic samples taken during the exploration program returned both elevated nickel and PGE values.

Exploration on the Way Lake Project began with an initial compilation of historical assessment work on the property. Areas of conductivity were identified from historical geophysical surveys and a 17 day prospecting and sampling program was carried out in September 2011.

Five assays of ultramafic rock from the Way Lake Intrusion returned anomalous nickel values ranging from 0.08 weight percent to 0.1 weight percent nickel. A three-line soil sampling program conducted over a low-lying area on the property also identified multiple anomalous zones of coincident gold, copper, nickel and PGE values.

Recommendations for exploration in 2012 are currently being reviewed and consist of an airborne magnetic and electromagnetic survey followed by diamond drilling of conductive targets.

# Directors' Report (continued)

**Eagle Lake**

During February 2012, the Company, through its wholly owned Canadian subsidiary Quetico Resources Limited, sold its interest in the Eagle Lake property claims to Crestwell Resources Inc. Consideration received was:

- CAD $20,000 in cash
- 200,000 ordinary shares in Crestwell Resources Inc
- 1% net smelter return royalty in relation to the claims

## COMPETENT PERSON STATEMENT

The information in this report that relates to exploration results is based on information compiled by Mr Bernard Aylward. Mr Aylward is a Technical Director of Glory Resources Limited. Mr Aylward is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Aylward consents to the inclusion in the report of the matters based on information in the form and context in which it appears.

## RESOURCE STATEMENT

The Mineral Resource statement in this report has been compiled by Dr Mike Armitage of SRK Consulting (UK) Ltd. Dr Mike Armitage is a member of the Institute of Materials, Minerals and Mining which is a "Recognised Overseas Professional Organisation" (ROPO) included in a list promulgated by the Australian Stock Exchange (ASX) from time to time and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

## RESERVE STATEMENT

The Viper Ore Reserve statement in this report has been compiled by Mr Malcolm Dorricott of AMC Consultants Pty Ltd. Mr Malcolm Dorricott is a member of The Australasian Institute of Mining and Metallurgy and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The St Demetrious Ore Reserve statement in this presentation has been compiled by Dr Mike Armitage of SRK Consulting (UK) Ltd. Dr Mike Armitage is a member of the Institute of Materials, Minerals and Mining which is a "Recognised Overseas Professional Organisation" (ROPO) included in a list promulgated by the Australian Stock Exchange (ASX) from time to time and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

# Directors' Report (continued)

## LIKELY DEVELOPMENTS AND FUTURE RESULTS

The Group will continue its precious metal development and mineral exploration activities.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no changes in the state of affairs of the Consolidated Entity other than those disclosed in the review of operations.

## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Approval of Sapes' PEIS by the Gold Committee of the Greek Ministry of Environment was received on 16 July 2012.

There are no other events subsequent to 30 June 2012 and up to the date of this report that would materially affect the operations of the consolidated entity or its state of affairs which have not otherwise been disclosed in this financial report.

## ENVIRONMENTAL ISSUES

The Group operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of the shareholders, employees and suppliers. The company's exploration activities are currently regulated by significant environmental regulation under laws in Greece and Canada. The Group aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation.

The Directors are mindful of the regulatory regime in relation to the impact of the organisational activities on the environment.

There have been no known breaches by the Group during the year.

## DIVIDENDS PAID OR RECOMMENDED

No dividend has been paid or recommended by the Directors during the period.

## SHARES UNDER OPTION

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

| Grant Date | Exercise Price | Number of Options | Expiry Date | Listed / Unlisted |
|---|---|---|---|---|
| 31-Mar-11 | $0.30 | 200,000 | 31-Mar-13 | Unlisted |
| 29-Jun-11 | $0.17 | 5,000,000 | 27-Jul-16 | Unlisted |
| 29-Jun-11 | $0.17 | 10,000,000 | 15-Aug-16 | Unlisted |
| 24-Nov-11 | $0.25 | 4,300,000 | 31-Oct-14 | Unlisted |
| 16-Dec-11 | $0.25 | 6,985,000 | 31-Oct-14 | Unlisted |
| 21-Feb-12 | $0.25 | 1,350,000 | 28-Feb-14 | Unlisted |
| 29-Jun-12 | $0.25 | 1,000,000 | 30-Jun-14 | Unlisted |
| | | 28,835,000 | | |

Option holders do not have any rights to participate in any issues of shares or other interests in the company or any other entity.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

During the year ended 30 June 2012 there were no ordinary shares issued as a result of the exercise of options (2011: 255,946 shares issued for total consideration $78,926).

# Directors' Report (continued)

## INDEMNITY AND INSURANCE PREMIUMS FOR DIRECTORS AND OFFICERS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer or agent of the Group shall be indemnified out of the property of the Group against any liability incurred by him in his capacity as Officer, auditor or agent of the Group or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal. The contracts of insurance contain confidentiality provisions that preclude disclosure of the premiums paid, the nature of the liability covered by the policies, the limit of liability and the name of the insurer.

## MEETINGS OF DIRECTORS

The number of Directors' meetings held and the number of meetings attended by each of the Directors of the Group for the time the Director held office during the financial year are:

| | Number of Meetings Eligible to Attend | Number of Meetings attended |
|---|---|---|
| **Number of Meetings Held** | 2 | 2 |
| | | |
| **Number of Meetings Attended** | | |
| **Director** | | |
| Mr Jason Bontempo | 2 | 2 |
| Mr Jeremy Wrathall | 1 | 1 |
| Mr Bernard Aylward | 2 | 2 |
| Mr Lui Giuliani | 1 | 1 |
| Mr Jeremy King | 1 | 1 |

The Consolidated Entity has formed an audit and risk committee comprised of Lui Giuliani, Jeremy Wrathall and Jason Bontempo. There have been no formal audit and risk committee meetings held during the year.

# Directors' Report (continued)

## REMUNERATION REPORT (Audited)

This remuneration report, which forms part of the directors' report, outlines the remuneration arrangements in place for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning and directing the major activities of the Company and the Group.

*Details of Key Management Personnel*

Directors:

| | |
|---|---|
| Mr Jason Bontempo | Executive Director |
| Mr Jeremy Wrathall | Non-executive Chairman |
| Mr Bernard Aylward | Technical Director |
| Mr Lui Giuliani | Non-executive Director |
| Mr Jeremy King | Executive Director (resigned 1 January 2012) |

### A Principles used to determine the nature and amount of remuneration

The Board has elected not to establish a remuneration committee based on the size of the organisation and has instead agreed to meet as deemed necessary and allocate the appropriate time at its board meetings. The Company has not used remuneration consultants in determining the remuneration of key management personnel.

The following items are considered and discussed as deemed necessary at the board meetings:

- make specific recommendations to the board on remuneration of directors and senior officers;
- recommend the terms and conditions of employment for the Executive Directors;
- undertake a review of the Executive Directors' performance, at least annually, including setting with the Executive Directors' goals for the coming year and reviewing progress in achieving those goals;
- consider and report to the Board on the recommendations of the Executive Directors on the remuneration of all direct reports; and
- develop and facilitate a process for Board and Director evaluation.

*Remuneration of Non-Executive Directors*

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. 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 $250,000 per annum.

*Remuneration of Executive Directors*

The executive pay and reward framework has two components:

- base pay; and
- long-term incentives through participation in the Employee Share Option Plan.

The combination of these comprises the executive's total remuneration. The Group intends to revisit its long-term equity-linked performance incentives for executives as deemed necessary by the Board.

*Additional Fees*

An Executive or Non-executive Director may also be paid fees or other amounts as the Directors determines if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

# Directors' Report (continued)

*Performance and Shareholder Wealth*

Below is a table summarising key performance and shareholder wealth statistics for the Group since its date of incorporation on 30 March 2010.

| Financial year | Profit / (loss) after tax $'000s | Loss per share (cents) | Share price $ / share |
|---|---|---|---|
| 30 June 2011 | (2,718) | (0.19) | 0.19 |
| 30 June 2012 | (2,557) | (1.64) | 0.25 |

B Details of remuneration

Details of the remuneration of the key management personnel (as defined in AASB 124 *Related Party Disclosures)* of the Group are found below.

| | Short- term employee benefits | | | Post-employment benefits | | Share-based payments | Total | Total Remun-eration Represent-ed by |
|---|---|---|---|---|---|---|---|---|
| **30 June 2012** | **Cash salary & Fees** | **Other** (i) | **Non Monetary Benefits** | **Super-annuation Pensions** | **Retire-ment Benefits** | **Options** | | **Options** |
| **Directors** | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **%** |
| *Executive directors* | | | | | | | | |
| Jason Bontempo | 206,160 | 50,000 | - | - | - | 192,496 | 448,656 | 42.9% |
| Bernard Aylward | 50,054 | 10,000 | - | - | - | 102,665 | 162,719 | 63.1% |
| Jeremy King (ii) | 22,890 | 10,000 | - | - | - | 64,165 | 97,055 | 66.1% |
| *Non-executive directors* | | | | | | | | |
| Jeremy Wrathall | 33,212 | - | - | - | - | 192,496 | 225,708 | 85.3% |
| Lui Giuliani | 22,500 | - | - | - | - | - | 22,500 | - |
| **Total** | **334,816** | **70,000** | **-** | **-** | **-** | **551,822** | **956,638** | **57.7%** |

(i) Consulting fees in relation to the Sapes Acquisition.
(ii) Mr King resigned 1 January 2012.

| | Short- term employee benefits | | | Post-employment benefits | | Share-based payments | Total | Total Remun-eration Represen-ted by |
|---|---|---|---|---|---|---|---|---|
| **30 June 2011** | **Cash salary & Fees** | **Other** | **Non Monetary Benefits** | **Super-annuation Pensions** | **Retire-ment Benefits** | **Options** | | **Options** |
| **Directors** | **$** | **$** | **$** | **$** | **$** | **$** | **$** | **%** |
| *Executive directors* | | | | | | | | |
| Jeremy King | 33,227 | - | - | - | - | 141,688 | 174,915 | 81.0% |
| *Non-executive directors* | | | | | | | | |
| Jason Bontempo | 32,151 | - | - | - | - | 425,064 | 457,215 | 93.0% |
| Richard Repsevicius (i) | 20,323 | - | - | 1,829 | - | - | 22,152 | - |
| Bernard Aylward | - | - | - | - | - | 158,797 | 158,797 | 100.0% |
| Rob Catena (ii) | - | - | - | - | - | - | - | - |
| **Total** | **85,701** | **-** | **-** | **1,829** | **-** | **725,549** | **813,079** | **89.2%** |

(i) Mr Repsevicius was appointed a director on 30 March 2010 and resigned on 24 May 2011.
(ii) Mr Catena was appointed a director on 30 March 2010 and resigned 24 May 2010.

# Directors' Report (continued)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

| Name | Fixed Remuneration | |
|---|---|---|
| | **2012** | **2011** |
| **Executive Directors** | | |
| Jason Bontempo | 46.0% | 7.0% |
| Bernard Aylward (i) | 30.8% | - |
| Jeremy King | 23.6% | 19.0% |
| **Non-executive Directors** | | |
| Jeremy Wrathall | 14.7% | - |
| Lui Giuliani | 100% | - |
| Mr Richard Repsevicius (ii) | - | 100% |

(i) Mr Aylward did not receive any remuneration for the period ended 30 June 2011 but will accrue Directors fees from 1 July 2011. This was agreed on his appointment as a director on 24 May 2011.
(ii) Mr Repsevicius was appointed a director on 30 March 2010 and resigned on 24 May 2011.

C <u>Service agreements</u>

*Executive Directors*

The Company entered into a Consultancy Agreement with BR Corporation Pty Ltd for the services of Mr Bontempo as a key management personnel. The key terms are summarised as follows;

- Commencement date 1 January 2012;
- Payment of a consultancy fee of $360,000 per year (excluding GST);
- The Consultancy Agreement can be terminated by:
  (a) the Company giving 12 months' notice; or
  (b) the Consultant giving 6 months' notice.
  If, for any reason, at the instigation of the Board, Jason Bontempo suffers a material diminution in his status as a key executive of the Company due to:
  (a) a material diminution in his authority in respect of the Company's business; or
  (b) a change in his reporting relationship with the Board, including (but not limited to) Jason Bontempo no longer being an executive director either by way of resignation or removal from the Board or otherwise, then:
  (c) the Consultant may, within two months of such diminution in status, elect by giving two weeks written notice to the Company to treat the Consultancy Agreement as being terminated by the Company; and
  (d) if the Consultant gives such notice:
    (i) the consultancy will cease at the end of the period of two weeks written notice; and
    (ii) the Company will provide the Consultant with payment in the amount of the Consultancy Fee for a Working Year applicable at the date of termination.

Mr Bontempo is also entitled to receive $26,160 (excluding GST) per annum in director fees.

The Company entered into a Consultancy Agreement with Matlock Geological Service Pty Ltd a company that Mr Aylward is a director of for the provision of technical consulting services at a rate of $24,000 (excluding GST) per annum. Mr Aylward is also entitled to receive $26,160 (excluding GST) per annum in director fees.

*Non-Executive Directors*

On appointment to the Board, all non-executive directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the Board policies and terms, including compensation, relevant to the office of director.

# Directors Report' (continued)

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. 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 $250,000 per annum.

The Company entered into consultancy agreements with each of Mr Jeremy Wrathall and Lui Giuliani.

Mr Jeremy Wrathall in his capacity as non-executive director (appointed 1 January 2012) is entitled to receive $50,000 (excluding GST) per annum. Mr Wrathall was appointed chairman on 1 February 2012, and from this date is entitled to receive $70,000 (excluding GST) per annum.

Mr Lui Giuliani (appointed 1 January 2012) is entitled to receive $45,000 (excluding GST) per annum.

## D Share-based compensation

*Options*

The following table provides a summary of options issued to key management personnel in the form of share-based payments during the current year and prior period.

| 2012 | No. granted | Grant date | Exercise price | Grant value | Reason for grant | No. vested | % vested/ paid during 2012 | % forfeited during year * | Percentage remaining as unvested % | Expiry date for vesting |
|---|---|---|---|---|---|---|---|---|---|---|
| Jason Bontempo | 1,500,000 | 24-Nov-11 | $0.25 | $0.128 | (a) | 1,500,000 | 100% | - | - | 31-Oct-14 |
| Jeremy Wrathall | 1,500,000 | 24-Nov-11 | $0.25 | $0.128 | (a) | 1,500,000 | 100% | - | - | 31-Oct-14 |
| Bernard Aylward | 800,000 | 24-Nov-11 | $0.25 | $0.128 | (a) | 800,000 | 100% | - | - | 31-Oct-14 |
| Jeremy King | 500,000 | 24-Nov-11 | $0.25 | $0.128 | (a) | 500,000 | 100% | - | - | 31-Oct-14 |

* There were no forfeitures of options during 2012.

| 2011 | No. granted | Grant date | Exercise price | Grant value | Reason for grant | No. vested | % vested/ paid during 2011 | % forfeited during year * | Percentage remaining as unvested % | Expiry date for vesting |
|---|---|---|---|---|---|---|---|---|---|---|
| Jason Bontempo | 3,000,000 | 29-Jun-11 | $0.17 | $0.017 | (a) | 3,000,000 | 100% | - | - | 27-Jul-16 |
| Bernard Aylward | 1,000,000 | 29-Jun-11 | $0.17 | $0.017 | (a) | 1,000,000 | 100% | - | - | 27-Jul-16 |
| Bernard Aylward | 200,000 | 31-Mar-11 | $0.30 | $0.086 | (a) | 200,000 | 100% | - | - | 31-Mar-13 |
| Jeremy King | 1,000,000 | 29-Jun-11 | $0.17 | $0.017 | (a) | 1,000,000 | 100% | - | - | 27-Jul-16 |

* There were no forfeitures of options during 2011.

(a) The primary purpose of the grant of options is to provide cost effective consideration to the directors for their ongoing commitment and contribution to the Company.

When exercisable, each option is convertible into one ordinary share of Glory Resources Limited. Further information on options is set out in note 17.

Options over shares in Glory Resources Limited are granted at the Directors discretion.

Options granted under the plan carry no dividend or voting rights.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Subject to shareholder approval being obtained at the next general meeting, the Company will also issue 1,000,000 options and 200,000 options exercisable at $0.25 on or before 28 February 2014 to Mr Wrathall and Mr Giuliani respectively.

# Directors' Report (continued)

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

The Company received more than 99% of "yes" votes on its remuneration report for the 2011 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

**End of audited Remuneration Report.**

## NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, BDO Audit (WA) Pty Ltd. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

BDO Audit (WA) Pty Ltd received or are due to receive the following amounts for the provision of non-audit services:

| | **2012** | **2011** |
|---|---|---|
| | **$** | **$** |
| Independent Accountants Report (BDO Corporate Finance) | 10,103 | 18,167 |
| Tax services (BDO Tax) | 10,600 | 1,250 |
| | 20,703 | 19,417 |

## 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 18.

Jason Bontempo
Executive Director

Perth, Western Australia, 17 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

17 September 2012

The Directors
Glory Resources Ltd
945 Wellington Street,
West Perth WA 6005

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF GLORY RESOURCES LIMITED**

As lead auditor of Glory Resources Limited for the period 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 Glory Resources Limited and the entities it controlled during the period.

**Peter Toll**
Director

**BDO Audit (WA) Pty Ltd**
Perth, Western Australia

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

# Consolidated Statement of Comprehensive Income
## For the year ended 30 June 2012

| | Note | 2012 $ | 2011 $ |
|---|---|---|---|
| **Revenue** | | | |
| Interest Received | 2 | 335,652 | 62,728 |
| Other income | 2 | 66,140 | (578) |
| | | | |
| Employee and director benefits expense | 3 | (318,877) | (87,530) |
| Sapes acquisition costs | | (239,731) | - |
| Exploration expenses | | - | (270,277) |
| Share based payment expense | | (1,264,018) | (2,146,959) |
| Other expenses | 3 | (1,135,873) | (604,395) |
| **Loss before income tax** | | (2,556,707) | (2,776,734) |
| | | | |
| Income tax benefit | 4 | - | 58,968 |
| | | | |
| **Net loss for the year** | | **(2,556,707)** | **(2,717,766)** |
| | | | |
| **Other comprehensive income** | | | |
| Exchange differences on translation of foreign operations | | 3,473 | (9,485) |
| Net fair value gain/(loss) on available-for-sale financial asset | | (1,157) | (6,920) |
| | | | |
| **Total Comprehensive Loss for the year** | | **(2,554,391)** | **(2,734,171)** |
| | | | |
| Basic loss per share (cents per share) | 5 | (1.64) | (0.19) |
| Diluted loss per share (cents per share) | 5 | N/A | N/A |

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

# Consolidated Statement of Financial Position
## As at 30 June 2012

| | Note | 2012<br>$ | 2011<br>$ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 7 | 8,840,445 | 1,907,425 |
| Trade and other receivables | 8 | 442,884 | 65,221 |
| Other assets | 9 | 9,027 | 265 |
| **Total Current Assets** | | 9,292,356 | 1,972,911 |
| **Non-Current Assets** | | | |
| Financial assets | 10 | 192,873 | 143,250 |
| Property, Plant & Equipment | | 139,401 | - |
| Exploration and evaluation expenditure | 11 | 38,837,195 | 1,144,615 |
| **Total Non-current Assets** | | 39,169,469 | 1,287,865 |
| **TOTAL ASSETS** | | 48,461,825 | 3,260,776 |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 12 | 250,141 | 49,592 |
| **Total Current Liabilities** | | 250,141 | 49,592 |
| **Non Current Liabilities** | | | |
| Deferred tax liability | 4 | 88,100 | 88,301 |
| **Total Non Current Liabilities** | | 88,100 | 88,301 |
| **TOTAL LIABILITIES** | | 338,241 | 137,893 |
| **NET ASSETS** | | **48,123,584** | **3,122,883** |
| **EQUITY** | | | |
| Issued capital | 13 | 49,774,180 | 3,710,095 |
| Accumulated losses | 15 | (5,274,473) | (2,717,766) |
| Reserves | 14 | 3,623,877 | 2,130,554 |
| **TOTAL EQUITY** | | **48,123,584** | **3,122,883** |

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

# Consolidated Statement of Cash Flows
## For the year ended 30 June 2012

| | Note | 2012<br>$ | 2011<br>$ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payments to suppliers and employees | | (1,719,567) | (714,652) |
| Interest received | | 184,600 | 62,728 |
| **Net cash flows used in operating activities** | 25 | (1,534,967) | (651,924) |
| | | | |
| **Cash flows from investing activities** | | | |
| Payments for exploration and evaluation | | (1,421,543) | - |
| Payments for plant and equipment | | (87,646) | - |
| Payments for acquisition of financial assets | | (100,000) | (200,170) |
| Proceeds from sale of financial assets | | 50,743 | 49,423 |
| Proceeds from sale of exploration assets | | 18,367 | - |
| Repayment of loans – Sapes Project acquisition | 27 | (32,660,660) | - |
| Cash acquired – Sapes Project acquisition | | 92,720 | - |
| Legal costs – Sapes Project acquisition | | (272,538) | - |
| Acquisition of Quetico Minerals Pty Ltd, net of cash acquired | | - | 1 |
| **Net cash flows used in investing activities** | | (34,380,557) | (150,746) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of shares and options, net of costs | | 42,851,074 | 2,710,095 |
| **Net cash flows from financing activities** | | 42,851,074 | 2,710,095 |
| | | | |
| Net increase in cash and cash equivalents | | 6,935,550 | 1,907,425 |
| Cash and cash equivalents at beginning of year | | 1,907,425 | - |
| Effects of exchange rate changes on cash | | (2,530) | - |
| **Cash and cash equivalents at end of year** | 7 | 8,840,445 | 1,907,425 |

The above consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

# Consolidated Statement of Changes in Equity
## For the year ended 30 June 2012

| | Issued Capital $ | Accumulated Losses $ | Foreign Translation Reserve $ | Option Reserve $ | Asset Revaluation Reserve $ | Total $ |
|---|---|---|---|---|---|---|
| **Balance at 30 March 2010** | **-** | **-** | **-** | **-** | **-** | **-** |
| Loss for the year | - | (2,717,766) | - | - | - | (2,717,766) |
| Other comprehensive income | - | - | (9,485) | - | (6,920) | (16,405) |
| Total Comprehensive Income | - | (2,717,766) | (9,485) | - | (6,920) | (2,734,171) |
| Transaction with owner, directly recorded in equity: | | | | | | |
| Shares issued, net of costs | 3,710,095 | - | - | - | - | 3,710,095 |
| Share based payments | - | - | - | 2,146,959 | - | 2,146,959 |
| **Balance at 30 June 2011** | **3,710,095** | **(2,717,766)** | **(9,485)** | **2,146,959** | **(6,920)** | **3,122,883** |
| **Balance at 1 July 2011** | **3,710,095** | **(2,717,766)** | **(9,485)** | **2,146,959** | **(6,920)** | **3,122,883** |
| Loss for the period | - | (2,556,707) | - | - | - | (2,556,707) |
| Other comprehensive income | - | - | 3,473 | - | (1,157) | 2,316 |
| Total Comprehensive Income | - | (2,556,707) | 3,473 | - | (1,157) | (2,554,391) |
| Transaction with owner, directly recorded in equity: | | | | | | |
| Shares issued, net of costs | 46,291,074 | - | - | - | - | 46,291,074 |
| Share based payments | (226,989) | - | - | 1,491,007 | - | 1,264,018 |
| **Balance at 30 June 2012** | **49,774,180** | **(5,274,473)** | **(6,012)** | **3,637,966** | **(8,077)** | **48,123,584** |

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

# Notes to the Consolidated Financial Statements

## 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

### (a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Glory Resources Limited is a listed public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

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

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

### (b) Principles of consolidation

*Subsidiaries*

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

Subsidiaries are all those 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 the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction proves 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.

Subsidiaries are accounted for in the parent entity financial statements at cost.

## Notes to the Consolidated Financial Statements (continued)

### (c) Income tax

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

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

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

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

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

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

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

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

### (d) 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 they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

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

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

## Notes to the Consolidated Financial Statements (continued)

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

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

### (e) Investments & financial instruments

*Classification*

- The group classifies its Financial assets in the following categories;
- Loans and receivables
- Available for sale financial assets

The classification depends on the purpose for which the investments were acquired. Management determine the classification of its investments at initial recognition.

(i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(iii) Financial Liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

*Recognition and de-recognition*

Regular purchases and sales of financial assets are recognised on trade-date being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

*Impairment*

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit or loss.

## Notes to the Consolidated Financial Statements (continued)

### (f) Impairment of assets

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### (g) Employee benefits

(i) *Wages and salaries, annual leave and sick leave*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

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

(iii) *Share-based payments*
Share-based compensation benefits are provided to employees of Glory Resources Limited at the Directors' discretion.

The fair value of options granted by Glory Resources Limited is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of comprehensive income with a corresponding adjustment to equity.

## Notes to the Consolidated Financial Statements (continued)

### (h) 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 reporting date. The discount rate used to determine the present value 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.

### (i) Cash and cash equivalents

For statement of cash flows presentation proposed, cash and cash equivalents include 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 change in rates and bank overdrafts.

### (j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

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

### (k) Goods and Services Tax (GST)

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

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

### (l) Critical accounting estimates and judgments

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.

## Notes to the Consolidated Financial Statements (continued)

*Key Judgment – Environmental Issues*

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Group's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

*Key Estimate – Taxation*

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

*Share based payment transactions*

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

*Exploration and Evaluation Expenditure*

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

### (m) Segment Reporting

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

### (n) Foreign currency translation

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

### (o) 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.

### (p) 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.

## Notes to the Consolidated Financial Statements (continued)

### (q) 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

### (r) Earnings per share

(i) *Basic earnings per share*
Basic earnings per share is calculated by dividing the profit attributable to equity holders 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.

(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 and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### (s) Parent entity financial information

The financial information for the parent entity Glory Resources Limited, disclosed in note 21 has been prepared on the same basis as the consolidated financial statements.

### (t) Going concern

These financial statements have been prepared on the basis of a going concern. The Directors are of the opinion that the Company has sufficient funds to meet its commitments as and when they fall due for a period of at least 12 months from the date of this report.

### (u) Comparatives

The comparative period presented in the consolidated financial statements is from the date of incorporation on 30 March 2010 to 30 June 2011.

## Notes to the Consolidated Financial Statements (continued)

### (v) Acquisition accounting

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the group on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the group obtains control of the acquiree.

Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reasonable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired. For each business combination, the group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where the group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or jointly controlled entity, the group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss. Where the group obtains control of a subsidiary that was previously accounted for as an available-for-sale investment, any balance on the available-for-sale reserve related to that investment is recognised in profit or loss as if the group had disposed directly of the previously held interest.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

Assets and liabilities from business combinations involving entities or businesses under common control are accounted for at the carrying amounts recognised in the group's controlling shareholder's consolidated financial statements.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

# Notes to the Consolidated Financial Statements (continued)

## (w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods.

| Reference | Title | Summary | Application date of standard | Application date for Group |
|---|---|---|---|---|
| 2010-8 | Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets<br>[AASB 112] | These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate *SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112. | 1 Jan 2012 | 1 July 2012 |
| AASB 2011-3** | Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049] | This Standard makes amendments including clarifying the definition of the ABS GFS Manual, facilitating the orderly adoption of changes to the ABS GFS Manual and related disclosures to AASB 1049.<br><br>Amendments to Australian Accounting Standards – Improvements to AASB 1049 can be found in AASB 2011-13. | 1 July 2012 | 1 July 2012 |
| AASB 2011-9 | Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income<br>[AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] | This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not. | 1 July 2012 | 1 July 2012 |

| Reference | Title | Summary | Application date of standard | Application date for Group |
|---|---|---|---|---|
| AASB 9 | Financial Instruments | AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities.<br>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.<br>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.<br>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.<br>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.<br>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:<br>► The change attributable to changes in credit risk are presented in other comprehensive income (OCI)<br>► The remaining change is presented in profit or loss<br>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.<br>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10. | 1 January 2015 | 1 July 2015 |
| AASB 10 | Consolidated Financial Statements | AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities.*<br>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.<br>Consequential amendments were also made to other standards via AASB 2011-7. | 1 January 2013 | 1 July 2013 |

| Reference | Title | Summary | Application date of standard | Application date for Group |
|---|---|---|---|---|
| AASB 11 | Joint Arrangements | AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly- controlled Entities – Non-monetary Contributions by Ventures.* AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.<br><br>Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128. | 1 January 2013 | 1 July 2013 |
| AASB 12 | Disclosure of Interests in Other Entities | AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. | 1 January 2013 | 1 July 2013 |
| AASB 13 | Fair Value Measurement | AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.<br><br>AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.<br><br>Consequential amendments were also made to other standards via AASB 2011-8. | 1 January 2013 | 1 July 2013 |
| AASB 119 | Employee Benefits | The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets.<br><br>The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.<br><br>Consequential amendments were also made to other standards via AASB 2011-10. | 1 January 2013 | 1 July 2013 |

| Reference | Title | Summary | Application date of standard | Application date for Group |
|---|---|---|---|---|
| Interpretation 20 | Stripping Costs in the Production Phase of a Surface Mine | This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset".<br><br>The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.<br><br>Consequential amendments were also made to other standards via AASB 2011-12. | 1 January 2013 | 1 July 2013 |
| Annual Improvements<br>2009–2011 Cycle **** | Annual Improvements to IFRSs 2009–2011 Cycle | This standard sets out amendments to International Financial Reporting<br>Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB.<br><br>The following items are addressed by this standard:<br><br>IFRS 1 First-time Adoption of International Financial Reporting Standards<br>- Repeated application of IFRS 1<br>- Borrowing costs<br><br>IAS 1 Presentation of Financial Statements<br>- Clarification of the requirements for comparative information<br><br>IAS 16 Property, Plant and Equipment<br>- Classification of servicing equipment<br><br>IAS 32 Financial Instruments: Presentation<br>- Tax effect of distribution to holders of equity instruments<br><br>IAS 34 Interim Financial Reporting<br>- Interim financial reporting and segment information for total assets and liabilities | 1 January 2013 | 1 July 2013 |
| AASB 2011-4 | Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124] | This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. | 1 July 2013 | 1 July 2013 |

| Reference | Title | Summary | Application date of standard | Application date for Group |
|---|---|---|---|---|
| AASB 1053 | Application of Tiers of Australian Accounting Standards | This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:<br>(a) Tier 1: Australian Accounting Standards<br>(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements<br>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.<br>The following entities apply Tier 1 requirements in preparing general purpose financial statements:<br>(a) For-profit entities in the private sector that have public accountability (as defined in this Standard)<br>(b) The Australian Government and State, Territory and Local Governments<br>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:<br>(a) For-profit private sector entities that do not have public accountability<br>(b) All not-for-profit private sector entities<br>(c) Public sector entities other than the Australian Government and State, Territory and Local Governments.<br>Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11 and 2012-1. | 1 July 2013 | 1 July 2013 |

The Group is in the process of determining the impact of the above on its financial statements. The Group has not elected to early adopt any new Standards or Interpretations.

# Notes to the Consolidated Financial Statements (continued)

## 2. Revenues & Other Income

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Revenue** | | |
| Bank interest | 335,652 | 62,728 |
| | 335,652 | 62,728 |
| **Other income** | | |
| Rental income | 44,549 | - |
| Profit on sale of exploration assets | 18,367 | - |
| Profit on sale of financial assets | 743 | (578) |
| Other | 2,481 | - |
| | 66,140 | (578) |

## 3. Expenses

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Other expenses** | | |
| Consultants and advisory fees | (195,860) | (122,842) |
| Legal expenses | (79,993) | (30,679) |
| Accounting & audit fees | (117,005) | (43,663) |
| Insurance | (15,105) | (8,441) |
| ASX and share registry expense | (34,778) | (13,385) |
| Travel | (125,909) | - |
| Exploration expenses | - | (270,277) |
| Settlement costs | - | (89,046) |
| Finance and interest expense | (2) | (1,372) |
| Donations | (71,668) | - |
| Occupancy costs | (150,632) | - |
| Depreciation | (57,380) | - |
| General administration | (287,541) | (24,690) |
| | (1,135,873) | (604,395) |
| **Employee benefits expense** | | |
| Directors fees | (316,152) | (85,701) |
| Salaries and wages | (2,725) | (1,829) |
| | (318,877) | (87,530) |

## 4. Income Tax

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Income tax expense** | | |
| Current tax | - | - |
| Deferred tax | - | (88,301) |
| | | |
| Deferred income tax (revenue) / expense included in income tax expense comprises: | | |
| (Decrease)/ increase in deferred tax liabilities | - | (88,301) |
| | - | (88,301) |

# Notes to the Consolidated Financial Statements (continued)

## 4. Income Tax (cont'd)

**Numerical reconciliation of income tax expense / (benefit)**
**To prima facie tax payable:**

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Loss from continuing operations before income tax | (2,556,707) | (2,776,734) |
| Tax at the Australian tax rate of rate of 30% | (767,012) | (833,020) |
| Tax effect of amounts which are not deductible in calculating taxable income: | | |
| Share based payments | 379,205 | 644,088 |
| Other | (29,991) | 50,545 |
| Foreign tax differential | 8,384 | 47,111 |
| | (409,414) | (91,276) |
| Foreign Currency Translation | - | (1,388) |
| Deferred tax assets not brought to account | 409,414 | 33,696 |
| Income tax expense/ (benefit) | - | (58,968) |

**Deferred tax Liabilities**

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Exploration and evaluation expenditure | (184,190) | (145,881) |
| Accrued interest receivable | (45,316) | - |
| Offset of deferred tax assets | 141,406 | 57,580 |
| Net deferred tax liabilities | (88,100) | (88,301) |

**Deferred tax assets**

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Accruals | 15,325 | 173 |
| Investments | 2,189 | - |
| Tax losses | 271,915 | 33,523 |
| Foreign tax losses | 133,999 | 57,580 |
| Offset of deferred tax liabilities | (141,406) | (57,580) |
| Deferred tax assets not brought to account | (282,022) | (57,580) |
| Net deferred tax assets | - | - |

# Notes to the Consolidated Financial Statements (continued)

## 5. Earnings per Share (EPS)

Basic earnings per share amounts are calculated by dividing net profit/ (loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Basic loss per share attributable to equity holders | 1.64 | 0.19 |
| Diluted loss per share attributable to equity holders | N/A | N/A |
| Loss used in calculating basic and diluted EPS | (2,556,707) | (2,717,766) |

| | No. | No. |
|---|---|---|
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | 156,357,729 | 14,677,244 |
| Weighted average number of dilutive options outstanding | - | - |
| Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS | 156,357,729 | 14,677,244 |

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

There are 28,835,000 share options excluded from the calculation of diluted earnings per share (that could potentially dilute basic earnings per share in the future) because they are anti-dilutive for each of the periods presented.

## 6. Dividends Paid or Proposed

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

## 7. Cash and Cash Equivalents

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Current** | | |
| Cash at bank and in hand | 340,445 | 1,907,425 |
| Term deposits | 8,500,000 | - |
| | 8,840,445 | 1,907,425 |

The Group's exposure to interest rate risk is discussed in note 16.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of cash at bank and in hand.

# Notes to the Consolidated Financial Statements (continued)

## 8. Trade and Other Receivables

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Current** | | |
| Interest Receivable | 151,052 | - |
| Other Receivables | 247,432 | 33,320 |
| GST Receivable | 44,401 | 31,901 |
| | 442,884 | 65,221 |

Refer to note 16 for the risk management policy of the Group. As at 30 June 2012, no trade receivables were past due or impaired.

## 9. Other Assets

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Current** | | |
| Prepayments | 9,027 | 265 |
| | 9,027 | 265 |

## 10. Financial Assets

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Non-current** | | |
| Available for sale financial assets | | |
| Listed investments at fair value | 192,873 | 143,250 |
| | 192,873 | 143,250 |
| *Movements* | | |
| Balance at beginning of period | 143,250 | - |
| Purchase of equity securities | 100,000 | 200,170 |
| Disposal of equity securities | (49,220) | (50,000) |
| Fair value loss | (1,157) | (6,920) |
| Balance at end of year | 192,873 | 143,250 |

**Risk exposure**
Information about the group exposure to credit risk and price risk is provided in note 16.

Financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

The fair value of investments is calculated with reference to current market prices at reporting date.

# Notes to the Consolidated Financial Statements (continued)

## 11. Exploration and evaluation expenditure

| | 2012 $ | 2011 $ |
|---|---|---|
| Exploration and evaluation expenditure | 38,837,195 | 1,144,615 |
| | 38,837,195 | 1,144,615 |

| | 2012 $ | 2011 $ |
|---|---|---|
| *Movements* | | |
| Balance at beginning of period | 1,144,615 | - |
| Acquired – Sapes acquisition (refer note 27) | 36,158,563 | - |
| Acquired – Quetico Minerals Pty Ltd (refer note 28) | - | 1,151,379 |
| Additions | 1,534,741 | - |
| Foreign exchange on translation | (724) | (6,764) |
| Balance at end of year | 38,837,195 | 1,144,615 |

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

## 12. Trade and Other Payables

| | 2012 $ | 2011 $ |
|---|---|---|
| **Current** | | |
| Trade payables | 163,884 | 32,832 |
| Other payables | 86,257 | 16,760 |
| | 250,141 | 49,592 |

Trade payables are non-interest bearing and are normally settled on 60-day terms. Other payables are non-interest bearing and have an average term of 2 months.

# Notes to the Consolidated Financial Statements (continued)

## 13. Issued Capital

| | Note | 2012 Number | 2012 $ | 2011 Number | 2011 $ |
|---|---|---|---|---|---|
| Ordinary shares | | | | | |
| - Issued and fully paid with no par value | | 224,100,099 | 51,120,575 | 24,875,001 | 3,040,301 |
| - Contingent Share Capital | | 4,000,000[1] | 800,000[1] | 4,000,000[1] | 800,000[1] |
| - Share Issue Costs | | - | (2,146,395) | - | (130,206) |
| Total consolidated contributed equity | | 228,100,099 | 49,774,180 | 28,875,001 | 3,710,095 |

| Details | No. of Shares | Issue Price | $ |
|---|---|---|---|
| **Incorporation 30 March 2010** | | | |
| Issue of incorporating share (30 March 2010) | 1 | $1.00 | 1 |
| Issue of founder shares (14 April 2010) | 3,000,000 | $0.0001 | 300 |
| Issue of initial seed shares (15 April 2010) | 5,500,000 | $0.02 | 110,000 |
| Issue of seed shares (29 October 2010) | 2,875,000 | $0.08 | 230,000 |
| Vendor shares (14 January 2011) | 1,000,000 | $0.20 | 200,000 |
| IPO raising shares (14 January 2011) | 12,500,000 | $0.20 | 2,500,000 |
| Share issue costs | | | (130,206) |
| Contingent Share Capital (14 January 2011) [1] | 4,000,000[1] | $0.20 | 800,000[1] |
| **30 June 2011** | 28,875,001 | | 3,710,095 |
| | | | |
| **1 July 2011** | 28,875,001 | | 3,710,095 |
| Share placement (15 August 2011) | 12,943,178 | $0.17 | 2,200,000 |
| Capital raising (prospectus – 4 November 2011) | 170,281,920 | $0.25 | 42,570,480 |
| Vendor shares (Sapes acquisition – 16 December 2011) [2] | 16,000,000 | $0.215 | 3,440,000 |
| Share issue costs | | | (2,146,395) |
| **30 June 2012** | 228,100,099 | | 49,774,180 |

[1] The contingent share capital represents the issue of fully paid shares in Glory Resources that is subject to Glory Resources completing its earn-in to obtain a 75% Participating Interest in the onion lake Project.
[2] Escrowed for 12 months from date of issue.

The issued share capital of the Group as at 30 June 2012 was 224,100,099 ordinary shares (2011: 24,875,001), which includes 19,000,000 of restricted securities subject to escrow.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Capital risk management

Capital managed by the Board includes shareholder equity, which was $49,994,180 at 30 June 2012 (2011: $3,710,095). The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's capital includes ordinary share capital, financial liabilities, supported by financial assets.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is to balance the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads.

# Notes to the Consolidated Financial Statements (continued)

## 14. Reserves

| | 2012 $ | 2011 $ |
|---|---|---|
| **(a) Reserves** | | |
| Asset revaluation reserve | (8,077) | (6,920) |
| Foreign translation reserve | (6,012) | (9,485) |
| Option reserve | 3,637,966 | 2,146,959 |
| | 3,623,877 | 2,130,554 |
| **Movements** | | |
| *Asset revaluation reserve* | | |
| Balance at beginning of period | (6,920) | - |
| Revaluation of shares to market value | (1,157) | (6,920) |
| Balance at end of year | (8,077) | (6,920) |
| *Foreign translation reserve* | | |
| Balance at beginning of period | (9,485) | - |
| Foreign exchange differences arising on translation of foreign operations | 3,473 | (9,485) |
| Balance at end of year | (6,012) | (9,485) |
| *Option reserve* | | |
| Balance at beginning of period | 2,146,959 | - |
| Options issued to Directors | 551,823 | 708,440 |
| Options issued to Consultants and management | 712,195 | 1,438,519 |
| Options issued to Brokers (share issue costs) | 226,989 | - |
| Balance at end of year | 3,637,966 | 2,146,959 |

Nature and purpose of reserve:

*Asset revaluation reserve*
Changes in the fair value arising on translation of investments, such as equities, classified as available-for-sale financial assets, are recognised in other comprehensive income as described in note 1 (e) and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

*Foreign translation reserve*
Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

*Options reserve*
The options reserve is used to recognise the grant date fair value of options issued to employees, consultants and directors but not exercised.

## 15. Accumulated losses

| | 2012 $ | 2011 $ |
|---|---|---|
| **Accumulated losses** | | |
| Balance at the beginning of the year | (2,717,766) | - |
| Net loss for the year | (2,556,707) | (2,717,766) |
| Balance at the end of the year | (5,274,473) | (2,717,766) |

# Notes to the Consolidated Financial Statements (continued)

## 16. Financial Risk Management

***Financial risk management***

The Group's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable and shares in listed investments.

The Group does not speculate in the trading of derivative instruments.

The totals for each category of financial instruments, measured in accordance with AASB 139 are as follows:

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | 8,840,445 | 1,907,425 |
| Financial assets at fair value | 192,873 | 143,250 |
| Trade and other receivables | 442,884 | 65,221 |
| | 9,476,202 | 2,115,896 |
| | | |
| **Financial liabilities** | | |
| Trade and other payables | 250,141 | 49,592 |
| | 250,141 | 49,592 |

***Financial risk management policies***

The Group's activities expose it to a variety of financial risks including market risk (which includes interest rate risk), price 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, foreign exchange and other price risks and aging analysis for credit risk.

Risk management is carried out by the Board of Directors and they provide written principles for overall risk management.

**Market risk**

- Foreign exchange risk
  The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Euro and Canadian dollar.

- Price risk
  The Group is exposed to equities securities price risk. This arises from investments held by the parent and classified on the statement of financial position as available-for-sale at fair value. The Group's equity investments are publicly traded and are included on the ASX and CNSX.

- Interest rate risk
  The Group's interest rate risk arises from cash and cash equivalents. Term deposits and current accounts held with variable interest rates expose the Group to cash flow interest rate risk.

***Interest rate risk***

The effect on loss and equity as a result of changes in the interest rate:

# Notes to the Consolidated Financial Statements (continued)

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | **Change** | **$** | **Change** | **$** |
| *Change in loss* | | | | |
| Increase in interest rate by 200 basis points | 176,809 | (2,379,899) | 38,149 | (2,679,618) |
| Decrease in interest rate by 200 basis points | (176,809) | (2,733,516) | (38,149) | (2,755,915) |

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

***Price risk***

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the statement of financial position as financial assets at fair value. To manage its price risk arising from investments in equity securities, the Group manages its portfolio of securities in accordance with limits set by the Group. The investments are publicly traded on the ASX and CNSX.

The table below summarises the impact of increases/decreases of the index on the Group's post tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 10% (2011: 10%) with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | **Change** | **$** | **Change** | **$** |
| *Change in loss* | | | | |
| Increase of index by 10% | 19,287 | (2,537,420) | 14,325 | (2,703,441) |
| Decrease of index by 10% | (19,287) | (2,575,995) | (14,325) | (2,732,091) |

***Credit risk***

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group measures credit risk on a fair value basis. The Group does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings:

| | 2012 | 2011 |
|---|---|---|
| | **$** | **$** |
| Cash and cash equivalents - AA | 8,840,445 | 1,907,425 |

***Liquidity risk***

The Group manages liquidity risk by maintaining adequate cash and marketable securities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As at reporting date the Group had sufficient cash reserves to meet its requirements. The Group therefore had no credit standby facilities or arrangements for further funding in place.

The financial liabilities of the Group 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. The Group does not consider this to be material to the Group and have therefore not undertaken any further analysis of risk exposure.

# Notes to the Consolidated Financial Statements (continued)

*Financial instrument maturity analysis*

The amounts disclosed in the table are the contractual undiscounted cash flows.

| 2012 | Within 1 Year $ | 1 to 5 Years $ | Over 5 Years $ | Total $ |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | 8,840,445 | - | - | 8,840,445 |
| Financial assets at fair value | 192,873 | - | - | 192,873 |
| Trade and other receivables | 442,884 | - | - | 442,884 |
| | 9,476,202 | - | - | 9,476,202 |
| **Financial liabilities** | | | | |
| Trade and other payables | 250,141 | - | - | 250,141 |
| | 250,141 | - | - | 250,141 |

| 2011 | Within 1 Year $ | 1 to 5 Years $ | Over 5 Years $ | Total $ |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | 1,907,425 | - | - | 1,907,425 |
| Financial assets at fair value | 143,250 | - | - | 143,250 |
| Trade and other receivables | 65,221 | - | - | 65,221 |
| | 2,115,896 | - | - | 2,115,896 |
| **Financial liabilities** | | | | |
| Trade and other payables | 49,592 | - | - | 49,592 |
| | 49,592 | - | - | 49,592 |

***Fair value estimation***

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values as the carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

Financial instruments measured at fair value
The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

| 2012 | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets at fair value through equity | 192,873 | - | - | 192,873 |
| **2011** | | | | |
| **Financial assets** | | | | |
| Financial assets at fair value through equity | 143,250 | - | - | 143,250 |

# Notes to the Consolidated Financial Statements (continued)

## 17. Share-Based Payments

Total costs arising from share based payment transactions recognised during the year were as follows:

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Options issued to Directors (a) | 551,823 | 725,549 |
| Options issued to employees, consultants and management (b) | 712,195 | 1,421,410 |
| Options issued to brokers (share issue cost) (c) | 226,989 | - |
| | 1,491,007 | 2,146,959 |

(a) On 24 November 2011, the Group issued 4,300,000 unlisted options to Directors at an exercise price of $0.25 on or before 31 October 2014.

(b) On 16 December 2011, the Group issued 5,200,000 unlisted options to employees, consultants and management at an exercise price of $0.25 on or before 31 October 2014.

On 21 February 2012, the Group issued 250,000 unlisted options to employees, consultants and management at an exercise price of $0.25 on or before 28 February 2014.

On 21 February 2012, the Group issued 1,100,000 unlisted options (with vesting conditions) to employees, consultants and management at an exercise price of $0.25 on or before 28 February 2014.

On 29 June 2012, the Group issued 1,000,000 unlisted options (with vesting conditions) to employees, consultants and management at an exercise price of $0.25 on or before 30 June 2014.

(c) On 16 December 2011, the Group issued 1,785,000 unlisted options to brokers at an exercise price of $0.25 on or before 31 October 2014 (included in share issue costs).

*Summary of granted options*

The following table details the number and weighted average exercise price (WAEP) of, and movements in, unlisted options issued during the year:

| | 2012<br>No. | 2012<br>WAEP |
|---|---|---|
| Balance at beginning of year | 15,200,000 | $0.172 |
| Granted during the year | 13,635,000 | $0.250 |
| Exercised | - | - |
| Forfeited / lapsed | - | - |
| Balance at end of year | 28,835,000 | $0.209 |
| Exercisable at the end of the year | 26,735,000 | $0.205 |
| Not exercisable at end of the year | 2,100,000 | $0.250 |

# Notes to the Consolidated Financial Statements (continued)

The following table details the outstanding balance of, and movement in unlisted options during the year:

| Grant Date | Expiry Date | Exercise Price | Balance at start of period | Granted during the period | Exercised during the period | Forfeited during the period | Balance at end of the period | Vested & exercisable at end of the period |
|---|---|---|---|---|---|---|---|---|
| | | $ | Number | Number | Number | Number | Number | Number |
| **2012** | | | | | | | | |
| 31-Mar-11 | 31-Mar-13 | $0.30 | 200,000 | - | - | - | 200,000 | 200,000 |
| 29-Jun-11 | 27-Jul-16 | $0.17 | 5,000,000 | - | - | - | 5,000,000 | 5,000,000 |
| 29-Jun-11 | 15-Aug-16 | $0.17 | 10,000,000 | - | - | - | 10,000,000 | 10,000,000 |
| 24-Nov-11 | 31-Oct-14 | $0.25 | - | 4,300,000 | - | - | 4,300,000 | 4,300,000 |
| 16-Dec-11 | 31-Oct-14 | $0.25 | - | 6,985,000 | - | - | 6,985,000 | 6,985,000 |
| 21-Feb-12 | 28-Feb-14 | $0.25 | - | 1,350,000 | - | - | 1,350,000 | 250,000 |
| 29-Jun-12 | 30-Jun-14 | $0.25 | - | 1,000,000 | - | - | 1,000,000 | - |
| | | | 15,200,000 | 13,635,000 | - | - | 28,835,000 | 26,735,000 |
| **2011** | | | | | | | | |
| 31-Mar-11 | 31-Mar-13 | $0.30 | - | 200,000 | - | - | 200,000 | 200,000 |
| 29-Jun-11 | 27-Jul-16 | $0.17 | - | 5,000,000 | - | - | 5,000,000 | 5,000,000 |
| 29-Jun-11 | 15-Aug-16 | $0.17 | - | 10,000,000 | - | - | 10,000,000 | 10,000,000 |
| | | | - | 15,200,000 | - | - | 15,200,000 | 15,200,000 |

*Remaining contractual life*

The weighted average remaining contractual life of share options outstanding at the end of the year was 3.16 years (2011: 4.93 years).

*Fair value*

The fair value of the options granted during the year was $0.122 (2011: $0.141).

*Option pricing model*

The fair value of the options issued during the year is estimated as at the date of grant using the Black Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model:

| Grant date | 24-Nov-11 | 16-Dec-11 | 16-Dec-11 | 21-Feb-12 | 29-Jun-12 |
|---|---|---|---|---|---|
| Number granted | 4,300,000 | 1,785,000 | 5,200,000 | 1,350,000 | 1,000,000 |
| Granted to | Directors | Brokers | Consultants & management | Consultants & management | Consultants & management |
| Dividend yield (%) | Nil | Nil | Nil | Nil | Nil |
| Expected volatility (%) | 100% | 100% | 100% | 70% | 70% |
| Risk-free interest rate (%) | 3.13% | 3.13% | 3.13% | 3.54% | 2.40% |
| Expected life of options (years) | 2.30 | 2.30 | 2.30 | 1.64 | 1.97 |
| Share price at grant date ($) | $0.215 | $0.215 | $0.215 | $0.240 | $0.250 |
| Exercise price ($) | $0.250 | $0.250 | $0.250 | $0.250 | $0.250 |
| Value per option ($) | $0.128 | $0.127 | $0.127 | $0.094 | $0.099 |

# Notes to the Consolidated Financial Statements (continued)

## 18. Contingent Assets and Liabilities

On 16 December 2011, Glory Resources Limited, via its wholly owned subsidiary Rhodopi Minerals Limited ("RML"), acquired a 100% interest in the high grade Sapes Gold Project located in north-eastern Greece ("Sapes Acquisition").

RML acquired 100% of the shares in Scarborough Minerals Overseas Holdings Ltd ("SMOHL") and its subsidiaries from Mineral Resources (UK) Ltd, a subsidiary of Cape Lambert Resources Limited (ASX: CFE) ("Cape Lambert").

The purchase consideration included two contingent payments of $5 million each, which are payable once certain milestones are achieved, as follows:

- $5 million in cash or the equivalent issue of shares to Cape Lambert (at the election of Cape Lambert) upon the granting of all necessary approvals and consents of governmental authorities to enable Thrace Minerals SA ("Thrace") (the Company's wholly owned subsidiary which holds 100% of the Sapes Gold Project) to commence mining the Sapes Gold Project; and
- $5 million in cash or the equivalent issue of Shares to Cape Lambert (at the election of Cape Lambert) upon the sale of the first 1,000oz of gold (or gold equivalent in the case of copper and/or silver) from the Sapes Gold Project.

Apart from the above, the group has no contingent assets or liabilities at the year end.

## 19. Commitments

*Exploration Expenditure*

In order to maintain current rights to tenure to mining tenements, the Group has the following discretionary exploration expenditure and rental requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of leases, are not provided for in the financial statements and are payable:

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Not later than 12 months | 1,342,667 | 400,000 |
| Between 12 months and 5 years | - | 1,400,000 |
| Greater than 5 years | - | - |
| | 1,342,667 | 1,800,000 |

*Operating lease commitments*

Minimum lease payments not provided for in the financial report and payable:

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Not later than 12 months | 170,447 | - |
| Between 12 months and 5 years | 195,111 | - |
| Greater than 5 years | - | - |
| | 365,558 | - |

(a) The Company entered into leases for office premises, for a period of 2-5 years terminating between August 2013 and March 2017.

# Notes to the Consolidated Financial Statements (continued)

## 20. Controlled Entities

The consolidated financial statements include the financial statements of Glory Resources Limited (ultimate Australian parent entity) and its subsidiaries listed in the following table:

| | Country of Incorporation | 30 June 2012 | 30 June 2011 |
|---|---|---|---|
| | | % Equity Interest | % Equity Interest |
| Quetico Minerals Pty Ltd | Australia | 100% | 100% |
| Quetico Resources Ltd | Canada | 100% | 100% |
| Hellenic Gold Investments (UK) Limited | United Kingdom | 100% | - |
| Rhodopi Minerals Limited | United Kingdom | 100% | - |
| Scarborough Minerals Overseas Holdings Ltd | United Kingdom | 100% | - |
| Scarborough Minerals International BV | Netherlands | 100% | - |
| Kyprou Gold Limited | United Kingdom | 100% | - |
| Thrace Investments BV | Netherlands | 100% | - |
| Thrace Minerals SA | Greece | 100% | - |

## 21. Parent Entity Disclosures

The following details information related to the parent entity, Glory Resources Limited, as at 30 June 2012. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

| | 2012 | 2011 |
|---|---|---|
| | $ | $ |
| Current assets | 8,984,160 | 2,085,972 |
| Non-current assets | 39,087,161 | 506,174 |
| **Total assets** | 48,071,321 | 2,592,146 |
| | | |
| Current liabilities | 66,114 | 49,592 |
| **Total liabilities** | 66,114 | 49,592 |
| | | |
| Contributed equity | 49,774,180 | 3,710,095 |
| Asset revaluation reserve | (8,077) | (6,920) |
| Option reserve | 3,637,966 | 2,146,959 |
| Accumulated Losses | (5,398,862) | (3,307,580) |
| **Total equity** | 48,005,207 | 2,542,554 |
| | | |
| Loss after income tax | (2,091,282) | (3,307,580) |
| Other comprehensive income / (loss) for the year | - | - |
| Total comprehensive income / (loss) for the year | (2,091,282) | (3,307,580) |

*Loans to controlled entities*

Loans are provided by the Parent Entity to its controlled entities for their respective operating activities. Amounts receivable from controlled entities are non-interest bearing with no fixed term of repayment. The eventual recovery of the loan will be dependent upon the successful commercial application of these projects or the sale to third parties. Details of loans provided are listed below:

# Notes to the Consolidated Financial Statements (continued)

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **Loans to subsidiaries** | | |
| Quetico Minerals Pty Ltd | 958,208 | 385,986 |
| Quetico Resources Ltd | - | - |
| Hellenic Gold Investments (UK) Limited | - | - |
| Rhodopi Minerals Limited | 117,809 | - |
| Scarborough Minerals Overseas Holdings Ltd | 14,102,382 | - |
| Scarborough Minerals International BV | (32,515) | - |
| Kyprou Gold Limited | 9,915,080 | - |
| Thrace Investments BV | 9,754,679 | - |
| Thrace Minerals SA | 139,649 | - |
| | 34,955,292 | 385,986 |

## 22. Key Management Personnel (KMP) Compensation

*Details of key management personnel*

| | |
|---|---|
| Mr Jason Bontempo | Executive Director |
| Mr Jeremy Wrathall | Non-executive Chairman (appointed 1 January 2012) |
| Mr Bernard Aylward | Technical Director |
| Mr Lui Giuliani | Non-executive Director (appointed 1 January 2012) |
| Mr Jeremy King | Executive Director (resigned 1 January 2012) |

There were no other KMP of the Group.

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2012.

*Compensation of key management personnel*

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Short-term employee benefits | 404,816 | 85,701 |
| Post-employment benefits | - | 1,829 |
| Share based payments | 551,822 | 725,549 |
| Total | 956,638 | 813,079 |

# Notes to the Consolidated Financial Statements (continued)

*Options provided as remuneration*

The number of options over ordinary shares in the Group held during the financial year by each KMP of the Group, including their personally related parties, are set out below.

| 2012 | Balance at the start of the year | Granted as compen-sation | Exercised | Other changes | Balance at end of the year | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Jason Bontempo | 3,000,000 | 1,500,000 | - | - | 4,500,000 | 4,500,000 | - |
| Bernard Aylward | 1,200,000 | 800,000 | - | - | 2,000,000 | 2,000000 | - |
| Jeremy Wrathall (i) | - | 1,500,000 | - | - | 1,500,000 | 1,500,000 | - |
| Jeremy King (ii) | 1,000,000 | 500,000 | - | * (1,500,000) | - | - | - |
| **Total** | 5,200,000 | 4,300,000 | - | (1,500,000) | 8,000,000 | 8,000,000 | - |

(i) At the date of his appointment on 1 January 2012, Mr Wrathall held 1,500,000 options.
(ii) At the date of his resignation on 1 January 2012, Mr King held *1,500,000 options.

| 2011 | Balance at the start of the year | Granted as compen-sation | Exercised | Other changes | Balance at end of the year | Vested and exercisable | Unvested |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| Jason Bontempo | - | 3,000,000 | - | - | 3,000,000 | 3,000,000 | - |
| Bernard Aylward | - | 1,200,000 | - | - | 1,200,000 | 1,200,000 | |
| Jeremy King | - | 1,000,000 | - | - | 1,000,000 | 1,000,000 | - |
| **Total** | - | 5,200,000 | - | - | 5,200,000 | 5,200,000 | |

*Shareholdings*

The numbers of shares in the Group held during the financial year by each KMP of the Group, 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 | Balance at the end of the year |
|---|---|---|---|---|
| **Directors** | | | | |
| Jason Bontempo | 1,000,000 | - | 500,000 | 1,500,000 |
| Jeremy King (i) | 15,000 | - | *(15,000) | - |
| **Total** | 1,015,000 | - | 485,000 | 1,500,000 |

(i) At the date of his resignation on 1 January 2012, Mr King held *15,000 shares.

| 2011 | Balance at the start of the year | Received during the year on the exercise of options | Other changes | Balance at the end of the year |
|---|---|---|---|---|
| **Directors** | | | | |
| Jeremy King | - | - | 15,000 | 15,000 |
| Jason Bontempo | - | - | 1,000,000 | 1,000,000 |
| **Total** | - | - | 1,015,000 | 1,015,000 |

# Notes to the Consolidated Financial Statements (continued)

## 23. Related Party Information

*Transactions with Directors, Director related entities and other related parties*

The consideration payable by Glory Resources to Cape Lambert Resources Limited ("Cape Lambert") for the Sapes Acquisition (refer to note 27) comprised:

- $32.7 million payable in cash (repayment of loans);
- 16 million new shares in the Company and a further $10 million; and
- a further $10 million (in cash or new shares in the Company at Cape Lambert's election) payable upon achievement of certain operational milestones (contingent liability).

Cape Lambert holds a significant interest of 16.4% in the issued capital of Glory Resources.

During the year, an aggregate amount of $12,439 (2011: nil) was paid to Cape Lambert for reimbursement of consultants and occupancy costs.

During the year, the Group received $13,676 (2011: nil) from Red Emperor Resources NL, of which Mr Jason Bontempo is a director.

During the year, an aggregate amount of $80,788 (2011: nil) was paid to International Goldfields Limited for reimbursement of travel costs. Mr Jason Bontempo is a former director of International Goldfields Limited.

During the year, an aggregate amount of $110,503 (2011: $126,157) was paid to Grange Consulting Group Pty Ltd for accounting, company secretarial and advisory fees. Mr Jeremy King is an employee of Grange Consulting Group Pty Ltd.

## 24. Auditor's Remuneration

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for: | | |
| ▪ an audit or review of the financial report of the Group | 35,000 | 24,246 |
| ▪ non audit services – IAR – BDO Corporate Finance | 10,103 | 18,167 |
| ▪ tax services – BDO Tax | 10,600 | 1,250 |
| Amounts received or due and receivable by PKF Euroauditing SA for: | | |
| ▪ an audit of subsidiary entity Thrace Minerals SA | 10,385 | - |
| | 66,088 | 43,663 |

## 25. Cash Flow information

| **Reconciliation of Cash Flows from Operations with Profit after Income Tax** | 2012<br>$ | 2011<br>$ |
|---|---|---|
| Loss after income tax for the year | (2,556,707) | (2,717,766) |
| Adjustments for: | | |
| Share based payments | 1,264,018 | 2,146,959 |
| Net exchange differences | - | (2,723) |
| Depreciation | 57,380 | - |
| Profit / (loss) on sale of assets | (19,110) | 578 |
| Decrease/(increase) in trade and term receivables | (204,324) | (65,407) |
| Increase/(decrease) in trade payables and accruals | (76,224) | 44,014 |
| Increase/(decrease) in deferred tax liabilities | - | (57,579) |
| Net cash inflow/(outflow) from Operating Activities | (1,534,967) | (651,924) |

# Notes to the Consolidated Financial Statements (continued)

**Non-cash investing activities**

During the year, 16,000,000 ordinary shares valued at $3,440,000 were issued as part of the Sapes Acquisition. In addition, 1,785,000 unlisted options were issued to brokers valued at $226,989, which have been included in share issue costs.

## 26. Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and in determining the allocation of resources. The Group's operates in one business segment being exploration and principally in two geographical segments being Greece and Canada.

| **2012** | **Exploration – Greece** | **Exploration – Canada** | **Other** | **Consolidated** |
|---|---|---|---|---|
| | **$** | | **$** | **$** |
| Loss before income tax | (556,347) | (20,022) | (1,980,338) | (2,556,707) |
| **Segment Assets** | | | | |
| Cash | 42,253 | - | 8,798,192 | 8,840,445 |
| Exploration and evaluation | 37,167,153 | 1,670,042 | - | 38,837,195 |
| Other | 280,867 | 44,074 | 423,244 | 784,185 |
| **Total Segment Assets** | 37,490,273 | 1,714,116 | 9,221,436 | 48,461,825 |
| **Segment Liabilities** | | | | |
| Creditors | 83,488 | - | 80,396 | 163,884 |
| Other | 39,417 | 99,766 | 35,174 | 174,357 |
| **Total Segment Liabilities** | 122,905 | 99,766 | 115,570 | 338,241 |

| **2011** | **Exploration – Greece** | **Exploration – Canada** | **Other** | **Consolidated** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Loss before income tax | - | (270,277) | (2,447,489) | (2,717,766) |
| **Segment Assets** | | | | |
| Cash | - | - | 1,907,425 | 1,907,425 |
| Exploration and evaluation | - | 1,144,615 | - | 1,144,615 |
| Other | - | 30,188 | 178,538 | 208,726 |
| **Total Segment Assets** | - | 1,174,803 | 2,085,963 | 3,260,766 |
| **Segment Liabilities** | | | | |
| Creditors | - | - | 45,830 | 45,830 |
| Other | - | - | 92,063 | 92,063 |
| **Total Segment Liabilities** | - | - | 137,893 | 137,893 |

# Notes to the Consolidated Financial Statements (continued)

## 27. Asset acquisition

### Summary of acquisition

On 16 December 2011, Glory Resources Limited, via its wholly owned subsidiary Rhodopi Minerals Limited ("RML"), acquired a 100% interest in the high grade Sapes Gold Project located in north-eastern Greece ("Sapes Acquisition"). RML acquired 100% of the shares in Scarborough Minerals Overseas Holdings Ltd ("SMOHL") and its subsidiaries from Mineral Resources (UK) Ltd, a subsidiary of Cape Lambert Resources Limited (ASX: CFE) ("Cape Lambert").

The consideration payable to Cape Lambert for the Sapes Acquisition comprised $32.7 million payable in cash (repayment of loans), 16 million new shares in the Company and a further $10 million (in cash or new shares in the Company at Cape Lambert's election) payable upon achievement of certain operational milestones.

Details of the fair value of the assets and liabilities acquired as at 16 December 2011 are as follows:

**Purchase consideration comprises:**

| | Number | Price | $ |
|---|---|---|---|
| Cash paid - repayment of loans [1] | | | 32,660,660 |
| Shares issued to vendor | 16,000,000 | $0.215 | 3,440,000 |
| Total consideration | | | 36,100,660 |
| Legal costs directly attributable to assets acquired | | | 272,538 |
| | | | 36,373,198 |

[1] Represents loans owing to Cape Lambert by entities acquired extinguished by cash consideration provided by Glory Resources Limited.

**Net assets acquired:**

| | |
|---|---|
| Cash and cash equivalents | 92,720 |
| Trade and other receivables | 31,359 |
| Land | 109,135 |
| Exploration and evaluation assets | 36,158,563 |
| Trade and other payables | (18,579) |
| Net identifiable assets | 36,373,198 |

# Notes to the Consolidated Financial Statements (continued)

## 28. Business Combinations (prior period)

**Summary of acquisition**

In January 2011 Glory Resources Limited, via its wholly owned subsidiary Quetico Minerals Pty Ltd, acquired a 100% interest in Quetico Resources Limited which holds the rights to earn a 75% interest in the Onion Lake Project in Canada as well as holding a 100% interest in the Eagle Lake Project and the Way Lake Project.

Details of the Fair value of the assets and liabilities acquired are as follows:

| | No. Shares | $ |
|---|---|---|
| Initial Shares | 1,000,000 | 200,000 |
| Contingent Consideration (probable) | 4,000,000 | 800,000 |
| | | 1,000,000 |
| Fair value of net identifiable assets acquired | | 1,000,000 |

**Purchase consideration**

| | |
|---|---|
| Outflow of cash to acquire subsidiary, net of cash acquired | |
| Cash consideration | - |
| Less: balances acquired | (1) |
| Net (inflow) of cash | (1) |

**Assets and liabilities acquired**

| | Acquiree's carrying amount $ | Fair Value $ |
|---|---|---|
| Cash and cash equivalents | 1 | 1 |
| Trade debtors and other receivables | 79 | 79 |
| Exploration and evaluation expenditure | 121,372 | 1,151,379 |
| Deferred tax liability | - | (145,881) |
| Trade creditors and other payables | (5,578) | (5,578) |
| Net assets | 115,874 | 1,000,000 |
| Net identifiable assets acquired | 115,874 | 1,000,000 |

## 29. Events occurring after the reporting period

Approval of Sapes' PEIS by the Gold Committee of the Greek Ministry of Environment was received on 16 July 2012.

There are no other events subsequent to 30 June 2012 and up to the date of this report that would materially affect the operations of the consolidated entity or its state of affairs which have not otherwise been disclosed in this financial report.

# Directors' Declaration

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

1. In the opinion of the directors:

   a) the financial statements and notes of Glory Resources Limited for the financial year ended 30 June 2012 are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and its performance for the year ended on that date; and

      (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(a);

   c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

On behalf of the Board

Jason Bontempo
Executive Director

Perth, Western Australia, 17 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

# INDEPENDENT AUDITOR'S REPORT
# TO THE MEMBERS OF GLORY RESOURCES LIMITED

## Report on the Financial Report

We have audited the accompanying financial report of Glory Resources Limited, which comprises the consolidated statement of financial position 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 period 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 period's end or from time to time during the financial period.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 (a), 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

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

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

**Opinion**

In our opinion:
(a) the financial report of Glory Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the period ended on that date; and
(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

## Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the period ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with 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 Glory Resources Limited for the Period ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

**BDO Audit (WA) Pty Ltd**

BDO

**Peter Toll**
Director

Perth, Western Australia
Dated this 17th day of September 2012

# Corporate Governance

**Corporate Governance Statement**

In fulfilling its obligations and responsibilities to its various stakeholders, the Board is a strong advocate of corporate governance. This statement outlines the principal corporate governance procedures of the Company. The Board supports a system of corporate governance to ensure that the management of the Company is conducted to maximise shareholder wealth in a proper and ethical manner.

**ASX Corporate Governance Council Recommendations**

The Board has adopted corporate governance policies and practices consistent with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles and Recommendations 2nd Edition") where considered appropriate for company of the Company's size and nature. Such policies include, but are not limited to the Board Charter, Board Committee Charters, Code of Conduct, Security Trading, Continuous Disclosure, Shareholder Communication and Risk Management Policies.

The Company's main corporate governance policies and practices are outlined below. The Board also sets out below its "if not why not" approach where the Group's practice departs from the Recommendations. All Recommendations have been applied for the financial year ended 30 June 2012 unless set out below:

(a) Board of Directors

The Company's Board of Directors is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

(i) maintain and increase Shareholder value;

(ii) ensure a prudential and ethical basis for the Company's conduct and activities; and

(iii) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

(i) developing initiatives for profit and asset growth;

(ii) reviewing the corporate, commercial and financial performance of the Company on a regular basis;

(iii) acting on behalf of, and being accountable to, the Shareholders; and

(iv) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

(b) Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting.

The composition of the Board is to be reviewed regularly to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction

Where practical, the majority of the Board is to be comprised of Non-Executive Directors. Where practical, at least 50% of the Board will be independent. An independent Director is one who is independent of management and free from any business or other relationship, which could, or could reasonably be perceived to, materially interfere with, the exercise of independent judgement.

**Corporate Governance Statement (continued)**

The Board is not currently comprised of a majority of Non-Executive or independent Directors. However, the Board considers that its current structure is appropriate given the Company is in the early stages of its development and given the size, nature and scope of the Company's activities. The Board intends to reconsider its composition as the Company's operations evolve, and may appoint additional directors as it deems appropriate and the Company's circumstances warrant.

The terms and conditions of the appointment and retirement of Directors are set out in a letter of appointment which covers remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice.

(c) Independent Professional Advice

The Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

(d) Remuneration Arrangements

The remuneration of an Executive Director will be decided by the Board, without the affected Executive Director participating in that decision-making process.

The total maximum remuneration of Non-Executive Directors is the subject of a Shareholder resolution in accordance with the Company's Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-Executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-Executive Director. The current limit, which may only be varied by Shareholders in general meeting, is an aggregate amount of $250,000 per annum.

The Board may award additional remuneration to Non-Executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

(e) Performance Assessment

The Board has adopted a formal process for an annual self-assessment of its collective performance and the performance of individual directors. The Board is required to meet at least annually with the purpose of reviewing the role of the Board, assessing its performance over the previous 12 months and examining ways in which the Board can better perform its duties. The issues examined in the review include the Board's interaction with management, the type of information provided to the Board by management and management performance in helping the Board meet its objectives.

(f) External Audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

(g) Code of Conduct

A formal code of conduct for the Company applies to all directors and employees. The code aims to encourage the appropriate standards of conduct and behaviour of the directors, employees and contractors of the Company. All personnel are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The Directors, managers and employees are expected to act with the utmost integrity and objectivity, observe the highest standards of behaviour and business ethics and strive at all times to enhance the good reputation and performance of the Company by acting in the best interests of the Company, being responsible and accountable for their actions and observing the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

**Corporate Governance Statement (continued)**

(h) Audit and Risk Committee

The Company has established an audit and risk committee which operates in accordance with the Audit and Risk Committee Charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company.

Pursuant to the charter, the audit and risk management responsibilities include:

- overseeing, co-ordinating and appraising the quality of the audits conducted by both the Company's external and internal auditors (if and when appointed);
- determining the independence and effectiveness of the external and internal auditors;
- maintaining open lines of communications among the Board and the internal and external auditors to exchange views and information, as well as confirm of their respective authority and responsibilities;
- serving as an independent and objective party to review the financial information submitted by management to the Board for issue to shareholders, regulatory authorities and the general public; and
- reviewing the adequacy of the reporting and accounting controls of the Company.

The members of the Audit and Risk Committee during the year were:

- Lui Giuliani (Committee Chairman)
- Jeremy Wrathall
- Jason Bontempo.

Lui Giuliani and Jeremy Wrathall are independent non-executive directors. Jason Bontempo is deemed non-independent by virtue of being an executive director. The qualifications and experience of the Audit and Risk Committee members is set out in the Directors' Report.

Further information on Glory's Audit and Risk Committee Charter can be found on the Company's website, www.gloryresources.com.au.

(i) Nomination and Remuneration Committee

The Company will not have a separate constituted nomination and remuneration committee. The Board, as a whole, serves as a nomination and remuneration committee and acts in accordance with the Nomination and Remuneration Committee Charter.

Pursuant to the charter, the nomination and remuneration responsibilities include:

- reviewing and recommending the overall strategies in relation to executive remuneration policies;
- reviewing and make recommendations in respect of the compensation arrangements for all non-executive directors, the Chief Executive Officer and all other senior executives;
- reviewing the effectiveness of performance incentive plans;
- reviewing and make recommendations in respect of all equity based remuneration plans;
- reviewing and make recommendations in respect of the Company's recruitment, retention and termination policies and superannuation arrangements;
- reviewing the composition of the Board and ensuring that the Board has an appropriate mix of skills and experience to properly fulfil its responsibilities;

**Corporate Governance Statement (continued)**

- ensuring that the Board is comprised of directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance;

- reviewing and make recommendations to the Board in respect of the succession plans of senior executives (other than executive Directors) and ensuring the performance of senior executives is reviewed at least annually; and

- considering nominations for potential candidates to act as Directors.

(j) Identification and Management of Risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

The Board takes a proactive approach to risk management and have a formal risk management policy to provide further guidance to the Board. The identification and proper management of risk within the Company is a priority for the Board and management.

(k) Policy for Trading in Company Securities

Trading in the Company's securities by directors and employees is not permitted when they are in possession of unpublished price sensitive information. Any transactions undertaken must be notified to the Chairman or the Board in advance.

The Directors, officers and employees must not buy, sell or subscribe for securities if they are in possession of 'inside information' (information that is not generally available and, if the information were generally available, a reasonable person would expect it to have a material effect on the price or value of securities). The Corporations Act 2001 provides that a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the securities.

Subject to the insider trading restrictions above, it is the Board's policy that Directors, officers and employees will not trade in the securities within the period of 1 month prior to the release of annual or half yearly results and there is in existence price sensitive information that has not been disclosed because of an ASX Listing Rule exception.

The Board's policy also reinforces the Directors' and Company's statutory obligations to notify the ASX of any dealing in the securities which results in a change in the relevant interests of a Director in the securities. As contemplated in the ASX listing rules, each Director provides notice of such dealings to the Company Secretary within five business days of any such dealing to enable the Company to comply with its corresponding obligation to notify the ASX.

Subject to the insider trading restrictions above, Directors may trade outside the specified periods after discussion with the Chairman.

(l) Continuous Disclosure and Shareholder Communication

The Company has a formal written policy for the continuous disclosure of any price sensitive information concerning the Company. The Board has also adopted a formal written policy covering arrangements to promote communications with shareholders and to encourage effective participation at general meetings.

The Chairman and the Company Secretary have been nominated as the Company's primary disclosure officers. All information released to the ASX is posted on the Company's web-site as soon as practicable after it is disclosed to the ASX. When analysts are briefed on aspects on the Company's operations, the material used in the presentation is released to the ASX and posted on the Company's web-site.

**Corporate Governance Statement (continued)**

The Company is committed to providing shareholders and stakeholders with extensive, transparent, accessible and timely communications on the Company's activities, strategy and performance. In addition, the Company makes all market announcements, media briefings, details of shareholders meetings, press releases and financial reports available on the Company's website www.gloryresources.com.au.

(m) Ethical Standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

**ASX Best Practice Recommendations**

The table below identifies the ASX Corporate Governance Principles and Recommendations ("Principles") and whether or not the Company has complied with the recommendations during the reporting period:

| | Recommendation | Complied | Note |
|---|---|---|---|
| 1.1 | Establish the functions reserved to the board and those delegated to senior executives and disclose those functions | ✓ | |
| 1.2 | Disclose the process for evaluating the performance of senior executives | ✓ | |
| 1.3 | Provide the information indicated in the Guide to reporting on Principle 1 | ✓ | |
| 2.1 | A majority of the board should be independent directors | ✓ | |
| 2.2 | The chair should be an independent director | ✓ | |
| 2.3 | The roles of chair and chief executive officer should not be exercised by the same individual | ✓ | |
| 2.4 | The board should establish a nomination committee | ✕ | Note 1 |
| 2.5 | Disclose the process for evaluating the performance of the board, its committees and individual directors | ✓ | |
| 2.6 | Provide information indicated in the Guide to reporting on Principle 2 | ✓ | |
| 3.1 | Establish a code of conduct and disclose the code or a summary of the code as to:<br>• the practices necessary to maintain confidence in the company's integrity<br>• the practices necessary to take into account heir legal obligations and the reasonable expectations of their stakeholders<br>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices | ✓ | |
| 3.2 | Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them. | ✕ | Note 2 |
| 3.3 | Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them. | ✕ | Note 2 |
| 3.4 | Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board. | ✕ | Note 2 |
| 3.5 | Provide information indicated in the Guide to reporting on Principle 3 | ✓ | |
| 4.1 | Establish an audit committee | ✓ | |
| 4.2 | Structure the audit committee so that it:<br>• consist only of non-executive directors<br>• consists of a majority of independent directors<br>• is chaired by an independent chair, who is not chair of the board<br>• has at least three members | ✓ | |
| 4.3 | The audit committee to have a formal charter | ✓ | |
| 4.4 | Provide the information indicated in the Guide to reporting on Principle 4 | ✓ | |
| 5.1 | Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies | ✓ | |
| 5.2 | Provide the information indicated in the Guide to reporting on Principle 5 | ✓ | |
| 6.1 | Design communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their | ✓ | |

| | Recommendation | Complied | Note |
|---|---|---|---|
| | policy or a summary of that policy | | |
| 6.2 | Provide the information indicated in the Guide to reporting on Principle 6 | ✓ | |
| 7.1 | Establish policies for oversight and management of material business risks and disclose a summary of those policies | ✓ | |
| 7.2 | Require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. Disclose that management has reported to it as to the effectiveness of the company's management of its material business risks. | ✓ | |
| 7.3 | Disclose whether assurance has been received from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. | ✓ | |
| 7.4 | Provide information indicated in the Guide to reporting on Principle 7 | ✓ | |
| 8.1 | Establish a remuneration committee | ✗ | Note 1 |
| 8.2 | Structure remuneration committee so that it:<br>• consists of a majority of independent directors;<br>• is chaired by an independent chair; and<br>• has at least three members. | | |
| 8.3 | Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives | ✓ | |
| 8.4 | Provide the information indicated in the Guide to reporting on Principle 8 | ✓ | |

Note 1: The Principles recommend that companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties and that companies should have a structure to ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

(a) Recommendation 2.4 – Nomination Committee

Recommendation 2.4 of the Principles states that the board should establish a nomination committee that should be structured so that it:

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

The Board does not have a separate nomination committee. The Board, as a whole, serves as a nomination committee and acts in accordance with the Nomination and Remuneration Committee Charter. The Board does not believe any efficiency or other benefits would currently be gained by establishing a separate nomination committee.

The responsibility for the selection of potential directors lies with the full Board of the Company. A separate nomination committee has not been constituted because the Board considers that the size of the current full Board permits it to act as the nomination committee and to regularly review membership. This includes an assessment of the necessary and desirable competencies of Board members, Board succession plans and an evaluation of the Board's performance and consideration of appointments and approvals.

When a Board vacancy occurs, the Board acting as the nomination committee, identifies the particular skills, experience and expertise that will best complement Board effectiveness, and then undertakes a process to identify candidates who can meet those criteria.

Directors are not appointed for specific terms, as their periods in office are regularly reviewed as part of annual performance evaluation processes and they are subject to re-election every three (3) years.

**Corporate Governance Statement (continued)**

(b) Recommendation 8.1 – Remuneration Committee

Recommendation 8.1 of the Principles states that the board should establish a remuneration committee that should be structured so that it:

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

The Board does not have a separate remuneration committee. The Board, as a whole, serves as a remuneration committee and acts in accordance with the Nomination and Remuneration Committee Charter. The Board does not believe any efficiency or other benefits would currently be gained by establishing a separate remuneration committee.

The responsibility for remuneration of directors and senior management lies with the full Board of the Company. A separate remuneration committee has not been constituted because the Board considers that the size of the current full Board permits it to act as the remuneration committee and will review remuneration issues at regular Board meetings.

Given the size of the Board and the Company, the Board considers that this function is efficiently achieved by the full Board. In circumstances where the size of the Board is expanded as a result of the growth or complexity of the Company, the Board will reconsider the establishment of a remuneration committee to ensure compliance with the Principles where possible.

Note 2: The Principles recommends that companies should actively promote ethical and responsible decision-making.

(a) Recommendation 3.2 – Diversity Policy

Recommendation 3.2 states that companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

The Company recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Company's success is the quality, diversity and skills of its people.

Under the Company's Code of Conduct, employees must not harass, discriminate or support others who harass and discriminate against colleagues or members of the public on the grounds of sex, pregnancy, marital status, age, race (including their colour, nationality, descent, ethnic or religious background), physical or intellectual impairment, homosexuality or transgender. Such harassment or discrimination may constitute an offence under legislation.

Due to the small scale of the Company's operations and the limited number of employees, the Company has not yet established a Diversity Policy. However, as the Company develops the Board will consider adopting such a policy.

(b) Recommendation 3.3 – Measurable Objectives for Achieving Gender Diversity

Recommendation 3.3 of the Principles states that the board should disclose in each annual report the measurable objective for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Given the size of the Company, the Company has not yet set measurable objectives for achieving gender diversity. In addition, the Board will review progress against any objectives identified on an annual basis.

**Corporate Governance Statement (continued)**

(c) Recommendation 3.4– Annual Report Disclosure

Recommendation 3.4 of the Principles states that the board should disclose in each annual report:

- the proportion of women employees in the whole organisation;
- women in senior executive positions; and
- women on the board.

Given the size of the Board and the Company, the Board considers that this function is efficiently achieved with Ms Pip Leverington as the Company Secretary holding a senior executive position in the Company. The Company does not currently have any employees.

# ASX Additional Information

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below.

**Shares**

The total number of shares on issue at 15 August 2012 was 224,100,099, held by 330 registered shareholders. No shareholders held less than a marketable parcel, based on market price of a share as at 15 August 2012.

All issued ordinary fully paid shares carry one vote per share.

**Quoted Options**

The Company does not have any quoted options on issue.

**Unquoted Options**

As at the date of this report the Company had on issue:

- 200,000 unquoted options exercisable at $0.30 and expiring on 31 March 2014
- 5,000,000 unquoted options exercisable at $0.17 and expiring on 27 July 2016
- 10,000,000 unquoted options exercisable at $0.17 and expiring on 15 August 2016
- 11,285,000 unquoted options exercisable at $0.25 and expiring on 31 October 2014
- 1,350,000 unquoted options exercisable at $0.25 and expiring on 28 February 2014
- 1,000,000 unquoted options exercisable at $0.25 and expiring on 30 June 2014

No voting rights are attached to unquoted options.

**Twenty Largest Shareholders**

As at 15 August 2012, the twenty largest shareholders were as shown in the following table and held 89.79% of the shares.

| | Name | Number of Shares | % |
|---|---|---|---|
| 1 | ELDORADO GOLD COOPERATIEF UA | 44,595,920 | 19.90% |
| 2 | J P MORGAN NOMINEES AUSTRALIA LIMITED | 35,500,000 | 15.84% |
| 3 | NATIONAL NOMINEES LIMITED | 22,600,000 | 10.08% |
| 4 | DEMPSEY RESOURCES PTY LTD | 20,000,000 | 8.92% |
| 5 | DEMPSEY RESOURCES PTY LTD | 16,000,000 | 7.14% |
| 6 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 12,701,701 | 5.67% |
| 7 | MACQUARIE BANK LIMITED | 12,000,000 | 5.35% |
| 8 | MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED | 8,098,998 | 3.61% |
| 9 | CITICORP NOMINEES PTY LIMITED | 4,182,000 | 1.87% |
| 10 | J & J BANDY NOMINEES PTY LTD | 4,091,176 | 1.83% |
| 11 | S G J INVESTMENTS PTY LTD | 4,000,000 | 1.78% |
| 12 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3 | 2,320,672 | 1.04% |
| 13 | JAMEKER PTY LTD | 2,200,000 | 0.98% |
| 14 | CAPE BOUVARD EQUITIES PTY LTD | 2,000,000 | 0.89% |
| 15 | MR RUSSELL NEIL CREAGH | 1,000,000 | 0.45% |
| 15 | MAX CAPITAL PTY LTD | 1,000,000 | 0.45% |
| 15 | FRANWAY PTY LTD | 1,000,000 | 0.45% |
| 15 | MV AGUSTA INVESTMENTS PTY LTD | 1,000,000 | 0.45% |
| 15 | PC HOLDINGS PTY LTD | 1,000,000 | 0.45% |
| 15 | MR ANTHONY WILLIAM PAUL SAGE | 1,000,000 | 0.45% |
| 16 | MS TIZIANA BATTISTA | 950,000 | 0.42% |
| 17 | JP MORGAN NOMINEES AUSTRALIA LIMITED | 904,000 | 0.40% |
| 18 | SURFBOARD PTY LTD | 800,000 | 0.36% |
| 18 | MR KEITH STUART LIDDELL & MRS SHELAGH JANE LIDDELL | 800,000 | 0.36% |
| 19 | DEMPSEY RESOURCES PTY LTD | 750,000 | 0.33% |
| 20 | MURDOCH CAPITAL PTY LTD | 725,000 | 0.32% |
| | **TOTAL** | **201,219,467** | **89.79%** |

**Distribution Schedule**

A distribution schedule of the number of shareholders, as at 15 August 2012 is set out below:

| Shares Range | Units | Holders | % |
|---|---|---|---|
| 100,001 and Over | 217,090,669 | 77 | 96.87% |
| 10,001 to 100,000 | 6,391,662 | 170 | 2.85% |
| 5,001 to 10,000 | 535,450 | 55 | 0.24% |
| 1,001 to 5,000 | 81,208 | 22 | 0.04% |
| 1 to 1,000 | 1,110 | 6 | 0.00% |
| **Total** | **224,100,099** | **330** | **100.00%** |

**Substantial Shareholders as at 15 August 2012**

| | Name | Number of Shares | % |
|---|---|---|---|
| 1 | ELDORADO GOLD COOPERATIEF UA | 44,595,920 | 19.90% |
| 2 | J P MORGAN NOMINEES AUSTRALIA LIMITED | 36,404,000 | 16.24% |
| 3 | NATIONAL NOMINEES LIMITED | 22,600,000 | 10.08% |
| 4 | DEMPSEY RESOURCES PTY LTD | 36,750,000 | 16.39% |
| 5 | HSBC CUSTODY NOMINEES | 15,022,373 | 6.71% |
| 6 | MACQUARIE BANK LIMITED | 12,000,000 | 5.35% |

**Restricted Securities Subject to Escrow**

There are 19,000,000 restricted securities subject to escrow as at 15 August 2012, consisting of:
- 3,000,000 securities escrowed until 20 January 2013; and
- 16,000,000 securities escrowed until 16 December 2012.

**SCHEDULE OF MINERAL TENEMENTS**

| Tenement | Location | Ownership | Status |
|---|---|---|---|
| No. 850/11-62-1993 | Sapes | 100% | Granted |
| 4244526 | Onion Lake | 30% | Granted |
| 4244527 | Onion Lake | 30% | Granted |
| 4244528 | Onion Lake | 30% | Granted |
| 4245601 | Onion Lake | 30% | Granted |
| 4245602 | Onion Lake | 30% | Granted |
| 4245611 | Onion Lake | 30% | Granted |
| 4245603 | Onion Lake | 30% | Granted |
| 4245604 | Onion Lake | 30% | Granted |
| 4245605 | Onion Lake | 30% | Granted |
| 4245606 | Onion Lake | 30% | Granted |
| 4245607 | Onion Lake | 30% | Granted |
| 4245608 | Onion Lake | 30% | Granted |
| 4245609 | Onion Lake | 30% | Granted |
| 4245610 | Onion Lake | 30% | Granted |
| 4245612 | Onion Lake | 30% | Granted |
| 4245613 | Onion Lake | 30% | Granted |
| 4245641 | Onion Lake | 30% | Granted |
| 4245642 | Onion Lake | 30% | Granted |
| 4250491 | Onion Lake | 30% | Granted |

| **Tenement** | **Location** | **Ownership** | **Status** |
|---|---|---|---|
| 4250492 | Onion Lake | 30% | Granted |
| 4250493 | Onion Lake | 30% | Granted |
| 4218797 | Onion Lake | 30% | Granted |
| 4218798 | Onion Lake | 30% | Granted |
| 4244514 | Onion Lake | 30% | Granted |
| 4244515 | Onion Lake | 30% | Granted |
| 4244516 | Onion Lake | 30% | Granted |
| 4244517 | Onion Lake | 30% | Granted |
| 4244518 | Onion Lake | 30% | Granted |
| 4244519 | Onion Lake | 30% | Granted |
| 4244520 | Onion Lake | 30% | Granted |
| 4244532 | Onion Lake | 30% | Granted |
| 4244533 | Onion Lake | 30% | Granted |
| 4244534 | Onion Lake | 30% | Granted |
| 4244536 | Onion Lake | 30% | Granted |
| 4244537 | Onion Lake | 30% | Granted |
| 4244538 | Onion Lake | 30% | Granted |
| 4244539 | Onion Lake | 30% | Granted |
| 4244540 | Onion Lake | 30% | Granted |
| 4244541 | Onion Lake | 30% | Granted |
| 4244542 | Onion Lake | 30% | Granted |
| 4244543 | Onion Lake | 30% | Granted |
| 4244544 | Onion Lake | 30% | Granted |
| 4244546 | Onion Lake | 30% | Granted |
| 4244547 | Onion Lake | 30% | Granted |
| 4244548 | Onion Lake | 30% | Granted |
| 4244549 | Onion Lake | 30% | Granted |
| 4244550 | Onion Lake | 30% | Granted |
| 4245054 | Onion Lake | 30% | Granted |
| 4247301 | Onion Lake | 30% | Granted |
| 4247302 | Onion Lake | 30% | Granted |
| 4247303 | Onion Lake | 30% | Granted |
| 4247304 | Onion Lake | 30% | Granted |
| 4247305 | Onion Lake | 30% | Granted |
| 4247306 | Onion Lake | 30% | Granted |
| 4247309 | Onion Lake | 30% | Granted |
| 4247310 | Onion Lake | 30% | Granted |
| 4247314 | Onion Lake | 30% | Granted |
| 4247322 | Onion Lake | 30% | Granted |
| 4247323 | Onion Lake | 30% | Granted |
| 4247541 | Onion Lake | 30% | Granted |
| 4247545 | Onion Lake | 30% | Granted |
| 4247546 | Onion Lake | 30% | Granted |
| 4247547 | Onion Lake | 30% | Granted |
| 4247548 | Onion Lake | 30% | Granted |
| 4247549 | Onion Lake | 30% | Granted |
| 4247550 | Onion Lake | 30% | Granted |
| 4247851 | Onion Lake | 30% | Granted |
| 4247852 | Onion Lake | 30% | Granted |

| Tenement | Location | Ownership | Status |
|---|---|---|---|
| 4247869 | Onion Lake | 30% | Granted |
| 4244493 | Onion Lake | 30% | Granted |
| 4244494 | Onion Lake | 30% | Granted |
| 4244495 | Onion Lake | 30% | Granted |
| 4244496 | Onion Lake | 30% | Granted |
| 4244497 | Onion Lake | 30% | Granted |
| 4247454 | Onion Lake | 30% | Granted |
| 4247455 | Onion Lake | 30% | Granted |
| 4247456 | Onion Lake | 30% | Granted |
| 4247457 | Onion Lake | 30% | Granted |
| 4247458 | Onion Lake | 30% | Granted |
| 4247311 | Onion Lake | 30% | Granted |
| 4247312 | Onion Lake | 30% | Granted |
| 4247313 | Onion Lake | 30% | Granted |
| 4247316 | Onion Lake | 30% | Granted |
| 4247317 | Onion Lake | 30% | Granted |
| 4247318 | Onion Lake | 30% | Granted |
| 4247319 | Onion Lake | 30% | Granted |
| 4247320 | Onion Lake | 30% | Granted |
| 4247321 | Onion Lake | 30% | Granted |
| 4247326 | Onion Lake | 30% | Granted |
| 4247327 | Onion Lake | 30% | Granted |
| 4247855 | Onion Lake | 30% | Granted |
| 4247856 | Onion Lake | 30% | Granted |
| 4247857 | Onion Lake | 30% | Granted |
| 4247858 | Onion Lake | 30% | Granted |
| 4247859 | Onion Lake | 30% | Granted |
| 4247860 | Onion Lake | 30% | Granted |
| 4247861 | Onion Lake | 30% | Granted |
| 4247862 | Onion Lake | 30% | Granted |
| 4247863 | Onion Lake | 30% | Granted |
| 4247864 | Onion Lake | 30% | Granted |
| 4247865 | Onion Lake | 30% | Granted |
| 4247866 | Onion Lake | 30% | Granted |
| 4247870 | Onion Lake | 30% | Granted |
| 4247811 | Way Lake | 100% | Granted |
| 4247812 | Way Lake | 100% | Granted |
| 4247813 | Way Lake | 100% | Granted |
| 4247814 | Way Lake | 100% | Granted |