SIERRA
MINING LIMITED

ABN 89 118 060 441

ANNUAL REPORT
2012

CORPORATE DIRECTORY

Directors	Mr Ian Middlemas – Non-Executive Chairman Mr Matthew Syme – Managing Director Mr Johan Raadsma – Executive Director Mr Eric Gutierrez – Non-Executive Director
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Auditor	Deloitte Touche Tohmatsu
Bankers	Australia and New Zealand Banking Group Limited
Stock Exchange Listing	Australian Securities Exchange Home Branch – Perth 2 The Esplanade Perth WA 6000
ASX Code	SRM – Fully paid ordinary shares SRMOA – Listed options
Share Register	Computershare Investor Services Pty Ltd Level 2, 45 St George's Terrace Perth WA 6000

CONTENTS

Sierra has an outstanding portfolio of gold and copper exploration interests (including granted licences and applications) on the islands of Luzon and Mindanao in the Philippines, as well as in Papua New Guinea.

During the year, the Company continued to explore its prospective licences in the Philippines, as well as assessing new opportunities to complement these projects. This culminated in the acquisition of the Nalesbitan and Mabilo Gold-Copper Projects in Camarines Norte, Luzon, in November 2011.

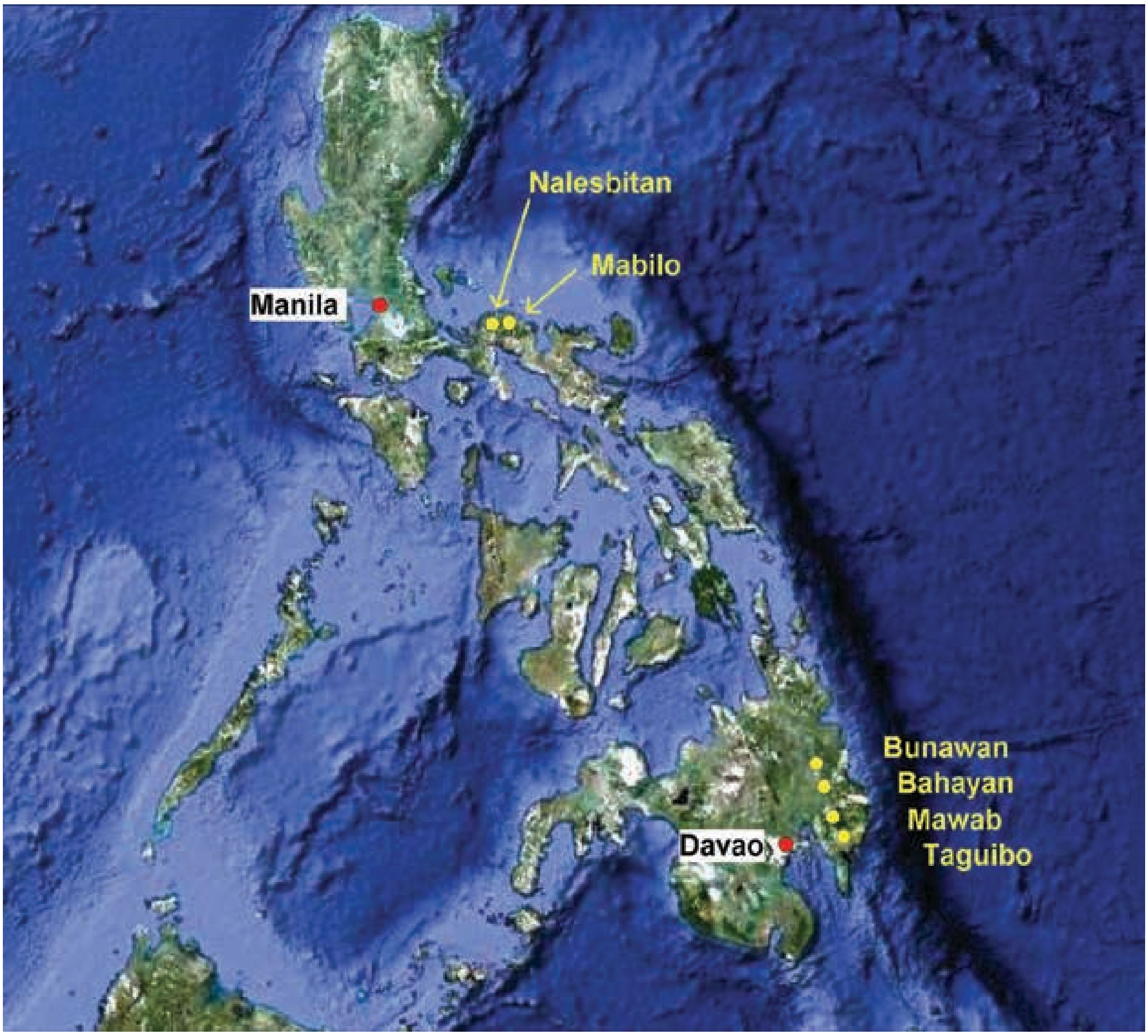

Figure 1 – Location of Sierra's projects in the Philippines

Highlights during the year ended 30 June 2012 included:

- Significant progress was achieved with permitting at the Bunawan Project, with Memoranda of Agreement being signed between Sierra's Philippines associate companies and the two tribal groups which hold the Ancestral Domain Titles to the area. Sierra is working with the tribes and government authorities to complete the permitting process as soon as possible, in order to commence exploration of this excellent prospect.

- In November 2011, agreement was reached for Sierra and its associates to acquire the Nalesbitan Gold-Copper Project and Mabilo Gold-Copper-Silver Project in Camarines Norte, Luzon (refer Figure 1). Both projects have the potential to host world class gold and copper deposits.

    - The Nalesbitan Project has been explored extensively to date, with over 24,000 metres of drilling leading to the definition of an extensive zone of epithermal gold-silver mineralisation at Nalesbitan Hill, however, considerable potential remains to pursue additional epithermal gold and copper porphyry targets on the property. The Company advised the results of its initial Mineral Resource estimate for the Nalesbitan Hill deposit in March 2012 (see further below).

    - The Mabilo Project is centred on a gold - copper skarn located approximately 15 km ENE of Nalesbitan. Ten holes drilled by a previous explorer in 1989 returned significant intercepts of Au, Ag and Cu associated with oxidized garnet-magnetite skarn. It is currently the site of artisanal mining operations.

  The acquisition of these projects is in accordance with Sierra's strategy of utilising its established network and exploration expertise in the Philippines to simultaneously advance a number of exploration projects with potential to host world class gold and copper deposits.

- In March 2012, the Company completed its initial Inferred Mineral Resource estimate for the Nalesbitan Hill deposit, acquired in November 2011. The estimate totalled 5.0 Mt at 1.1 g/t Au (170k oz) and 4.0 g/t Ag (645k oz) at a 0.5g/t cut-off. At a 0.3 g/t cut-off, the estimate increases to 7.7 Mt at 0.8 g/t Au (204k oz) and 4.0 g/t Ag (986k oz). The Mineral Resource estimate was prepared by independent geological consultants, H&S Consultants Pty Ltd (H&SC), whose staff have consulted to the owners of the property since 2006 (previously as Hellman and Schofield).

- Initial fieldwork and review of historical exploration at the Mabilo Project identified a series of intense and extensive magnetic anomalies indicating large blind magnetite-garnet skarn zones. These have the potential to host significant Au, Cu and Ag mineralisation, but have never been sampled.

- Completion of the second phase of reconnaissance drilling at the Taguibo Porphyry Copper-Gold Project on Mindanao Island. Hole TDH 12, which was the last hole of the program, intersected 125.6 metres at 0.15% Cu between 184.6 and 310 m depth. This is consistent with the intersection of 111.6 m at 0.15 % Cu in adjacent hole TDH 07 and outlines a thick blanket of low grade copper mineralisation interpreted to be distal to a buried porphyry copper deposit.

- Results from earlier rock chip and stream sediment sampling programs conducted at the Mawab Project were received outlining two anomalous areas requiring follow up with detailed mapping and sampling.

- Following the signing of a Memorandum of Agreement with the relevant indigenous peoples group in October 2011, stream sediment sampling and a soil sampling program on 100 x 200m grid over the prospective western section of the Bahayan tenement block were carried out. A number of anomalies have been outlined for future follow up.

Acquisition of Nalesbitan and Mabilo Projects

In November 2011, Sierra, in conjunction with its Filipino associates, acquired Mt Labo Exploration and Development Corporation ("Mt Labo"), which owns 100% of the Nalesbitan Gold-Copper Project and the nearby Mabilo Gold-Copper Project. Consideration for the acquisition included the following:

- Payment of A$375,000 and the issue of 5,250,000 ordinary shares on settlement (4 November 2011), of which 3,750,000 shares are subject to voluntary escrow for 1 year;
- A further A$125,000 and the issue of 1,750,000 ordinary shares, conditional on receiving approval of the Motion for Reconsideration of a Notice of Denial of the Nalesbitan APSA # V-0002 on or before 2 November 2013; and
- Payment of US$130,000 plus a 1% royalty on net revenue on the projects, as consideration to buy back and cancel an existing royalty.

Consideration for the acquisition was paid by Sierra on behalf of the acquiring entities. Sierra has a direct 40% interest in Mt Labo and an indirect 24% interest via its 40% interest in associate St Ignatius Exploration and Mineral Resources Corporation which holds the remaining 60% in Mt Labo.

Philippines Projects

Sierra's Philippine projects are located in eastern Mindanao and the Paracale Mineral District of Camarines Norte Province in southern Luzon adjacent to the Philippine Fault Zone which passes down the west edge of the Pacific Cordillera and is considered to be a fundamental control on mineralisation in the region. Sierra's tenement applications have been carefully selected on the basis of their tectonic setting combined with extensive local knowledge of the geology and locations of both historical and current artisanal gold mining operations.

Eastern Mindanao hosts one of the world's major regional clusters of porphyry copper – gold and related epithermal gold -silver deposits while the Paracale Mineral District is one of the largest historical gold producing regions in the Philippines.

BUNAWAN PROJECT

Sierra's Bunawan Project comprises two exploration permit applications totalling 88km^2 surrounding the high grade Co-O gold mine owned by Medusa Mining Ltd. Due to delays in permitting there has been little methodical exploration on Sierra's application areas however, outcropping mineralisation is the subject of substantial artisanal mining, indicating the prospectivity of the area.

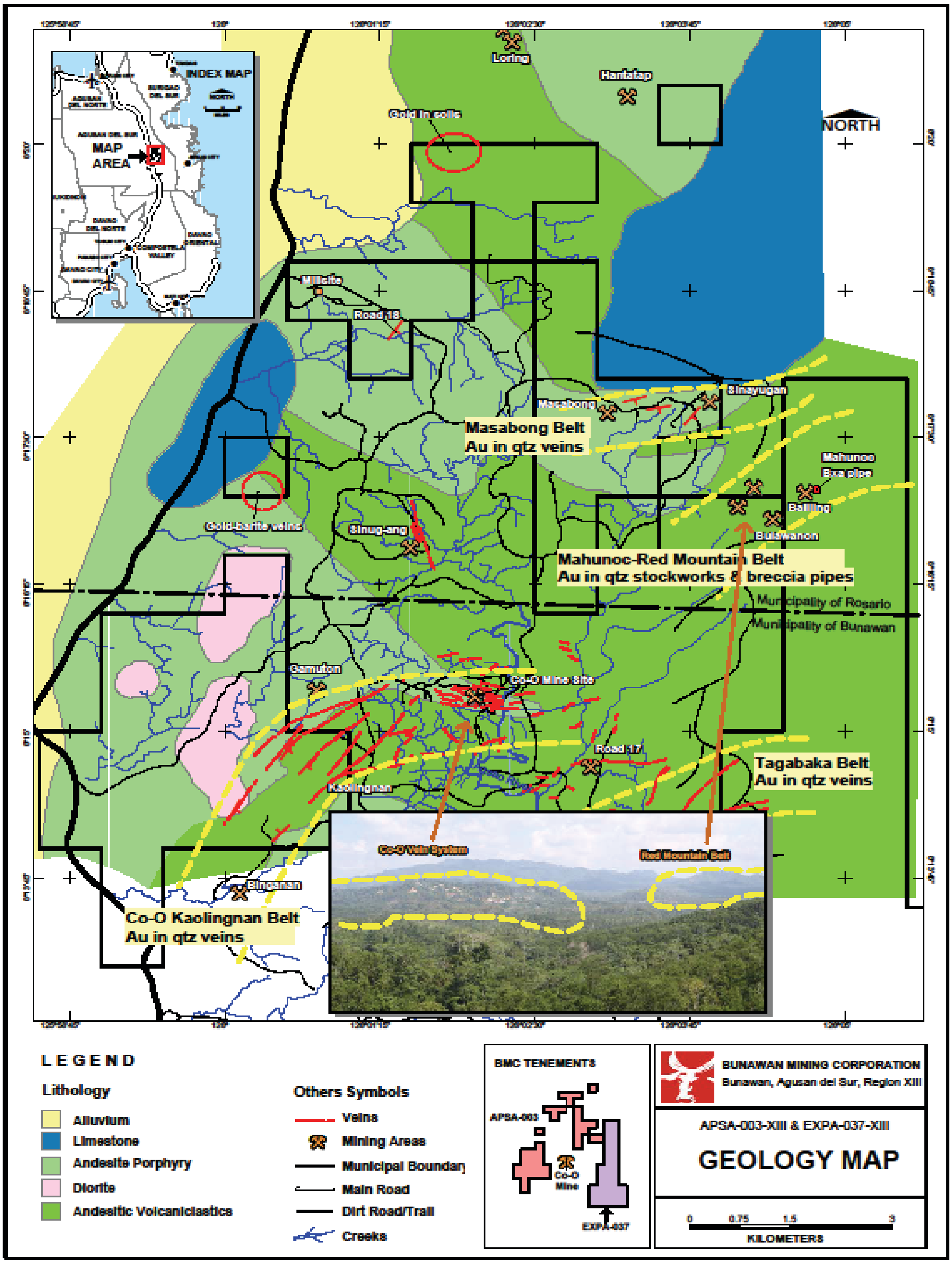

Figure 2 – Bunawan Project Geology

The Certificates of Ancestral Domain Title which cover most of the Bunawan Project area are held by the two main tribal groups in the area. These groups are represented by the Bunawan Tribal Council of Datu's and Bae's, Inc. ("BTCDBI") in the south and CAMMPACAMM Ancestral Domain Manobo Tribal Association, Inc. Council of Elders ("CAMMPACAMM") in the north (see Figure 3 below).

On 8 June 2009, the National Commission on Indigenous People ("NCIP") Regional Office issued to Sierra's Filipino associate company – Bunawan Mining Corporation ("BMC") a Certification of Non-Consent stating, among other things, that BMC has not secured Free and Prior Informed Consent from CAMMPACAMM. The Certification of Non-Consent then served as a basis of denial of EXPA 000037-XIII by the Mines and Geosciences Bureau Regional Office. On 29 June 2010, Bunawan filed a letter-appeal with the MGB Central Office asking for the reversal of the Orders dated 15 June 2010 and 9 June 2009. The MGB Central Office has yet to resolve this Motion for Reconsideration.

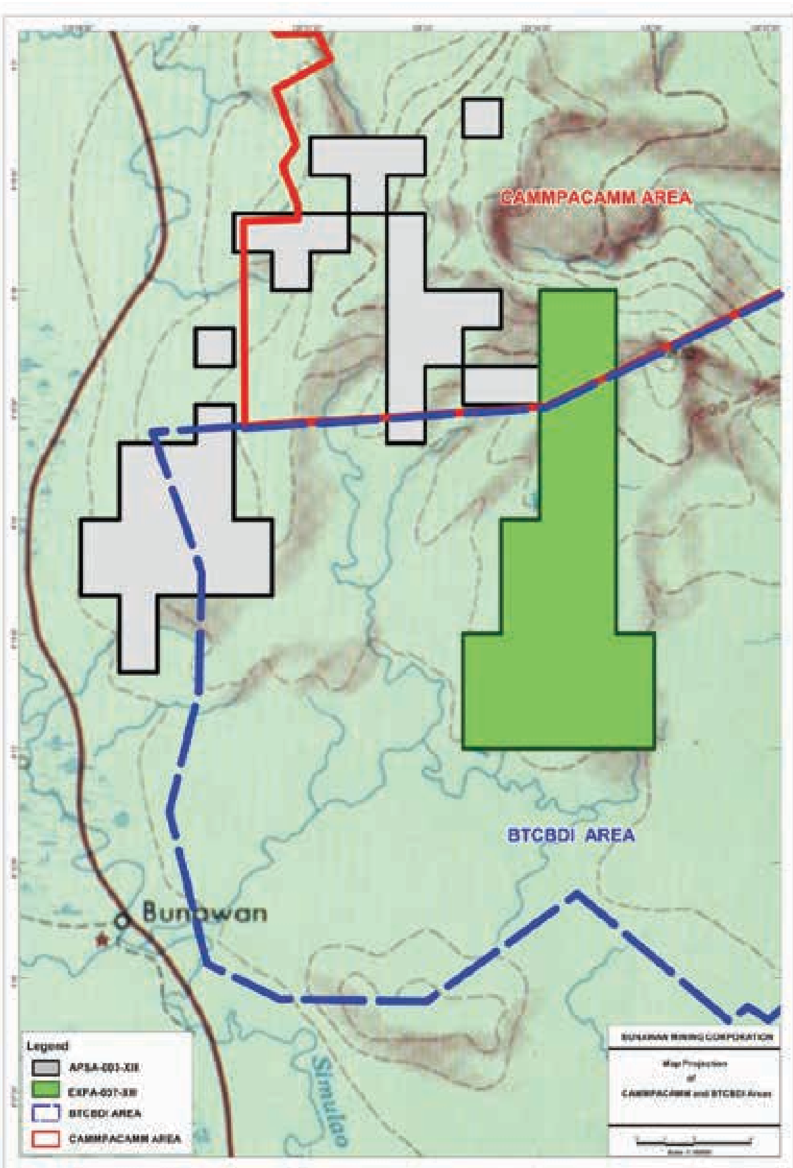

Figure 3 – Bunawan Project showing Permit applications and Ancestral Domain Areas

BUNAWAN PROJECT (Continued)

After extensive discussions, on 11 April 2012 CAMMPACAMM signed a resolution endorsing EXPA 000037-XIII. The Resolution is a strong re-affirmation of BMC's position and specifically acknowledges, confirms and ratifies the previous commitments, agreements and resolutions in favour of BMC set out in the Memorandum of Agreement dated 13 February 2010 between CAMMPACAMM and BMC. This MOA records the principles and terms agreed for BMC to explore and mine within the CAMMPACAMM area.

The CAMMPACAMM resolution now specifically calls upon the NCIP for the recall of the original 8 June 2009 Certification of Non-Consent.

Subsequently, on 15 June 2012, BMC also executed a similar Memorandum of Agreement with BTCDBI, setting out the terms of the cooperation of the parties for BMC's exploration and development of EXPA 000037-XIII.

BMC has therefore secured Memoranda of Agreement with all of the tribal organizations who hold Ancestral Domain Title within EXPA 000037-XIII.

BTCDBI also executed a similar MOA with Sierra's associate company, Safariland Resources Company, in relation to Safariland's APSA 003-XIII, located west of EXPA-0000037-XIII and partly within the same Ancestral Domain Title No 136.

These MOA's are a further substantial step forward in Sierra securing the necessary approvals to commence exploration of this very prospective project. The Company will continue to work with the tribal landholders, government authorities and all local stakeholders to complete the approval process and commence exploration of the project.

NALESBITAN PROJECT

The Nalesbitan Project comprises Mining Lease Contract MRD-459 of 497Ha and MPSA Application APSA-V-0002 of 637Ha, located in Camarines Norte Province on the Bicol Peninsular in southern Luzon approximately 200 km ESE of Manila (see Figure 1).

The Nalesbitan area was first worked for gold in the 1800's by artisanal miners but systematic mining only commenced at the prominent ridge of Nalesbitan Hill in the 1930's. A 200 tpd plant was commissioned in 1938 and underground mining was conducted by a Filipino-American company on five levels between 1938 and 1941 producing ore at an average grade of 5.3 g/t Au. The mining operation did not re-commence after the second world war although artisanal mining continued in the area.

In the 1970's Renison Goldfields Consolidated ("RGC") of Australia explored and systematically drilled Nalesbitan Hill. RGC commissioned a 250,000 tpa open pit mine and heap leach operation in 1990 which closed within 12 months due to poor results attributed to mining and heap leach recovery problems.

The area has subsequently been explored by other companies leading to a number of areas of mineralisation being outlined within the alteration zone around Nalesbitan Hill (refer Figure 4). Most of this exploration data (including that of RGC) remains available, although all drill core has been lost or degraded to the extent it is un-useable. Comprehensive soil, rock chip, tunnel and trench sampling generated in excess of 4,000 samples. Over 400 diamond, RC and percussion drill holes, totalling over 24,000m, have been drilled in the area by previous explorers. Two Induced Polarisation ("IP") surveys were conducted outlining significant chargeability zones to the southwest of Nalesbitan Hill which have been interpreted to indicate sulphide rich zones associated with a buried porphyry copper deposit.

The Nalesbitan Project is considered to be an outstanding project with widespread near surface epithermal Au-Ag-Cu mineralisation having been identified by previous explorers. The mineralisation is located within an extensive alteration zone and there is considerable potential for the discovery of additional high sulphidation and low sulphidation epithermal deposits. The potential for the discovery of buried porphyry copper mineralisation within the magmatic intrusion which provided the fluids responsible for the alteration and surface epithermal mineralisation is considered high.

Work Conducted During the Year

During the year, the Company completed compilation and verification of the substantial database of previous exploration, to assist in preparing detailed exploration plans for the Project.

In March 2012, the Company completed its initial Inferred Mineral Resource estimate for the Nalesbitan Hill deposit, totalling 5.0 Mt at 1.1 g/t Au (170k oz) and 4.0 g/t Ag (645k oz) at a 0.5g/t cut-off. At a 0.3 g/t cut-off, the estimate increases to 7.7 Mt at 0.8 g/t Au (204k oz) and 4.0 g/t Ag (986k oz). At this stage, exploration of the other areas of known mineralisation within the Project (see Figure 4 below) is too preliminary for resource estimations.

The Company commenced negotiations with local land owners and authorities regarding access for proposed drilling programs. A review of security requirements for drilling and other exploration programs was also undertaken. Meanwhile, work has commenced (by the local government authorities) to upgrade the main access road to Nalesbitan village, which should substantially improve site access for exploration.

Sierra has also held preliminary discussions with potential local partners regarding potential joint ventures on the Nalesbitan Project, or parts thereof.

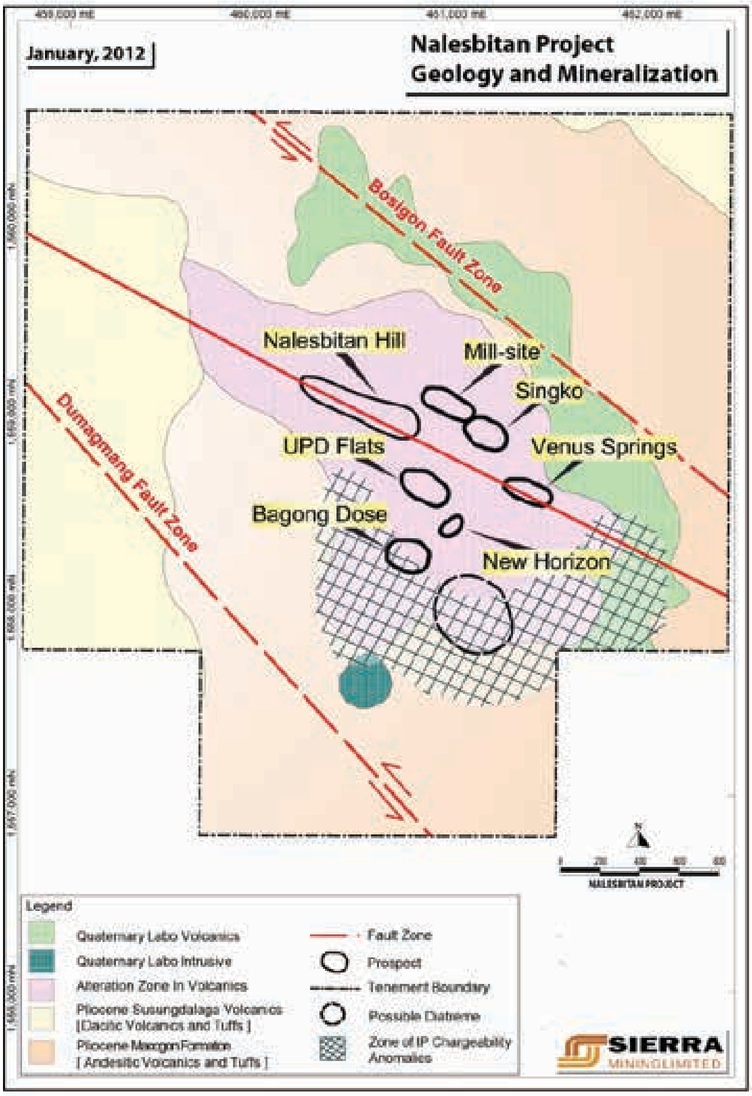

Figure 4 – Summary map of the geology and mineralisation at the Nalesbitan Project

NALESBITAN PROJECT (Continued)

Nalesbitan Hill Resource Calculation

After acquisition of the Nalesbitan Project in late 2011, Sierra retained H&S Consultants Pty Ltd (H&SC) to provide an estimate of resources contained within the Nalesbitan Hill deposit. H&SC staff have acted as independent geological consultants to the owner of the Nalesbitan Project since 2006. The estimate was completed in March 2012 and is reported in accordance with the JORC Code, all within the Inferred Mineral Resource category under the Code.

Resources were estimated using the Multiple Indicator Kriging method. Grades are estimated into panels with dimensions 25m (east) by 25m (north) by 5m (elevation). Resources have been categorised as Inferred at this time as the data is generally of a historical nature. Quality control measures have varied over time with different phases of exploration however, based upon Sierra's investigations, sufficient quality control data have been collected by the previous operators and analysed by their independent consultants to conclude that the data from all phases of exploration is essentially reliable and that the data is suitable as input for estimation of an Inferred Resource. Similarly, a substantial amount of geological analysis and interpretation has previously been undertaken, which Sierra considers sufficient to support the estimation parameters used by H&SC and the resulting Inferred Resource classification. Additional verification drilling, geological interpretation and further validation of the historical data will be required to support higher levels of resource classification.

The estimates of (inferred) gold and silver resources for the Nalesbitan Hill deposit at a range of gold cut-off grades are set out in Table 1 below.

TOTAL	Tonnes	Grade Au g/t	Grade Ag g/t	Au Oz	Ag Oz	Ag:Au ratio
0.3	7,734,892	0.82	3.96	204,014	985,929	4.83
0.4	6,257,085	0.93	3.96	187,444	795,967	4.25
0.5	5,032,135	1.05	3.99	169,797	645,306	3.80
0.6	4,028,397	1.17	4.20	152,157	544,375	3.58
0.7	3,273,884	1.30	4.47	136,440	470,409	3.45
0.8	2,687,023	1.42	4.71	122,320	406,859	3.33
0.9	2,220,860	1.53	4.96	109,599	354,211	3.23
1.0	1,846,633	1.65	5.21	98,175	309,554	3.15
1.1	1,544,130	1.77	5.46	87,962	271,067	3.08
1.2	1,297,042	1.89	5.69	78,818	237,149	3.01
1.3	1,094,733	2.01	5.95	70,677	209,333	2.96
1.5	790,061	2.24	6.41	56,988	162,818	2.86
1.8	496,802	2.60	7.14	41,487	114,103	2.75
2.0	370,540	2.83	7.50	33,752	89,311	2.65

Table 1 – Nalesbitan Hill Inferred Mineral Resource Estimates (H&SC 2012)

* (significant figures used are to avoid rounding errors and do not imply precision)

Sierra have not yet carried out any drilling at the Project and the data utilised in the estimate was all collected by previous owners, prior to 2008. The estimate utilises a total of 8,116 two metre composite grades drawn from a database of 114 diamond drill holes (12,462m), 131 reverse circulation holes (7,295m) and 10 reverse circulation holes with diamond tails (1,635m). Samples from rotary air blast drilling, costeaning, tunnel sampling and other methods were not utilised in the estimate. Drill hole spacing varies from 5-35m across strike and 12.5-30m along strike.

The resource models were estimated by Multiple Indicator Kriging. No top cut was applied as the influence of high grades is adequately controlled by indicator thresholds during the estimation process. A standard value for density of 2.40gm/cc has been applied across the oxidation ranges. The resource was truncated at the current mined ground surface as at November 2008 however, no adjustment has been made for remaining mined voids, of which tunnels would be the most significant.

MABILO PROJECT

The Mabilo Project is located approximately 15 km east of Nalesbitan in the Paracale Mineral District of Camarines Norte Province of the Philippines. In addition to epithermal gold mineralisation, the Paracale mineral district also hosts a magnetite (+Cu, Au, Ag, Mo, Co, U) skarn belt developed in the Palaeogene Universal Formation, a sequence of andesitic volcanics, volcanic derived sediments and black shales which are intruded by diorite and dacite porphyries.

The Mabilo Project is centred on a window of outcropping garnet-magnetite skarn at the Venida pit which was originally worked as an iron mine, producing approximately 3,000 tonnes of magnetite ore between 1963-65. The previous tenement holder, Renison Goldfields, drilled ten holes in the garnet-magnetite skarn surrounding the mined out magnetite bodies which returned a number of excellent intersections from the surface as shown below.

Hole	Interval [m]	Au g/t	Ag g/t	Cu %	
1	20	1.18	8.46	0.68	from surface
2	16	1.36	7.43	0.92	from surface
3	12	1.06	3.12	0.16	from surface
4	26	3.15	65.4	1.39	from surface
5	36	1.88	38.73	0.61	from 2 metres
8	32	1.78	19.78	0.29	from surface
10	24	1.75	9.92	0.80	from 2 metres

Mineralisation extended down hole below the intervals listed above although it was more erratically distributed and holes were not completely sampled at lower levels.

The Au-Ag-Cu mineralisation is associated with magnetite in the skarn which grades outwards from mineralised garnet-magnetite skarn to wollastonite-garnet skarn which has low levels of magnetite and precious minerals. The Venida Pit is currently being worked by artisanal miners who exploit the oxidized garnet-magnetite skarn for supergene enriched gold, silver and copper. The area surrounding the Venida Pit is covered by younger post mineralisation volcanics of the Quaternary Labo Volcanics which obscures the Universal Formation host sequence and any additional skarn mineralisation.

Work Conducted During the Year

Since acquiring the Mabilo Project in November 2011, work has included mapping and rock chip sampling at the Venida Pit and assessment of all previous data including a ground magnetic survey conducted in 2007 by a previous owner of the project.

Rock chip sampling returned a number of very high grade samples and intervals within the Venida Pit. Thirty samples returned high Au, Ag and Cu grades associated with variably elevated levels of Zn, Pb, As, Sb, Co and Mo. Better channel intervals included:

- 1.0 m at 36.16 g/t Au, 412.8 g/t Ag and 50.40% Cu;
- 2.0 m at 30.72 g/t Au, 53.9 g/t Ag and 3.12 % Cu;
- 2.3 m at 29.77 g/t Au, 9.7 g/t Ag and 0.68 % Cu;
- 1.5 m at 13.57 g/t Au, 69.0 g/t Ag and 1.79% Cu; and
- 0.2 m at 114.34 g/t Au, 375.0 g/t Ag and 3.69% Cu.

MABILO PROJECT (Continued)

The high grades represent near surface supergene enriched zones in the garnet-magnetite skarn and cannot be considered indicative of the overall grade of the garnet-magnetite skarn mineralisation. Native copper is common in some places but visible gold has not been reported.

The 2007 ground magnetic survey was initially conducted on 100 m spaced EW lines over the entire tenement and then infilled on 50 m spaced lines over the large southern anomaly. The data was processed and modelled by Encom Technology who noted that the magnetic susceptibilities are extremely high and the strong anomalous "lows" (indicating highly magnetic rocks) were definitely indicating magnetite skarn mineralisation (see Figure 5). Encom concluded that "the entire southern anomaly is interpreted as an E-W striking zone of more or less continuous magnetite skarn mineralisation that includes a number of distinct magnetite bodies" and "the overlying Quaternary Labo Volcanics are unlikely to exceed 50 metres thickness over the skarn zone, and appear to be thinner over the northern parts of the property."

Magnetite-garnet skarn mineralisation indicated by the magnetite anomalies in the southern part of the tenement block in particular has potential to contain significantly more tonnages of Au-Ag-Cu mineralisation than the relatively small Venida outcrop being exploited by artisanal miners. The magnetic model indicated at least six intensely magnetic bodies located within the western half of a 1,200 m long anomalous "low" inside the southern margin of the survey grid and it was considered probable that a number of other magnetite-bearing bodies, either of lower intensity or more deeply buried, occur in the eastern half of the "low".

The magnetite anomalies are highly prospective targets and will be drill tested as a priority. Skarn mineralisation is commonly associated with porphyry copper mineralisation thus the presence of numerous skarn occurrences within the tenement block indicates the potential for the discovery of porphyry copper mineralisation underlying or associated with the skarn mineralisation.

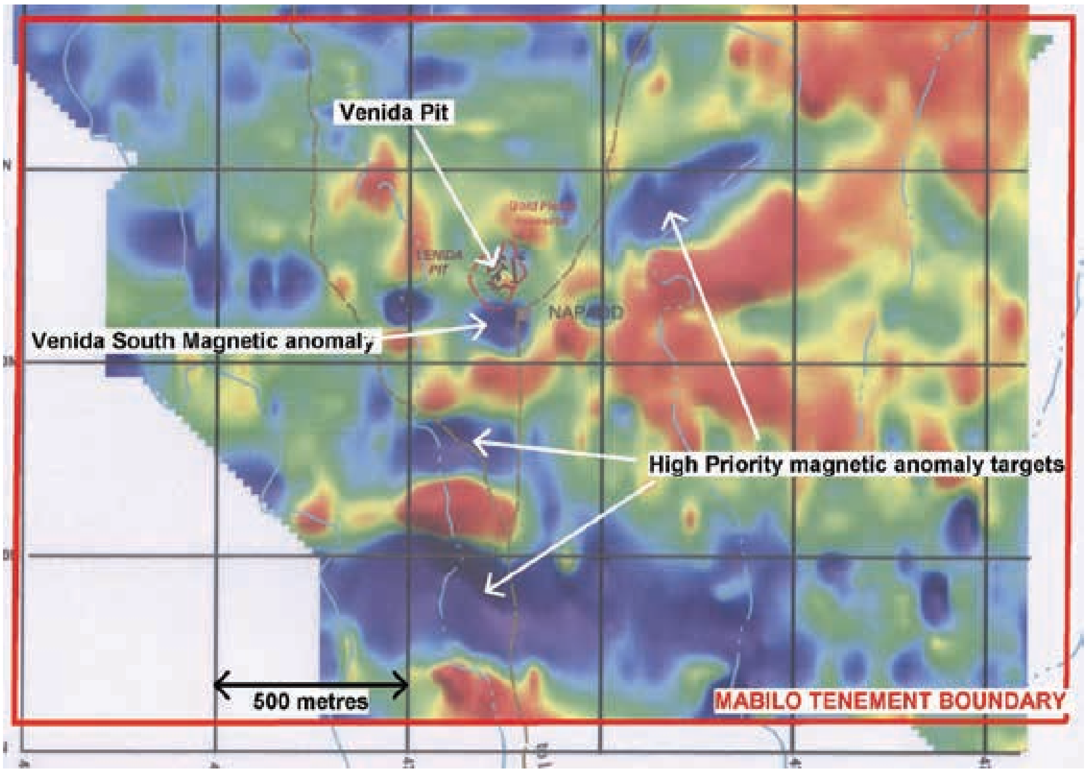

Figure 5 – Total Magnetic Intensity ("TMI") map from the 2007 ground magnetic survey at Mabilo. Note that strongly magnetic zones are marked by blue "lows" and weak magnetic intensity zones by red "highs". Magnetite at the Venida Pit was mined out prior to the survey hence the relatively poor magnetic response over the Venida Pit. Drilling indicated the Venida Pit mineralisation dips shallowly to the south under cover which is confirmed by the presence of a magnetic anomaly immediately to the south of the Venida pit. Of greater interest are a number of much larger anomalies interpreted to represent magnetite and garnet magnetite skarn zones, and in particular the very large anomaly in the southern part of the tenements.

TAGUIBO PORPHYRY COPPER-GOLD PROJECT

At the Company's Taguibo Porphyry Copper-Gold Project on Mindanao Island, the second phase of reconnaissance drilling was completed in July 2011. Logging of the wide spaced drill holes has revealed features which are typical of the alteration halo proximal to a mineralised porphyry copper ore body. These include inner propylitic actinolite-epidote-magnetite alteration grading to potassic alteration (K feldspar and biotite) with associated magnetite and hornfelsed magnetite mineralisation. The retrograde argillic alteration which has been superimposed on and masks much of the prograde alteration is also typical of a large porphyry system.

The target porphyry intrusion responsible for the widespread mineralisation and alteration within the Taguibo complex is interpreted to be near surface but un-eroded and thus has potential for significant copper gold mineralisation in the immediate un-eroded overlying country rock as well as in the intrusive itself

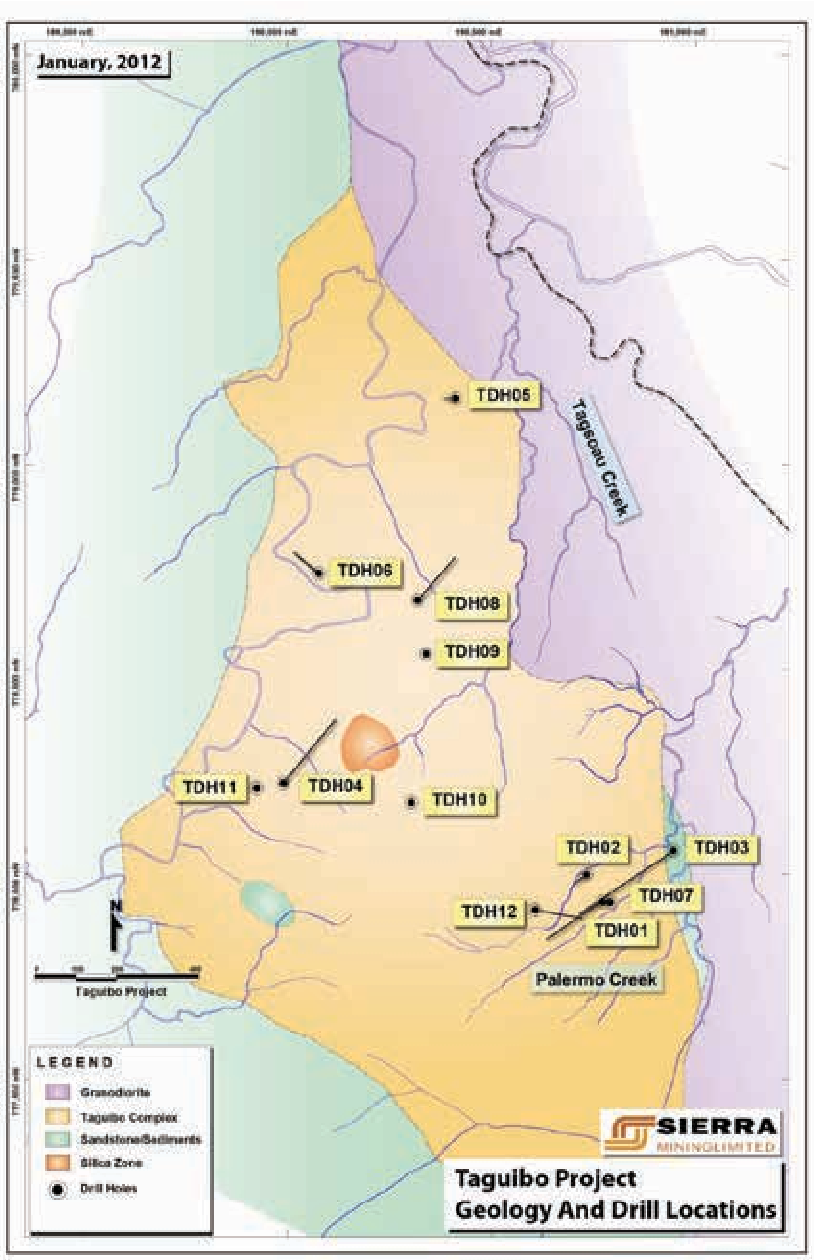

Figure 6 – Showing local geology and the location of drill holes in the Taguibo Complex.

TAGUIBO PORPHYRY COPPER-GOLD PROJECT (Continued)

Hole TDH-12, which was the last hole of the second phase of drilling, confirmed the presence of two distinct zones of mineralisation in the Palermo area located in previous drilling. The mineralisation comprises a more shallow Au-Zn-Ag zone and deeper low level Cu mineralisation overlying the faulted contact between the Taguibo complex and the regional batholith.

Hole TDH-12 intersected 125.6 metres at 0.15% Cu between 184.6 and 310 m depth. This is consistent with the intersection of 111.6 m at 0.15 % Cu in adjacent hole TDH 07 and outlines a thick blanket of low grade copper mineralisation interpreted to be distal to a buried porphyry copper deposit (refer Figure 7).

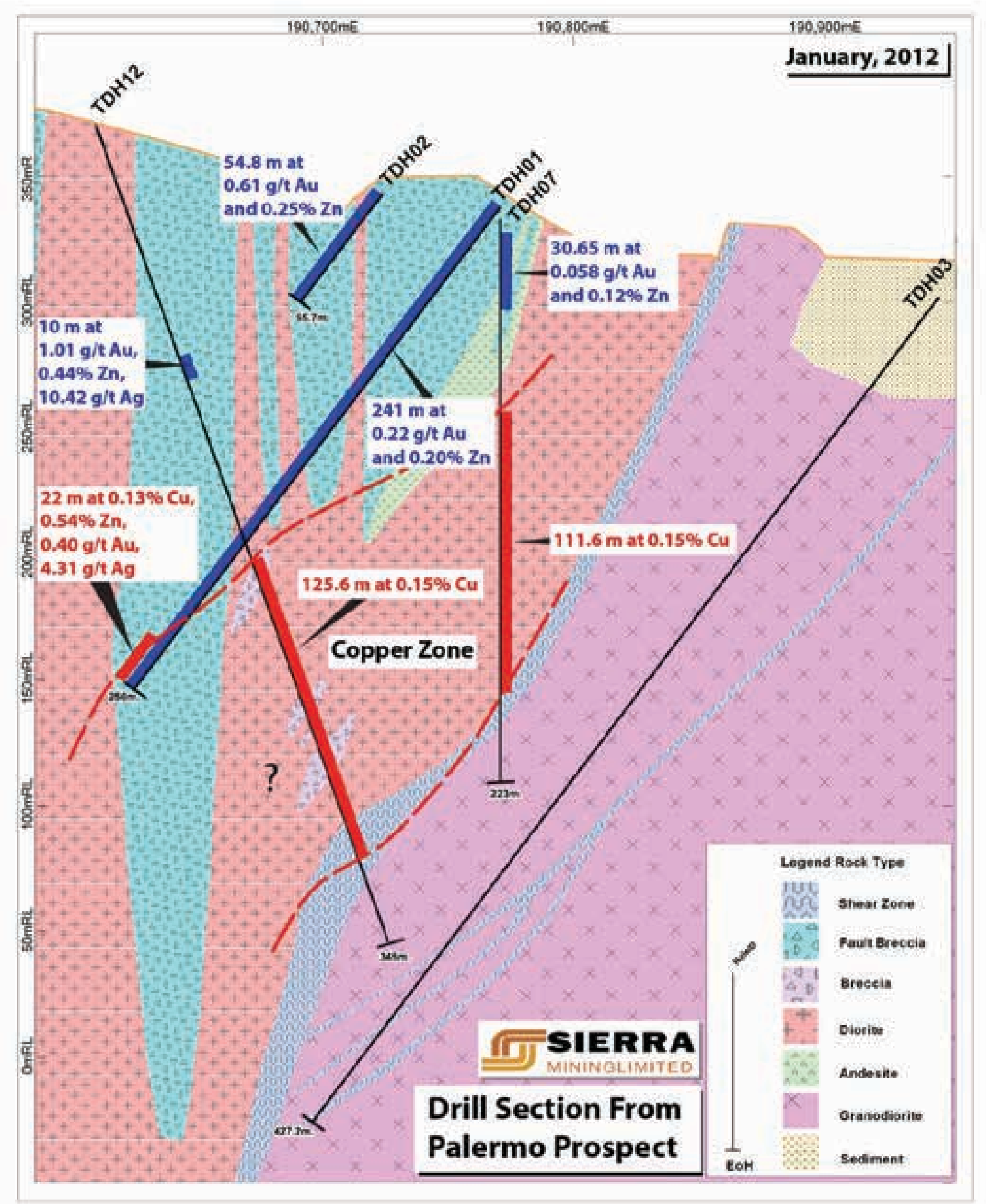

Figure 7 – East-west cross section showing mineralised intervals in holes in the Palermo area and their relationship with the contact between the Taguibo Complex diorite and the regional Maragusan bathloliths granodiorite. Note the intervals for Holes TDH 01 and TDH 02 are for all core assayed. Nine metres was lost from hole TDH 01 and 0.9 metres from hole TDH 02. Hole TDH 01 ended in copper mineralised zone with an end of hole interval of 242-250 m; 8 m at 0.29% Cu, 0.98% Zn, 0.70 g/t Au and 10.0 g/t Ag.

The mineralisation intersected in holes TDH 01, 02, 07 and 12 in the Palermo area is considered to be the most proximal to the porphyry source and will be the immediate focus of on-going exploration, including further drilling.

A drill program aimed at the down dip extension of the copper mineralisation and testing for the presence of the interpreted causative porphyry intrusive was initiated in June 2012 but is currently on hold due to local security concerns. The drilling program will recommence when security is assured.

BAHAYAN PROJECT

The Bahayan application (EXPA-123), on Mindanao, comprises two blocks located to the NW of the famous Diwalwal gold rush area where artisanal gold production from epithermal veins is reputed to amount to 10 million ounces. The northern block, which is expected to be granted separately ahead of the southern block, covers an area of 21 km^2 and is approximately 20 km NNW of Diwalwal and 30 km SSE of the Co-O mine and the Company's Bunawan Project. A Memorandum of Agreement with the local indigenous people was signed in October 2011.

Preliminary exploration programs on the northern block has produced very encouraging results. Initial exploration focused on the Cogonon vein zone where a number of high grades (eg. 108.44 g/t Au) were recovered from veins in the artisanal workings. Subsequent regional exploration identified widespread evidence of gold and silver mineralisation in the western part of the block. The mineralisation is associated with chalcedonic to opaline silica occurring as breccia fill and in veins and is interpreted to represent the upper levels of a low sulphidation epithermal vein system.

Following the identification of these epithermal veins, the Company conducted a stream sediment sampling program over the entire northern block. Both pan concentrate samples (analysed for gold only) and – 80 mesh samples (analysed for gold and a multi element suite) were collected. The results outlined an approximate 2 x 1 km anomaly over the western part of the tenement. The anomaly was defined by greater than 0.10 ppm Au in both -80 mesh and pan concentrate samples, low level Ag (all samples above the 0.5 ppm detection level lie within it) and anomalous Zn and As.

Work Conducted During the Year

During the year, the Company completed a reconnaissance soil sampling program over the western half of the tenement block. Samples were collected from the soil "C horizon" on a 100 x 200 metre spacing and sieved to minus 40 mesh prior to being submitted for analysis for Au by 30g Fire Assay/AA (0.01ppm detection level) and a suite of elements assayed by Aqua Regia digest/ICP.

Gold levels varied up to 0.92 ppm, silver up to 1.3 ppm, arsenic up to 231 ppm and molybdenum up to 8 ppm. Copper (up to 314 ppm), lead (up to 21 ppm) and zinc (up to 660 ppm) were all relatively low. Analysis of the combined results of rock chip, stream sediment and soil sampling indicates a number of discrete zones of anomalous gold mineralisation as shown in Figure 8 below.

The structure of the area is poorly understood and the relationship and continuity between the various gold anomalous zones remains unclear.

Programs of infill soil and stream sampling along with detailed mapping and rock chip sampling are ongoing to better define the nature, extent and continuity between the various anomalous zones.

BAHAYAN PROJECT (Continued)

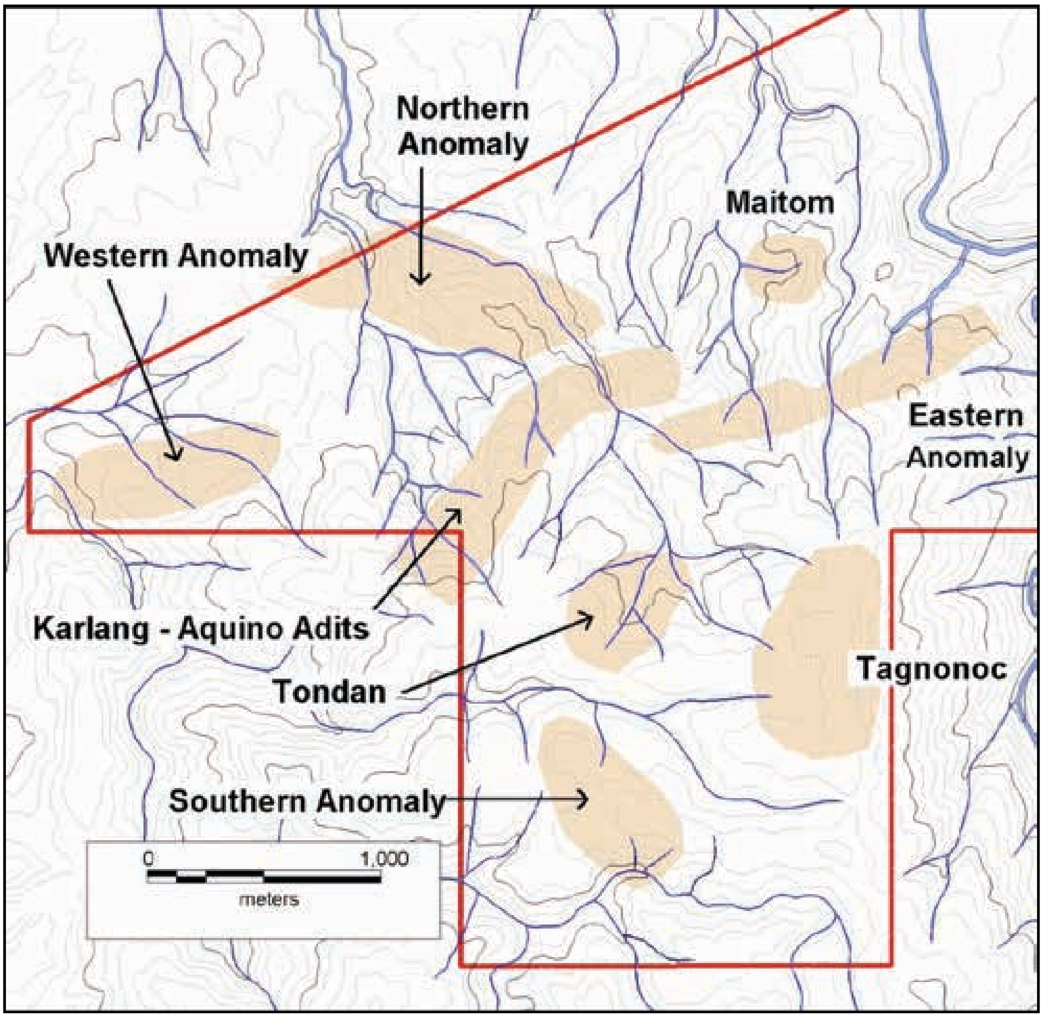

Figure 8 – Gold anomalous zones in the western section of the Bahayan tenement block.

Mawab Project

The Mawab Project comprises Exploration Permit 02-10-XI located in the NW part of the Masara Mineral Field in an area of good infrastructure close to the highway and local sealed roads. It is easily accessed by dirt roads and walking tracks. The Masara Mineral Field is one of the most intensely mineralised areas of the Philippines with numerous porphyry copper (eg Amacan), epithermal vein gold-silver (eg Maco/Masara) and limestone replacement gold (eg RCO and Hijo) deposits. Much of the field is within the North Davao Mining Corporation (NDMC) tenement which was recently auctioned by the National Resources Mining and Development Corporation.

A number of large NW trending regional structures interpreted to be link structures within the Philippine Fault system trend from the NDMC tenement through the Mawab licence. The RCO deposit is adjacent to Mawab and lies on a prominent NE trending structure which trends into the Mawab tenement.

During the year, results from stream sediment and rock chip sampling programs conducted in the June 2011 quarter became available.

A total of 72 pan concentrate (analysed for gold only) and -80 mesh samples (analysed for gold and a suite of elements) were collected. Single point low level anomalies occur in places in the northern part of the tenement block. Streams in the southern part of the tenement block were highly anomalous in Au-Ag-As, however the anomalies extend upstream to the eastern tenement boundary suggesting the source of the anomalies may lie to the east of the Mawab tenement block. The anomalous streams drain the area around and to the south of the RCO deposit.

A total of 74 rock samples were collected of which seven samples had anomalous gold and/or copper assay grades. Three of these anomalous samples are located to the east of the Mawab tenement boundary near the RCO deposit confirming that the source of the stream sediment anomaly is outside the tenement block. The best result was a one metre channel sample grading 9.69 g/t Au and 33 g/t Ag from an adit outside but adjacent to the tenement boundary.

The other four samples were anomalous in Cu with the highest value being 5.70% Cu in a one metre channel sample from an adit developed in ultramafic rock. These areas will be followed up with more detailed mapping and sampling.

Papua New Guinea

Barrick (PNG Exploration) Limited ("Barrick") is earning an 80% interest in Sierra's Magavara Project in PNG, and is the operator of this Project. In May 2012, Barrick gave notice to Sierra that it had elected to withdraw from Sierra's other PNG tenement, the Salumei Project.

MAGAVARA PROJECT

Barrick has reported that at Magavara, all historic data was reviewed after final historic reports were received from the MRA. A revised field work proposal was approved for mapping and surface sampling to be undertaken at the Goroa-Goruba prospects, with work planned to commence in August.

Communications commenced with local government officials and landowners and a reconnaissance field trip was undertaken to explain future exploration activities and identify correct landowner groups. Landowners were positive and gave permission for exploration activities to commence.

SALUMEI PROJECT

Prior to withdrawing from the Salumei Project, Barrick undertook field work at the Salumei prospect, concentrating on the known intrusive complex and the main magnetic high feature at the Salumei prospect. A total of 179 rock chips samples, 145 auger soil samples and 6 BLEG samples were collected and geological mapping was completed over an area of approximately 16km^2. Wacker drilling was attempted over the northeast corner to penetrate the colluvial gravel scree profile but was unsuccessful.

Mapping has defined three main porphyry dyke units and an equi-granular diorite which all intrude the Salumei Formation basement rocks. Alteration is commonly chlorite-epidote-pyrite±magnetite. Quartz-pyrite± trace chalcopyrite veining of up to 3-5% density is common in the porphyries with lesser quartz-pyrite±molybdenite veining in the metasediments.

Soil results were generally low although a weak copper-molybdenum anomaly was identified striking NW and associated with hornblende porphyry intrusions. Soil gold results were all low (< 0.1g/t Au). Rock chip results were slightly higher with gold results up to 2g/t Au received from the outcropping NW trending feldspar porphyry in the northwest of the prospect. Stream sediment samples results were all low. The low tenor of geochemical results and the restricted extent of alteration and veining mapped at the Salumei prospect indicate that the area does not host a Barrick sized deposit.

Results of Operations

The loss of the Consolidated Entity for the year ended 30 June 2012 was $3,883,684 (2011: $3,136,032) of which $3,813,580 (2011: $3,136,032) was attributable to members of the Company.

The Consolidated Entity's accounting policy is to expense exploration and evaluation expenditure incurred by the Consolidated Entity subsequent to the acquisition of the rights to explore and up to the commencement of feasibility studies. During the year, expensed exploration expenditure totalled $1,308,904 (2011: $846,604), including $552,967 (2011: $422,641) in share based payments expense.

The loss of the Consolidated Entity includes total share based payments expense of $865,012 (2011: $999,857) relating to the issue of Incentive Options during the year. The fair value of the Incentive Options is recognised over the vesting period of the option.

The loss of the Consolidated Entity also includes impairment of loans to associates of $1,343,846 (2011: $1,357,550) and impairment of a loan to the non-controlling interest holder of $501,430 (2011: $nil).

The share of associate losses relating to the Philippines exploration activities was $308,878 (2011: $754,618), however, of this amount, $307,614 (2011: $754,618) has not been brought to account as the Consolidated Entity's share of associates losses has exceeded the initial investment in the associates.

Corporate and Financial Position

Mr Francis Enrico ("Eric") Gutierrez was appointed as a Non-executive Director of the Company on 29 August 2011.

Mr Gutierrez is a very experienced and well regarded mine operator and contractor in the Philippines. He is the Chairman of SR Metals Inc, a leading nickel mining and export company based in northern Mindanao.

He has operated in the contracting and mining business in Mindanao, Luzon, Masbate and other regions for over 30 years and is conversant in the range of technical, social, legal, environmental and security issues associated with mining in the Philippines.

On 23 December 2011, following Shareholder approval, the Company issued Mr Gutierrez (or his nominee) 1 million incentive options exercisable at $0.25 each on or before 1 July 2015.

As at 30 June 2012, the Company has cash of $7,509,480 (2011: $10,511,974) and is well positioned to undertake planned exploration and development activities.

Business Development

The Board continues to review opportunities for other acquisitions, joint ventures, or investments in the resources sector which may enhance shareholder value. A number of new opportunities were assessed during the quarter and the Company will continue to evaluate these opportunities as they are presented.

The Directors of Sierra Mining Limited present their report on the Consolidated Entity consisting of Sierra Mining Limited ("the Company" or "Sierra" or "Parent") and the entities it controlled at the end of, or during, the year ended 30 June 2012 ("Consolidated Entity" or "Group").

DIRECTORS

The names of Directors in office at any time during the financial year or since the end of the financial year are:

Mr Ian Middlemas	Non-Executive Chairman
Mr Matthew Syme	Managing Director
Mr Johan Raadsma	Executive Director
Mr Eric Gutierrez	Non-Executive Director (appointed 29 August 2011)

Unless otherwise disclosed, Directors held their office from 1 July 2011 until the date of this report.

CURRENT DIRECTORS AND OFFICERS

Ian Middlemas
Non-Executive Chairman
Qualifications – B.Com, CA

Mr Middlemas is a Chartered Accountant, a member of the Financial Services Institute of Australasia and holds a Bachelor of Commerce degree. He worked for a large international Chartered Accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience, and is currently a director with a number of publicly listed companies in the resources sector.

Mr Middlemas was appointed a Director and Chairman of the Company on 27 January 2006. During the three year period to the end of the financial year, Mr Middlemas has held directorships in Berkeley Resources Limited (April 2012 – present), Prairie Downs Metals Limited (August 2011 – present), Papillon Resources Limited (May 2011 – present), Pacific Ore Limited (April 2010 – present), Wildhorse Energy Limited (January 2010 – present), Equatorial Resources Limited (November 2009 – present), WCP Resources Limited (September 2009 – present), Sovereign Metals Limited (July 2006 – present), Odyssey Energy Limited (September 2005 – present), Global Petroleum Limited (April 2007 – December 2011), Coalspur Mines Limited (March 2007 – October 2011), Mantra Resources Limited (September 2005 – June 2011), Aguia Resources Limited (September 2008 – August 2010), Pacific Energy Limited (June 2006 – August 2010), Indo Mines Limited (December 2006 – June 2010) and Neon Energy Limited (November 1995 – August 2010).

Matthew Syme
Managing Director
Qualifications – B.Com, CA

Mr Syme is a Chartered Accountant and an experienced mining executive with over 23 years experience as a senior executive of a number of companies in the Australian resources and media sectors. He was a Manager in a major international Chartered Accounting firm before spending 3 years as an equities analyst in a large stockbroking firm. He was then Chief Financial Officer of Pacmin Mining Limited, a successful Australian gold mining company, as well as a number of other resources companies. Mr Syme retired as Managing Director of Berkeley Resources Limited in late 2009 after successfully guiding the acquisition and scoping studies of Berkeley's Salamanca Uranium Project in Spain.

Mr Syme was appointed a director of Sierra Mining Limited on 1 July 2010. During the three year period to the end of the financial year, Mr Syme was a director of Berkeley Resources Limited (August 2004 – August 2012).

CURRENT DIRECTORS AND OFFICERS (Continued)

Mr Johan Raadsma
Executive Director
Qualifications – B. Sc. Mining

Mr Raadsma has over 30 years experience in mining, civil construction and resource development. He has successfully engineered, managed, and contracted mining projects ranging from feasibility study, project finance, underground rehabilitation to environmental abatement. Mr Raadsma has a BSc (Mining) from the University of New South Wales, is a Member of the Australasian Institute of Mining and Metallurgy, and is President of the Philippine Mineral Exploration Association.

Mr Raadsma was appointed a director of Sierra Mining Limited on 28 May 2008. During the three year period to the end of the financial year, Mr Raadsma was a director of Crazy Horse Resources Inc. (November 2010 – October 2011).

Mr Eric Gutierrez
Non-Executive Director

Mr Gutierrez is a very experienced and well regarded mine operator and contractor in the Philippines. He is the Chairman of SR Metals Inc, a leading nickel mining and export company based in northern Mindanao.

He has operated in the contracting and mining business in Mindanao, Luzon, Masbate and other regions for over 30 years and is conversant in the range of technical, social, legal, environmental and security issues associated with mining in the Philippines.

Mr Gutierrez was appointed a director of Sierra Mining Limited on 29 August 2011. He has not held any other directorships in listed companies in the previous three years to the end of the financial year.

Mr Clint McGhie
Company Secretary
Qualifications – B.Com, CA, ACIS, FFin

Mr McGhie is a Chartered Accountant and Chartered Secretary. He commenced his career at a large international Chartered Accounting firm, before moving to commerce in the role of financial controller and company secretary. Mr McGhie now works in the corporate office of a number of public listed companies focussed on the resources sector.

Mr McGhie was appointed Company Secretary of Sierra Mining Limited on 21 August 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year consisted of mineral exploration and there has been no change in the nature of those activities.

EMPLOYEES

	2012	2011
The number of full time equivalent people employed by the Consolidated Entity at balance date	**4**	**2**

DIVIDENDS

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2012 (2011: nil).

EARNINGS PER SHARE

	2012 Cents	2011 Cents
Basic loss per share	(1.65)	(1.52)
Diluted loss per share	(1.65)	(1.52)

CORPORATE STRUCTURE

Sierra Mining Limited is a company limited by shares that is incorporated and domiciled in Australia. The Company has prepared a consolidated financial report including the entities it incorporated and controlled during the financial year.

CONSOLIDATED RESULTS

	2012 $	2011 $
Loss of the Consolidated Entity before income tax expense	**(3,883,684)**	(3,136,032)
Income tax expense	**-**	-
Net loss	**(3,883,684)**	(3,136,032)

REVIEW AND RESULTS OF OPERATIONS

A review of the Company's operations during the year ended 30 June 2012 is contained in the Review and Results of Operations on pages 1 to 16 and forms part of this Directors' Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The following significant changes in the state of affairs of the Consolidated Entity occurred during the year:

- On 29 August 2011, Mr Eric Gutierrez was appointed a Non-Executive Director of the Company.

- In November 2011, Sierra, in conjunction with its Filipino associates, acquired Mt Labo Exploration and Development Corporation ("Mt Labo"), which owns 100% of the Nalesbitan Gold-Copper Project and the nearby Mabilo Gold Project. Consideration for the acquisition included the following:

    - Payment of A$375,000 and the issue of 5,250,000 ordinary shares on settlement (4 November 2011), of which 3,750,000 shares are subject to voluntary escrow for 1 year;

    - A further A$125,000 and the issue of 1,750,000 ordinary shares, conditional on receiving approval of the Motion for Reconsideration of a Notice of Denial of the Nalesbitan APSA # V-0002 on or before 2 November 2013; and

    - Payment of US$130,000 plus a 1% royalty on net revenue on the projects, as consideration to buy back and cancel an existing royalty.

  Consideration for the acquisition was paid by Sierra on behalf of the acquiring entities. Sierra has a direct 40% interest in Mt Labo and an indirect 24% interest via its 40% interest in associate St Ignatius Exploration and Mineral Resources Corporation which holds the remaining 60% in Mt Labo.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (Continued)

- In March 2012, Sierra released the results for its initial Mineral Resource estimate for the Nalesbitan Hill deposit. The Inferred Mineral Resource at a 0.5g/t gold cut-off totals 5.0 Mt at 1.1 g/t Au(170k oz) and 4.0 g/t Ag (645k oz). Further details are available in the Company's ASX Announcement date 21 March 2012.

SIGNIFICANT POST BALANCE DATE EVENTS

As at the date of this report there are no matters or circumstances, which have arisen since 30 June 2012 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2012, of the Consolidated Entity;
- the results of those operations, in financials years subsequent to 30 June 2012, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2012, of the Consolidated Entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve.

Instances of environmental non-compliance by an operation are identified either by external compliance audits or inspections by relevant government authorities.

There have been no significant known breaches by the Consolidated Entity during the financial year.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

It is the Board's current intention that the Consolidated Entity will focus on maximising the value of the Company's mining assets in the Philippines, by conducting further exploration activities on these projects and continuing to examine new opportunities in mineral exploration. All of these activities are inherently risky and the Board is unable to provide certainty that any or all of these activities will be able to be achieved. In the opinion of the Directors, any further disclosure of information regarding likely developments in the operations of the Consolidated Entity and the expected results of these operations in subsequent financial years may prejudice the interests of the Company and accordingly, has not been disclosed.

INFORMATION ON DIRECTORS' INTERESTS IN SECURITIES OF SIERRA

The following table sets out each Director's relevant interest in shares and options in shares of the Company as at the date of this report:

	Interest in Securities at the Date of this Report				
Directors	**Shares[(1)]**	**$0.10 Listed Options[(2)]**	**$0.15 Incentive Options[(3)]**	**$0.20 Incentive Options[(4)]**	**$0.25 Incentive Options[(5)]**
Ian Middlemas	13,975,000	1,452,500	-	-	-
Matthew Syme	11,568,933	5,183,616	3,333,333	3,333,333	3,333,334
Johan Raadsma	3,000,200	295,025	-	-	1,000,000
Eric Gutierrez	-	-	-	-	1,000,000

Directors	Interest in Securities issued/granted during the year Shares[(1)]	$0.10 Listed Options[(2)]	$0.15 Incentive Options[(3)]	$0.20 Incentive Options[(4)]	$0.25 Incentive Options[(5)]
Ian Middlemas	-	-	-	-	-
Matthew Syme	-	-	-	-	-
Johan Raadsma	-	-	-	-	-
Eric Gutierrez	-	-	-	-	1,000,000[(6)]

Notes

(1) "Shares" means fully paid ordinary shares in the capital of the Company;

(2) "$0.10 Listed Options" means an option to subscribe for 1 ordinary Share in the capital of the Company at an exercise price of $0.10 on or before 31 December 2014;

(3) "$0.15 Incentive Options" means an unlisted option to subscribe for 1 ordinary Share in the capital of the Company at an exercise price of $0.15 on or before 1 July 2013;

(4) "$0.20 Incentive Options" means an unlisted option to subscribe for 1 ordinary Share in the capital of the Company at an exercise price of $0.20 on or before 1 July 2014;

(5) "$0.25 Incentive Options" means an unlisted option to subscribe for 1 ordinary Share in the capital of the Company at an exercise price of $0.25 on or before 1 July 2015; and

(6) Following Shareholder approval, Mr Gutierrez was granted 1,000,000 $0.25 Incentive Options.

SHARE OPTIONS

At the date of this report the following options have been issued over unissued capital:

- 31,970,363 $0.10 Listed Options at an exercise price of $0.10 each that expire 31 December 2014;
- 3,583,333 $0.15 Incentive Options at an exercise price of $0.15 each that expire 1 July 2013;
- 3,683,333 $0.20 Incentive Options at an exercise price of $0.20 each that expire 1 July 2014; and
- 8,333,334 $0.25 Incentive Options at an exercise price of $0.25 each that expire 1 July 2015.

Since 30 June 2012, no shares have been issued as a result of the exercise of options.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2012, and the number of meetings attended by each Director.

	Board Meetings Number Eligible to Attend	Board Meetings Number Attended
Directors		
Ian Middlemas	2	1
Matthew Syme	2	2
Johan Raadsma	2	2
Eric Gutierrez	2	1

REMUNERATION REPORT (AUDITED)

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Key Management Personnel ("KMP") of the Group.

Details of Key Management Personnel

Details of the KMP of the Group during or since the end of the financial year are set out below:

Current Directors
Mr Ian Middlemas
Mr Matthew Syme
Mr Johan Raadsma
Mr Eric Gutierrez (appointed 29 August 2011)

Executives
Mr Clint McGhie – *Company Secretary*

Unless otherwise disclosed, the KMP held their position from 1 July 2011 until the date of this report.

Remuneration Policy

The Group's remuneration policy for its KMP has been developed by the Board taking into account the size of the Group, the size of the management team for the Group, the nature and stage of development of the Group's current operations, and market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

In addition to considering the above general factors, the Board has also placed emphasis on the following specific issues in determining the remuneration policy for KMP:

- the Group is currently focused on undertaking exploration, appraisal and development activities;
- risks associated with small cap resource companies whilst exploring and developing projects; and
- other than profit which may be generated from asset sales, the Company does not expect to be undertaking profitable operations until some time after the commencement of commercial production on any of its projects.

Executive Remuneration

The Group's remuneration policy is to provide a fixed remuneration component and a performance based component (short term incentive and long term incentive). The Board believes that this remuneration policy is appropriate given the considerations discussed in the section above and is appropriate in aligning executives' objectives with shareholder and business objectives.

Fixed Remuneration

Fixed remuneration consists of base salaries, as well as employer contributions to superannuation funds and other non-cash benefits. Non-cash benefits may include provision of motor vehicles and health care benefits.

Fixed remuneration is reviewed annually by the Board. The process consists of a review of company and individual performance, relevant comparative remuneration externally and internally and, where appropriate, external advice on policies and practices.

Performance Based Remuneration – Short Term Incentive

Some executives are entitled to an annual cash bonus upon achieving various key performance indicators ("KPI's"), as set by the Board. Having regard to the current size, nature and opportunities of the Company, the Board has determined that these KPI's will include measures such as the successful completion of business development activities (e.g. project acquisition and capital raisings) and exploration activities (e.g. completion of exploration programs within budgeted timeframes and costs). The Board assesses performance against these criteria annually.

No bonuses were paid during the current financial year.

Performance Based Remuneration – Long Term Incentive

The Board has chosen to issue incentive options to some executives as a key component of the incentive portion of their remuneration, in order to attract and retain the services of the executives and to provide an incentive linked to the performance of the Company. The Board considers that each executive's experience in the resources industry will greatly assist the Company in progressing its projects to the next stage of development and the identification of new projects. As such, the Board believes that the number of incentive options granted to executives is commensurate to their value to the Company.

The Board has a policy of granting options to executives with exercise prices at and/or above market share price (at the time of agreement). As such, incentive options granted to executives will generally only be of benefit if the executives perform to the level whereby the value of the Company increases sufficiently to warrant exercising the incentive options granted.

Other than service-based vesting conditions, there are no additional performance criteria on the incentive options granted to executives, as given the speculative nature of the Company's activities and the small management team responsible for its running, it is considered the performance of the executives and the performance and value of the Company are closely related.

Remuneration Policy for Non-Executive Directors

The Board policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. Given the current size, nature and risks of the Company, incentive options have been used to attract and retain Non-Executive Directors. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at a General Meeting. Director's fees paid to Non-Executive Directors accrue on a daily basis. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and Non-Executive Directors may in limited circumstances receive incentive options in order to secure their initial or ongoing services.

Fees for the Chairman are presently $36,000 per annum (2011: $36,000). Effective from his appointment as a Non-Executive Director on 29 August 2011, Mr Eric Gutierrez will receive fees of $2,000 per month or $24,000 per annum. These fees cover main board activities only. Non-Executive Directors may receive additional remuneration for other services provided to the Company, including but not limited to, membership of committees.

REMUNERATION REPORT (AUDITED) (Continued)

Relationship between Remuneration of KMP and Shareholder Wealth

During the Company's exploration and development phases of its business, the Board anticipates that the Company will retain earnings (if any) and other cash resources for the exploration and development of its resource projects. Accordingly the Company does not currently have a policy with respect to the payment of dividends and returns of capital. Therefore there was no relationship between the Board's policy for determining, or in relation to, the nature and amount of remuneration of KMP and dividends paid and returns of capital by the Company during the current and previous four financial years.

The Board did not determine the nature and amount of remuneration of the KMP by reference to changes in the price at which shares in the Company traded between the beginning and end of the current and the previous four financial years. However, as noted above, a number of KMP have received Incentive Options which generally will only be of value should the value of the Company's shares increase sufficiently to warrant exercising the Incentive Options.

Relationship between Remuneration of KMP and Earnings

As discussed above, the Company is currently undertaking exploration and development activities, and does not expect to be undertaking profitable operations (other than by way of material asset sales, none of which is currently planned) until sometime after the successful commercialisation, production and sales of commodities from one or more of its projects. Accordingly the Board does not consider earnings during the current and previous four financial years when determining, and in relation to, the nature and amount of remuneration of KMP.

General

Where required, Key Management Personnel receive superannuation contributions, currently equal to 9% of their salary, and do not receive any other retirement benefit. From time to time, some individuals have chosen to sacrifice all or part of their salary to increase payments towards superannuation.

Emoluments of Directors and Executives

Details of the nature and amount of each element of the emoluments of each Director and the Executive officer of the Group are as follows:

		Short-term benefits					
		Salary & fees $	Other $	Post employment benefits $	Share-based payments $	Total $	Performance related %
Directors							
Ian Middlemas	2012	36,000	-	3,240	-	39,240	-
	2011	36,000	-	3,240	-	39,240	-
Matthew Syme	2012	150,000	5,924	13,500	312,045	481,469	64.81
	2011	150,000	4,937	13,500	691,288	859,725	80.41
Johan Raadsma	2012	162,500	-	-	111,710	274,210	40.74
	2011	50,000	-	-	81,214	131,214	61.89
Eric Gutierrez (1)	2012	20,000	-	-	48,265	68,265	70.70
Peter Macnab (2)	2011	14,034	-	-	-	14,034	-
Executives							
Clint McGhie (3)	2012	-	-	-	-	-	-
	2011	-	-	-	58,750	58,750	100.00
Total	**2012**	**368,500**	**5,924**	**16,740**	**472,020**	**863,184**	
		250,034	**4,937**	**16,740**	**831,252**	**1,102,963**	

Notes

(1) Mr Gutierrez was appointed 29 August 2011;

(2) Mr Macnab resigned 8 June 2011;

(3) Mr McGhie provides services as the Company Secretary through a services agreement with Apollo Group Pty Ltd. Under the agreement, Apollo Group Pty Ltd provides administrative, company secretarial and accounting services and a fully serviced office to the Company for a monthly retainer of $21,500 (2011: $19,000);

(4) Other than the above, there were no other Executive officers of the Company or Group during the year; and

(5) Other Short Term Benefits include the value of non-cash benefits such as insurance policies maintained on behalf of the Director.

REMUNERATION REPORT (AUDITED) (Continued)

Options Granted to Key Management Personnel

Details of Unlisted Options granted by the Company to each KMP of the Group during the financial year are as follows:

2012	Grant Date	Vesting Date(3)	Expiry Date	Exercise Price $	Grant Date Fair Value(1) $	No. Granted	No. Vested At 30 Jun 2012
Directors							
Eric Gutierrez	29 Nov 11	23 Dec 12	1 Jul 15	$0.25	$0.116	500,000	-
	29 Nov 11	23 Dec 13	1 Jul 15	$0.25	$0.116	500,000	-

2011	Grant Date	Vesting Date(3)	Expiry Date	Exercise Price $	Grant Date Fair Value(1) $	No. Granted	No. Vested at 30 June 2011
Directors							
Matthew Syme	18 Aug 10	1 Jul 11	1 Jul 13	$0.15	$0.095	3,333,333	-
Matthew Syme	18 Aug 10	1 Jan 12	1 Jul 14	$0.20	$0.100	3,333,333	-
Mathew Syme	18 Aug 10	1 Jul 12	1 Jul 15	$0.25	$0.106	3,333,334	-
Johan Raadsma	23 Dec 10	21 Jan 12	1 Jul 15	$0.25	$0.223	500,000	-
	23 Dec 10	21 Jan 13	1 Jul 15	$0.25	$0.223	500,000	
Executives							
Clint McGhie	18 Aug 10	N/A	1 Jul 13	$0.15	$0.095	250,000	250,000
Clint McGhie	18 Aug 10	N/A	1 Jul 14	$0.20	$0.100	350,000	350,000

Notes
(1) For details on the valuation of the options, including models and assumptions used, please refer to Note 22 to the financial statements; and
(2) Each Unlisted Option converts into one Ordinary Share of Sierra Mining Limited.
(3) The vesting conditions are services conditions.

During the prior financial year, the following directors exercised options that were granted to them as part of their remuneration. Each option converts into one Ordinary Share of Sierra Mining Limited:

2011	No. of options exercised	No. of Ordinary Shares issued	Amount paid $	Amount unpaid $
Directors				
Ian Middlemas	1,000,000	1,000,000	186,000	-
Johan Raadsma	1,000,000	1,000,000	61,000	-

No options were exercised by directors during the year ended 30 June 2012.

Details of the value of options granted, exercised or lapsed for each Key Management Person of the Company or Group during the financial year are as follows:

2012	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Value of options included in remuneration for the year $	Percentage of remuneration that consists of options %
Directors					
Matthew Syme	-	-	-	312,045	64.81
Johan Raadsma	-	-	-	111,710	40.74
Eric Gutierrez	116,000	-	-	48,265	70.70

2011	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Value of options included in remuneration for the year $	Percentage of remuneration that consists of options %
Directors					
Ian Middlemas	-	144,000	-	-	-
Matthew Syme	1,003,333	-	-	691,288	80.41
Johan Raadsma	223,000	249,000	-[(2)]	81,214	61.89
Executives					
Clint McGhie	58,750	-	-	58,750	100.00

Notes

(1) For details on the valuation of the options, including models and assumptions used, please refer to Note 22 to the financial statements; and

(2) 4,000,000 unlisted options exercisable at $0.236 expired on 31 March 2011.

Employment Contracts with Key Management Personnel

Mr Matthew Syme, Managing Director, has a contract of employment with Sierra Mining Limited dated 2 June 2010. The contract has a rolling annual term and may be terminated by the Company by giving 3 months notice. No amount is payable in the event of termination for neglect or incompetence in regard to the performance of duties. Mr Syme's contract provides for an annual salary of A$150,000 plus 9% superannuation. Mr Syme's contract provides for the payment of a cash bonus which the Board may determine at its discretion following successful achievement of key performance indicators established by the Board in consultation with Mr Syme on an annual basis. As at the date of this report no cash bonus has been paid or is payable.

In accordance with Mr Syme's contract, the following incentive options were granted to Mr Syme's nominee on 18 August 2010 following Shareholder approval:

- 3,333,333 options exercisable at $0.15 each before 1 July 2013, vesting after 12 months service;
- 3,333,333 options exercisable at $0.20 each before 1 July 2014, vesting after 18 months service; and
- 3,333,334 options exercisable at $0.25 each before 1 July 2015, vesting after 24 months service.

REMUNERATION REPORT (AUDITED) (Continued)

Mr Johan Raadsma, Executive Director, has a contract of employment with Sierra Mining Limited dated 5 May 2008. The contract has a rolling annual term and may be terminated by the Company by giving 2 months notice. No amount is payable in the event of termination for neglect or incompetence in regard to the performance of duties. As resolved by the Board, Mr Raadsma's fixed remuneration component was A$50,000 per annum. However, following agreement between the Company and Mr Raadsma during the year, the fixed remuneration component was increased to A$20,000 per month, with effect from 15 October 2011. Mr Raadsma's contract also provides for the payment of a cash bonus which the Board may determine at its discretion following successful completion of projects on time and within budget. As at the date of this report no cash bonus has been paid or is payable.

Following shareholder approval at a general meeting held on 23 December 2010, Mr Raadsma was granted 1,000,000 unlisted Incentive Options exercisable at $0.25 each on or before 1 July 2015, with 500,000 vesting 12 months after issue, and 500,000 vesting 24 months after issue.

This is the end of the audited Remuneration Report.

INSURANCE OF OFFICERS AND AUDITORS

The Constitution of the Company requires the Company, to the extent permitted by law, to indemnify any person who is or has been a director or officer of the Company or Group for any liability caused as such a director or officer and any legal costs incurred by a director or officer in defending an action for any liability caused as such a director or officer.

During or since the end of the financial year, no amounts have been paid by the Company or Group in relation to the above indemnities.

During or since the end of the financial year, the Company or Group has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by a person who is or has been a director, officer or auditor of the Company or Group.

NON-AUDIT SERVICES

There were no non-audit services provided by the auditor (or by another person or firm on the auditor's behalf) during the financial year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is on Page 30 and forms part of this report.

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

For and on behalf of the Directors

MATTHEW SYME
Managing Director

27 September 2012

The information in this report relating to exploration results, mineral resources or ore reserves is based on information provided to Mr Robert McLean by Sierra Mining Limited. Mr McLean is an independent consultant geologist and is a corporate member of the Australian Institute of Mining and Metallurgy. Mr McLean has the relevant qualifications, experience, competence and independence to be considered an "Expert" under the definitions provided in the Valmin Code and "Competent Person" under the JORC Code.

AUDITOR'S INDEPENDENCE DECLARATION

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The Board of Directors
Sierra Mining Limited
Level 9, 28 The Esplanade
PERTH WA 6000

27 September 2012

Dear Board Members

Sierra Mining Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Sierra Mining Limited.

As lead audit partner for the audit of the financial statements of Sierra Mining Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D Newman

David Newman
Partner
Chartered Accountants

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

	Notes	2012 $	2011 $
Continuing operations			
Revenue	2(a)	**489,925**	419,553
Other income	2(b)	**3,913**	-
Corporate and administrative expenses		**(1,063,743)**	(1,118,393)
Exploration and evaluation expenses		**(1,308,904)**	(846,604)
Business development expenses		**(143,553)**	(233,038)
Other expenses	2(c)	**(16,046)**	-
Impairment losses	2(d)	**(1,845,276)**	(1,357,550)
Loss before income tax		**(3,883,684)**	(3,136,032)
Income tax expense	3	**-**	-
Loss for the year		**(3,883,684)**	(3,136,032)
Loss attributable to members of Sierra Mining Limited		**(3,813,580)**	(3,136,032)
Loss attributable to non-controlling interests		**(70,104)**	-
Other comprehensive income			
Exchange differences on translation of foreign operations		**31,118**	(807)
Reclassification adjustment:			
Exchange differences on translation of foreign operation taken to loss for the year on deconsolidation of the operation		**14,782**	-
Other comprehensive income/(loss) for the period, net of tax		**45,900**	(807)
Total comprehensive loss for the year		**(3,837,784)**	(3,136,839)
Total comprehensive loss attributable to members of Sierra Mining Limited		**(3,780,624)**	(3,136,839)
Total comprehensive loss attributable to non-controlling interests		**(57,160)**	-
Basic loss per share (cents per share)	27	**(1.65)**	(1.52)
Diluted loss per share (cents per share)	27	**(1.65)**	(1.52)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2012

	Notes	2012 $	2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	28(b)	**7,509,480**	10,511,974
Trade and other receivables	4	**31,199**	48,878
Other financial assets	5	**283,650**	283,650
Other current assets	6	**700**	-
Total Current Assets		**7,825,029**	10,844,502
Non-Current Assets			
Trade and other receivables	7	**27,385**	-
Exploration and evaluation assets	8	**1,410,748**	-
Equity accounted investments	9	**21,102**	-
Property, plant and equipment	10	**12,242**	-
Other non-current assets	11	**7,930**	5,996
Total Non-Current Assets		**1,479,407**	5,996
TOTAL ASSETS		**9,304,436**	10,850,498
LIABILITIES			
Current Liabilities			
Trade and other payables	13	**183,849**	153,055
Provisions	14	**15,092**	7,512
Total Current Liabilities		**198,941**	160,567
TOTAL LIABILITIES		**198,941**	160,567
NET ASSETS		**9,105,495**	10,689,931
EQUITY			
Contributed equity	15	**20,977,039**	20,090,133
Reserves	16	**1,857,342**	1,010,174
Accumulated losses	17	**(14,173,156)**	(10,410,376)
Equity attributable to owners of the Company		**8,661,225**	10,689,931
Non-controlling interests	18	**444,270**	-
TOTAL EQUITY		**9,105,495**	10,689,931

The accompanying notes form part of these financial statements.

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

2012	Issued Capital $	Share Based Payments Reserve $	Foreign Exchange Reserve $	Accumulated Losses $	Total Equity attributable to members of Sierra $	Non-controlling interests $	Total Equity $
Balance at 1 July 2011	**20,090,133**	**1,031,804**	**(21,630)**	**(10,410,376)**	**10,689,931**	**-**	**10,689,931**
Net loss for the period	-	-	-	(3,813,580)	(3,813,580)	(70,104)	(3,883,684)
Exchange differences on translation of foreign operations	-	-	18,174	-	18,174	12,944	31,118
Reclassification adjustment:							
Exchange differences on translation of foreign operation taken to loss for the year on deconsolidation of the operation	-	-	14,782	-	14,782	-	14,782
Total comprehensive loss for the period	-	-	32,956	(3,813,580)	(3,780,624)	(57,160)	(3,837,784)
Transactions with owners recorded directly in equity :							
Non-controlling interest arising on acquisition of controlled entity	-	-	-	-	-	501,430	501,430
Issue of shares	892,500	-	-	-	892,500	-	892,500
Exercise of listed options	583	-	-	-	583	-	583
Share issue costs	(6,177)	-	-	-	(6,177)	-	(6,177)
Recognition of share-based payments	-	865,012	-	-	865,012	-	865,012
Expired options	-	(50,800)	-	50,800	-	-	-
Balance at 30 June 2012	**20,977,039**	**1,846,016**	**11,326**	**(14,173,156)**	**8,661,225**	**444,270**	**9,105,495**

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

2011	Issued Capital $	Share Based Payments Reserve $	Foreign Exchange Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2010	9,764,194	745,556	(20,823)	(7,496,858)	2,992,069
Net loss for the period	-	-	-	(3,136,032)	(3,136,032)
Exchange differences on translation of foreign operations	-	-	(807)	-	(807)
Total comprehensive loss for the period	-	-	(807)	(3,136,032)	(3,136,839)
Transactions with owners recorded directly in equity :					
Issue of ordinary shares	10,157,764	-	-	-	10,157,764
Transfer on exercise of options	472,242	(472,242)	-	-	-
Share issue costs	(304,067)	-	-	-	(304,067)
Option issue costs	-	(18,853)	-	-	(18,853)
Recognition of share-based payments	-	999,857	-	-	999,857
Expired options	-	(222,514)	-	222,514	-
Balance at 30 June 2011	**20,090,133**	**1,031,804**	**(21,630)**	**(10,410,376)**	**10,689,931**

The accompanying notes form part of these financial statements.

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

	Notes	2012 $	2011 $
Cash flows from operating activities			
Payments to suppliers and employees		**(1,636,680)**	(1,492,053)
Interest received		**520,230**	387,188
Net cash outflow from operating activities	28(a)	**(1,116,450)**	(1,104,865)
Cash flows from investing activities			
Payments for exploration and evaluation assets	24	**(500,362)**	-
Payments for property, plant and equipment	10	**(14,518)**	-
Payments for investment in equity accounted associate	9(b)	**(22,366)**	-
Loans to equity accounted associates	12(a)	**(1,343,846)**	(1,357,550)
Net cash outflow from investing activities		**(1,881,092)**	(1,357,550)
Cash flows from financing activities			
Proceeds from issue of shares	15(b)	**583**	10,157,764
Payments for share issue costs	15(b)	**(6,177)**	(322,921)
Net cash (outflow)/inflow from financing activities		**(5,594)**	9,834,843
Net (decrease)/increase in cash and cash equivalents		**(3,003,136)**	7,372,428
Cash and cash equivalents at beginning of year		**10,511,974**	3,139,546
Net foreign exchange differences		**642**	-
Cash and cash equivalents at the end of the year	28(b)	**7,509,480**	10,511,974

The accompanying notes form part of these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial report of Sierra Mining Limited ("Sierra" or "Company") and its consolidated entities ("Consolidated Entity" or "Group") for the year ended 30 June 2012 are stated to assist in a general understanding of the financial report.

Sierra Mining Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The financial report of the Company for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the Directors on 26 September 2012.

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for profit entity.

The financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars, which is the Company's functional currency.

(b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with Australian Accounting Standards ensures that the financial statements of the Company and the Group comply with International Financial Reporting Standards (IFRS).

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. These new accounting standards have not had any significant impact on the Group's financial report. Further details of these new accounting standards are set out in the individual policy notes below.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2012. These are outlined in the table below:

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [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	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2012
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [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	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2012
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities (c) Public sector entities other than the Australian Government and State, Territory and Local Governments. Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11 and 2012-1.	1 July 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	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. 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. (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. (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. (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. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: a. The change attributable to changes in credit risk are presented in other comprehensive income (OCI) b. The remaining change is presented in profit or loss 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. 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 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to other standards via AASB 2011-7.	1 January 2013	The impact of these amendments on the Group's financial report has not yet been determined.	1 July 2013
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly-controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.	1 January 2013	The impact of these amendments on the Group's financial report has not yet been determined.	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	The impact of these amendments on the Group's financial report has not yet been determined.	1 July 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	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. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013
Annual Improvements 2009–2011 Cycle	Annual Improvements to IFRSs 2009–2011 Cycle	This standard sets out amendments to International Financial Reporting 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. The following items are addressed by this standard: IFRS 1 First-time Adoption of International Financial Reporting Standards • Repeated application of IFRS 1 • Borrowing costs IAS 1 Presentation of Financial Statements • Clarification of the requirements for comparative information IAS 16 Property, Plant and Equipment • Classification of servicing equipment IAS 32 Financial Instruments: Presentation • Tax effect of distribution to holders of equity instruments IAS 34 Interim Financial Reporting • Interim financial reporting and segment information for total assets and liabilities	1 January 2013	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
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	These amendments are not expected to have any significant impact on the Group's financial report.	1 July 2013

(c) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sierra Mining Limited ("Company" or "Parent Entity") as at 30 June 2012 and the results of all subsidiaries for the year then ended. Sierra Mining Limited and its subsidiaries together are referred to 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 potential 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 (refer to Note 1(g)).

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

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure encompasses expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Exploration and evaluation expenditure incurred by the Group is accumulated for each area of interest and recorded as an asset if:

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:
  - the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and/or
  - exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

For each area of interest, expenditure incurred in the acquisition of rights to explore is capitalised, classified as tangible or intangible, and recognised as an exploration and evaluation asset. Exploration and evaluation assets are measured at cost at recognition. Exploration and evaluation expenditure incurred by the Group subsequent to acquisition of the rights to explore is expensed as incurred, up to costs associated with the preparation of a feasibility study.

Capitalised exploration costs are reviewed each reporting date to establish whether any indication of impairment exists. If any such indication exists, the recoverable amount of the capitalised exploration costs is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development, accumulated expenditure is tested for impairment and transferred to development properties, and then amortised over the life of the reserves associated with the area of interest once mining operations have commenced.

Recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

(e) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

Interest
Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(f) Income Tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's sharebased payment awards are measured in accordance with AASB 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 Noncurrent Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Business Combinations (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(h) Impairment of Assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units).

(i) Cash and Cash Equivalents

“Cash and cash equivalents” includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(j) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less an allowance for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition. An estimate of doubtful debts is made when there is objective evidence that collection of the full amount is no longer probable. Bad debts are written off as incurred.

(k) Investments and Other Financial Assets

The Group classifies its investments in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

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.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than twelve months after the statement of financial position date which are classified as non-current assets. Loans and receivables are included in receivables or other financial assets in the statement of financial position.

Purchases and sales of investments are recognised on trade date, the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Subsequent to initial recognition, investments in subsidiaries are measured at cost less impairment. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss.

(l) Fair Value Estimation

The fair value of financial instruments traded in active markets (such as publicly traded available for sale securities) is based on quoted market prices at the balance date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date, such as discounted cash flows, to determine fair value for the remaining financial instruments.

(m) Property, Plant and Equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Plant and equipment are depreciated or amortised on a reducing balance or straight line basis at rates based upon their expected useful lives as follows:

	Life
Plant and equipment	2 - 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

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

(n) Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity. The amounts are unsecured and are usually paid within 30 days.

Payables to related parties are recognised initially at fair value and subsequently at amortised cost.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in Current / Non-Current Liabilities – Borrowings. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

(p) Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within twelve months of the reporting date are recognised in provisions 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. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Employee benefits payable later than one year are measured at the present value of the estimated future cash flows to be made for those benefits.

(q) Issued Capital

Ordinary shares are classified as equity. Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

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.

(r) Dividends

Provision is made for the amount of any dividend declared on or before the end of the period but not distributed at balance date.

(s) 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 period, adjusted for bonus elements in ordinary shares issued during the period.

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

(t) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST except:
- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

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

(u) Share-Based Payments

Equity-settled share-based payments are provided to officers, employees, consultants and other advisors. These share-based payments are measured at the fair value of the equity instrument at the grant date. Fair value is determined using the Binomial option pricing model. Further details on how the fair value of equity-settled share based payments has been determined can be found in Note 22.

The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to the option premium reserve.

(v) Joint Ventures

Interests in joint venture operations are reported in the financial statements by including the Consolidated Entity's share of assets employed in the joint ventures, the share of liabilities incurred in relation to joint ventures and the share of any expenses incurred in relation to joint ventures in their respective classification categories.

(w) Significant Accounting Judgements and Estimates

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.

Impairment of financial assets

Sierra has made a significant judgement about the impairment of a number of its financial assets (Loans to equity accounted associates – refer Note 12).

The Group follows the guidance of AASB 139 Financial Instruments: Recognition and Measurement on determining when a financial asset is impaired. This determination requires significant judgement. In making this judgement in relation to loans to equity accounted associates, the Group evaluates, among other factors, the ability of the counterparty to fulfil its contractual obligations and to make payments when contractually due.

Impairment of exploration and evaluation assets

The group's accounting policy for exploration and evaluation assets is set out at Note 1(d). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found.

Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, the Group concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income.

As the Company chose to focus its activity on its Philippines assets, the decision was made to fully impair the value of the capitalised exploration expenditure, which relates to PNG assets, in the year ended 30 June 2009.

	Notes	2012 $	2011 $
2. REVENUE, OTHER INCOME AND OTHER EXPENSES			
(a) Revenue			
Interest revenue		**489,925**	419,553
(b) Other Income			
Foreign exchange gain		**3,913**	-
(c) Other expenses			
Share of loss of equity accounted associate		**1,264**	-
Loss on deconsolidation of controlled entity		**14,782**	-
		16,046	-
(d) Impairment losses			
Loans to associates	12	**1,343,846**	1,357,550
Loans to non-controlling interest holders[1]		**501,430**	-
		1,845,276	1,357,550
(e) Share based payments			
Share based payments included in corporate and administration expenses		**312,045**	422,641
Share based payments included in exploration and evaluation expenses		**552,967**	404,394
Share based payments included in business development expenses		**-**	172,822
		865,012	999,857

Note:

(1) On 4 November 2011, Sierra and its Filipino associates acquired a 100% interest in Mt Labo Exploration and Development Corporation ("Mt Labo"). Consideration for the acquisition was paid by Sierra on behalf of the acquiring entities. Sierra has a direct 40% interest in Mt Labo and an indirect 24% interest via its 40% interest in associate St Ignatius Exploration and Mineral Resources Corporation which holds the remaining 60% in Mt Labo. Accordingly, there is a non-controlling interest in Mt Labo of 36%. Mt Labo has been included in the Consolidated Entity from acquisition with adjustments for the non-controlling interest of 36%. The impairment loss relates to the non-controlling interest's share of the purchase consideration paid for by Sierra that is not expected to be recovered from the non-controlling interest holder.

Further details on the acquisition of Mt Labo are included in Note 24.

	2012 $	2011 $
3. INCOME TAX		
(a) Recognised in the statement of comprehensive income		
Current income tax		
Current income tax benefit in respect of the current year	**(126,796)**	(110,899)
Adjustments in respect of current income tax of previous years	**17,536**	105,043
Deferred income tax		
Relating to origination and reversal of temporary differences	**(414,729)**	(399,509)
Deferred tax assets not brought to account	**523,989**	405,365
Income tax reported in the statement of comprehensive income	**-**	-
(b) Recognised Directly in Equity		
Deferred income tax		
Relating to origination and reversal of temporary differences	**-**	-
Benefit arising from previously unrecognised temporary differences of a prior period	**-**	-
Deferred tax assets not brought to account	**-**	-
Income tax reported in equity	**-**	-
(c) Reconciliation Between Tax Expense and Accounting Profit/(Loss) Before Income Tax		
Accounting loss before income tax	**(3,883,684)**	(3,136,032)
At the Australian income tax rate of 30% (2011: 30%)	**(1,165,105)**	(940,810)
Expenditure not allowable for income tax purposes	**623,580**	430,402
Adjustments in respect of current income tax of previous years	**17,536**	105,043
Deferred tax assets not brought to account	**523,989**	405,365
Income tax expense attributable to profit/(loss)	**-**	-

	2012 $	2011 $
3. INCOME TAX (continued)		
(d) Deferred Tax Assets and Liabilities		
Deferred income tax at 30 June relates to the following:		
Deferred Tax Liabilities		
Accrued Interest	**618**	9,710
Deferred tax assets used to offset deferred tax liabilities	**(618)**	(9,710)
	-	-
Deferred Tax Assets		
Accrued expenditure	**9,690**	9,480
Provisions	**4,528**	2,254
Other financial assets	**1,736,972**	1,333,819
Tax losses available to offset against future taxable income	**659,672**	550,412
Deferred tax assets used to offset deferred tax liabilities	**(618)**	(9,710)
Deferred tax assets not brought to account	**(2,410,244)**	(1,886,255)
	-	-

The benefit of deferred tax assets not brought to account will only be brought to account if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the Company in realising the benefit.

(e) Tax Consolidation

The Company and its wholly-owned Australian resident entities have formed a tax consolidated group from 1 July 2006 and are therefore taxed as a single entity from that date. The head entity within the tax consolidated group is Sierra Mining Limited. The members of the tax consolidated group are Sierra Mining Limited and Sierra Philippines Pty Ltd.

	2012 $	2011 $
4. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES		
Accrued interest income	**2,060**	32,365
GST receivable	**13,638**	15,056
Receivable from associates	**15,429**	-
Other receivable	**72**	1,457
	31,199	48,878
5. CURRENT ASSETS – OTHER FINANCIAL ASSETS		
Loan to employee	**283,650**	283,650
	283,650	283,650

* Terms & Conditions

The loan to a key consultant to the Company was undertaken to allow the consultant to exercise 1,525,000 listed options (each with an exercise price of $0.186 and an expiry date of 31 December 2010). The key terms of the loan are as follows:

(i) The term of the loan is 3 years from 23 December 2010;
(ii) The loan is interest free;
(iii) The loan is repayable in full upon the earlier of:
   a. within 5 business days of receipt of a notice to repay from the Company;
   b. on the date that the consultant ceases employment with the Company; or
   c. at the end of the term;
(iv) If the consultant sells or otherwise disposes of the whole or any part of the shares issued upon exercise of the listed options, the consultant must pay to the Company an amount equal to net proceeds of the disposal until the consultant has repaid the outstanding balance of the loan; and
(v) The Company has asked the Company's share register to place a holding lock on the shares issued upon exercise of the listed options and the Company will not be obliged to ask the share register to remove the holding lock until the loan is repaid in full.

	2012 $	2011 $
6. CURRENT ASSETS – OTHER ASSETS		
Prepayments	**700**	-
	700	-
7. NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES		
VAT and other tax receivable	**27,385**	-
	27,385	-

	Note	2012 $	2011 $
8. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION ASSETS			
Areas of interest			
Nalesbitan Hill Project		**1,410,748**	-
Movement in exploration and evaluation assets			
Opening balance		-	-
Additions arising on acquisition of controlled entity	24	1,369,550	-
Exchange differences on translation of foreign subsidiaries		41,198	-
Closing balance		**1,410,748**	**-**

The Consolidated Entity has exploration and evaluation assets in the Philippines and in Papua New Guinea. Recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively the sale, of the respective areas of interest.

During the year ended 30 June 2009, the Group made a decision to focus activity on its Philippines assets. As a result of this decision, an impairment loss of $398,809 was charged to the Consolidated Entity's PNG exploration and evaluation assets. Following the recognition of the impairment loss, the exploration and evaluation assets have a nil carrying value and two of the PNG Projects have subsequently been disposed of through farm-out arrangement and expiry of the exploration permit.

In January 2011, Sierra entered into an agreement with Barrick (PNG Exploration) Limited ("Barrick") whereby Barrick may earn an 80% interest in the Magavara and Salumei Projects by sole funding A$4M of exploration expenditure on the projects over 5 years. In June 2012 Barrick advised that it had elected to cease earning an interest in the Salumei Project. Barrick continues to sole fund exploration expenditure on the Magavara Project.

In November 2011, Sierra, in conjunction with its Filipino associates, acquired Mt Labo Exploration and Development Corporation ("Mt Labo"), which owns 100% of the Nalesbitan Gold-Copper Project and the nearby Mabilo Gold Project. Consideration for the acquisition included cash and shares as well as a 1% royalty on net revenue on the projects. Upon acquisition of Mt Labo, an exploration and evaluation asset of $1,369,550 was recognised in the Consolidated Entity.

	2012 $	2011 $
9. NON-CURRENT ASSETS – EQUITY ACCOUNTED INVESTMENTS		
Bunawan Mining Corporation	-	-
Oz Metals Exploration and Development Corporation	-	-
St Ignatius Exploration and Mineral Resources Corporation	21,102	-
	21,102	**-**

The Group has a 40% direct ownership interest in each of Bunawan Mining Corporation ("Bunawan"), OZ Metals Exploration and Development Corporation ("OZ Metals") and St Ignatius Exploration and Mineral Resources Corporation ("St Ignatius"). Bunawan and Oz Metals are both involved in the exploration and development of a portfolio of mineral tenements in the Philippines. The Group acquired its interest in St Ignatius in October 2011, and St Ignatius holds a 60% interest in Mt Labo Exploration and Development Corporation, a controlled entity of the Group.

The Group's proportion of voting power held in each associate is the same as its direct ownership interest. The remaining 60% interest in Bunawan, OZ Metals and St Ignatius is held beneficially by a Philippine shareholder.

In the case of Bunawan and Oz Metals, the Philippine shareholder has granted a call option over the 60% interest in favour of Sierra Philippines Pty Ltd (a wholly owned subsidiary of Sierra Mining Limited). The exercise price for the call option is $1 and the term of the call option is in perpetuity, subject to foreign ownership restrictions in the Philippines. In the case of St Ignatius, the Philippine shareholder has granted a call option over the 60% interest in favour of SRM Gold Limited (a wholly owned subsidiary of Sierra Mining Limited). Upon exercise of the call option, SRM Gold Limited must pay the Philippine shareholder the par value for each share. The term of the call option is in perpetuity and subject to foreign ownership restrictions in the Philippines.

Under the Philippine Mining Act only companies that are at least 60% locally owned can hold mineral agreements.

Bunawan, OZ Metals and St Ignatius are incorporated in the Philippines and have 30 June reporting dates.

(a) Impairment

The Group's investments in the associates, Bunawan and Oz Metals have been reduced to nil as the Group's share of the associate's losses has exceeded the initial investment in the associates.

9. NON-CURRENT ASSETS – EQUITY ACCOUNTED INVESTMENTS (Continued)

(b) Movements in the Carrying Amount of the Group's Investment in Associates

	2012 $	2011 $
Opening balance	**-**	-
Acquisition of interest in St Ignatius at fair value	**22,366**	-
Share of St Ignatius loss	**(1,264)**	-
Share of Bunawan Mining Corporation loss	**(40,009)**	(279,740)
Share of OZ Metals Exploration and Development Corporation loss	**(267,605)**	(474,878)
Share of associates loss not brought to account	**307,614**	754,618
Closing Balance	**21,102**	-
Cumulative share of associates losses not brought to account	**1,609,297**	1,301,683

(c) Summarised Financial Information

The following table illustrates summarised financial information relating to the Group's associates:

	2012 $	2011 $
Extract from the associates' statement of financial position		
Current assets	**712,829**	87,053
Non-current assets	**232,857**	116,210
Total assets	**945,686**	203,263
Current liabilities	**17,872**	132,967
Non-current liabilities	**5,883,934**	4,008,267
Total liabilities	**5,901,806**	4,141,234
Net liabilities	**(4,956,120)**	(3,937,971)
Share of associates net liabilities (at 40%)	**(1,982,448)**	(1,575,188)
Extract from the associates' statement of comprehensive income		
Revenue	**-**	-
Net loss	**(772,196)**	(1,886,544)
Share of associates' loss (at 40%)	**(308,878)**	(754,618)
Share of associates' loss not brought to account (refer note 9(b))	**307,614**	754,618
Net share of associates loss in consolidated results accounted for using the equity method	**(1,264)**	-

Note:
The Associates' non-current liabilities of $5,883,934 include loans from Sierra of $5,312,408 (2011: $3,968,562). The loans have been fully provided for in Sierra's accounts (refer Note 12).

	2012 $	2011 $
10. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT		
(a) Property, Plant and Equipment		
At cost	**22,560**	8,042
Accumulated depreciation and impairment	**(10,318)**	(8,042)
Net carrying amount	**12,242**	-
(b) Reconciliation		
Carrying amount at beginning	**-**	7,203
Acquisitions	**14,518**	-
Disposals	**-**	(6,782)
Depreciation	**(2,276)**	(111)
Exchange differences on translation of foreign operations	**-**	(310)
Carrying amount at end of year, net of accumulated depreciation and impairment	**12,242**	-
11. NON-CURRENT ASSETS – OTHER NON-CURRENT ASSETS		
Capitalised incorporation costs	**1,021**	864
Security Bond	**6,909**	5,132
Net carrying amount	**7,930**	5,996
12. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS		
Loans to equity accounted associates	**5,312,408**	3,968,562
Provision for loans to equity accounted associates	**(5,312,408)**	(3,968,562)
	-	-

(a) Movements in the Carrying Amount of the Group's Loans to Associated Entities

	2012 $	2011 $
Opening balance	**-**	-
Loan advanced	**1,343,846**	1,357,550
Impairment	**(1,343,846)**	(1,357,550)
Closing balance	**-**	-

The Company will not call upon the associated entities to repay the above loans within the next 12 months.

	2012 $	2011 $
13. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES		
Trade and other creditors	**126,408**	96,455
Accrued expenses	**52,300**	56,600
Payable to associate	**5,141**	-
	183,849	153,055
14. CURRENT LIABILITIES – PROVISIONS		
Employee benefits	**15,092**	7,512
15. CONTRIBUTED EQUITY		
(a) Issued and Paid Up Capital		
232,854,663 fully paid ordinary Shares (2011: 227,598,830)	**20,977,039**	20,090,133

(b) Movements in Ordinary Share Capital During the Past Two Years Were as Follows:

Date	Details	Number of Shares	Issue Price $	$
1 Jul 10	Opening Balance	173,197,842		9,764,194
17 Aug 10	Share placement	10,000,000	0.060	600,000
12 Nov 10	Share placement	24,000,000	0.250	6,000,000
Jul 10 – Dec 10	Exercise of $0.186 Listed Options	18,327,500	0.186	3,408,915
Jul 10 – Jun 11	Exercise of $0.10 Options	573,488	0.100	57,349
Jul 10 – Jun 11	Exercise of Incentive Options	1,500,000	0.061	91,500
	Transfer from share based payments	-		472,242
	Share issue expenses	-		(304,067)
30 Jun 11	**Closing Balance**	**227,598,830**		**20,090,133**
1 Jul 11	Opening Balance	227,598,830		20,090,133
4 Nov 11	Issue of consideration shares (note 24)	5,250,000	0.17	892,500
23 Dec 11	Exercise of listed options	5,833	0.10	583
	Share issue expenses	-	-	(6,177)
30 Jun 12	**Closing Balance**	**232,854,663**	**-**	**20,977,039**

(c) Terms and Conditions of Ordinary Shares

(1) General

The ordinary shares ("Shares") are ordinary shares and rank equally in all respects with all ordinary shares in the Company.

The rights attaching to the Shares arise from a combination of the Company's Constitution, statute and general law. Copies of the Company's Constitution are available for inspection during business hours at its registered office.

(2) Reports and Notices

Shareholders are entitled to receive all notices, reports, accounts and other documents required to be furnished to shareholders under the Company's Constitution, the Corporations Act and the Listing Rules.

(3) Voting

Subject to any rights or restrictions at the time being attached to any class or classes of shares, at a general meeting of the Company on a show of hands, every ordinary Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote and upon a poll, every Shareholder present in person, or by proxy, attorney or representative (in the case of a company) has one vote for any Share held by the Shareholder.

A poll may be demanded by the Chairperson of the meeting, any 5 Shareholders entitled to vote in person or by proxy, attorney or representative or by any one or more Shareholders holding not less than 5% of the total voting rights of all Shareholders having the right to vote.

(4) Variation of Shares and Rights Attaching to Shares

Shares may be converted or cancelled with member approval and the Company's share capital may be reduced in accordance with the requirements of the Corporations Act.

Class rights attaching to a particular class of shares may be varied or cancelled with the consent in writing of holders of 75% of the shares in that class or by a special resolution of the holders of shares in that class.

(5) Unmarketable Parcels

The Company may procure the disposal of Shares where the member holds less than a marketable parcel of Shares within the meaning of the Listing Rules (being a parcel of shares with a market value of less than $500). To invoke this procedure, the Directors must first give notice to the relevant member holding less than a marketable parcel of Shares, who may then elect not to have his or her Shares sold by notifying the Directors.

(6) Changes to the Constitution

The Company's Constitution can only be amended by a special resolution passed by at least three quarters of the members present and voting at a general meeting of the Company. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

	Notes	2012 $	2011 $
16. RESERVES			
(a) Reserves			
Share based payments reserve	16(b)	**1,846,016**	1,031,804
Foreign exchange reserve	16(e)	**11,326**	(21,630)
Total Reserves		**1,857,342**	1,010,174

(1) Share Based Payments Reserve

The share based payments reserve is used to record the fair value of share-based payments made by the Company.

(2) Foreign Exchange Reserve

The foreign exchange reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

(b) Movements in Share Based Payments Reserve During the Past Two Years Were as Follows:

Date	Details	Number of $0.186 Listed Options	Number of $0.10 Options	Number of Incentive Options	Fair Value $	$
1 July 10	Opening Balance	18,583,333	27,549,684	6,250,000		745,556
17 Aug 10	Free attaching $0.10 Options	-	5,000,000	-		-
18 Aug 10	Issue of $0.15 Incentive Options(1)	-	-	3,583,333	$0.095	340,417
	Issue of $0.20 Incentive Options(1)	-	-	3,683,333	$0.100	245,667
	Issue of $0.25 Incentive Options(1)	-	-	3,333,334	$0.106	163,955
23 Dec 10	Issue of $0.25 Incentive Options(1)	-	-	1,000,000	$0.223	81,213
Jul 10 – Dec 10	Exercise of $0.186 Listed Options	(18,327,500)	-	-		(460,000)
31 Dec 10	Expiry of $0.186 Listed Options	(255,833)	-	-		-
01 Feb 11	Issue of $0.25 Incentive Options(1)	-	-	1,000,000	$0.253	70,050
22 Mar 11	Issue of $0.25 Incentive Options(1)	-	-	2,000,000	$0.206	98,555
Jul 10 – Jun 11	Exercise of $0.10 Options	-	(573,488)	-		-
	Exercise of $0.061 Incentive Options	-	-	(1,500,000)		(12,242)
	Expiry of $0.236 Incentive Options	-	-	(4,250,000)		(222,514)
	Option issue expenses	-	-	-		(18,853)
30 Jun 11	**Closing Balance**	**-**	**31,976,196**	**15,100,000**		**1,031,804**
01 Jul 11	**Opening Balance**	**-**	**31,976,196**	**15,100,000**		**1,031,804**
30 Sep 11	Expiry of $0.286 Incentive Options	-	-	(500,000)		(50,800)
23 Dec 11	Grant of $0.25 incentive options expiring 01 July 2015	-	-	1,000,000	0.116	-
23 Dec 11	Exercise of $0.10 Options	-	(5,833)	-		-
	Share based payments expense(1)	-	-	-		865,012
30 Jun 12	**Closing Balance**	**-**	**31,970,363**	**15,600,000**		**1,846,016**

Note

(1) The value of Incentive Options granted is recognised over the vesting period of the grant, in accordance with Australian Accounting Standards.

16. RESERVES (Continued)

(c) Terms and Conditions of $0.10 Options

The $0.10 Options are granted based upon the following terms and conditions:

- each $0.10 Option entitles the holder to subscribe for one Share upon exercise of each $0.10 Option;
- the exercise price of each $0.10 Option is $0.10;
- each $0.10 Option has an expiry date of 31 December 2014;
- the $0.10 Options are exercisable at any time prior to the Expiry Date;
- shares issued on exercise of the $0.10 Options rank equally with the then shares of the Company;
- application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the $0.10 Options;
- if there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction;
- The $0.10 Options were initially unlisted. However, following the expiry or exercise of the existing class of Listed Options on 31 December 2010, the Company made an application for quotation of the Options on 18 March 2011; and
- the $0.10 Options are transferable.

(d) Terms and Conditions of Incentive Options

The Incentive Options are granted based upon the following terms and conditions:

- each Incentive Option entitles the holder to subscribe for one Share upon exercise of each Incentive Option;
- the exercise price and expiry date of each Incentive Option is:

Exercise Price	Expiry Date
$0.286[(1)]	30 September 2011
$0.150	1 July 2013
$0.200	1 July 2014
$0.250	1 July 2015

Note

(1) Note that as a consequence of the entitlements issue, and in accordance with Listing Rule 6.22 and the relevant terms and conditions of the Incentive Options, the exercise price was adjusted down by $0.014, with effect from 6 August 2010;

- the Incentive Options are exercisable at any time after the later of the date of issue and the vesting date (if applicable) and before the Expiry Date;
- shares issued on exercise of the Incentive Options rank equally with the then shares of the Company;
- application will be made by the Company to ASX for official quotation of the Shares issued upon the exercise of the Incentive Options;
- if there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction;
- no application for quotation of the Incentive Options will be made by the Company; and
- the Incentive Options are transferable provided that the transfer complies with section 707(3) of the Corporations Act.

	2012 $	2011 $
(e) Movement in Foreign Exchange Reserve		
Balance at beginning of year	**(21,630)**	(20,823)
Foreign exchange adjustments	**32,956**	(807)
Balance at end of year	**11,326**	(21,630)

17. ACCUMULATED LOSSES

	2012 $	2011 $
Balance at beginning of year	**(10,410,376)**	(7,496,858)
Adjustment to retained losses for expired options	**50,800**	222,514
Net loss	**(3,813,580)**	(3,136,032)
Balance at end of year	**(14,173,156)**	(10,410,376)

(a) Franking Account

In respect to the payment of dividends (if any) by Sierra in subsequent financial years, no franking credits are currently available, or are likely to become available in the next 12 months.

18. NON-CONTROLLING INTERESTS

	Notes	2012 $	2011 $
Balance at beginning of year		**-**	-
Non-controlling interest arising on acquisition of controlled entity	24	**501,430**	-
Non-controlling interest share of loss for the year		**(70,104)**	-
Non-controlling interest share of foreign currency translation reserve movement for the year		**12,944**	-
Balance at end of year		**444,270**	-

19. RELATED PARTY DISCLOSURES

(a) Transactions with Related Parties in the Consolidated Group

The consolidated group consists of Sierra Mining Limited (the ultimate parent entity in the wholly owned group) and its controlled entities (see Note 23).

Sierra Mining Limited entered into the following transactions during the period with related parties in the wholly owned group:

- loans were advanced on an inter-company account to SRM Gold Limited, Sierra Philippines Pty Ltd, Mt Labo Exploration and Development Corporation and Sierra Mining (PNG) Limited.

Sierra Mining Limited also entered into the following transactions during the period with associates:

- loans were advanced to associates of the Company including Bunawan Mining Corporation and OZ Metals Exploration and Development Corporation.

These transactions were undertaken on commercial terms and conditions, except that:

- there was no fixed repayment of loans between the related parties; and
- no interest was payable on the loans.

	2012 $	2011 $
Movement in loans to controlled entities		
Balance at the beginning of year	**-**	-
Loan advanced	**1,669,994**	28,500
Impairment of intercompany loans	**(1,669,994)**	(28,500)
Balance at end of year	**-**	-
Movement in loans to associates		
Balance at the beginning of year	**-**	-
Loan advanced	**1,343,846**	1,357,500
Impairment of loans to associates	**(1,343,846)**	(1,357,500)
Balance at end of year	**-**	-

(b) Key Management Personnel

Details relating to Key Management Personnel, including remuneration paid, are included at Note 21.

	2012 $	2011 $
20. PARENT ENTITY DISCLOSURES		
(a) Financial Position		
Assets		
Current Assets	**7,792,330**	10,842,950
Non-Current Assets	**-**	-
Total Assets	**7,792,330**	10,842,950
Liabilities		
Current Liabilities	**150,415**	132,011
Total Liabilities	**150,415**	132,011
Equity		
Issued Capital	**20,977,039**	20,090,133
Share based payments reserve	**1,846,016**	1,031,804
Accumulated losses	**(15,181,140)**	(10,410,998)
Total Equity	**7,641,915**	10,710,939
(b) Financial Performance		
Loss for the year	**(4,820,942)**	(3,114,008)
Other comprehensive income	**-**	-
Total comprehensive income	**(4,820,942)**	(3,114,008)

(c) Commitments and Contingencies

The Parent entity has no commitments for expenditure nor any contingent assets or liabilities at balance date.

21. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

Details of the Key Management Personnel of the Group during or since the end of the financial year are set out below:

Current Directors
Mr Ian Middlemas
Mr Matthew Syme
Mr Johan Raadsma
Mr Eric Gutierrez (appointed 29 August 2011)

Executives
Mr Clint McGhie – *Company Secretary*

Unless otherwise disclosed, the KMP held their position from 1 July 2011 until the date of this report.

21. KEY MANAGEMENT PERSONNEL (Continued)

(b) Key Management Personnel Compensation

	2012 $	2011 $
Short-term benefits	**374,424**	254,971
Post-employment benefits	**16,740**	16,740
Share-based payments	**472,020**	831,252
	863,184	1,102,963

(c) Optionholdings of Key Management Personnel

2012	Held at 1 July 2011 (#)	Granted as Compen-sation (#)	Expiry of Options (#)	Exercise of Options (#)	Net Other Change (#)	Held at 30 June 2012 (#)	Vested and Exercisable at 30 June 2012 (#)
Directors							
Mr Ian Middlemas	1,452,500	-	-	-	-	1,452,500	1,452,500
Mr Matthew Syme	15,183,616	-	-	-	-	15,183,616	11,850,282
Mr Johan Raadsma	1,295,025	-	-	-	-	1,295,025	795,025
Mr Eric Gutierrez	-(1)	1,000,000	-	-	-	1,000,000	-
Executives							
Mr Clint McGhie	1,003,645	-	-	-	-	1,003,645	1,003,645

Notes

(1) Mr Gutierrez was appointed on 29 August 2011 and this balance refers to the number of Options held as at 29 August 2011.

2011	Held at 1 July 2010 (#)	Granted as Compen-sation (#)	Expiry of Options (#)	Exercise of Options (#)	Net Other Change (#)	Held at 30 June 2011 (#)	Vested and Exercisable at 30 June 2011 (#)
Directors							
Mr Ian Middlemas	3,785,833	-	(13,333)	(2,320,000)	-	1,452,500	1,452,500
Mr Matthew Syme	283,616	10,000,000	-	(100,000)	5,000,000(2)	15,183,616	5,183,616
Mr Johan Raadsma	5,295,025	1,000,000	(4,000,000)	(1,000,000)	-	1,295,025	295,025
Mr Peter Macnab	250,000	-	(250,000)	-	-	-(1)	-
Executives							
Mr Clint McGhie	522,812	600,000	-	(119,167)	-	1,003,645	1,003,645

Notes

(1) Mr Macnab ceased to be a Director on 8 June 2011 and this balance refers to the number of Options held as at 8 June 2011; and

(2) These options were acquired by Mr Syme as free attaching options issued as part of a placement following Shareholder approval.

(d) Shareholdings of Key Management Personnel

2012	Held at 1 July 2011 (#)	Purchases (#)	Disposals (#)	Net Other Change (#)	Held at 30 June 2012 (#)
Directors					
Mr Ian Middlemas	13,975,000	-	-	-	13,975,000
Mr Matthew Syme	11,568,933	-	-	-	11,568,933
Mr Johan Raadsma	3,000,200	-	-	-	3,000,200
Mr Eric Gutierrez	-(1)	-	-	-	-
Executives					
Mr Clint McGhie	1,716,460	-	-	-	1,716,460

Notes

(1) Mr Gutierrez was appointed on 29 August 2011 and this balance refers to the number of Shares held as at 29 August 2011.

2011	Held at 1 July 2010 (#)	Purchases (#)	Disposals (#)	Net Other Change (#)	Held at 30 June 2011 (#)
Directors					
Mr Ian Middlemas	11,655,000	2,320,000(2)	-	-	13,975,000
Mr Matthew Syme	1,468,933	100,000(2)	-	10,000,000(3)	11,568,933
Mr Johan Raadsma	2,360,200	1,000,000(2)	(360,000)	-	3,000,200
Mr Peter Macnab	2,916,900	-	-	-	2,916,900(1)
Executives					
Mr Clint McGhie	1,597,293	119,167(2)	-	-	1,716,460

Notes

(1) Mr Macnab ceased to be a Director on 8 June 2011 and this balance refers to the number of Shares held as at 8 June 2011;

(2) These Shares were acquired upon the exercise of options during the year; and

(3) These Shares were acquired following Shareholder approval and in accordance with the terms of a placement to Mr Syme for 10 million Shares at $0.06 each, along with 5 million free attaching $0.10 Listed Options.

22. SHARE-BASED PAYMENTS

(a) Recognised Share-based Payment Expense

From time to time, the Group provides incentive options to officers, employees, consultants and other key advisors as part of remuneration and incentive arrangements. The number of options granted, and the terms of the options granted are determined by the Board. Shareholder approval is sought where required.

During the past two years, the following equity-settled share-based payments expenses have been recognised:

	2012 $	2011 $
Expense arising from equity-settled share-based payment transactions	**865,012**	999,857

(b) Summary of Options Granted

The following incentive options were granted during 2012:

Option Series Number	Number	Grant Date	Note	Expiry Date	Exercise Price $	Grant Date Fair Value $
Tranche A	**1,000,000**	**29 Nov 11**	**(1)**	**1 Jul 2015**	**$0.25**	**$0.116**

Notes
(1) 500,000 of these options vest on 23 December 2012 and 500,000 of these options vest on 23 December 2013. The vesting conditions are service conditions

The following incentive options were granted during 2011:

Option Series Number	Number	Grant Date	Note	Expiry Date	Exercise Price $	Grant Date Fair Value $
Series 1						
Tranche A	3,583,333	18 Aug 2010	(1)	1 Jul 2013	0.15	0.095
Tranche B	3,683,333	18 Aug 2010	(2)	1 Jul 2014	0.20	0.100
Tranche C	3,333,334	18 Aug 2010	(3)	1 Jul 2015	0.25	0.106
Series 2						
Tranche C	1,000,000	23 Dec 2010	(4)	1 Jul 2015	0.25	0.223
Series 3						
Tranche C	1,000,000	1 Feb 2011	(5)	1 Jul 2015	0.25	0.253
Series 4						
Tranche C	2,000,000	22 Mar 2011	(6)	1 Jul 2015	0.25	0.206

Notes
(1) 250,000 of these options were fully vested as at 30 June 2011. 3,333,333 of these options vested on 1 July 2011;
(2) 350,000 of these options were fully vested as at 30 June 2011. 3,333,333 of these options vest on 1 January 2012;
(3) These options vest on 1 July 2012;
(4) 500,000 of these options vest on 21 January 2012 and 500,000 of these options vest on 21 January 2013;
(5) 500,000 of these options vest on 1 February 2012 and 500,000 of these options vest on 1 February 2013;
(6) 1,000,000 of these options vest on 22 March 2012 and 1,000,000 of these options vest on 22 March 2013; and
(7) The vesting conditions are service conditions.

(b) Summary of Options Granted (Continued)

The following table illustrates the number and weighted average exercise prices (WAEP) of share options at the beginning and end of the financial year:

	2012 Number	2012 WAEP	2011 Number	2011 WAEP
Outstanding at beginning of year	15,100,000	$0.220	10,250,000	$0.210
Expired during the year	(500,000)	$0.286	(4,250,000)	$0.236
Exercised during the year	-	-	(5,500,000)	$0.061
Granted by the Company during the year	1,000,000	$0.250	14,600,000	$0.210
Outstanding at end of year	15,600,000	$0.215	15,100,000	$0.220

The outstanding balance of options granted as share based payments on issue as at 30 June 2012 is represented by:

- 3,583,333 $0.15 Incentive Options;
- 3,683,333 $0.20 Incentive Options; and
- 8,333,334 $0.25 Incentive Options.

(c) Weighted Average Remaining Contractual Life

The weighted average remaining contractual life for share options outstanding as at 30 June 2012 is 2.31 years (2011: 3.16 years).

(d) Range of Exercise Prices

The range of exercise prices for share options outstanding as at 30 June 2012 was $0.15 to $0.25 (2011: range of $0.15 to $0.286).

(e) Weighted Average Fair Value

The weighted average fair value of options granted by the Group during the year ended 30 June 2012 was $0.116 (2011: $0.134).

(f) Option Pricing Model

The following table lists the inputs to the valuation model used for share options granted by the Group during the year ended 30 June 2012:

Inputs	Tranche A
Exercise Price	$0.25
Grant date share price	$0.18
Dividend yield	-
Volatility(1)	105%
Risk free interest rate	3.15%
Grant date	29 Nov 2011
Expiry date	1 July 2015
Expected life of option(2)	3.59 years
Fair value at grant date	$0.116

22. SHARE-BASED PAYMENTS (Continued)

(f) Option Pricing Model (Continued)

The following table lists the inputs to the valuation model used for share options granted by the Group during the year ended 30 June 2011:

	SERIES 1		
Inputs	**Tranche A**	**Tranche B**	**Tranche C**
Exercise Price	$0.15	$0.20	$0.25
Grant date share price	$0.13	$0.13	$0.13
Dividend yield	-	-	-
Volatility[1]	130%	130%	130%
Risk free interest rate	4.67%	4.67%	4.67%
Grant date	18 Aug 2010	18 Aug 2010	18 Aug 2010
Expiry date	1 July 2013	1 July 2014	1 July 2015
Expected life of option[2]	2.87 years	3.87 years	4.87 years
Fair value at grant date	$0.095	$0.100	$0.106

	SERIES 2	SERIES 3	SERIES 4
Inputs	**Tranche C**	**Tranche C**	**Tranche C**
Exercise Price	$0.25	$0.25	$0.25
Grant date share price	$0.29	$0.32	$0.27
Dividend yield	-	-	-
Volatility[1]	110%	105%	105%
Risk free interest rate	5.47%	5.23%	5.15%
Grant date	23 Dec 2010	1 Feb 2011	22 Mar 2011
Expiry date	1 July 2015	1 July 2015	1 July 2015
Expected life of option[2]	4.52 years	4.41 years	4.28 years
Fair value at grant date	$0.223	$0.253	$0.206

Notes

(1) The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

(2) The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

23. CONTROLLED ENTITIES

All controlled entities are included in the consolidated financial statements. The parent entity does not guarantee to pay the deficiency of its controlled entities in the event of a winding up of any controlled entity. The financial year-end of the controlled entities is the same as that of the parent entity.

Name of Controlled Entity	Place of Incorporation	% of Shares Held 2012	2011
Sierra Philippines Pty Ltd	Australia	100	100
Sierra Mining (PNG) Limited	PNG	100	100
Rossel Island Exploration Limited (Note 1)	PNG	-	100
SRM Gold Limited	British Virgin Isles	100	-
Mt Labo Exploration and Development Corporation	Philippines	64	-

The above-named investments in controlled entities have a carrying value at balance date of $nil (2011: $nil).

Note 1: Rossel Island Exploration Limited is in the process of being de-registered and has been deconsolidated as at 30 June 2012.

24. ACQUISITION OF CONTROLLED ENTITY

On 4 November 2011, Sierra acquired a 64% interest in Mt Labo Exploration and Development Corporation ("Mt Labo") by way of a direct 40% interest (held by Sierra's wholly owned subsidiary SRM Gold Limited) and an indirect 24% interest by way of Sierra's 40% interest in St Ignatius Exploration and Mineral Resources Corporation, which holds the remaining 60% of Mt Labo. Mt Labo is a Philippines registered company.

In accordance with the relevant accounting standards and for the purpose of preparing financial reports, the Company has consolidated Mt Labo as a controlled entity from acquisition.

The only assets of Mt Labo at the time of the acquisition were Mining Lease Contract MRD-459 of 497Ha and MPSA Application APSA-V-0002 of 637Ha, and a receivable associated with historic taxes. Accordingly, the transaction was treated as an asset acquisition.

The total cost of the acquisition of 100% of Mt Labo was $1,392,862, and comprised an issue of equity instruments and cash as follows:

(i) A$500,362 consideration cash;

(ii) 1,500,000 free trading vendor shares with a fair value of $255,000, based on the quoted price of the ordinary shares of Sierra at the acquisition date;

(iii) 3,750,000 vendor shares escrowed for 12 months from the date of issue, with a fair value of $637,500, based on the quoted price of ordinary shares of Sierra at the acquisition date;

(iv) A$125,000 deferred consideration cash, due and payable by Sierra on the grant of Motion for Reconsideration (for the denial for APSA V-0002) within two years from 2 November 2011; and

(v) 1,750,000 deferred consideration shares to be issued by Sierra on the grant of Motion for Reconsideration (for the denial for APSA V-0002) within two years from 2 November 2011.

24. ACQUISITION OF CONTROLLED ENTITY (Continued)

Payment of consideration cash and the issue of consideration shares for the acquisition of Mt Labo was made by Sierra to acquire the interests held by its subsidiary, SRM Gold Limited, and its associate, St Ignatius. An impairment loss of $501,430 has been recognised in the condensed consolidated statement of comprehensive income relating to the non-controlling interest's share of the purchase consideration paid for by Sierra that is not expected to be recovered from the non-controlling interest holder.

	Fair values on acquisition $
Exploration and evaluation assets	1,369,550
Other non-current assets	23,312
Net assets acquired	1,392,862

	Fair values on acquisition $
Costs of the acquisition:	
Consideration cash	500,362
1,500,000 free trading vendor shares	255,000
3,750,000 escrowed vendor shares	637,500
Deferred consideration cash[1]	-
Deferred consideration shares[1]	-
Total cost of the acquisition	1,392,862
Net cash outflow on acquisition:	
Consideration cash	(500,362)
Net cash outflow	(500,362)

Note:

(1) The acquisition date fair value of the deferred consideration cash and the deferred consideration shares has been determined to be nil, as management are unable to determine the likelihood of a successful granting of the motion for reconsideration prior to 2 November 2013.

	Notes	2012 $	2011 $
25. REMUNERATION OF AUDITORS			
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:			
– an audit or review of the financial reports of the Company		**23,600**	20,480
Other auditors for:			
– an audit or review of the financial reports of a subsidiary		**3,661**	2,453
Total Auditors Remuneration		**27,261**	22,933

26. SEGMENT INFORMATION

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Consolidated Entity operates in one segment, being mineral exploration in the Philippines. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources within the Consolidated Entity.

	2012 Cents per Share	2011 Cents per Share
27. EARNINGS PER SHARE		
Basic loss per share:		
From continuing operations	**(1.65)**	(1.52)
From discontinued operations	**-**	-
Total basic loss per share	**(1.65)**	(1.52)
Diluted loss per share:		
From continuing operations	**(1.65)**	(1.52)
From discontinued operations	**-**	-
Total diluted loss per share	**(1.65)**	(1.52)

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

	2012 $	2011 $
Net loss attributable to members of Sierra used in calculating basic and diluted earnings per share	**(3,813,580)**	(3,136,032)

	2012 Number of Shares	2011 Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	**231,044,561**	206,957,796
Effect of dilutive securities	**-**	-
Adjusted weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	**231,044,561**	206,957,796

As at balance date, 31,970,363 $0.10 Options and 15,600,000 unlisted options (which represent 47,570,363 potential ordinary shares), were not dilutive as they would decrease the loss per share.

Conversions, calls, subscriptions or issues after 30 June 2012

Since 30 June 2012, no securities have been issued.

There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

	2012 $	2011 $
28. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of Loss for the Period to Net Cash Flows from Operating Activities		
Loss for the period	**(3,883,684)**	(3,136,032)
Adjustment for non-cash income and expense items:		
Share-based payments expensed - incentive options	**865,012**	999,857
Impairment of loans to associates	**1,343,846**	1,357,550
Impairment of loan to non-controlling interest	**501,430**	-
Loss on deconsolidation of controlled entity	**14,782**	-
Share of loss of equity accounted associate	**1,264**	-
Depreciation expense	**2,276**	111
Provision for employee entitlements	**7,580**	7,512
Loss/(Profit) on disposal of property, plant and equipment	**-**	6,657
Foreign exchange movement	**(10,722)**	(371)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables and other current assets	**16,979**	(306,901)
(Decrease)/increase in trade and other payables	**30,794**	(33,357)
(Increase)/decrease in trade and other receivables and other non-current assets net of operating assets acquired on acquisition of controlled entity	**(6,007)**	109
Net cash outflow from operating activities	**(1,116,450)**	(1,104,865)
(b) Reconciliation of Cash Assets		
Cash at bank and on hand	**599,812**	686,346
Bank short term deposits	**6,909,668**	9,825,628
	7,509,480	10,511,974

(c) Credit Standby Arrangements with Banks

At balance date, the Company had no used or unused financing facilities.

(d) Non-cash Financing and Investing Activities

30 June 2012

During the year ended 30 June 2012, the Group acquired an interest in Mt Labo Exploration and Development Corporation, which was partly financed by the issue of equity instruments. Refer note 24 for further information.

30 June 2011

There were no non-cash financing or investing activities during the year ended 30 June 2011.

29. FINANCIAL INSTRUMENTS

(a) Overview

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

This Note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Other than as disclosed, there have been no significant changes since the previous financial year to the exposure or management of these risks.

The Group manages its exposure to key financial risks in accordance with the Group's financial risk management policy. Key risks are monitored and reviewed as circumstances change (e.g. acquisition of a new project) and policies are revised as required. The overall objective of the Group's financial risk management policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Given the nature and size of the business and uncertainty as to the timing and amount of cash inflows and outflows, the Group does not enter into derivative transactions to mitigate the financial risks. In addition, the Group's policy is that no trading in financial instruments shall be undertaken for the purposes of making speculative gains. As the Group's operations change, the Directors will review this policy periodically going forward.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees policies for managing the Group's financial risks as summarised below.

(b) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arises principally from cash and cash equivalents and trade and other receivables.

With the exception of loans to controlled entities and equity accounted associates (for which amounts have been provided for), there are no significant concentrations of credit risk within the Group. The carrying amount of the Group's financial assets represents the maximum credit risk exposure, as represented below:

	Notes	2012 $	2011 $
Cash and cash equivalents	28(b)	**7,509,480**	10,511,974
Trade and other receivables	4, 7	**58,584**	48,878
Other financial assets	5	**283,650**	283,650
		7,851,714	10,844,502

The Group does not have any significant customers and accordingly does not have any significant exposure to bad or doubtful debts on trade receivables. No receivables are past due.

Trade and other receivables comprise accrued interest and other miscellaneous receivables. Where possible the Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The terms of the loan to employee are outlined in Note 5. The Company has asked its share register to place a holding lock on the shares issued upon exercise of the listed options and the Company is not obliged to ask the share register to remove the holding lock until the loan is repaid.

With respect to credit risk arising from cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Cash and cash equivalents are held on deposit with 'A' rated banks where available.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Board's approach to managing liquidity is to ensure, as far as possible, that the Group will always have sufficient liquidity to meet its liabilities when due. At 30 June 2011 and 2012, the Group has sufficient liquid assets to meet its financial obligations.

The contractual maturities of financial liabilities, including estimated interest payments, are provided below. There are no netting arrangements in respect of financial liabilities.

	Carrying Amount $	Contractual Cash Flows $	≤6 months $	6-12 months $	1-5 years $	≥5 years $
2012						
Financial Liabilities						
Trade and other payables	**183,849**	**183,849**	**183,849**	**-**	**-**	**-**
	183,849	**183,849**	**183,849**	**-**	**-**	**-**
2011						
Financial Liabilities						
Trade and other payables	153,055	153,055	153,055	-	-	-
	153,055	153,055	153,055	-	-	-

29. FINANCIAL INSTRUMENTS (Continued)

(d) Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the cash and short-term deposits with a floating interest rate.

These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities, in the form of receivables, security deposits, investments in securities, and payables are non-interest bearing.

The Group invests surplus cash in call or term deposit accounts with internationally recognised financial institutions. Interest rate risk is managed by the selection of term deposit interest rates and terms that reflect management's market expectations, to terms not exceeding 12 months. Funds are only held at call when it is reasonably expected that those amounts will be required prior to existing term deposits reaching maturity.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2012 $	2011 $
Interest-bearing financial instruments		
Cash at bank and on hand	**599,812**	686,346
Bank short term deposits	**6,909,668**	9,825,628
	7,509,480	10,511,974

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 4.80% (2011: 5.62%).

The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

Interest rate sensitivity

A sensitivity of 10 per cent has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 10% movement in interest rates at the reporting date would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	Profit or Loss	
	10% Increase	10% Decrease
2012		
Cash and cash equivalents	43,267	(43,267)
2011		
Cash and cash equivalents	38,361	(38,361)

(e) Foreign Currency Risk

As a result of activities overseas, the Group's statement of financial position can be affected by movements in exchange rates.

The Group also has transactional currency exposures. Such exposure arises from sales or purchases denominated in foreign currencies.

The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

The Group does not have any significant exposure to currency risk as it does not have any significant transactions or balances denominated in foreign currencies.

(i) Sensitivity Analysis for Currency Risk – Papua New Guinea Kina ("PGK")

A sensitivity of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on an historical basis and market expectations for future movement. This has been applied to the net financial instruments of Sierra Mining (PNG) Limited and Rossel Island Exploration Limited. The sensitivity analysis is prepared as at balance date.

The year end PGK:AUD exchange rate was 0.5058 (2011: 0.4277). Had the value of the PGK increased by 10% against the AUD to 0.55638 (2011: 0.47047) the net assets of the Consolidated Entity would have decreased by $2,969 (2011: $2,187). Had the value of the PGK decreased by 10% against the AUD to 0.45522 (2011: 0.38493) the net assets of the Consolidated Entity would have increased by $2,969 (2011: $2,187).

This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

There would be no impact on profit or loss arising from changes in the currency risk variables relating to the Group's activities overseas as all changes in value are taken to a reserve.

(ii) Sensitivity Analysis for Currency Risk – Philippine Peso ("PhP")

A sensitivity of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on an historical basis and market expectations for future movement. This has been applied to the net financial instruments of Mt Labo Exploration and Development Corporation. The sensitivity analysis is prepared as at balance date.

The year end PhP:AUD exchange rate was 0.0233. Had the value of the PhP increased by 10% against the AUD to 0.02563 the net assets of the Consolidated Entity would have decreased by $5,260. Had the value of the PhP decreased by 10% against the AUD to 0.02097 the net assets of the Consolidated Entity would have increased by $5,260.

This analysis assumes that all other variables, in particular interest rates, remain constant. The Group did not hold an investment in Mt Labo prior to the current financial year.

There would be no impact on profit or loss arising from changes in the currency risk variables relating to the Group's activities overseas as all changes in value are taken to a reserve.

29. FINANCIAL INSTRUMENTS (Continued)

(f) Commodity Price Risk

The Group is exposed to copper, gold and other base metal commodity price risk. These commodity prices can be volatile and are influenced by factors beyond the Group's control. As the Group is currently engaged in exploration and business development activities, no sales of commodities are forecast for the next 12 months, and accordingly, no hedging or derivative transactions have been used to manage commodity price risk.

(g) Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Given the stage of development of the Group, the Board's objective is to minimise debt and to raise funds as required through the issue of new shares.

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally imposed capital requirements.

(h) Fair Value

The fair value of financial assets and financial liabilities approximates their carrying value. The methods for estimating fair value are outlined in the relevant notes to the financial statements.

30. SUBSEQUENT EVENTS

As at the date of this report there are no matters or circumstances which have arisen since 30 June 2012 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2012, of the Consolidated Entity;
- the results of those operations, in financial years subsequent to 30 June 2012, of the Consolidated Entity; or
- the state of affairs, in financial years subsequent to 30 June 2012, of the Consolidated Entity.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Sierra Mining Limited, I state that:

(1) In the opinion of the Directors:

(a) the attached financial statements, notes and the additional disclosures included in the directors' report designated as audited, are in accordance with the Corporations Act 2001 including:

(i) section 296 (compliance with accounting standards and Corporations Regulations 2001); and

(ii) section 297 (gives a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the Company and consolidated group); and

(b) there are reasonable grounds to believe that the Company and the Group will be able to pay their debts as and when they become due and payable.

(2) The attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements.

(3) The Directors have been given a declaration required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

On behalf of the Board.

MATTHEW SYME
Managing Director

27 September 2012

Deloitte Touche Tohmatsu
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Independent Auditor's Report to the members of Sierra Mining Limited

Report on the Financial Report

We have audited the accompanying financial report of Sierra Mining Limited, which comprises the statement of financial position as at 30 June 2012 the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 31 to 79.

Directors' Responsibility for the Financial Report

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

Auditor's Independence Declaration

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 Sierra Mining Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Sierra Mining Limited is in accordance with the *Corporations Act 2001*, including:

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

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

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 22 to 28 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D Newman

David Newman
Partner
Chartered Accountants
Perth, 27 September 2012

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Sierra Mining Limited is responsible for its corporate governance, that is, the system by which the Group is managed.

1. Board of Directors

1.1 Role of the Board and Management

The Board represents shareholders' interests in continuing a successful business, which seeks to optimise medium to long-term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Group is managed in such a way to best achieve this desired result. Given the current size and operations of the business, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the Group, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Group.

The Board has sole responsibility for the following:

- Appointing and removing the Managing Director and any other executives and approving their remuneration;
- Appointing and removing the Company Secretary / Chief Financial Officer and approving their remuneration;
- Determining the strategic direction of the Group and measuring performance of management against approved strategies;
- Review of the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Group's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Group's financial affairs;
- Review and ratify systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Group's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Group's corporate governance practices are being continually reviewed and improved as required.

1.2 Composition of the Board and New Appointments

The Company currently has the following Board members:

Mr Ian Middlemas	Non-Executive Chairman
Mr Matthew Syme	Managing Director
Mr Johan Raadsma	Executive Director
Mr Eric Gutierrez	Non-Executive Director

Details of the directors, including their qualifications, experience and date of appointment are set out in the Directors' Report.

The Company's Constitution provides that the number of directors shall not be less than three and not more than ten. There is no requirement for any share holding qualification.

The Board has assessed the independence status of the directors and has determined that there is one independent director, being Mr Gutierrez.

The Board has followed the ASX Corporate Governance Principles and Recommendations when assessing the independence of the directors which define an independent director to be a director who:

- is non-executive;
- is not a substantial shareholder (i.e. greater than 5%) of the Company or an officer of, or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- has not within the last three years been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold such employment;
- within the last three years has not been a principal or employee of a material professional adviser or a material consultant to the Company or another Group member;
- is not a significant supplier or customer of the Company or another Group member, or an officer of or otherwise associated, directly or indirectly, with a significant supplier or customer;
- has no material contractual relationship with the Company or another Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount which is greater than five percent of either the net assets of the Company or an individual director's net worth is considered material for these purposes.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the appointment and further expense of additional independent Non-Executive Directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

If the Group's activities increase in size, nature and scope, the size of the Board will be reviewed periodically to determine the optimum number of directors required for the Board to properly perform its responsibilities and functions.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Group's scope of activities, intellectual ability to contribute to the Board duties and physical ability to undertake the Board duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. Under the Company's Constitution the tenure of directors (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his last appointment. Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

1.3 Committees of the Board

The Board considers that the Group is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Group's activities and to ensure that it adheres to appropriate ethical standards.

The Board has also established a framework for the management of the Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

If the Group's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

1. Board of Directors (Continued)

1.4 Conflicts of Interest

In accordance with the Corporations Act 2001 and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Group. Where the Board believes that a significant conflict exists the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

1.5 Independent Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Group's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

2. Ethical Standards

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Group.

2.1 Code of Conduct for Directors

The Board has adopted a Code of Conduct for Directors to promote ethical and responsible decision-making by the Directors. The code is based on a code of conduct for Directors prepared by the Australian Institute of Company Directors.

The principles of the code are:

- A director must act honestly, in good faith and in the best interests of the Company as a whole.
- A director has a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- A director must use the powers of office for a proper purpose, in the best interests of the Company as a whole.
- A director must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interest of all stakeholders of the Company.
- A director must not make improper use of information acquired as a director.
- A director must not take improper advantage of the position of director.
- A director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company.
- A director has an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken as a Board.
- Confidential information received by a director in the course of the exercise of directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law.
- A director should not engage in conduct likely to bring discredit upon the Company.
- A director has an obligation at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code.

The principles are supported by guidelines as set out by the Australian Institute of Company Directors for their interpretation. Directors are also obliged to comply with the Company's Code of Ethics and Conduct, as outlined below.

2.2 Code of Ethics and Conduct

The Group has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Group.

All employees and directors are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse Group information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Group's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must report that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

2.3 Dealings in Company Securities

The Group's Securities Trading Policy imposes trading restrictions on when KMP and other employees of the Group may deal in the Company's securities, in order to reduce the risk of insider trading.

The Securities Trading Policy prohibits KMP and other employees from dealing in the Company's securities if he or she has information that he or she knows, or ought to reasonably know, is inside information. 'Inside information' is information that is not generally available and if it were generally available, a reasonable person would expect it to have a material effect on the price or value of the Company's securities.

The Securities Trading Policy also provides prescribed closed periods during which KMP are prohibited from dealing in the Company's securities (subject to certain limited exceptions). The 'closed periods' are based around the release of material information including results from feasibility studies, exploration and corporate activities.

In addition, if an employee (including a KMP) has information that he or she knows, or ought reasonably to know, is inside information, the employee must not directly or indirectly communicate that information to another person if he or she knows, or ought reasonably to know, that the other person would or would be likely to deal in the Company's securities or procure another person to deal in the Company's securities. This prohibition applies regardless of how the employee learns the information (e.g. even if the employee overhears it or is told in a social setting).

KMP must obtain written clearance from an approving officer at least 2 business days prior when a KMP intends to deal in Company securities. KMP must then notify the Company Secretary of any dealings in the Company's securities within 2 business days of such deal occurring.

The Company also prohibits KMP entering into arrangements to limit their exposure to Company securities granted as part of the KMP's remuneration package.

Breaches of this policy will be subject to disciplinary action, including dismissal in serious cases.

These restrictions have been developed having regard to the current nature of the Company's activities, being exploration and development rather than production. Should the Company move into production, then the policy may be amended to restrict trading of securities during certain periods prior to the release of financial and operating results.

2. Ethical Standards (Continued)

2.4 Interests of Other Stakeholders

The Group's objective is to leverage into resource projects to provide a solid base in the future from which the Group can build its resource business and create wealth for shareholders. The Group's operations are subject to various environmental laws and regulations under the relevant government's legislation. Full compliance with these laws and regulations is regarded as a minimum standard for the Group to achieve.

To assist in meeting its objective, the Group conducts its business within the Code of Ethics and Conduct, as outlined in 2.2 above.

3. Disclosure of Information

3.1 Continuous Disclosure to ASX

The continuous disclosure policy requires all executives and Directors to inform the Managing Director or in their absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information need not be disclosed if:

a) It is not material and a reasonable person would not expect the information to be disclosed, or it is material but due to a specific valid commercial reason is not to be disclosed; and
b) The information is confidential; or
c) One of the following applies:

   i. It would breach a law or regulation to disclose the information;
   ii. The information concerns an incomplete proposal or negotiation;
   iii. The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
   iv. The information is generated for internal management purposes;
   v. The information is a trade secret;
   vi. It would breach a material term of an agreement, to which the Group is a party, to disclose the information;
   vii. The information is scientific data that release of which may benefit the Group's potential competitors.

The Managing Director is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

3.2 Communication with Shareholders

The Group places considerable importance on effective communications with shareholders.

The Group's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The strategy provides for the use of systems that ensure a regular and timely release of information about the Group is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX;
- ASX Quarterly Cash Flow Reports;
- Half Yearly Report;
- Presentations at the Annual General Meeting/General Meetings; and
- Annual Report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Group's strategy and goals.

The Group also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

4. Risk Management and Internal Control

4.1 Approach to Risk Management and Internal Control

The identification and effective management of risk, including calculated risk-taking, is viewed as an essential part of the Group's approach to creating long-term shareholder value.

The Group operates a standardised risk management process that provides a consistent framework for the identification, assessment, monitoring and management of material business risks. This process is based on the Australian/New Zealand Standard for Risk Management (AS/NZS 4360 Risk Management) and the Committee of Sponsoring Organisations of the US Treadway Commission (COSO) control framework for enterprise risk management.

Strategic and operational risks are reviewed at least annually as part of the annual strategic planning, business planning, forecasting and budgeting process.

The Group has developed a series of operational risks which the Group believes to be inherent in the industry in which the Group operates having regard to the Group's circumstances (including financial resources, prospects and size). These include:

- fluctuations in commodity prices and exchange rates;
- accuracy of mineral reserve and resource estimates;
- reliance on licenses, permits and approvals from governmental authorities;
- acquisition of new business opportunities;
- ability to obtain additional financing; and
- changed operating, market or regulatory environments.

These risk areas are provided here to assist investors to understand better the nature of the risks faced by our Group and the industry in which the Group operates. They are not necessarily an exhaustive list.

4.2 Risk Management Roles and Responsibilities

Management is responsible for designing, implementing and reporting on the adequacy of the Group's risk management and internal control system. Management reports to the Board annually, or more frequently as required, on the Group's key risks and the extent to which it believes these risks are being managed.

The Board is responsible for reviewing and approving the Group's risk management and internal control system and satisfying itself annually, or more frequently as required, that management has developed and implemented a sound system of risk management and internal control.

In 2012 the Board reviewed the overall risk profile for the Group and received reports from management on the effectiveness of the Group's management of its material business risks.

4. Risk Management and Internal Control (Continued)

4.3 Integrity of Financial Reporting

The Board also receives a written assurance from the Chief Executive Officer or equivalent (CEO) and the Chief Financial Officer or equivalent (CFO) that to the best of their knowledge and belief, the declaration provided by them 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 relation to financial reporting risks.

The Board notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures.

4.4 Role of External Auditor

The Group's practice is to invite the auditor (who now must attend) to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

5. Performance Review

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committees (if any) during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Company's executives include:

- a review by the Board of the Group's financial performance;
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Group;
- an analysis of the Group's prospects and projects; and
- a review of feedback obtained from third parties, including advisors.

The Remuneration Report discloses the process for evaluating the performance of senior executives, including the Managing Director.

In 2012, performance evaluations for senior executives took place in accordance with the process disclosed above and in the Remuneration Report.

6. Remuneration Arrangements

The broad remuneration policy is to ensure that remuneration properly reflects the relevant persons duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide Directors and executives with a remuneration package consisting of fixed components that reflect the person's responsibilities, duties and personal performance.

In addition to the above, the Group has developed a limited equity-based remuneration arrangement for key executives and consultants.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to non-executive directors by other companies of similar size in the industry.

The aggregate amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount approved by the Company's shareholders.

During the 2012 financial year, the Company complied with the ASX Principles and Recommendations other than in relation to the matters specified below.

Recommendation Reference	Notification of Departure	Explanation for Departure
2.1	A majority of the Board are not independent directors.	The Board considers that the Group is not currently of a size to justify the expense of the appointment of additional independent directors. The Board believes that the individuals on the Board can make, and do make, quality and independent judgements in the best interests of the Company on all relevant issues. Directors having a conflict of interest in relation to a particular item of business must absent themselves from the Board meeting before commencement of discussion on the topic.
2.2	No independent Chairman	The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of an independent Chairman. The Company's Chairman, Mr Ian Middlemas, is considered by the Board not to be independent in terms of the ASX Corporate Governance Council's definition of independent director. However the Board believes that the Chairman is able to and does bring quality and independent judgment to all relevant issues falling within the scope of the role of a Chairman.
2.4	A separate Nomination Committee has not been formed.	The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate independent consultants are engaged to identify possible new candidates for the Board.
3.2, 3.3	A policy concerning diversity has not been established	As at the date of this report, the Company only has 4 employees. The Company currently has no female employees, executives, or directors. In addition, a number of people are employed by the Company’s Philippines associates, including 13 female employees. The Board’s policy is to employ the best candidate for a specific position, regardless of gender, and considers that the Company is not currently of a size to justify a policy regarding diversity and objectives regarding gender diversity.
4.1, 4.2, 4.3	A separate Audit Committee has not been formed and there is not an Audit Committee operating charter.	The Board considers that the Company is not of a size, nor are its financial affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.
8.1	A separate Remuneration Committee has not been formed.	The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for Directors and executives of the Company.

As the Company’s activities increase in size, scope and/or nature the Company’s corporate governance principles will be reviewed by the Board and amended as appropriate.

ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 30 September 2012.

1. TWENTY LARGEST HOLDERS OF LISTED SECURITIES

The names of the twenty largest holders of each class of listed securities are listed below:

Ordinary Shares

Name	No of ordinary shares held	Percentage of issued shares
CGA Mining Limited	19,733,333	8.47%
Citicorp Nominees Pty Limited	17,082,999	7.34%
Hopetoun Consulting Pty Ltd <The M Syme Family A/C>	10,000,000	4.29%
AWJ Family Pty Ltd <A W Johnson Family A/C>	9,622,833	4.13%
Arredo Pty Ltd	7,575,000	3.25%
Mountainside Investments Pty Ltd <The Oasis Super Fund A/C>	6,407,444	2.75%
Mr Ian Middlemas	6,400,000	2.75%
Maximo Sara	5,725,050	2.46%
Calama Holdings Pty Ltd <Mambat Super Fund A/C>	5,400,000	2.32%
Minturn Pty Ltd	5,094,893	2.19%
HSBC Custody Nominees (Australia) Limited	4,427,994	1.90%
Greenslade Holdings Pty Ltd	4,100,000	1.76%
Mining Consultants Limited	3,750,000	1.61%
Cantori Pty Ltd <Cantori P/L Super Fund A/C>	3,498,468	1.50%
Mr Doug Gray + Mrs Ghislaine Gray <Glenmore Estate S/Fund A/C>	3,278,732	1.41%
Dinwoodie Investments Pty Ltd <Dinwoodie Investments A/C>	3,266,666	1.40%
Mr Angus William Johnson + Mrs Lindy Johnson <Dena Super Fund A/C>	3,120,000	1.34%
Penn Financial Pty Ltd <Penn Financial A/C>	3,081,700	1.32%
Nefco Nominees Pty Ltd	3,000,000	1.29%
Mrs Rosemary Joanna Pittar	3,000,000	1.29%
Total Top 20	**127,565,112**	**54.78%**
Others	105,289,551	45.22%
Total Ordinary Shares on Issue	**232,854,663**	**100.00%**

$0.10 Listed Options

Name	No of listed options held	Percentage of listed options
CGA Mining Limited	5,900,000	18.45%
Hopetoun Consulting Pty Ltd <The M Syme Family A/C>	5,000,000	15.64%
Citicorp Nominees Pty Limited	2,228,331	6.97%
CGA Mining Limited	1,966,666	6.15%
Colbern Fiduciary Nominees Pty Ltd	1,500,000	4.69%
AWJ Family Pty Ltd <A W Johnson Family A/C>	1,016,666	3.18%
Cantori Pty Ltd	922,500	2.89%
Arredo Pty Ltd	912,500	2.85%
Mountainside Investments Pty Ltd <The Oasis Super Fund A/C>	833,332	2.61%
Calama Holdings Pty Ltd <Mambat Super Fund A/C>	683,333	2.14%
Minturn Pty Ltd	591,549	1.85%
Greenslade Holdings Pty Ltd	583,333	1.82%
Mr Ian Middlemas	540,000	1.69%
Nefco Nominees Pty Ltd	500,000	1.56%
Mr Angus William Johnson + Mrs Lindy Johnson <Dena Super Fund A/C>	390,000	1.22%
Mr Robert James Pullar + Mrs Rebecca Anne Pullar <Robert Pullar S/Fund A/C>	350,000	1.09%
Apollo Group Pty Ltd	333,333	1.04%
Mr Grant Thomas Paterson <GTP Family Account>	303,333	0.95%
Mr Johannes Raadsma	295,025	0.92%
Mr Mark Pearce + Mrs Natasha Pearce <NMLP Family A/C>	266,666	0.83%
Total Top 20	**25,116,567**	**78.56%**
Others	6,853,796	21.44%
Total $0.10 Listed Options on Issue	**31,970,363**	**100.00%**

ADDITIONAL INFORMATION

2. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of shareholders by size of holding:

Distribution	Ordinary Shares		$0.10 Listed Options	
	Number of Shareholders	Number of Shares	Number of Optionholders	Number of Options
1 - 1,000	24	1,317	5	2,933
1,001 - 5,000	58	207,420	42	126,464
5,001 - 10,000	60	501,390	17	132,098
10,001 - 100,000	315	13,506,037	80	3,372,327
More than 100,000	182	218,638,499	40	28,336,541
Totals	639	232,854,663	184	31,970,363

There were 42 holders of less than a marketable parcel of ordinary shares.

3. VOTING RIGHTS

See Note 15(c) of the Notes to the Financial Statements.

4. SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder notices have been received from the following:

Substantial Shareholder	Number of Shares
CGA Mining Limited	19,733,333
Arredo Pty Ltd	13,975,000
Hopetoun Consulting Pty Ltd & Matthew Syme	11,568,933

5. UNQUOTED SECURITIES

The names of the security holders holding more than 20% of an unlisted class of security are listed below:

Options

	$0.15 Incentive Options	$0.20 Incentive Options	$0.25 Unlisted Options
Hopetoun Consulting Pty Ltd <ATF The M Syme Family Trust>	3,333,333	3,333,333	3,333,334
Others (holding less than 20%)	250,000	350,000	5,000,000
Total unlisted securities on issue	**3,583,333**	**3,683,333**	**8,333,334**
Total holders	**2**	**2**	**9**

6. ON-MARKET BUY BACK

There is currently no on-market buy back program for any of Sierra Mining Limited's listed securities.

7. EXPLORATION INTERESTS

As at 30 September 2012, the Company has an interest in the following projects:

Project Name	Permit Number	Percentage Interest	Status
Philippines			
Taguibo Project	EP-01-06-XI	100%	Granted
	EP-01-10-XI	100%	Granted
	EPA-118-XI	100%	Application
Bunawan Project	EPA-037-XIII	100%	Application
	APSA-003-XIII	100%	Application
Mawab Project	EP-02-10-XI	100%	Granted
Bahayan Project	EPA-123-XI	100%	Application
Nalesbitan Project	MLC MRD-459	100%	Granted
	APSA-002-V	100%	Application
Mabilo Project	APSA-001-V	100%	Application
Papua New Guinea			
Magavara Project	EL 1463	100%(3)	Granted
Salumei Project	EL 1468	100%	Granted
Kairiru Project	EL 1398	10%(4)	Granted

Notes

(1) The Taguibo, Bunawan, Mawab and Bahayan Projects in the Philippines are held through Sierra's associate entities in the Philippines in which Sierra has a direct 40% interest and a call option over the remaining 60% interest.

(2) Sierra has a 64% interest in the Nalesbitan and Mabilo Projects and a call option over the remaining 36% interest.

(3) The Company has entered into an agreement with Barrick (PNG Exploration) Limited ("Barrick") whereby Barrick may acquire up to 80% of Sierra's Magavara (EL1463) Project in Papua New Guinea. Key terms of the agreement include:
- Barrick may earn an 80% interest in the Magavara Project by sole funding A$4 million on exploration expenditure on the project within 5 years, including a minimum of A$200,000 on the Magavara Project within 2 years.
- Once Barrick has earned an interest in the Project after meeting its expenditure requirements, Barrick and Sierra will form a joint venture with Barrick being the initial manager.

Should a joint venture be formed, Sierra may choose to fund its share or dilute after this stage.

(4) The Company holds a 10% interest in Kairiru Mining Limited, which is the company that holds the licence for the Kairiru Project.

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