



ratel group
LIMITED

Annual Financial Statements

**For the year ended
30 JUNE 2012**

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**CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

For the year ended 1 July 2011 to 30 June 2012

	Note	30 June 2012 US\$	From 18 Oct 2010 to 30 June 2011 US\$
Continuing Operations			
Revenue	3	4,073	6,644
Exploration and evaluation expenditure	4(a)	(2,754,667)	(2,332,095)
Business development	4(b)	(77,879)	(35,614)
Foreign exchange gains/(losses)		(73,240)	24,918
Administrative expenses	4(c)	(1,945,595)	(2,024,593)
Loss from continuing operations		(4,847,308)	(4,360,740)
Income tax benefit	5	-	-
Loss for the period		(4,847,308)	(4,360,740)
Other comprehensive income/(loss)			
Other comprehensive income/(loss) for the period		-	-
Total comprehensive income/(loss) for the period		(4,847,308)	(4,360,740)
Loss attributable to:			
Owners of the Company		(4,847,308)	(4,360,740)
Total comprehensive loss attributable to:			
Owners of the Company		(4,847,308)	(4,360,740)
Earnings/(loss) per share for loss attributable to the ordinary equity holders of the company			
Basic loss per share (cents)	12	(3.23)	(5.86)
Diluted loss per share (cents)	12	(3.23)	(5.86)

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

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

	Note	30 June 2012 US\$	30 June 2011 US\$
ASSETS			
Current Assets			
Cash and cash equivalents	6	144,984	6,628,366
Trade and other receivables	7	1,130,522	128,251
Prepayments		18,036	27,895
Total Current Assets		1,293,542	6,784,512
Non-Current Assets			
Property, plant and equipment	8	1,224,049	611,203
Total Non-Current Assets		1,224,049	611,203
TOTAL ASSETS		2,517,591	7,395,715
LIABILITIES			
Current Liabilities			
Trade and other payables	9	308,441	339,259
Total Current Liabilities		308,441	339,259
TOTAL LIABILITIES		308,441	339,259
NET ASSETS		2,209,150	7,056,456
SHAREHOLDER'S EQUITY			
Issued capital	10(a)	14,493,355	14,493,353
Reserves	10(b)	(3,076,157)	(3,076,157)
Accumulated losses	10(c)	(9,208,048)	(4,360,740)
TOTAL SHAREHOLDER'S EQUITY		2,209,150	7,056,456

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	Note	2012 US\$	2011 US\$
Cash flows from operating activities			
Exploration costs		(3,338,358)	(2,287,580)
Payments to suppliers and employees		(2,431,313)	(457,522)
Interest received		2,726	6,486
Net cash inflow/(outflow) from operating activities	6(a)	(5,766,945)	(2,738,616)
Cash flows from investing activities			
Cash held by subsidiaries at acquisition		-	133,345
Payments for property, plant & equipment		(643,236)	(386,259)
Net cash (outflow) from investing activities		(643,236)	(252,914)
Cash flows from financing activities			
Proceeds from issue of shares		-	10,060,362
Capital raising costs		-	(541,643)
Net cash inflow from financing activities		-	9,518,719
Net increase/(decrease) in cash and cash equivalents		(6,410,181)	6,527,189
Cash and cash equivalents at beginning of the period		6,628,367	-
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		(73,202)	101,177
Cash and cash equivalents at end of the financial period	6	144,984	6,628,366

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2012

	<i>Issued Capital US\$</i>	<i>Acquisition reserve US\$</i>	<i>Share option reserve US\$</i>	<i>Accumulated losses US\$</i>	<i>Total US\$</i>
Balance at 1 July 2011	14,493,355	(4,300,157)	1,224,000	(4,360,740)	7,056,456
Loss for the period	-	-	-	(4,847,308)	(4,847,308)
Total comprehensive income /(loss) for the period	-	-	-	(4,847,308)	(4,847,308)
At 30 June 2012	14,493,355	(4,300,157)	1,224,000	(9,208,048)	2,209,150

For the period from the date of incorporation, 18 October 2010, to 30 June 2011

	<i>Issued Capital US\$</i>	<i>Acquisition reserve US\$</i>	<i>Share option reserve US\$</i>	<i>Accumulated losses US\$</i>	<i>Total US\$</i>
Loss for the period	-	-	-	(4,360,740)	(4,360,740)
Other comprehensive income/(loss)	-	-	-	-	-
Total comprehensive income /(loss) for the period	-	-	-	(4,360,740)	(4,360,740)
Issue of share capital	14,493,355	-	-	-	14,493,353
Acquisition reserve	-	(4,300,157)	-	-	(4,300,157)
Share option reserve	-	-	1,224,000	-	1,224,000
At 30 June 2011	14,493,355	(4,300,157)	1,224,000	(4,360,740)	7,056,456

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

1. CORPORATE INFORMATION

The financial report of Ratel Group Limited (“the Company”, “Ratel”, “the Group” or “the Entity”) as at 30 June 2012 and for the financial year ended 30 June 2012 (“the year”) was authorised for issue in accordance with a resolution of directors on 26 September 2012.

The Company was incorporated on 18 October 2010 in the British Virgin Islands. Its registered address is Jayla Place, Wickhams Cay I, Road Town, Tortola, VG1110 British Virgin Islands. The Entity’s ultimate parent company is Ratel Group Limited.

The principal activity of the Group during the period consisted of mineral exploration and development.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements have been prepared as a general purpose financial report.

The consolidated financial statements have also been prepared on a historical cost basis and are presented in United States Dollars (US\$).

The Company was incorporated on 18 October 2010 and accordingly the comparatives are for the period 18 October 2010 to 30 June 2011.

(b) Going Concern

The financial report has been prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the ordinary course of business.

The Group has incurred a loss of \$4,847,308 for the year ended 30 June 2012 and has accumulated losses of \$9,208,048 as at 30 June 2012. The Group has cash and cash equivalents of \$144,984 as at 30 June 2012 and a net cash outflow of \$6,410,181 for the period ended 30 June 2012.

On 5 September 2012 the Company entered a Loan Facility Agreement with CGA Mining Limited for the sum of \$2.5M. The facility is for a term of 24 months and the drawn portion of the facility incurs interest at a rate 9% p.a. On the basis that the Company now has access to these funds, the Directors have prepared cash flow projections that support the ability of the Group to continue as a going concern.

On this basis, it is the opinion of the Board of Directors that the Group will be able to continue as a going concern and that therefore, the basis of preparation is appropriate.

(c) Statement of compliance

The consolidated financial report complies with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The following Accounting Standards and interpretations have been issued but are not yet effective for the financial year ending 30 June 2012.

Reference	Title	Summary	Application date of standard*	Application date for Group
IFRS 9 (issued December 2009 and amended December 2010)	Financial Instruments	<p>Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in IFRS 139 have been eliminated.</p> <p>IFRS 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.</p>	Periods beginning on or after 1 January 2015	1 July 2015
IFRS 10 (issued August 2011)	Consolidated Financial Statements	<p>Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present:</p> <ul style="list-style-type: none"> • Power over investee (whether or not power used in practice) • Exposure, or rights, to variable returns from investee • Ability to use power over investee to affect the Groups returns from investee. <p>Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.</p>	Annual reporting periods commencing on or after 1 January 2013	1 July 2013
IFRS 11 (issued August 2011)	Joint Arrangements	<p>Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement).</p>	Annual reporting periods commencing on or after 1 January 2013	1 July 2013

IFRS 12 (issued August 2011)	Disclosure of Interests in Other Entities	<p>IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets.</p> <p>IFRS 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.</p>	Annual reporting periods commencing on or after 1 January 2013	1 July 2013
IFRS 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from IFRS 127 Consolidated and Separate Financial Statements, IFRS 128 Investments in Associates and IFRS 131 Interests in Joint Ventures. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	1 July 2013
IFRS 13 (issued September 2011)	Fair Value Measurement	IFRS 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements.	Fair Value Measurement	1 July 2013
Interpretation 20 (issued November 2011)	Stripping Costs in the Production Phase of a Surface Mine	Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under IFRS 102 Inventories if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if	Annual periods commencing on or after 1 January 2013	1 July 2013

		stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met.		
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The Group is in the process of determining the impact of the standards and interpretations above.

(d) Significant accounting estimates and assumptions

In the process of applying the Entity's accounting policies, judgements applied are disclosed in the appropriate policy notes.

Significant accounting estimates and assumptions

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

Carrying value of exploration and evaluation.

Refer to note (h) for details.

Deferred tax assets and liabilities

Significant judgement is required in determining deferred tax assets and liabilities. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Impairment of plant and equipment

The Group determines whether plant and equipment is impaired at least on an annual basis. This requires an assessment on whether there have been any impairment triggers, and where there have been triggers for impairment, an estimation of the recoverable amount of cash generating units to which the plant and equipment are allocated.

Share based payment transactions

The Group measures the costs of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The Group measures the cost of cash-settled share based payments at fair value at grant date using the binomial formula taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 19.

(e) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred.

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

Office, plant and equipment – over 1 to 10 years

Processing plant and equipment – life of mine, subject to the resource base.

De-recognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

(f) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

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

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

- except where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profits or taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

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

(g) Other taxes

Revenues, expenses and assets are recognized net of the amount of goods and services tax (“GST” or “VAT”), except where the amount of GST or VAT incurred is not recoverable from the relevant taxation authorities, in which case the GST or VAT 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, which are stated with the amount of GST or VAT included.

The net amount of GST or VAT recoverable from, or payable to, the relevant taxation authorities is included as a receivable or payable in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST or VAT 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.

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

(h) Exploration and evaluation

Exploration and evaluation expenditure is written off as incurred, except for acquisition costs and where an area of interest is established.

Exploration assets acquired from a third party are carried forward provided that either i) the carrying value is expected to be recouped through the successful development and exploitation or sale of an area of interest or ii) exploitation and/or evaluation activities in the area have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, active and significant operations in relation to the area are continuing and the rights of the tenure are current. If capitalised exploration and evaluation costs do not meet either of these tests, they are expensed to the profit and loss.

An area of interest is established where a discovery of economically recoverable resource is made. The area of interest will be established as a mineral project. All activity relating to the area of interest is then subsequently capitalised. Where

development is anticipated, costs will be carried forward until the decision to develop is made.

Each area of interest is reviewed at least bi-annually to determine whether it is appropriate to continue to carry forward the capitalised costs.

Upon approval for the development of an area of interest, accumulated expenditure for the area of interest is transferred to capitalised development expenditure.

(i) Foreign currency translation

Both the functional currency and presentation currency of the Company and the subsidiaries is United States dollars (US\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income.

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

(j) Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Provision is made for the group's liability for employee entitlements arising from services rendered by employees to reporting date. Employee entitlements due to be settled within one year have been measured at their nominal amounts based on remuneration rates which are due to be paid when the liability is settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit valuation method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

(k) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(l) Cash and cash equivalents

Cash and short term deposits in the statement of financial position include cash at bank and short term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents include cash and cash equivalents defined above, net of outstanding bank overdrafts.

(m) Share capital

Share 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.

(n) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs.

When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognised in the statement of comprehensive income.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

After such a reversal the depreciation charge is adjusted in future periods to allocate the assets revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(o) Provisions

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

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only

when the reimbursement is virtually certain. The expense relating to any provision is represented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(p) Trade and other receivables

Trade receivables, which generally have 30 day terms are recognised and carried at fair value and subsequently measured at amortised cost less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(q) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(r) Leases

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

Entity as a lessee

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

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

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(s) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

(t) Revenue recognition

Interest revenue

Revenue is recognised as the interest accrues using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(u) Business combinations of entities under common control

The Group adopts the pooling of interests method to account for business combinations of entities under common control.

The pooling of interest method involves the following:

The assets and liabilities of the combining entities are reflected at their carrying amounts prior to the combination;

No adjustments are made to reflect fair values, or recognise any new assets or liabilities, that would otherwise be done under the acquisition method. The only adjustments that are made are to harmonise accounting policies;

No 'new' goodwill is recognised as a result of the combination; and

The only goodwill that is recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid/transferred (including liabilities assumed) and the equity 'acquired' is reflected within equity.

The consolidated statement of comprehensive income reflects the results of the combining entities from the date that the combination occurred. Financial information for periods prior to the date the combination occurred is not restated.

(v) Interest in a jointly controlled asset

The Group recognises its share of the asset, classified as plant and equipment. In addition the Group recognises its share of liabilities, expenses and income from the use and output of the jointly controlled asset.

(w) Interest in joint ventures

The group's interest in joint ventures is accounted for by proportionate consolidation, which involves recognising a proportionate share of the joint venture's assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis.

(x) Basis of consolidation

The consolidated financial statements comprise the financial statements of Ratel and its subsidiaries.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intragroup transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(y) Share based payment transactions

The Company provides benefits to directors, consultant and employees of the Group in the form of share-based payment transactions, whereby eligible recipients render services in exchange for shares or rights over shares ('equity-settled transactions'). There is currently an options scheme, which provides benefits to eligible recipients of the Company.

The costs of equity-settled transactions with directors and employees is measured by reference to fair value at the date at which they are granted. The fair value is determined using a binomial model further details of which are given in Note 19.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Ratel Group if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except awards where vesting is conditional upon a market performance condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised

for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(z) Segment reporting

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

(aa) Earnings per share

(i) Basic earnings/(loss) per share

Basic earnings per share is calculated by dividing:

- the profit/(loss) attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

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

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

(ab) Parent entity financial information

The financial information for the parent entity, Ratel Group Limited, disclosed in note 16 has been prepared on the same basis as the consolidated financial statements, except for investments in subsidiaries which are accounted for at cost in the financial statements of Ratel Group Limited.

Note: Comparatives are from the period of incorporation 18 October 2010 to 30 June 2011.

3. REVENUE

	2012	2011
	US\$	US\$
Interest income	2,827	6,644
Other income	1,246	-
	<u>4,073</u>	<u>6,644</u>

4. EXPENSES

	2012	2011
	US\$	US\$
(a) Exploration and evaluation expenditure		
Employee benefits	761,766	542,083
Consultants fees	102,949	23,544
Motor vehicle expenses	36,178	46,233
Travel expenses	345,331	134,001
Exploration and drilling	968,187	1,112,678
Depreciation expense	30,451	19,478
Rental expense	44,935	32,130
Other general and office costs	464,870	421,948
	<u>2,754,667</u>	<u>2,332,095</u>

	2012	2011
	US\$	US\$
(b) Business development		
Travel	44,312	5,782
Other	33,567	29,832
	<u>77,879</u>	<u>35,614</u>

	2012	2011
	US\$	US\$
(c) Administrative expenses		
Accounting & audit fees	173,152	47,554
Employee options expense	-	1,224,000
Employee and directors fees	330,291	57,581
Legal fees	765,343	96,276
Management fee	409,563	202,363
Share registry	63,558	159,348
Consultants	-	57,174
Other	203,688	180,297
	<u>1,945,595</u>	<u>2,024,593</u>

5. INCOME TAX

The Company is incorporated in the British Virgin Islands and holds its registered office there, however it is an Australian resident for tax purposes due to the location of its central management and control. The major components of income tax benefit are:

(a) Recognised in the statement of comprehensive income

	2012 US\$	2011 US\$
<i>Current income tax</i>		
Current Income tax expense / (benefit)	(235,057)	(180,620)
Adjustments in respect of current income tax of previous years	(183,799)	-
<i>Deferred Income tax</i>		
Relating to the origination and reversal of temporary differences	(2,993)	(3,179)
Deferred tax assets not brought to account	421,849	183,799
Income tax expense reported in the statement of comprehensive income	-	-

(b) A reconciliation between tax expense and accounting loss before income tax

	2012 US\$	2011 US\$
Accounting loss before income tax	(4,847,308)	(4,360,740)
At the domestic income tax rate of 30% (Australia)	(1,454,192)	(1,308,222)
Expenditure not allowable for income tax purposes	1,212,963	1,124,423
Adjustments in respect of current income tax of previous years	(180,620)	-
Deferred tax assets not brought to account	421,849	183,799
Income tax expense reported in the statement of comprehensive income	-	-

(c) Deferred income tax

	2012 US\$	2011 US\$
Deferred income tax at 30 June 2012 relates to the following:		
<i>Deferred tax assets</i>		
Accruals	6,172	3,179
Tax losses available to offset against future taxable income	415,677	180,620
Deferred tax assets not brought to account	(421,849)	(183,799)
	-	-

The tax losses have not been recognised as their realisation is not considered probable.

6. CASH AND CASH EQUIVALENTS

	2012	2011
	US\$	US\$
Cash on hand	5,218	16,369
Cash at bank	139,766	6,611,997
	<u>144,984</u>	<u>6,628,366</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

For further information on financial risk management refer to Note 18.

(a) Reconciliation to Statement of Cash Flows

	2012	2011
	US\$	US\$
Reconciliation of net loss after tax to net cash flows from operations		
Net loss after related income tax	(4,847,308)	(4,360,740)
<i>Adjustment for non-cash income and expense items:</i>		
Depreciation	30,391	19,478
Share based payments	-	1,224,000
Unrealised foreign exchange (gains)/losses	73,202	(100,948)
<i>Changes in assets and liabilities:</i>		
(Increase) /decrease in trade and other receivables	(1,002,271)	105,162
(Increase) / decrease in prepayments	9,858	(27,895)
Increase /(decrease) in payables	(30,817)	402,327
Net cash outflow from operating activities	<u>(5,766,945)</u>	<u>(2,738,616)</u>

b) Non Cash Financing and Investing Activities

During the period ended 30 June 2011, shares were issued by Ratel Gold Limited in relation to the reorganisation of the Company. These are shown in note 10.

7. TRADE AND OTHER RECEIVABLES

	2012	2011
	US\$	US\$
VAT and GST	65,929	64,501
Other	55,816	63,750
Joint venture partner receivable	1,008,777	-
	<u>1,130,522</u>	<u>128,251</u>

Receivables are non-interest bearing and are generally on 30-90 day terms. There are no VAT and GST or Other receivables past due or impaired and it is expected that these receivables will be received when due.

The Company, in agreement with its joint venture partners, commenced the development of a heap leach mining operation at the Mkushi Copper Project. The joint venture partners agreed to enter into the development, to be funded by each joint venture partner in proportion to their interests, being 51% by Seringa Mining Limited, a

wholly owned subsidiary of the Company, and 49% by Katanga Resources Limited (a wholly owned subsidiary of African Eagle Resources Plc (“AFE”)). The joint venture partner receivable represents 49% of the development costs funded by the Company, which are due and payable by AFE under the joint venture agreement. The receivable has been outstanding greater than 90 days.

Refer to note 18 for further information on trade and other receivables.

8. PROPERTY, PLANT & EQUIPMENT

	2012	2011
	US\$	US\$
<i>Office equipment</i>		
Opening balance	199,798	217,701
Additions	4,715	1,800
Disposals	-	(197)
Depreciation expense	(30,450)	(19,479)
Foreign exchange differences	60	(27)
At 30 June, net of accumulated depreciation	<u>174,123</u>	<u>199,798</u>
<i>Processing plant and equipment under construction</i>		
Opening balance	411,405	-
Additions	638,521	411,405
Disposals	-	-
Depreciation expense	-	-
At 30 June, net of accumulated depreciation	<u>1,049,926</u>	<u>411,405</u>
Opening balance	611,203	217,701
Additions	643,235	413,205
Disposals	-	(197)
Depreciation expense	(30,450)	(19,479)
Foreign exchange differences	60	(27)
At 30 June, net of accumulated depreciation	<u>1,224,049</u>	<u>611,203</u>

9. TRADE AND OTHER PAYABLES

	2012	2011
	US\$	US\$
Trade creditors	111,666	169,121
Accrued expenses	196,775	170,138
	<u>308,441</u>	<u>339,259</u>

Trade payables are non-interest bearing and are normally settled on 30 to 60 day terms. Refer to note 18 for further information on trade and other payables.

10. ISSUED CAPITAL

	2012 Number	2011 Number	2012 US\$	2011 US\$
Issued and paid up capital:	150,000,000	150,000,000	14,493,353	14,493,353

Fully paid ordinary shares carry one vote per share and the right to dividends. The Company is authorised to issue an unlimited number of shares of no par value of a single class.

Movements in contributed equity during the period were as follows:

(a) Ordinary Shares	Number	US\$
Opening balance at 1 July 2011	150,000,000	14,493,353
Total shares on issue at 30 June 2012	<u>150,000,000</u>	<u>14,493,353</u>

	Number	US\$
Opening balance at 18 October 2010	2	2
Add: share issues	149,999,998	15,034,991
Transaction costs	-	(541,640)
Total shares on issue at 30 June 2011	<u>150,000,000</u>	<u>14,493,353</u>

On 17 December 2010 the Company issued 49,999,998 shares at an issue price of C\$0.10 per share to acquire the interest in the African assets held by Ratel Gold Limited (now St Augustine Gold and Copper Limited (“SAU”)). The Company successfully closed its initial public offering on 7 January 2011, issuing 100 million common shares and Ratel Gold (now SAU) distributed its 50 million shares to shareholders, pursuant to the terms of the Spin-out Reorganisation. Each shareholder of Ratel Gold (now SAU) was issued five common shares in the capital of Ratel Group for every nine common shares of Ratel Gold (now SAU) held on the share distribution record date of 6 January 2011, reducing Ratel Gold’s ownership to 0%, with CGA Mining Limited holding a 19.1% interest.

As part of the Spin-out Reorganisation, Ratel Group also undertook a capital raising (the “Spin-out Financing”) by way of subscription receipts to fund its future activities and to satisfy TSX original listing requirements. The subscription receipts issued in connection with the Spin-out Financing automatically converted to common shares of Ratel Group as part of the Spin-out Reorganisation on 7 January 2011, and 100,000,000 common shares of Ratel Group have been issued in connection therewith raising gross proceeds of C\$10,000,000.

Unlisted options	Number
Opening balance at 1 July 2011	12,000,000
Total options on issue at 30 June 2012	<u>12,000,000</u>

Unlisted options	Number
Opening balance at 18 October 2010	-
Add: issues during the period	12,000,000
Total options on issue at 30 June 2011	<u>12,000,000</u>

Exercisable at C\$0.25 per share on or before 22 February 2013.

Share options

The Company has a share based payment option scheme (refer to note 19) under which options to subscribe for the Company's shares will be granted to certain employees, directors and consultants.

(b) Reserves

	Acquisition	Share based payments	Total
	\$US	\$US	\$US
At 1 July 2011	(4,300,157)	1,224,000	(3,076,157)
At 30 June 2012	(4,300,157)	1,224,000	(3,076,157)

	Acquisition	Share based payments	Total
	\$US	\$US	\$US
At 18 October 2010	-	-	-
Acquisition of subsidiaries	(4,300,157)	-	(4,300,157)
Share based payments	-	1,224,000	1,224,000
At 30 June 2011	(4,300,157)	1,224,000	(3,076,157)

Nature and purpose of reserves

Acquisition reserve

The acquisition reserve is used to record the difference between the consideration transferred and the equity acquired for common control business combinations.

Share based payment reserve

The share based payment reserve is used to record the value of share based payments provided to employees, including key management personnel and directors as part of remuneration.

(c) Accumulated losses

	2012	2011
	\$US	\$US
At July 2011	(4,360,740)	-
Net loss for the period	(4,847,308)	(4,360,740)
At 30 June 2012	(9,208,048)	(4,360,740)

(d) Dividends

No dividends were paid or proposed during or since the end of the financial year.

Refer to Note 18 for information on capital risk management.

11. AUDITORS REMUNERATION

The auditor of the Company is BDO Audit (WA) Pty Ltd.

	2012	2011
	US\$	US\$
<i>Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for:</i>		
• An audit or review of the financial report of the entity and any other entity in the consolidated group.	28,672	29,667
	<u>28,672</u>	<u>29,667</u>

12. EARNINGS PER SHARE

Basic EPS is calculated as net profit/(loss) attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted EPS is calculated as net profit/(loss) attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares.

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

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

(a) Earnings/(loss) used in calculating earnings per share

	2012	2011
	US\$	US\$
For basic loss per share		
Net loss attributable to ordinary equity holders of the parent	(4,847,308)	(4,360,740)
For diluted earnings per share	n/a	n/a
Net loss attributable to ordinary equity holders of the parent	(4,847,308)	(4,360,740)

(b) Weighted average number of shares

	Number of	Number of
	Shares	Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	150,000,000	74,383,562
Effect of dilutive options	-	-
<i>Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share</i>	<u>150,000,000</u>	<u>74,383,562</u>

Options have not been included in the calculation of diluted EPS as the options are anti-dilutive.

13. SEGMENT INFORMATION

Identification of reportable segments

For management purposes the Group is organised into two operating segments which is segmented by location, Nigeria and Zambia. The primary focus of these segments is mineral exploration. The Board of Directors is the chief operating decision maker for each of these segments and monitors performance of the segments separately for the purpose of making decisions about resources to be allocated and of assessing performance.

Accounting policies

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2 to the financial statements.

The following table presents the revenue and result information regarding operating segments for the period to 30 June 2012.

Operating segment	Nigeria	Zambia	Un-allocated	Consolidated Total
	2012	2012	2012	2012
	US\$	US\$	US\$	US\$
Revenue				
Segment revenue from external customers	-	-	-	-
Interest revenue	101	-	-	101
Other revenue	-	-	2,726	2,726
Total revenue as per statement of comprehensive income	101	-	2,726	2,827
	Nigeria	Zambia	Un-allocated	Consolidated Total
Results				
Segment profit/(loss) before tax	(2,696,527)	(488,301)	-	(3,184,828)
Other revenue	-	-	-	2,726
Administrative expenses	-	-	-	(1,543,812)
Foreign exchange	-	-	-	(24,008)
Other expenses	-	-	-	(97,386)
Segment profit/(loss) before income tax as per statement of comprehensive income	-	-	-	(4,847,308)
Depreciation expense	20,286	10,165	-	30,451

	Nigeria 2012	Zambia 2012	Un-allocated 2012	Consolidated Total 2012
Segment assets	233,839	2,158,281	-	2,392,120
Corporate assets				125,472
Total assets as per statement of financial position				2,517,592
Segment liabilities	(13,486,877)	(14,737,852)	28,226,984	2,255
Corporate liabilities				(310,696)
Total liabilities as per statement of financial position				308,441

The following table presents the revenue and result information regarding operating segments for the period to 30 June 2011.

Operating segment	Nigeria	Zambia	Un-allocated	Consolidated Total
	2011 US\$	2011 US\$	2011 US\$	2011 US\$
Revenue				
Segment revenue from external customers	-	-	-	-
Interest revenue	193	-	(35)	158
Other interest revenue	-	-	6,486	6,486
Total revenue as per statement of comprehensive income	193	-	6,451	6,644
Results	Nigeria	Zambia	Un-allocated	Consolidated Total
Segment profit/(loss) before tax	(2,402,813)	(1,068,786)	851,602	(2,619,997)
Interest revenue	-	-	-	6,486
Administrative expenses	-	-	-	(1,837,571)
Foreign exchange	-	-	-	125,955
Other expenses	-	-	-	(35,613)
Segment profit/(loss) before income tax as per statement of comprehensive income	-	-	-	(4,360,740)
Depreciation expense	23,057	10,250	(13,829)	19,478

	Nigeria	Zambia	Un-allocated	Consolidated Total
Segment assets	351,871	506,955	24,595	883,421
Corporate assets				6,512,296
Total assets as per statement of financial position				7,395,717
Segment liabilities	(10,932,729)	(12,598,225)	23,428,455	(102,499)
Corporate liabilities				(236,761)
Total liabilities as per statement of financial position				(339,260)

14. RELATED PARTY DISCLOSURE

The consolidated entity consists of Ratel and its subsidiaries and joint ventures listed in the following table:

Name of Entity	Country of Incorporation	Equity Interest (%) 2012	Investment (US\$) 2012	Equity Interest (%) 2011	Investment (US\$) 2011
Controlled Entities					
CGX Limited	British Virgin Islands	100	-	100	-
Segilola Gold Ltd	Nigeria	100	-	100	-
Zambian Mining Limited	British Virgin Islands	100	-	100	-
Seringa Mining Ltd	Zambia	100	-	100	-
CAML Ghana	Ghana	-	-	100	-
Joint Ventures					
Segilola Joint Venture Co*	Nigeria*	38*	-	38*	-
Mkushi Copper Joint Venture Co Ltd	Zambia	51	-	51	-

* The ownership interest in the Segilola Joint Venture is in dispute as the Company believes it has earned a 51% interest and the joint venture partner is seeking to argue that the interest has not been validly earned and the options have not all been validly exercised. See note (b) for further details.

(a) Other transactions with related parties

Transactions with related parties

During the period ended 30 June 2012, the Group entered into transactions with related parties in the wholly-owned group:

- loans of \$4,798,282 were advanced on short term inter-company accounts;

These transactions were undertaken on the following terms and conditions:

- loans are repayable at call; and
- no interest is payable on the loans at present.

The Company has a management agreement with CGA (a 19.1% shareholder). The agreement allows for the provision of management services to be provided by CGA for an amount of \$409,563 per annum.

Subsequent to 30 June 2012 the Company entered a Loan Facility Agreement with CGA Mining Limited for the sum of \$2.5M. The facility is for a term of 24 months and the drawn portion of the facility incurs interest at a rate 9% p.a.

(b) Segilola Joint Venture

Pursuant to the Segilola Joint Venture, Segilola Gold Limited ("SGL") was granted sole and exclusive rights to earn a 51% interest.

A notice was submitted to the joint venture partner, Tropical Mines Limited ("TML"), on 30 March 2012 advising that SGL wished to acquire the final additional 13% interest in the Segilola Gold Project. On April 30, 2012 TML advised SGL that they were disputing SGL's notice on the grounds that they required a Production Sharing Contract. SGL disagrees with the position adopted by TML and believes it has validly exercised all the options to earn a 51% interest. On 1 June 2012 TML wrote to SGL denying that SGL holds a 51% beneficial interest in the tenements and pointing to irregularities in the notice of arbitration. On 18 June 2012 TML applied for and was granted interim orders in the Federal High Court of Nigeria restraining SGL from proceeding with the arbitration or commencing a new arbitration until the hearing and determination of TML's motion. On 27 June 2012 SGL consented to orders that SGL not proceed with the arbitration commenced on 18 May 2012 however SGL has disputed orders sought that SGL is required to pay TML's legal fees to defend its interest in response to the purported notice of arbitration. The matter has been adjourned to October 2012 to hear arguments on the point of costs.

SGL anticipates that subsequent to determination by the court on the matter of TML's legal costs, it will be able to proceed to issue a new notice of arbitration.

15. KEY MANAGEMENT PERSONNEL DISCLOSURES

Remuneration Policy

The remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. Given the present nature of Ratel's business, early stage production, exploration and development, the

Company believes the best way to achieve this objective is to provide executives (including executive directors) with a remuneration package consisting of fixed and variable components that reflect the person's responsibilities, duties and personal performance.

Non-executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders. Each director receives a fee for being a director of the Company as well as employer contributions to superannuation funds.

Executive Remuneration

Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis), as well as employer contributions to superannuation funds.

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

- a review by the Board of the Group's financial performance; and
- 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 Company.

Remuneration levels are reviewed as required by the compensation committee on an individual contribution basis in the form of a performance appraisal meeting. This incorporates 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 Company.

Variable Remuneration – Short Term Incentive (“STI”)

Objective

The objective of the STI program is to link the achievement of the Group's operational targets with the remuneration received by the executives charged with meeting those targets. The total STI amount available is at the discretion of the board, however it is set at a level so as to provide sufficient incentive to the executive to achieve the operational targets and such that the cost to the Company is reasonable in the circumstances.

Structure

Actual STI payments granted to each executive depend on the extent to which key Group objectives are met. The objectives typically consist of financial and non-financial, corporate and individual measures of performance. Typically included are measures such as contribution to financing and capital raising objectives, risk management and relationship management with key stakeholders. These measures were chosen as they represent the key drivers for the short term success of the business and provide a framework for delivering long term value.

STI payments are made at the discretion of the Board and remuneration committee. Amounts are determined in line with the extent to which a key business objective has

been met and the individuals responsibilities and contribution. The process occurs shortly after the key objective has been met and payments are delivered as a cash bonus upon approval, in order to closely align the achievement and reward.

STI Bonus for 2012 Financial Year and for 2011 Financial Period

For the 2012 financial year and 2011 financial period there were no STI payments made to Executives. No STI bonus amounts have been forfeited during the 2012 financial year or 2011 financial period. STI payments are made at the discretion of the Board and remuneration committee.

Variable Remuneration - Long Term Incentive ("LTI")

Objective

The objective of the LTI plan is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth.

Structure

LTI grants to executives are delivered in the form of share options under the Employees Share Option and Director Share Option plans. Share options are granted to executives based on their role and responsibilities. The options are granted on varying vesting terms designed to align the individuals' role and responsibilities with the vesting terms. The share options are granted over a period of five years before they lapse. Options granted as remuneration are determined as part of the overall review of performance and compensation. Criteria which are measured included relative share price performance over the period leading up to their grant. Details of LTI options granted and the value of options granted, exercised and lapsed during the year are set out in the tables following.

Service Agreements

In relation to directors and executives, in the case of serious misconduct, employment may be terminated without notice, and with no entitlement to termination payment. Details of the nature and amount of each element of the emolument of each director of the Company and each of the executive officers of the Company and the Consolidated Entity receiving the highest emolument for the financial year are as follows:

Details of Key Management Personnel (including the one executive of the Company)

(i) Directors

Mark Savage	Director and Chairman
Michael Carrick	Director (Non-Executive)
Ian Fisher	Director (Non-Executive) - Appointed: 15 November 2010
Ron Clarke	Director and CEO

(ii) Executives

Geoffrey Jones	Chief Executive Officer - Resigned: 31 October 2011
Ron Clarke	Chief Executive Officer - Appointed: 1 November 2011
Hannah Hudson	Chief Financial Officer

(a) Key management personnel compensation

2012	Short-term			Post-employment	Long term	Share Based	Total	Total Performance Related %	Total % of remuneration as options %
	Salary & Fees	Bonus	Non-monetary Benefits	Superannuation benefits	Benefits	Payments			
	US\$	US\$	US\$	US\$	Long Service Leave US\$	Value of Options US\$	US\$		
Directors									
Mr Michael Carrick	32,057	-	-	2,885	-	-	34,942	-	-
Mr Mark Savage	25,182	-	-	-	-	-	25,182	-	-
Mr Ian Fisher	25,247	-	-	2,272	-	-	27,519	-	-
Mr Ronald Clarke	192,284	-	-	22,442	-	-	214,726	-	-
Executives									
Mr Geoffrey Jones	41,959	-	-	-	-	-	41,959	-	-
Ms Hannah Hudson	-	-	-	-	-	-	-	-	-
Total Remuneration	316,729	-	-	27,599	-	-	344,328	-	-

2011	Short-term			Post-employment	Long term	Share	Total	Total Performance Related %	Total % of remuneration as options %
	Salary & Fees	Bonuses	Non-monetary Benefits	Benefits	Benefits	Based Payments			
	US\$	US\$	US\$	Superannuation benefits US\$	Long Service Leave US\$	Value of Options US\$			
Directors									
Mr Michael Carrick	13,071	-	-	1,176	-	204,000	218,247	-	93.47
Mr Mark Savage	13,071	-	-	-	-	204,000	217,071	-	93.98
Mr Ian Fisher	13,071	-	-	1,176	-	51,000	65,247	-	78.16
Mr Ronald Clarke	18,368	-	-	1,653	-	51,000	71,021	-	71.81
Executives									
Mr Geoffrey Jones	60,043	-	-	-	-	102,000	162,043	-	62.95
Ms Hannah Hudson	-	-	-	-	-	102,000	102,000	-	100.00
Total Remuneration	117,624	-	-	4,005	-	714,000	835,629	-	85.44

(b) Equity instrument disclosures relating to key management personnel

(i) Options Granted to Directors and Executives

30 June 2012

There were no options granted to executives of the Company during the financial year ended 30 June 2012.

30 June 2011

During the financial period, 7,000,000 options were granted to the following executives of the Company and the Consolidated entity as part of their remuneration.

30 June 2011	Granted		Fair value per option at grant date	Terms & Conditions for each Grant				Vested	
	Number	Grant date		Exercise price per option	Expiry date	First exercise date	Last exercise date	No.	%
Directors			US\$	CAD\$					
Mr Michael Carrick	2,000,000	23 Feb 11	204,000	0.25	22 Feb 13	23 Feb 11	22 Feb 13	2,000,000	100
Mr Mark Savage	2,000,000	23 Feb 11	204,000	0.25	22 Feb 13	23 Feb 11	22 Feb 13	2,000,000	100
Mr Ian Fisher	500,000	23 Feb 11	51,000	0.25	22 Feb 13	23 Feb 11	22 Feb 13	500,000	100
Mr Ronald Clarke	500,000	23 Feb 11	51,000	0.25	22 Feb 13	23 Feb 11	22 Feb 13	500,000	100
Executives									
Mr Geoffrey Jones	1,000,000	23 Feb 11	102,000	0.25	22 Feb 13	23 Feb 11	22 Feb 13	1,000,000	100
Ms Hannah Hudson	1,000,000	23 Feb 11	102,000	0.25	22 Feb 13	23 Feb 11	22 Feb 13	1,000,000	100

(ii) Share holdings

	Balance at start of period	Received during the period on exercise of options	Other changes during the period	Balance at the end of period
30 June 2012				
Directors				
Mr Michael Carrick	416,658 ^{(1) (2)}	-	-	416,658 ^{(1) (2)}
Mr Mark Savage	4,716,666	-	-	4,716,666
Mr Ian Fisher	208,332	-	-	208,332
Mr Ronald Clarke	-	-	-	-
Executives				
Mr Geoffrey Jones	-	-	-	-
Mr Ronald Clarke	-	-	-	-
Ms Hannah Hudson	41,664	-	-	41,664

(1) 138,888 shares held beneficially by Dureg Pty Ltd

(2) 277,770 shares beneficially held by Castlesprings Pty Ltd

	Balance at start of period	Received during the period on exercise of options	Other changes during the period	Balance at the end of period
30 June 2011				
Directors				
Mr Michael Carrick	-	-	416,658	416,658 ^{(1) (2)}
Mr Mark Savage	-	-	4,716,666	4,716,666
Mr Ian Fisher	-	-	208,332	208,332
Mr Ronald Clarke	-	-	-	-
Executives				
Mr Geoffrey Jones	-	-	-	-
Ms Hannah Hudson	-	-	41,664	41,664

(1) 138,888 shares held beneficially by Dureg Pty Ltd

(2) 277,770 shares beneficially held by Castlesprings Pty Ltd

16. PARENT ENTITY INFORMATION

	2012 US\$	2011 US\$
Information relating to Ratel:		
Current assets	125,468	6,512,292
Total assets	125,468	6,512,296
Current liabilities	(310,697)	(236,761)
Total liabilities	(310,697)	(236,761)
Issued capital	14,493,353	14,493,353
Share option reserve	1,224,000	1,224,000
Asset acquisition reserve	(4,974,629)	(4,974,629)
Accumulated losses	(10,927,949)	(4,467,189)
Total shareholders equity/(deficiency)	(185,225)	6,275,535
Profit/(loss) of the parent entity	(6,460,760)	(4,467,189)
Total comprehensive income/(loss) of the parent entity	(6,460,760)	(4,467,189)

17. COMMITMENT AND CONTINGENCIES

At 30 June 2012 the Group had the following outstanding commitments and contingencies requiring disclosure:

\$409,563 for provision of, serviced office, company secretarial, administrative, accounting and management services by CGA Mining Limited that came in effect on the Company listing on the TSX, which was January 4, 2011.

Ratel Group Limited has been joined in proceedings in Ghana which have been stayed pending the outcome of arbitral proceedings in the London Court of International Arbitration ("LCIA"). Westchester Resources Limited is currently seeking to have the stay order set aside. The matter will be heard on 17 October 2012 and Ratel Group is confident that the order will not be set aside as the facts have not changed from when the order was granted. The dispute involves joint venture partners Westchester Resources Limited and CAML Ghana Limited both Ghanaian entities. Westchester is disputing CAML Ghana's claim that it holds a 51% interest in the JVA property. Whilst neither Westchester nor CAML Ghana are related to Ratel Group, Westchester sought to enjoin Ratel Group in the dispute with CAML Ghana on the basis that Ratel Group had subsequent to its listing on the TSX, entered into an agreement to acquire CAML Ghana. However as the required Ministerial consent to the change of control of CAML Ghana was not obtained, the acquisition was ultimately terminated approximately 18 months after the attempted exercise of the option to change control of CAML Ghana by Ratel Gold Limited (now St Augustine) who previously owned 100% of Ratel Group Limited.

Subsequent to the proceedings in Ghana being stayed, Ratel Group has joined the LCIA arbitration in order to take advantage of any decision of the LCIA. The parties, including Ratel Group, will seek to have the LCIA decision enforced in Ghana in order to prevent Westchester recommencing proceedings in Ghana. Westchester, subsequent to filing its Statement of Defence, has advised the LCIA that it has withdrawn from the proceedings.

The proceedings however are continuing and Ratel believes its exposure to any adverse outcome is minimal.

As discussed in note 14(b), SGL has disputed orders sought that SGL is required to pay TML's legal fees to defend its interest in response to the purported notice of arbitration in relation to the disputed ownership interest in the Segilola Joint Venture. The matter has been adjourned to October 2012 to hear arguments on the point of costs.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, receivables, payables and borrowings. The Group currently has in place an active program of financial forecasting and budgeting both at a corporate and project level to manage both the application of funds and planning for future financial needs to ensure that any shortfall in funds is adequately covered by cash reserves or planned new sources being either debt or equity based on the then most cost effective weighted average cost of capital.

Risk management is carried out by management and the board of directors of the ultimate parent company (the "Board") under policies approved by the Board. The Board also provides regular guidance for overall risk management, including guidance on specific areas, such as mitigating foreign exchange, interest rate and credit risk.

The Group does not enter into financial instruments, including derivative financial instruments, for trade or speculative purposes.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for trading in derivatives, credit limits and future cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Net fair values

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their respective net fair values, determined in accordance with the accounting policies disclosed in note 2.

Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Group's maximum exposures to credit risk at the reporting date in relation to each class of financial asset is the carrying amounts of those assets as indicated in the statement of financial position. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, which comprise 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. The Group monitors this credit risk through holding its cash through

banks with a Standard and Poors credit rating of 'A' or greater. The credit risk associated with cash and cash equivalents is considered negligible by the Group. The Group does not hold collateral as security. As discussed in note 7, the Company has recognised a receivable from its joint venture partner in the Mkushi Copper Project. The joint venture partner receivable represents 49% of the development costs funded by the Company on the agreed heap leach operation since the development began in the last quarter of the 2011 financial year. The amount is currently past 90 days due and payable by AFE. The joint venture partner has not yet indicated a date at which it intends to repay the receivable to the Company. The Company intends to seek full repayment of the receivable.

The Group does not have any other receivables past due or impaired.

Interest rate risk

At balance date, the Group's maximum exposure to interest rate risk is as follows:

	2012	2011
	US\$	US\$
Cash and cash equivalents		
US\$ balances held	92,621	6,402,608
	<u>92,621</u>	<u>6,402,608</u>

The Group constantly analyses its interest rate exposure. Consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

The Group's policy is to manage its exposure to interest rate risk by holding cash in short term fixed rate deposits and variable rate deposits. The Group's exposure to interest rate risk on post-tax profit or loss arises from higher or lower interest income from cash and cash equivalents.

Foreign currency risk

The Group's policy is to manage its foreign currency exposure through holding its cash largely in USD, being the same currency as the majority of its costs. As a result the Group does not have a material exposure to foreign currency risk.

At reporting date, the Group had the following exposure to foreign currencies (ZMK), (NGN), (AUD), (EUR) and (CAD) on financial instruments that are not designated as cash flow hedges:

	2012	2011
	US\$	US\$
Financial Assets		
Cash and cash equivalents	52,363	209,408
Trade and other receivables	121,745	111,044
Prepayments	18,037	-
	<u>192,145</u>	<u>320,452</u>
Financial Liabilities		
Trade and other payables	289,318	102,499
	<u>289,318</u>	<u>102,499</u>
Net exposure	<u>(97,173)</u>	<u>217,953</u>

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will maintain sufficient cash or credit terms with its suppliers to meet the operating requirements of the business and invest excess funds in highly liquid short term cash deposits. Maintaining surplus working capital in highly liquid short term deposits allows the Company to meet its primary objectives by being able to fund new development and acquisition opportunities at short notice.

The responsibility for liquidity risk rests with the Board of Directors. The Group's liquidity needs can likely be met through cash on hand, short and long-term borrowings subject to the current forecast operating parameters being met.

The contractual maturities of the Group's financial liabilities are as follows:

	2012	2011
	US\$	US\$
Within one month		
Trade creditors	185,512	339,259
One Month or later and no later than one year		
Trade creditors	122,929	-
	<u>308,441</u>	<u>339,259</u>

On 4 September 2012 the Company entered a Loan Facility Agreement with CGA Mining Limited for the sum of \$2.5M. The facility is for a term of 24 months and the drawn portion of the facility incurs interest at a rate 9% p.a.

The Company manages liquidity risk through maintaining sufficient cash loan facilities or credit terms with its suppliers to meet the operating requirements of the business and investing excess funds in highly liquid short term cash deposits. The Company's liquidity needs can likely be met through existing cash on hand and the Loan Facility Agreement with CGA Mining Limited. These will likely be sufficient to meet our necessary capital requirements, subject to the current forecast operating parameters being met.

Sensitivity Analysis

The following table summarises the sensitivity of the Group's financial assets and liabilities to interest rate risk and foreign exchange rate risk. Had the relevant variables, as illustrated in the tables, moved, with all other variables held constant, post tax profit and equity would have been affected as shown.

Consolidated 30 June 2012			Interest rate risk				Foreign exchange risk			
Financial assets	Note	Carrying Amount \$	Negative movement		Positive movement		Negative movement		Positive movement	
			Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Cash and cash equivalents										
USD	2	92,621	(926)	(926)	926	926	-	-	-	-
AUD	1,2	11,550	(115)	(115)	115	115	(1,155)	(1,155)	1,155	1,155
CAD	1,2	6,003	(60)	(60)	60	60	(600)	(600)	600	600
EUR	1,2	24,349	(243)	(243)	243	243	(2,435)	(2,435)	2,435	2,435
NGN	1,2	7,499	(75)	(75)	75	75	(749)	(749)	749	749
ZMK	1,2	3,063	(31)	(31)	31	31	(306)	(306)	306	306

1.The sensitivities show the net effect of a 10% movement in the USD against the AUD, CAD, EUR, NGN, and ZMK. Sensitivity rates have been based on 12 month averages.

2.The sensitivities show the net effect of a 1% movement in AUD and USD interest rates, respectively. Sensitivity rates have been based on 12 month averages.

Consolidated 30 June 2011			Interest rate risk				Foreign exchange risk			
Financial assets	Note	Carrying Amount \$	Negative movement		Positive movement		Negative movement		Positive movement	
			Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Cash and cash equivalents										
USD	2	6,402,608	(64,026)	(64,026)	64,026	64,026	-	-	-	-
AUD	1,2	146,081	(1,460)	(1,460)	1,460	1,460	(14,608)	(14,608)	14,608	14,608
CAD	1,2	31,385	(314)	(314)	314	314	(3,138)	(3,138)	3,138	3,138
GHS	1,2	24,368	(244)	(244)	244	244	(2,437)	(2,437)	2,437	2,437
NGN	1,2	7,122	(71)	(71)	71	71	(712)	(712)	712	712
ZMK	1,2	451	(4)	(4)	4	4	(45)	(45)	45	45

1.The sensitivities show the net effect of a 10% movement in the USD against the AUD, CAD, GHS, NGN, and ZMK. Sensitivity rates have been based on 12 month averages.

2.The sensitivities show the net effect of a 1% movement in AUD and USD interest rates, respectively. Sensitivity rates have been based on 12 month averages.

Capital risk management

The Group's total capital is defined as equity attributable to equity holders of the parent and cash and cash equivalents amounted to (\$83,333) at 30 June 2012.

The Group's capital management objectives are to safeguard the business as a going concern, to maintain a capital base sufficient to maintain future exploration and development of its projects. Management may issue more shares or repay debts in order to maintain the optimal capital structure.

The Group does not have a target debt/equity ratio, but maintains a flexible financing structure so as to be able to take advantage of new investment opportunities that may arise. The Group monitors its capital risk management through annual cash flow projections and monthly reporting against budget.

19. SHARE BASED PAYMENTS

Employee and director option plan

On 15 October 2010 the Board approved an option plan whereby Directors and Employees could be issued options in the Company. At 30 June 2012 a total of 12,000,000 options were on issue with the following terms:

- 12,000,000 options with an exercise price of C\$0.25, vesting 23 February 2011 and expiring on 22 February 2013.

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

When exercisable, each option is convertible into one ordinary share.

The exercise price of options is based on the weighted average price at which the company's shares are traded on the Toronto Stock Exchange (TSX) during the week up to and including the date of the grant.

(a) Information with respect to the number of options granted

Grant date	Expiry date	Exercise price (CAD\$)	Number of Options at the beginning of the period	Options granted	Options exercised	Options cancelled	Number of Options at End of Period		Number of shares Issued	Fair Value of Options at Grant Date (US\$)	Fair Value Aggregate (US\$)
							Option balance at end of period	Vested			
2011 23 Feb 2011	22 Feb 2013	0.25	-	12,000,000	-	-	12,000,000	12,000,000	-	0.102	1,224,000

(b) Summary of options granted under the option plan

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options issued during the period:

	2012 No.	2012 WAEP (US\$)	2011 No.	2011 WAEP (US\$)
Outstanding at the beginning of the period	12,000,000	0.25	-	-
Granted during the period	-	-	12,000,000	0.25
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding at the end of the period	12,000,000	0.25	12,000,000	0.25
Exercisable at the end of the period	12,000,000	0.25	12,000,000	0.25

20. EVENTS AFTER REPORTING DATE

Subsequent to 30 June 2012 the Company has drawn down \$814,063 on the Loan Facility Agreement with CGA Mining Limited.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of the Company, I state that in the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the period from incorporation to the 30 June 2012; and
 - (ii) comply with International Accounting Standards; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.

A handwritten signature in black ink, appearing to read 'M Carrick', is enclosed within a thin black rectangular border.

MICHAEL CARRICK
Director

Perth, 28 September 2012



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

28 September 2012

The Directors
Ratel Group Limited
Level 5, BGC Centre
28 The Esplanade
PERTH WA 6000

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF RATEL GROUP LIMITED

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

- any applicable code of professional conduct of the International professional accounting bodies in relation to the audit.

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

Peter Toll
Director

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Perth, Western Australia



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RATEL GROUP LIMITED

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with International Financial Reporting Standards 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 2 (c), the directors also state, that the financial statements comply with *International Financial Reporting Standards* as issued by the International Accounting Standards Board.

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 International Financial Reporting Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the International Accounting Standards Board. We confirm that the independence declaration, which has been given to the directors of Ratel Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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



Opinion

In our opinion;

- (a) the financial report presents fairly, in all material respects, the financial position of the consolidated entity, as at 30 June 2012, and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2 (c).

BDO Audit (WA) Pty Ltd

BDO


Peter Toll
Director

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