Phoenix Gold Limited
and Controlled Entities
ABN 55 140 269 316

Annual Financial Report

For the year ended 30 June 2013

Contents

Corporate Directory

DIRECTORS
Dale Clark Rogers (Non-Executive Chairman)
Jonathan Paul Price (Managing Director)
Stuart Hall (Non-Executive Director)

COMPANY SECRETARY
Ian Edward Gregory

REGISTERED & HEAD OFFICE
73 Dugan Street
KALGOORLIE WA 6430

HOME STOCK EXCHANGE
Australian Securities Exchange Limited
Level 2, Exchange Plaza
2 The Esplanade
PERTH WA 6000

ASX Code: PXG

AUDITORS
PKF Mack & Co
Level 4
35 Havelock Street
WEST PERTH WA 6005
Tel: (08) 9426 8999
Fax: (08) 9426 8900

SHARE REGISTRY
Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building,
45 St Georges Terrace,
PERTH WA 6000

WEBSITE
www.phoenixgold.com.au

Directors' Report

Your directors present the following report on Phoenix Gold Limited (the Company) and the entities (Group) it controlled at the end of, or during, the financial year ended 30 June 2013.

1. DETAILS OF DIRECTORS AND OFFICERS

Directors holding office during and up to the date of this report are:

Dale Rogers Non-Executive Chairman

Qualifications & Experience	Mr Rogers is a Mining Engineer with almost 30 years experience in the mining industry. He has experience developing and operating underground and open cut mining operations in a range of commodities. His broad range of historical roles includes operations management, project construction and development, corporate management and financing. He has developed and managed operations in Africa, South America and throughout Western Australia. Mr. Rogers is the non-executive chairman of Primary Gold Limited a company listed on the Australian Securities Exchange.
Directorships of other listed companies	Primary Gold Limited (ASX: PGO)
Interest in Shares	7,033,334
Interest in Options	3,000,000

Jonathan Price Managing Director

Qualifications & Experience	Mr Price is a Metallurgist and Minerals Economist with over 25 years experience in the gold sector. He has developed open cut and underground operations near Kalgoorlie and project managed milling and heap leaching projects in Australia and overseas. He was formerly General Manager of the Paddington Gold Operations and prior to that role General Manager of St Ives gold mines in the Goldfields.
Directorships of other listed companies	Nil
Interest in Shares	7,150,000
Interest in Options	6,000,000

Directors' Report Continued

Stuart Hall Non-Executive Director (appointed 7 May 2013)

Qualifications & Experience	Mr Hall is a qualified geologist with over 40 years' experience of exploration and mining projects in Australia, Africa and South East Asia. He has experience in the areas of exploration and mine geology, open pit and underground mining operations, resource/reserve estimations, feasibility studies, mine project development and mine management. His experience has covered a wide range of commodities including base metals, gold, iron ore, tantalum and industrial minerals.
Directorships of other listed companies	Mr Hall currently runs his own geological consultancy and is a non-executive director for Horseshoe Metals Limited (ASX:HOR)
Interest in Shares	Nil
Interest in Options	Nil

Clay Gordon Non-Executive Director (resigned 31 May 2013)

Qualifications & Experience	Mr Gordon is a Geologist with 25 years experience in gold projects, business development and project valuation in Australia, Africa and elsewhere. He is also Managing Director of Mining Assets, a mining project sales company. Mr Gordon is the Managing Director of Primary Gold Limited a company listed on the Australian Securities Exchange.
Directorships of other listed companies	Primary Gold Limited (ASX: PGO)
Interest in Shares	922,500
Interest in Options	2,850,000

Directors' Report Continued

COMPANY SECRETARY

The Company Secretary, Mr Ian Gregory, B.Bus, FCIS, FCSA, MAICD was appointed on 21 September 2010.

Mr Gregory is a Company Secretary with over 28 years experience in the provision of company secretarial and business administration services to listed and unlisted companies. Companies for which Mr Gregory has acted as Company Secretary include Iluka Resources Limited, IBJ Australia Bank Limited and the Griffin Coal Mining Group of companies. Mr Gregory currently consults on secretarial matters to a number of listed and unlisted companies. He is a past chairman of the WA State Council of Chartered Secretaries Australia.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company and Group during the financial year was mineral exploration.

There were no significant changes in the nature of the Company's or the Group's principal activities during the financial year.

3. OPERATING RESULTS

The consolidated loss of the Group after providing for income tax amounted to $2,398,821 (2012: $4,947,332).

Net assets of the Group amounted to $42,295,253 (2012: $18,924,719). This increase resulted from an increase in issued capital of $26,249,266 during the year.

4. DIVIDENDS PAID OR RECOMMENDED

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

5. REVIEW OF OPERATIONS

Overview

As of June 30, 2013 the Company had an interest in 326 tenements covering an area of 529 square kilometres. All tenements are located in the Eastern Goldfields of Western Australia and within a 60 kilometre radius northwest of Kalgoorlie in the historic mining centres of Ora Banda, Grants Patch, Carbine-Zuleika and Kunanalling. All exploration activities conducted by the Company were focussed on these tenement holdings.

The Company's aim is to significantly increase its gold Resources through diligent exploration across its prospective tenement holdings, with a focus on key project areas. To this aim the Company has already successfully increased its total JORC Mineral Resources to **2.52 million ounces gold** (Table 1), through the addition of over 685,000 ounces gold for an **increase of 37%** from the Resource position last year.

During the year drilling programmes were focussed on the Company's flagship project at Castle Hill as well as high potential prospects in neighbouring project areas including Broads Dam and the new Telegraph prospect. All drill programmes successfully tested the continuity and potential for extensions to known mineralisation with a high percentage of holes returning significant intercepts of gold mineralisation.

In total, 56,469 metres of Reverse Circulation ("RC") and Diamond drilling were completed predominantly at Castle Hill and Broads Dam. RC drilling totalled 49,080 metres, Diamond drilling totalled 2,849 and 4,540 metres were completed for metallurgical and geotechnical evaluation. Drilling at Castle Hill totalled 44,037 metres with 12,432 metres completed at Red Dam, Blue Funnel, Broads Dam and Telegraph.

Directors' Report Continued

5. REVIEW OF OPERATIONS (CONTINUED)

Compilation of historic exploration data relating to the Company's tenement holdings has also been an important activity and continues to assist in the identification of prospective areas and possible strategic acquisitions.

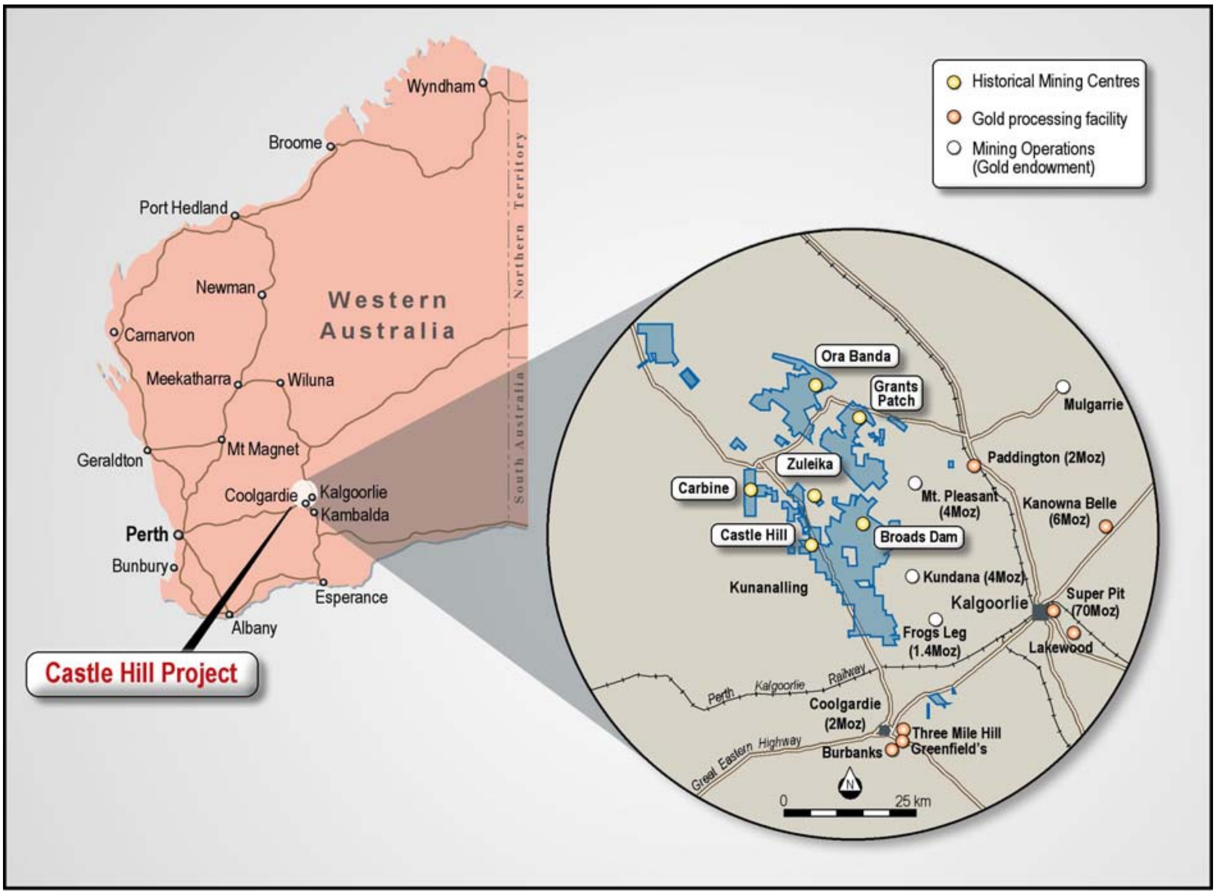

Figure 1. Project Location

Table 1: Mineral Resources and Mineral Reserves (as of June 30, 2013)

Project	Measured Mineral Resource			Indicated Mineral Resource			Inferred Mineral Resource			Total Mineral Resource		
	Mt	Au (g/t)	Au Oz	Mt	Au(g/t)	Au oz	Mt	Au (g/t)	Au Oz	Mt	Au (g/t)	Au Oz
Castle Hill	0.18	3.4	20,000	7.26	1.6	364,000	16.11	1.5	794,000	23.54	1.6	1,178,000
Broads Dam				2.37	2.2	168,000	3.44	2.2	242,000	5.81	2.2	409,000
Kunanalling	0.58	2.4	45,000	1.51	1.6	76,000	4.28	1.7	237,000	6.37	1.7	358,000
Ora Banda				3.11	1.9	187,000	3.53	1.9	210,000	6.64	1.9	397,000
Carbine				1.97	1.6	103,000	0.09	1.8	5,000	2.06	1.6	108,000
Zuleika North				0.51	2.5	41,000	0.27	2.5	22,000	0.78	2.5	63,000
Stockpiles				0.14	1.5	7,000				0.14	1.5	7,000
Total	0.76	2.6	65,000	16.86	1.7	945,000	27.72	1.7	1,510,000	45.35	1.7	2,520,000

Directors' Report Continued

5. REVIEW OF OPERATIONS (CONTINUED)

Project - Mill Feed	Proven Mineral Reserve			Probable Mineral Reserve			Total Mineral Reserve			Cut off
	Mt	Au (g/t)	Au Oz	Mt	Au(g/t)	Au oz	Mt	Au (g/t)	Au Oz	g/t
Castle Hill	0.05	2.69	5,000	4.43	1.31	186,000	4.49	1.32	191,000	0.7
Broads Dam				1.67	2.14	115,000	1.67	2.14	115,000	0.7
Kunanalling	0.54	2.10	36,000	0.02	1.72	1,000	0.56	2.09	38,000	0.9
Ora Banda				0.58	2.33	44,000	0.58	2.33	44,000	0.8
Carbine				1.27	1.51	62,000	1.27	1.51	62,000	0.7
Sub total - mill feed	0.59	2.16	41,000	7.97	1.59	408,000	8.57	1.63	450,000	
Project - Heap leach feed										
Castle Hill				5.4	0.60	104,000	5.36	0.60	104,000	0.4
Stockpiles				0.14	1.52	7,000	0.14	1.52	7,000	
Sub total - Heap leach feed				5.50	0.63	111,000	5.5	0.63	111,000	
Total	0.59	2.15	41,000	13.47	1.20	518,000	14.07	1.24	559,000	

Notes:

1. Stockpiles report material mined from historical mining operations at Lady Jane, Broads Dam, Premier, Catherwood, Bluebell, Mick Adam and Shamrock.
2. The information in this report that relates to Exploration results and Mineral Resources is based on information compiled by Mr Ian Copeland. Mr Copeland, who is a member of the Australasian Institute of Mining and Metallurgy and a member of the Australian Institute of Geoscientists, is a full time employee of Phoenix Gold. Mr Copeland has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a competent person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Copeland has given his consent to the inclusion in the report of matters based on the information in the form and context in which it appears.
3. Information that relates to exploration and production targets refers to targets that are conceptual in nature, where there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.
4. The information on exploration targets is based on a conceptual range of targets as follows: Tonnage range: 2 million to 20 million tonnes, grade range: 1.5 g/t Au to 5 g/t Au Au

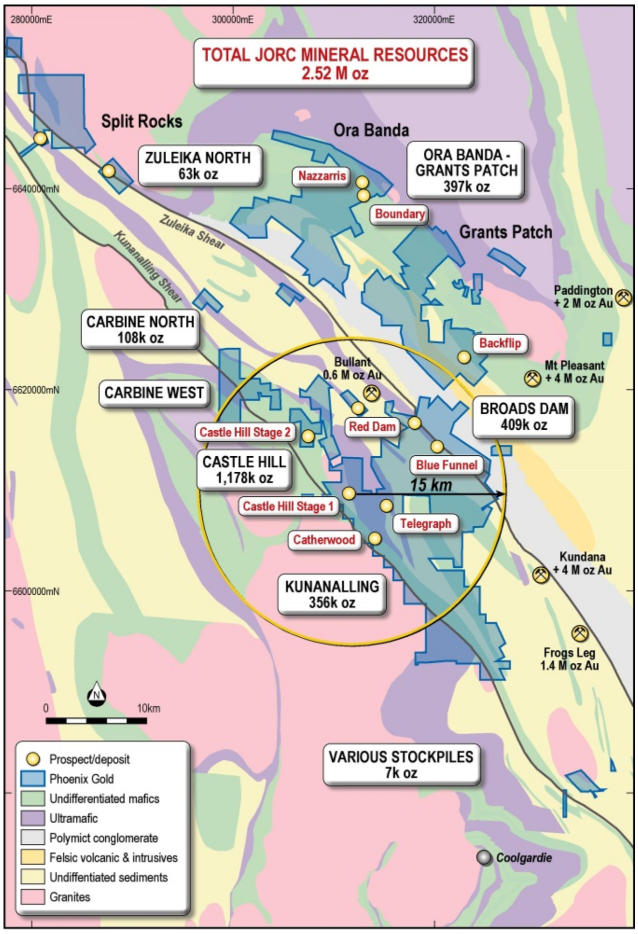

Figure 2. Project tenement locations

Directors' Report Continued

5. REVIEW OF OPERATIONS (CONTINUED)

Exploration
The **Castle Hill Project,** located adjacent to the historic Kunanalling mining area, approximately 50 kilometres northwest of Kalgoorlie, has emerged as a major exploration centre for the Company. Following recent drilling and evaluation of the historical exploration data base, Phoenix has increased the Mineral Resource at Castle Hill to **23.54 million tonnes at 1.6 g/t Au for 1,178,000 ounces** (Table 1) representing a **80% increase** from the Resource reported last year of 655,000 ounces. The current Resource envelope extends only 90m depth from surface and a large, 217,000 metres drilling program consisting both reverse circulation and diamond drilling commenced in December 2012.

Project geology is dominated by the Kunanalling Shear, a northwest trending lineament akin to the prolific Zuleika Shear 10 kilometres to the east. Continuous gold mineralisation hosted within granitic and basaltic rocks has been defined along the shear for a strike length of over 9 kilometres. Mineralisation is amenable to open pit mining being generally near surface, free milling and comprising both large tonnage, base-load style mineralisation adjacent to higher-grade, shear-hosted lodes.

The mineralised system at Castle Hill remains open along strike and at depth and the Company believes the Project has the potential to become a very large multi-stage gold camp. As such, it will be a focus of exploration over the next 12 to 24 months. The programme will comprise infill drilling to improve the geological confidence and convert material from the JORC Inferred category to Measured and Indicated for inclusion in the open pit reserve study. In addition, further strike and depth extensions will be tested in the Castle Hill and Broads Dam areas.

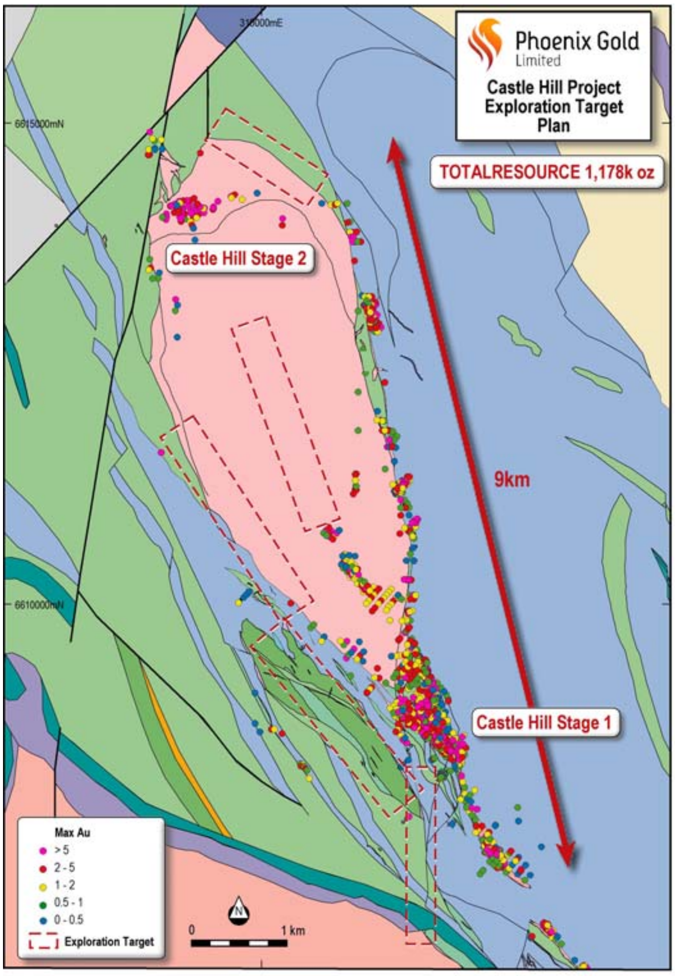

Figure 3. Castle Hill Project

Directors' Report Continued

5. REVIEW OF OPERATIONS (CONTINUED)

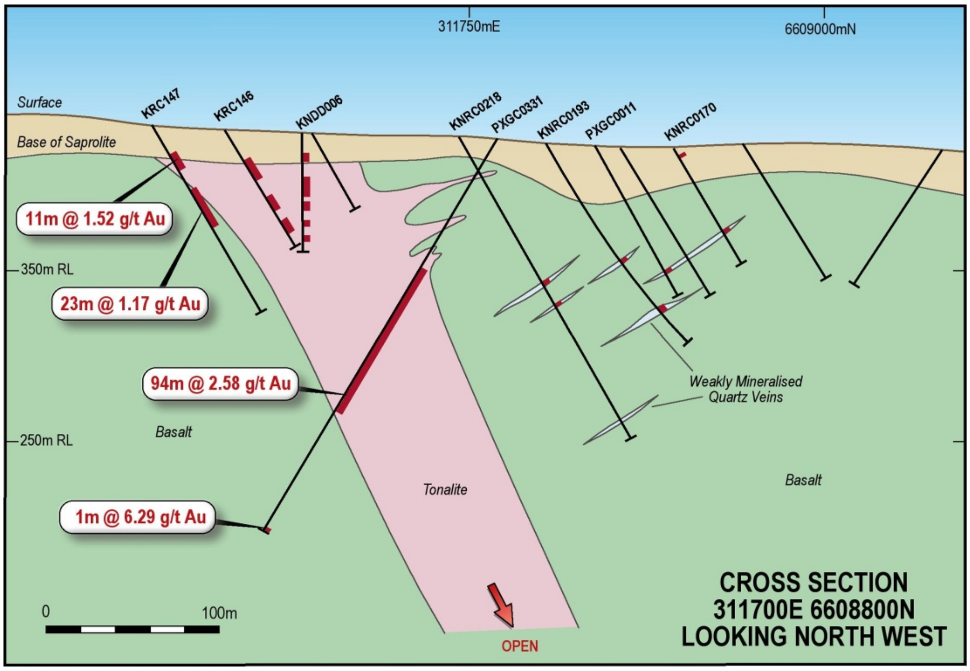

Figure 4. Mineralisation within the Castle Hill Tonalite

During the year, the Company continued to complete strategic acquisitions of key tenements to form the second major exploration centre, the **Broads Dam Project**. Broads Dam is located on the Zuleika Shear, 15km east of Castle Hill, which is renowned for hosting multi million ounce gold deposits. For example the +6 million ounce Kundana camp is located 10 kilometres to the south of Phoenix's Broads Dam Project.

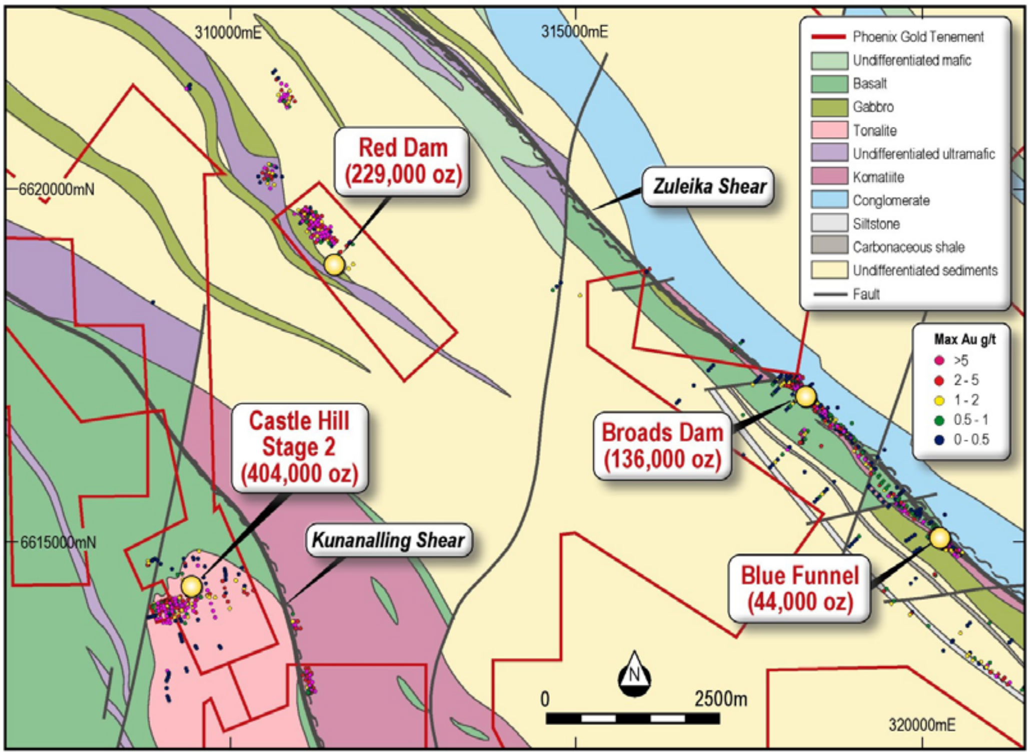

Figure 5. Broads Dam location and project geology

Directors' Report Continued

5. REVIEW OF OPERATIONS (CONTINUED)

Broads Dam is less than 15 kilometres from the Company's Castle Hill Project and contains known gold resources and several shallow oxide open pits which were mined in the 1980s and early 1990s. Significantly, the area lacks recent exploration as tenure was fractured after mining ceased with ownership divided between several companies.

Following the reconsolidation of this area, Phoenix has increased the Mineral Resource to **5.81 million tonnes at 2.2 g/t Au for 409,000 ounces** (Table 1) following a 7,700m drilling programme at the Company's Red Dam gold project (Figures 2 and 5). The Company believes it is a Project with excellent exploration and development potential with a similar geological setting to surrounding open cut and underground mines in the region.

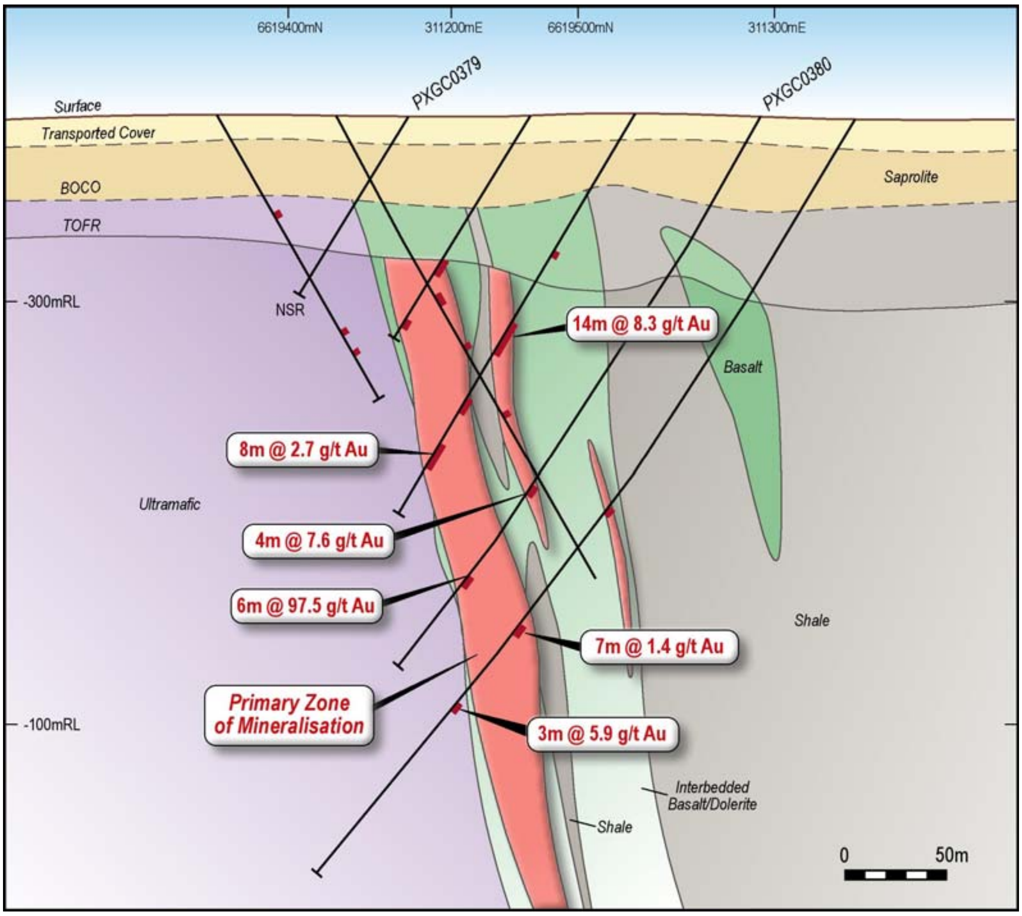

Figure 6. Red Dam project cross section

Overall, Phoenix completed 10,000 metres of RC and diamond drilling at Broads Dam predominantly at the Red Dam and Blue Funnel projects. A significant diamond drill program is planned for the 2014 financial year to continue testing the depth potential of the Broads Dam project area.

Directors' Report Continued

5. REVIEW OF OPERATIONS (CONTINUED)

Project Evaluation

Phoenix has identified several opportunities to generate cash flow to fund ongoing exploration and achieve its aim of significantly growing its resource base. Stockpile sales have continued through the year, the Catherwood mine has been developed, and the Blue Funnel mine feasibility study was completed.

In October, Phoenix executed a Right to Mine Agreement with Norton Gold Fields (ASX: NGF, "Norton") for the development of the eastern cutback of the Catherwood gold project located in the Eastern Goldfields of Western Australia (Figure 1).

Under the terms of the agreement, Norton will mine the ore and transport on existing haul roads for processing at Norton's 3.5Mtpa Paddington processing facility, 35 kilometres east of Phoenix's Catherwood project. Phoenix will not be required to contribute any capital towards the mining, transport or processing of ore.

Payment to Phoenix will be on an A$ per production ounce basis with a guaranteed floor price. Both parties will share in any upside should the mine exceed the geological model and mine design estimates. The agreement covers the mining of Stage 1 of the Catherwood mine comprising an open pit cutback (Figure 7) to expose the hanging wall lodes containing an estimated 19,000 ounces grading 2.4g/t (Table 1). Phoenix retains 100% ownership of the project and will complete mining studies on Stage 2 and continue to explore the significant potential for mineralisation along strike and particularly at depth.

Mining commenced in December and was completed in June with ore processing continuing into the 2014 financial year.

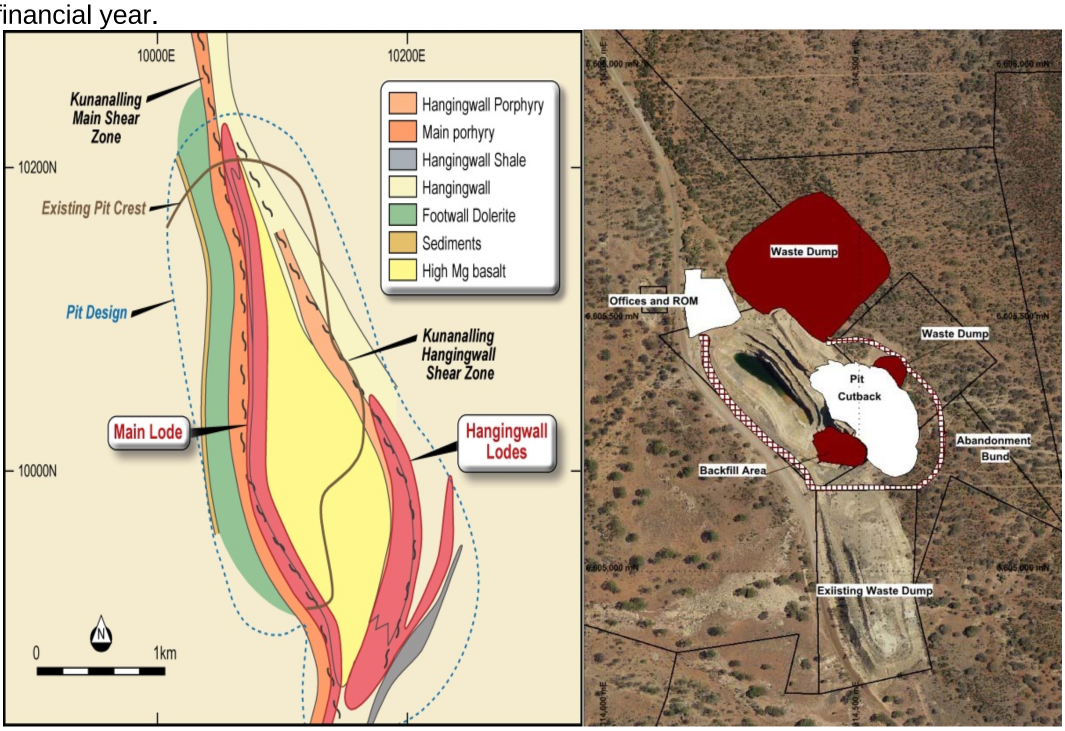

Figure 7. Catherwood project geology and cutback design

The second of these opportunities is Blue Funnel where additional grade control drilling, geological modelling and mine optimisation work was completed during the year and a feasibility study released.

Directors' Report Continued

5. REVIEW OF OPERATIONS (CONTINUED)

Following the update to the geological model for Blue Funnel, a mining study was completed in May 2012 to determine the economic feasibility of mining the remaining lodes within the pit and completing a small cut back to the south.

In June, the Phoenix Board approved development of the Blue Funnel project under Phoenix management using local contractors and toll treatment of the ore at FMR Investment's Greenfields toll milling facility.

The decision to proceed with the Blue Funnel development follows the completion of close spaced grade control drilling and an updated grade control model. The mine optimisation / design study was completed by Goldfields Mining Services and demonstrated that Stage 1 met Phoenix's internal cost and margin targets for small scale mining projects.

Key operating and financial results from the study include:

Mining		
Ore Mined	bcm	36,977
Waste Mined	bcm	193,056
Stripping Ratio	w/o	5.2
Mine life	months	3
Milling		
Ore Milled	dt	85,800
Mill feed grade	g/t Au	3.52
Metallurgical recovery	%	93
Ounces recovered	oz	9,030
Financials*		
Revenue at A$1,350/oz gold price	A$M	12.2
Capital costs	A$M	(0.23)
Total operating costs	A$M	(7.80)
Royalties	A$M	(0.83)
Total cash cost	*A$/oz*	*981*
Cash surplus (before tax)	**A$M**	**3.3**

*Assumes 100% ownership (Phoenix owns 95% of the Blue Funnel project)

Directors' Report Continued

5. REVIEW OF OPERATIONS (CONTINUED)

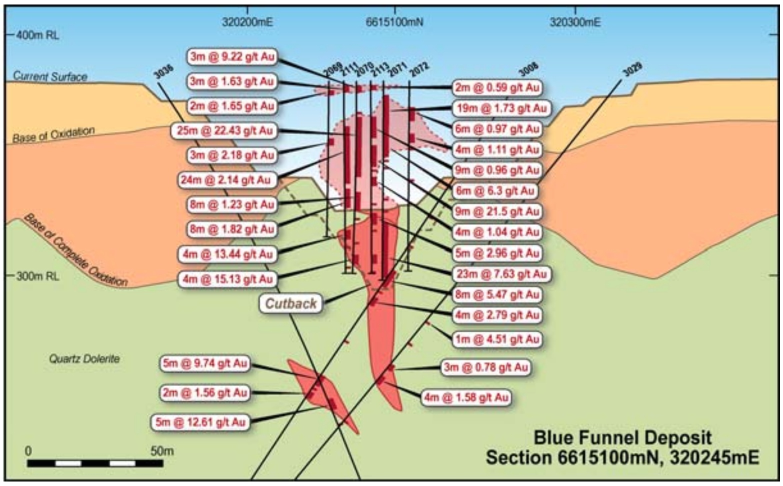

Figure 8. Blue Funnel project

In October, Phoenix released the results of a five year mine plan, the conceptual mining study demonstrating a robust and highly profitable project.

The five year Mine Plan delivered the following metrics:

- Maximum annual gold production (yr4) 135,000 ounces
- Capital Cost A$131 million
- Cash Operating Cost (5yr pre royalties) A$840 per ounce
- Revenue over 5 years (A$1,600/oz) A$915,900,000
- Net Cash Flow (before Capex, royalties and tax) A$435,800,000

The study centred on Castle Hill and Broads Dam being within a 15km radius of a proposed milling facility. On completion of the study, the Board has approved completion of a Definitive Feasibility Study ("DFS") by December 2013.

Major focus for 2013

In 2013, Phoenix has focussed on the growth of Resources, completing Feasibility studies on advanced mining projects to generate early cash flow and the completion of a Conceptual Mining Study leading to commencement of the DFS.

In 2014, Phoenix aims to

- Continue to explore high priority targets to expand the current Resource base, particularly Castle Hill, Broads Dam and Ora Banda.
- Complete the DFS and deliver a bankable 8-10 year mine plan at 100,000 ounces per annum
- Monetise historical stockpiles and smaller scale mining projects to generate cash
- Develop development options for presentation to the Board in December 2013
- Acquire assets with direct synergy to the growth of the business.

6. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the Company occurred during the financial period:

Directors' Report Continued

6. SIGNIFICANT CHANGES IN STATE OF AFFAIRS (CONTINUED)

1. On 10th August 2012, the Company issued 8,000,000 shares at $0.23 cents per share for a total consideration of $1,840,000 and final instalment of $50,000 paid in cash as part consideration for the Red Dam Acquisition.
2. On 22nd August 2012, the Company issued 1,600,000 shares at $0.21 cents per share for a total consideration of $336,000 and final instalment of $375,000 paid in cash as part consideration for the Kintore Gold Acquisition.
3. On 16th October 2012, the Company issued 1,620,000 shares at $0.20 cents per share for a total consideration of $324,000 and final instalment of $350,000 paid in cash as part consideration for the Kalgoorlie West Gold Acquisition.
4. On 29th of October 2012, the Company issued 35,000,000 shares at 30 cents per share for a total consideration of $10,500,000 being the first tranche of a placement.
5. On 5th of December 2012, the Company issued 31,666,667 shares at 30 cents per share for a total consideration of $9,500,000 being the second tranche of a placement.
6. On 5th December 2012 the Company issued 10,320,000 shares at 30 cents per share for a total consideration of $3,096,000 being the share purchase plan.
7. On 10th June 2013 the Company issued 5,300,000 unlisted options with an exercise price of 33 cents per share and an expiry date of 10th June 2016 in accordance with the employee share option plan approved by shareholders.
8. On 19th June 2013, the Company issued 100,000 shares at $0.14 cents per share for a total consideration of $14,000 and $30,000 paid in cash as consideration for the Kintore Tenement Acquisition.

7. AFTER REPORTING DATE EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

8. FUTURE DEVELOPMENTS

Phoenix Gold remains committed to building shareholder value by continuing to explore and develop its mining and exploration tenements including the Castle Hill and Broads Dam projects.

9. ENVIRONMENTAL ISSUES

Phoenix ensures that contractors deliver a level of service that adheres to high standards, and meets the expectations of government departments, landowners, and management. Where possible, the Company utilises local landholders or contractors for the clearing of access tracks and drill sites, resulting in the minimum level of disturbance. There have been no breaches of any environmental regulations.

10. DIRECTORS' MEETINGS

The number of directors' meetings held during the financial period each director held office during the financial period and the number of meetings attended by each director are:

	Board of directors	
Directors	**Held**	**Attended**
Dale Rogers	6	6
Jonathan Price	6	6
Clay Gordon (resigned 31 May 2013)	5	5
Stuart Hall (appointed 7 May 2013)	2	2

Directors' Report Continued

11. OPTIONS

Unissued Shares under Option

At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number of Options
1 September 2014	37c	5,000,000
18 September 2014	40c	1,700,000
30 November 2014	25c	59,988
30 November 2014	25c	35,923,362
28 August 2015	25c	6,000,000
10 June 2016	33c	5,300,000
Total		**53,983,350**

During the year ended 30 June 2013, 5,300,000 options were issued, 6,000,000 options were exercised, and nil options expired.

12. INDEMNIFYING OFFICERS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

The Company has paid premiums to insure each director and officer against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The total amount of premiums paid during the financial year was $11,150.

13. REMUNERATION REPORT (AUDITED)

The names and particulars of the directors and senior executives of the Company during the financial year are:

Dale Rogers	Non-Executive Chairman
Jonathan Price	Managing Director
Stuart Hall	Non-Executive Director (appointed 7 May 2013)
Clay Gordon	Non-Executive Director (resigned 31 May 2013)
Ian Copeland	GM Exploration
Grant Haywood	GM – Development (commenced 21 January 2013)
Tim Manners	CFO (commenced 12 November 2012)
Ian Gregory	Company Secretary

Remuneration policy

The remuneration policy of Phoenix Gold Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The board of Phoenix Gold Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors and executives to run and manage the Group.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group's is as follows:

Directors' Report Continued

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9.25% (9% for the financial year ended 30 June 2013). The executive directors and executives do not receive any other retirement benefits.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. 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 in general meeting. 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.

Performance based remuneration

Part remuneration for certain individuals is directly linked to the performance of the Group. A portion of share options and bonuses issued as part remuneration is dependent on a defined market capitalisation being met. The remaining portion of the share options and bonuses issued are at the discretion of the board. The board is of the opinion that that the continued improved results can be attributed in part to the adoption of performance based compensation and is satisfied that this improvement will continue to increase shareholder wealth if maintained over the coming years.

	2013	**2012**	**2011**
Share price at financial year end	$0.11	$0.18	$0.25
Basic earnings per share	(1.15) cents	(4.20) cents	(3.07) cents

Company performance, shareholder wealth and director's and executive's remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Directors and senior executives are encouraged to purchase shares and options in the Company. The Company believes the policy will be effective in increasing shareholder wealth. For details of directors and executives interests in options and shares at year end, refer note 23 of the financial statements.

Remuneration policy of key management personnel

The objective of the Company's executive reward framework is set to attract and retain the most qualified and experienced directors and senior executives. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness
- Acceptability to shareholders
- Performance linkage
- Capital management

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

Non Executive Directors

The constitution of the Company provides that the non-executive director and chairman may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the Company in a general meeting. Both have been collectively paid for these roles an amount of $130,000. The remuneration policy has been tailored to increase goal congruence between shareholders and directors.

Post year end, this is facilitated through the issue of free options to directors to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing wealth.

Service agreements

The employment conditions of the managing director, Jonathan Price are formalised in a contract of employment. Other than the managing director, all executives are permanent employees of Phoenix Gold Limited. Jonathan Price is employed under a permanent contract (subject to director retirement and election rules detailed in section 10.3 of the Company's constitution) commencing 16 July 2010 and is paid a base salary, to be reviewed annually by the board which currently stands at $342,704 per annum (inclusive of superannuation).

In accordance with the Executive Services Agreement of Jonathan Price, the Company may, for reasons of serious misconduct specified in the Agreement, terminate employment by giving notice to that effect to the Executive. Furthermore, the Company may terminate the Executive's employment at any time by paying out in full the equivalent to six month's salary, subject to all applicable limits imposed by the Corporations Act and the ASX listing Rules.

Ian Copeland is remunerated under an executive contract with a base salary of $240,000 p.a. plus $16,470 superannuation. He is required to give one month's notice period and can be terminated immediately for serious misconduct.

Grant Haywood is remunerated under an executive contract with a base salary of $280,000 p.a. plus $16,470 superannuation. He is required to give one months' notice period and can be terminated immediately for serious misconduct.

Tim Manners is remunerated under an executive contract with a base salary of $300,000 p.a. plus $16,470 superannuation. He is required to give one months' notice period and can be terminated immediately for serious misconduct.

Retirement benefits

Other retirement benefits may be provided directly by the Company if approved by shareholders.

Directors' fees

A director may be paid fees or other amounts as the directors determine where a director performs special duties or otherwise performs services outside the scope of the ordinary duties of a director. A director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Directors' Report Continued

13. REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of key management personnel by individual

Compensation of key management personnel for the year ended 30 June 2013

	Short-Term		Post Employment		Share Based Payments	Total	% Performance Related
	Salary & Fees	Bonuses	Super-annuation	Retirement Benefits	Options		
	$	$	$	$	$	$	%
Jon Price	326,234	-	16,470	-	77,250	419,954	18%
Dale Rogers	154,247	-	6,750	-	-	160,997	-
Clay Gordon (resigned 31/5/13)	89,132	-	4,538	-	51,500	145,170	35%
Ian Copeland	225,097	-	16,470	-	32,590	274,157	12%
Stuart Hall (appointed 7/5/13)	4,583	-	-	-	-	4,583	-
Tim Manners (commenced 12/11/12)	101,993	-	-	-	7,406	109,399	7%
Grant Haywood (commenced 21/1/13)	125,797	-	6,863	-	18,992	151,652	13%
Ian Gregory	-	-	-	-	-	-	-
Total	1,027,083	-	51,091	-	187,738	1,265,912	

Compensation of key management personnel for the year ended 30 June 2012

	Short-Term		Post Employment		Share Based Payments	Total	% Performance Related
	Salary & Fees	Bonuses	Super-annuation	Retirement Benefits	Options		
	$	$	$	$	$	$	%
Jon Price	326,014	-	15,775	-	1,059,016	1,400,805	-
Dale Rogers*	446,630	-	6,750	-	887,100	1,340,480	-
Clay Gordon	117,755	-	4,950	-	114,611	237,316	-
Ian Copeland	200,000	-	15,775	-	62,641	278,416	-
Ian Gregory	-	-	-	-	-	-	-
Total	1,090,399	-	43,250	-	2,123,368	3,257,017	-

* The fees for Mr Rogers in 2012 included one-off professional services provided in relation to mining studies undertaken in that year.

14. PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, and no proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237.

Directors' Report Continued

15. NON AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year are outlined in note 4 to the financial statements. The board of directors have considered the non-audit services provided by the Company's auditors and are satisfied that the provision of these services has not compromised auditor independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- none of the services undermine the general principles relating to auditor independence as set out in AEPS 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

16. AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration required by Section 307C of the *Corporations Act 2001* is set out on the next page.

Signed in accordance with a resolution of the Board of Directors.

Jon Price
Managing Director

Dated: 27 September 2013

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF PHOENIX GOLD LIMITED

In relation to our audit of the financial report of Phoenix Gold Limited for the year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF Mack and Co.

PKF MACK & CO

SIMON FERMANIS
PARTNER

27 SEPTEMBER 2013
WEST PERTH,
WESTERN AUSTRALIA

Tel: 61 8 9426 8999 | Fax: 61 8 9426 8900 | www.pkf.com.au
PKF Mack & Co | ABN 11 713 325 732
4th Floor, 35 Havelock Street | West Perth | Western Australia 6005 | Australia
PO Box 609 | West Perth | Western Australia 6872 | Australia

Consolidated Statement of Profit or Loss and other Comprehensive Income for the year ended 30 June 2013

	Note	2013 $	2012 $
Sales revenue		2,107,037	429,424
Interest income		524,553	125,970
Other income		866,454	72,176
Administrative expenses		(90,381)	(44,583)
Consultants and management expenses		(296,771)	(470,020)
Exploration and evaluation expenses		(892,993)	(123,555)
Legal expenses		(256,616)	(225,824)
Travel and accommodation		(158,331)	(110,265)
Advertising and promotion		(185,072)	(151,387)
Compliance and regulatory expenses		(214,462)	(148,119)
Depreciation expense		(51,403)	(45,497)
Employee benefits		(2,831,890)	(1,767,100)
Equity compensation benefits		(210,690)	(2,167,218)
Insurance expense		(42,960)	(31,243)
Occupancy expenses		(109,623)	(75,391)
Finance costs		(14,652)	(6,585)
Other expenses		(541,021)	(208,115)
Loss before income tax expense	2	(2,398,821)	(4,947,332)
Income tax expense	3	-	-
Loss for year		(2,398,821)	(4,947,332)
Other comprehensive income		-	-
Total comprehensive income for the year		(2,398,821)	(4,947,332)
Basic loss per share (cents per share)	6	(1.15)	(4.20)
Diluted loss per share (cents per share)	6	(1.15)	(4.18)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position as at 30 June 2013

	Note	2013 $	2012 $
CURRENT ASSETS			
Cash and cash equivalents	7	15,823,758	3,699,403
Trade and other receivables	8	1,305,529	246,911
Other current assets	9	10,791	53,675
TOTAL CURRENT ASSETS		17,140,078	3,999,989
NON-CURRENT ASSETS			
Plant and equipment	11	117,410	102,231
Exploration and evaluation expenditure	12	29,926,423	15,621,256
Financial assets	13	533,221	140,400
TOTAL NON-CURRENT ASSETS		30,577,054	15,863,887
TOTAL ASSETS		47,717,132	19,863,876
CURRENT LIABILITIES			
Trade and other payables	14	4,719,161	845,463
Provisions	15	202,718	93,694
TOTAL CURRENT LIABILITIES		4,921,879	939,157
NON-CURRENT LIABILITIES			
Trade and other payables	14	500,000	-
TOTAL NON-CURRENT LIABILITIES		500,000	-
TOTAL LIABILITIES		5,421,879	939,157
NET ASSETS		42,295,253	18,924,719
EQUITY			
Issued capital	16	50,165,175	23,915,909
Reserves	17	1,687,308	2,167,218
Accumulated losses		(9,557,230)	(7,158,408)
TOTAL EQUITY		42,295,253	18,924,719

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2013

	Issued Capital	Options Reserve	Accumulated Losses	Total
	$	$	$	$
CONSOLIDATED				
Balance at 1 July 2011	11,324,279	-	(2,211,076)	9,113,203
Total comprehensive income for the year				
Loss for the period	-	-	(4,947,332)	(4,947,332)
Other comprehensive income for the year	-	-	-	-
Transactions with owners in their capacity as owners				
Equity compensation benefits	-	2,167,218	-	2,167,218
Shares issued during the year	5,949,999	-	-	5,949,999
Transaction costs	(545,037)	-	-	(545,037)
Exercise of options	7,186,668	-	-	7,186,668
Balance at 30 June 2012	23,915,909	2,167,218	(7,158,408)	18,924,719
Total comprehensive income for the year				
Loss for the period	-	-	(2,398,821)	(2,398,821)
Other comprehensive income for the year				
Transactions with owners in their capacity as owners				
Equity compensation benefits	-	210,690	-	210,690
Shares issued during the year	25,610,000	-	-	25,610,000
Transaction costs	(1,251,335)	-	-	(1,251,335)
Assignment of value of options exercised	690,600	(690,600)	-	-
Exercise of options	1,200,001	-	-	1,200,001
Balance at 30 June 2013	50,165,175	1,687,308	(9,557,230)	42,295,253

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
For the year ended 30 June 2013

	Note	2013 $	2012 $
Cash Flows from Operating Activities			
Receipts from customers		2,241,743	501,600
Payments to suppliers and employees		(5,291,785)	(3,843,927)
Interest received		500,946	84,653
Net cash used in operating activities	21(a)	(2,549,096)	(3,257,674)
Cash Flows from Investing Activities			
Payments for exploration and evaluation		(7,961,812)	(4,165,995)
Deposits on share and tenements acquisitions		-	50,000
Purchase of property, plant and equipment		(66,582)	(55,245)
Payments for bonds and guarantees		(342,821)	(78,000)
Net cash used in investing activities		(8,371,215)	(4,249,240)
Cash Flows from Financing Activities			
Proceeds from issue of shares		23,096,000	3,700,000
Payment for costs of issue of shares		(1,251,335)	(545,037)
Proceeds from exercise of options		1,200,001	7,186,668
Net cash from financing activities		23,044,666	10,341,631
Net increase in cash and cash equivalents		12,124,355	2,834,717
Cash and cash equivalents at 1 July		3,699,403	864,686
Cash and cash equivalents at 30 June	7	15,823,758	3,699,403

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Phoenix Gold Limited (the "Company") is a company domiciled in Australia.

The address of the Company's registered office is 73 Dugan Street, Kalgoorlie WA 6430. The consolidated financial statements of the Company as at and for the year ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities.

The Group primarily is involved in mining and exploration activity.

Basis of Preparation
The accounting policies set out below have been consistently applied to all years presented.

Statement of Compliance
The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001 as appropriate for profit-oriented entities. The consolidated financial report of the Group complies with International Financial Reporting Standards (lFRSs) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 27 September 2013.

Comparative information is for the year end 30 June 2012.

Basis of Measurement
The consolidated financial statements have been prepared on the historical cost basis and accrual accounting.

Functional and Presentation Currency
These consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Use of Estimates and Judgements
The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(a) Critical Accounting Judgements, 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:

Exploration and Evaluation Costs
Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has 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 relating to, the area of interest are continuing. Refer to note 12 for further details.

Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Exploration and Evaluation Assets and Investments in and Loans to Subsidiaries

The ultimate recoupment of the value of exploration and evaluation assets, the Company's investment in subsidiaries, and loans to subsidiaries is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation assets.

Impairment tests are carried out on a regular basis to identify whether the asset carrying values exceed their recoverable amounts. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of judgement and estimation include:

- Recent exploration and evaluation results and resource estimates;
- Environmental issues that may impact on the underlying tenements;
- Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

Refer to note 12 for further details.

Income tax expenses

Judgement is required in assessing whether deferred tax assets and liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised. Refer to note 3 for further details.

Share Based Payments Transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments of the date at which they are granted. The fair value is determined by using either the Binominal or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity. Refer to note 26 for further details.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written up or written down. Refer to note 11 for further details.

(b) Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or and accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in the profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (I) 12 months from the date of the acquisition or (II) when the acquirer receives all the information possible to determine fair value.

(c) Principles of Consolidation

A controlled entity is any entity Phoenix Gold Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 10 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the Group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Subsidiary acquisitions are accounted for using the acquisition method of accounting. For further details on the application of this method refer to note 1(b) Business Combinations above. Investments in subsidiaries are accounted for at cost in the individual financial statements of Phoenix Gold Limited.

(d) Income Tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax
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 an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither that accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of 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 with investments 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.

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 are not in the profit or loss in the statement of profit or loss and other comprehensive income.

Tax Consolidation
Phoenix Gold Limited (head entity) and its controlled entities, have formed an income tax consolidated group under tax consolidation legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the ‘stand-alone taxpayer’ approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The Group notified the Australian Taxation Office that it had formed an income tax consolidated group, effective from 14 December 2010. The tax consolidated group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contribution to the Group’s taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- exploration and evaluation activities in the area have not, at reporting date, reached a stage which permit a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

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

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

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

Rehabilitation, Restoration and Environmental Costs

Long-term environmental obligations are based on the Company's environmental management plans, in compliance with current environmental and regulatory requirements.

The costs will include obligations relating to reclamation, waste site closure, plant closure and other costs associated with the restoration of the site, when relevant.

Full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has been incurred as at the reporting date. Increases due to additional environmental disturbance (to the extent that it relates to the development of an asset) are capitalised and amortised over the remaining lives of the mines.

Annual increases in provision relating to the change in the present value of the provision are accounted for in earnings.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances. Cost estimates are not reduced by the potential proceeds from sale of assets or from plant clean-up at closure.

(f) Property, Plant and Equipment

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

Impairment

The carrying amounts of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the recoverable amount, the assets or cash generating units are written down to their recoverable amount.

Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. 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 profit or loss of the statement of profit or loss and other comprehensive income in the other expenses line item.

Depreciation
The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Company commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets vary from 20% to 50%.

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

(g) Leases
Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Company are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a diminishing value basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease.

Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(h) Earnings Per Share
Basic earnings per share (“EPS”) is calculated by dividing the net loss attributable to members for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated as net loss attributable to members, adjusted for, costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that would 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.

(i) Revenue
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Gold and ore stockpiles sales
Revenue from the production of gold and/or sale of ore stockpiles is recognised when the Group has a significant transfer of risk and rewards to the buyer.

Interest
Revenue is recognised as the interest accrues.

Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Cash and Cash Equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant rise of changed in value.

For the purposes of the Statement of Cash Flow, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(k) Goods and Services Tax (GST)

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

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

(l) Impairment

(i) Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised either in the profit or loss in the statement of profit or loss and other comprehensive income or revaluation reserves in the period in which the impairment arises.

(i) Exploration and Evaluation Assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount at the reporting date.

Exploration and evaluation assets are tested for impairment in respect of cash generating units, which are no larger than the area of interest to which the assets relate.

(ii) Non-Financial Assets Other Than Exploration and Evaluation Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss in the statement of profit or loss and other comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exits. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

(m) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the profit or loss in the statement of profit or loss and other comprehensive income.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the profit or loss in the statement of profit or loss and other comprehensive income.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the reporting date.

(n) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt.

(o) Provisions

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

Where the Company 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 presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(p) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Company to employee superannuation funds and are charged as expenses when incurred.

(q) Trade and Other Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(r) Issued Capital

Ordinary shares are classified as equity.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(s) New Standards and Interpretations Not Yet Adopted

The AASB has issued the following new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards, and has not yet determined the potential impact on the financial statements from the adoption of these standards and interpretations.

AASB No.	Title	Application date of standard*	Issue date
AASB 9	Financial Instruments	1 January 2015	December 2010
AASB 10	Consolidated Financial Statements	1 January 2013	August 2011
AASB 11	Joint Arrangements	1 January 2013	August 2011
AASB 12	Disclosure of Interests in Other Entities	1 January 2013	August 2011
AASB 13	Fair Value Measurement	1 January 2013	September 2011

Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AASB No.	Title	Application date of standard*	Issue date
AASB 119	Employee Benefits	1 January 2013	September 2011
AASB 127	Separate Financial Statements (revised)	1 January 2013	August 2011
AASB 128	Investment in associates and joint venture (revised)	1 January 2013	August 2011
AASB 1053	Application of Tiers of Australian Accounting Standards	1 January 2013	June 2010
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	1 July 2013	July 2011
AASB 2012-2	Amendments to Australian Accounting Standards – disclosure offsetting financial assets and financial liabilities	1 January 2013	June 2012
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 January 2014	June 2012
AASB 2012-5	Amendments to Australian Accounting Standards arising from annual improvements 2009-2011 cycle	1 January 2013	June 2012
AASB 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	1 January 2013	December 2012
AASB 2013-3	Amendments to AASB 136 – Recoverable amount disclosures for non-financial assets	1 January 2014	June 2013
AASB 2013-4	Amendments to Australian Accounting Standards – notation of derivatives and continuation of hedge accounting	1 January 2014	July 2013
AASB 2013-5	Amendments to Australian Accounting Standards – Investment entities	1 January 2014	August 2013
Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	November 2011
Interpretation 21	Levies	1 January 2014	May 2013

(t) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets for in-specie distributions.

The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities. The Group monitors capital on the basis of the gearing ratio, however there are no external borrowings as at reporting date. Capital includes accumulated profits and options reserve.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Risk Management

	Consolidated 2013 $	Consolidated 2012 $
Total financial liabilities	(5,219,161)	(845,463)
Less: cash and cash equivalents	15,823,758	3,699,403
Net cash and cash equivalents	10,604,597	2,853,940
Total equity	42,295,253	18,924,719
Financial liabilities to equity ratio at 30 June	0.12	0.04

Management of Share Capital

The Directors primary objective is to maintain a capital structure that ensures the lowest cost of capital available to the Group. At reporting date, the Group has no external borrowings.

2. EXPENSES

Loss has been determined after the following specific expenses:

	Consolidated 2013 $	Consolidated 2012 $
Rental expense relating to operating leases	129,215	97,699
Employee benefits expense		
Recruitment	46,423	61,577
Salaries	2,341,291	1,474,339
Superannuation	189,041	116,738
Other	255,135	114,446
	2,831,890	1,767,100
Equity compensation benefits	210,690	2,167,218
Depreciation	51,403	45,497
Royalties expenditure	446,873	-
Impairment of receivables	309,936	-

Notes to the Financial Statements

	Consolidated 2013 $	Consolidated 2012 $
3. INCOME TAX EXPENSE		
a) Income tax expense/(benefit)		
Current tax expense/(benefit)	-	-
Deferred tax expense/(benefit)	-	-
	-	-

The prima facie income tax expense/(benefit) on pre-tax accounting loss from operations reconciles to the income tax expense/(benefit) in the financial statements as follows:

	Consolidated 2013 $	Consolidated 2012 $
Prima facie tax expense/ (benefit) at 30% (2012: 30%)	(719,646)	(1,484,200)
Add:		
Tax effect of:		
Other non-allowable items	3,416	3,063
Provisions and accruals	124,217	17,207
Revenue losses not brought to account	5,004,543	3,012,810
Share based payments	63,207	650,165
	5,195,383	3,683,245
Less:		
Tax effect of:		
Capital raising costs	184,187	109,107
Exploration and evaluation expenditure	4,291,550	2,089,938
	4,475,737	2,199,045
Income tax expense/(benefit)	-	-

b) The following deferred tax balances have not been recognised:

	Consolidated 2013 $	Consolidated 2012 $
Deferred Tax Assets at 30%:		
Carry forward revenue losses	11,322,090	6,392,250
Capital raising costs	548,096	356,882
Provisions and accruals	178,655	47,356
	12,048,841	6,796,488

The tax benefits of the above deferred tax assets will only be obtained if:
(a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
(b) the Company continues to comply with the conditions for deductibility imposed by law; and
(c) no changes in income tax legislation adversely affect the Company in utilising the benefits.

	Consolidated 2013 $	Consolidated 2012 $
Deferred Tax Liabilities at 30%:		
Exploration, expenditure and development costs	8,857,927	4,686,377
Accrued income	19,477	12,395
	8,877,404	4,698,772

The above deferred tax liabilities have not been recognised as they have given rise to carry forward revenue losses for which the deferred tax asset has not been recognised.

Notes to the Financial Statements

	Consolidated 2013 $	Consolidated 2012 $

4. AUDITOR'S REMUNERATION

Remuneration of the auditor PKF Mack & Co:		
Auditing or reviewing the financial statements including half year review.	65,500	68,600
Tax and other professional services	9,580	36,000
	75,080	104,600

5. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES

No dividends were paid during the year. No recommendation for payment of dividends has been made.

6. LOSS PER SHARE

Loss used in the calculation of basic earnings per share	(2,398,821)	(4,947,332)

	Consolidated 2013 No. Shares	Consolidated 2012 No. Shares
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic loss per share	207,753,273	117,657,257
Weighted average number of ordinary shares outstanding during the period used in the calculation of diluted loss per share	208,575,895	118,251,852

The following share options on issue were considered anti-dilutive:

- 5,000,000 with an exercise price of $0.37 and an expiry date of 1 September 2014;
- 1,700,000 with an exercise price of $0.40 and an expiry date of 18 September 2014; and
- 5,300,000 with an exercise price of $0.33 and an expiry date of 10 June 2016.

	Consolidated 2013 $	Consolidated 2012 $

7. CASH AND CASH EQUIVALENTS

Cash on hand	581	1,110
Cash at bank	4,573,177	572,293
Short term bank deposits	11,250,000	3,126,000
	15,823,758	3,699,403

The cash at bank held at the year end is held in cash management and business cheque accounts which pay an average interest rate of 4.05% (2012: 3.5%) per annum.

Notes to the Financial Statements

	Consolidated 2013 $	Consolidated 2012 $
8. TRADE AND OTHER RECEIVABLES		
Current		
Trade debtors	824,133	9,303
Provision for impairment	(309,936)	-
	514,197	9,303
Accrued interest	64,922	41,317
Other accrued income	226,855	-
GST and other ATO receivable	499,555	196,291
	1,305,529	246,911

Refer to note 24 Financial Instruments for further details.

Impairment of receivables
The Group has recognised a loss of $309,936 (2012: NIL) in the statement of profit or loss and other comprehensive income in respect of impairment of receivables for the year ended 30 June 2013.

The ageing of the impaired receivables are as follows:

0 to 3 months overdue	309,936	-
3 to 6 months overdue	-	-
Over 6 months overdue	-	-
	309,936	-

Movements in the provision for impairment of receivables are as follows:

Opening balance	-	-
Additional provision recognised	309,936	-
Closing balance	309,936	-

Past due but not impaired
Customers with balances past due but without provision for impairment amounted to NIL (2012: NIL)

	Consolidated 2013 $	Consolidated 2012 $
9. OTHER ASSETS		
Current		
Tenement deposit	-	50,000
Prepayments	10,791	3,675
	10,791	53,675

Tenement deposits relate to deposits made pursuant to the purchase of tenements from third parties.

Notes to the Financial Statements

10. INTERESTS IN CONTROLLED ENTITIES

Controlled entities consolidated

The consolidated financial statements incorporate the assets, liabilities and the results of the following subsidiaries in accordance with the accounting policy described in Note 1(c):

Name	Country of Incorporation	Class of Shares	Equity Holding *		Investment ($)	
			2013	2012	2013	2012
Hayes Mining Pty Ltd	Australia	Ordinary	100%	100%	4,063,207	4,063,207
					4,063,207	4,063,207

* Percentage of voting power is in proportion to ownership.

11. PLANT AND EQUIPMENT

	Consolidated 2013 $	Consolidated 2012 $
Plant and equipment		
At cost	250,240	183,658
Accumulated depreciation	(132,830)	(81,427)
	117,410	102,231

Reconciliations

Reconciliations of the written down values for each class of plant and equipment between the beginning and the end of the period.

Plant and equipment		
Carrying amount at 1 July	102,231	92,483
Additions	66,582	55,245
Depreciation expense	(51,403)	(45,497)
Carrying amount at 30 June	117,410	102,231

12. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 2013 $	Consolidated 2012 $
Non-Current		
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phases at cost	29,926,423	15,621,256
Balance at 1 July	15,621,256	8,654,795
Acquisition of tenements	5,512,631	3,134,824
Exploration expenditure capitalised during the year	8,792,536	3,831,637
Balance at 30 June	29,926,423	15,621,256

Notes to the Financial Statements

12. EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

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

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

The Group's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims. The Directors have considered indicators of impairment in the value of the capitalised exploration and evaluation expenditure and are satisfied that no such indicators existed at reporting date.

	Consolidated 2013 $	Consolidated 2012 $
13. FINANCIAL ASSETS		
Non Current		
Bonds *	516,600	139,000
Deposit on rental property	16,621	1,400
	533,221	140,400

*Refer to note 19 for further information

14. TRADE AND OTHER PAYABLES

	Consolidated 2013 $	Consolidated 2012 $
Current (unsecured)		
Trade creditors	2,098,271	622,663
Other creditors and accruals	2,620,890	222,800
	4,719,161	845,463
Non-current (unsecured)		
Other creditors and accruals	500,000	-

Refer to note 24 Financial Instruments for further details.

15. PROVISIONS

	Consolidated 2013 $	Consolidated 2012 $
Current		
Employee benefits	202,718	93,694

Notes to the Financial Statements

16. ISSUED CAPITAL

	Note	2013 No of Shares	2012 No of Shares	2013 $	2012 $
Ordinary shares - fully paid	(a)	240,397,255	146,090,588	53,234,963	25,734,361
Share issue costs		-	-	(3,069,788)	(1,818,452)
		240,397,255	146,090,588	50,165,175	23,915,909

(a) Movement in ordinary shares - fully paid

For the year ended 30 June 2012	**Date**	**Number of shares**	**Issue price $**	**Total $**
Opening balance as at 1 July 2011		**82,983,326**		**11,324,279**
Share Placement – Sophisticated	11 July 2011	7,800,000	0.23	1,794,000
Exercise of options	01 July 2011	83,254	0.20	16,650
Share Placement – Sophisticated	12 September 2011	8,286,955	0.23	1,906,000
Issue of shares to Cazaly Resources Ltd	15 September 2011	1,086,957	0.23	250,000
Issue of shares to Queensland Bauxite Ltd	15 September 2011	10,000,000	0.20	2,000,000
Exercise of options	01 December 2011	16,000	0.20	3,200
Exercise of options	20 January 2012	276,559	0.20	55,312
Exercise of options	20 January 2012	406,599	0.20	81,320
Exercise of options	15 February 2012	1,245,924	0.20	249,185
Exercise of options	24 February 2012	4,827,261	0.20	965,452
Exercise of options	24 February 2012	2,921,650	0.20	584,330
Exercise of options	01 March 2012	18,393,099	0.20	3,678,620
Exercise of options	01 March 2012	9,988	0.20	1,998
Exercise of options	01 March 2012	1,585,969	0.20	317,194
Share Placement – Patersons Securities	12 March 2012	6,167,047	0.20	1,233,409
Capital raising costs for year		-		(545,037)
Closing balance as at 30 June 2012		**146,090,588**		**23,915,909**

For the year ended 30 June 2013				
Opening balance as at 1 July 2012		**146,090,588**		**23,915,909**
Issue of shares to Carbine Resources Ltd	10 Aug 2012	8,000,000	$0.23	1,840,001
Issue of shares to Royce William Allen	22 Aug 2012	1,600,000	$0.21	336,000
Issue of shares to Kalnorth Gold Mines Ltd	16 Oct 2012	1,620,000	$0.20	324,000
Exercise of options	26 Oct 2012	4,000,000	$0.20	800,000
Share Placement	29 Oct 2012	35,000,000	$0.30	10,500,000
Share Purchase Plan	5 Dec 2012	10,320,000	$0.30	3,096,000
Share Placement	5 Dec 2012	31,666,667	$0.30	9,500,000
Exercise of options	31 Dec 2012	2,000,000	$0.20	400,000
Issue of shares – Kintore Tenement	19 Jun 2013	100,000	$0.14	14,001
Assignment of value of options exercised from Option Reserve		-		690,600
Capital raising costs for year		-		(1,251,336)
Closing balance as at 30 June 2013		**240,937,255**		**50,165,175**

Notes to the Financial Statements

16. ISSUED CAPITAL (CONTINUED)

b) Terms of Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. The fully paid ordinary shares have no par value.

At shareholders meetings each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

(c) Options issued during the period

Options	**Ex Price $0.25 Ex date 30 Nov 2014**	**Ex Price $0.37 Ex date 1 Sept 2014**	**Ex Price $0.40 Ex date 18 Sept 2014**	**Ex Price $0.20 Ex date 28 Dec 2012**	**Ex Price $0.25 Ex date 28 Aug 2015**	**Ex Price $0.33 Ex date 10 Jun 2016**
Balance at 1 July 2011	35,983,350	-	-	35,923,362	-	-
Options issued during the year	-	5,000,000	1,700,000	6,000,000	6,000,000	-
Options converted during the year	-	-	-	(35,923,362)	-	-
Balance at 30 June 2012	**35,983,350**	**5,000,000**	**1,700,000**	**6,000,000**	**6,000,000**	**-**
Balance at 1 July 2012	35,983,350	5,000,000	1,700,000	6,000,000	6,000,000	-
Options issued during the year	-	-	-	-	-	5,300,000
Options converted during the year	-	-	-	(6,000,000)	-	-
Balance at 30 June 2013	**35,983,350**	**5,000,000**	**1,700,000**	**-**	**6,000,000**	**5,300,000**

These share options have an average exercise price of $0.27 (2012: $0.26) and an average contractual life of 1.75 years (2012: 1.5 years).

During the year ended 30 June 2013, the Company issued 5,300,000 options to certain employees under the Phoenix Gold Employee Option Plan with an exercise price of $0.33 expiring 10 June 2016. The options have various market and non-market based vesting criteria. Refer to Note 26 Share-based payments for further details.

17. RESERVES

	Consolidated 2013 $	**Consolidated 2012 $**
Share option reserve	1,687,308	2,167,218
Reconciliation		
Balance at 1 July 2012	2,167,218	-
Equity compensation benefit (refer to note 26)	210,690	2,167,218
Assignment of value of exercised options to share capital	(690,600)	-
	1,687,308	2,167,218

Share options reserve

The share option reserve records items recognised as expenses on the valuation of share options

Notes to the Financial Statements

18. SEGMENT REPORTING

The Group has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision maker to make decisions about resources to be allocated to the segments and assess their performance.

Operating segments are identified by Management based on the mineral resource and exploration activities in Australia. Discrete financial information about each project is reported to the chief operating decision maker on regular basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the economic characteristics, the nature of the activities and the regulatory environment in which those segments operate.

Operating segments are identified by management based on exploration activities in Australia.

19. CONTINGENT LIABILITIES

Westpac hold as security tenement bonds totalling $516,600 (2012: $139,000) in favour of the Minister Responsible for the Mining Act 1978 (refer to note 13). Other than this security, it is the opinion of the directors, that there were no contingent liabilities at 30 June 2013, and the interval between 30 June 2013 and the date of this report.

20. PARENT ENTITY INFORMATION

Information for Phoenix Gold Limited.

	2013 $	2012 $
Total current assets	23,983,137	7,801,077
Total assets	45,587,383	19,684,719
Total current liabilities	4,921,879	939,157
Total liabilities	5,421,879	939,157
Net assets	40,165,504	18,745,562
Equity		
Issued capital	50,165,175	23,915,909
Share Option Reserve	1,687,308	2,167,218
Retained profits	(11,686,979)	(7,337,565)
	40,165,504	18,745,562
Net loss after tax	4,349,414	5,164,346
Total comprehensive loss	4,349,414	5,164,346

In the opinion of the directors the parent entity Phoenix Gold Limited does not have any contingent liabilities nor are any of its assets encumbered.

Notes to the Financial Statements

21. CASHFLOW INFORMATION

(a) Reconciliation of cash flow from operations with loss after tax

	Consolidated 2013 $	Consolidated 2012 $
Loss for the year	(2,398,821)	(4,947,332)
Adjustment for non-cash items:		
Depreciation	51,403	45,497
Equity compensation benefits	210,690	2,167,218
Capitalised exploration expenditure written-off	38,702	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(1,003,249)	(22,862)
(Increase)/decrease in prepayments	(7,116)	-
Increase/(decrease) in trade and other payables	450,271	(556,515)
Increase/(decrease) in provisions	109,024	56,320
Net cash used in operating activities	(2,549,096)	(3,257,674)

(b) Reconciliation of cash and cash equivalents

	Consolidated 2013 $	Consolidated 2012 $
Cash and cash equivalents comprises:		
Cash at bank and on hand	4,573,758	573,403
Short-term deposits	11,250,000	3,126,000
	15,823,758	3,699,403

(c) Non-cash financing and investing activities

There were no non-cash financing or investing activities undertaken during the year other than those related to the issue of shares and options as detailed in Note 16.

22. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Notes to the Financial Statements

23. RELATED PARTY DISCLOSURES

(a) Key management personnel compensation

The key management personnel compensation comprised:

	Consolidated 2013 $	Consolidated 2012 $
Short term employment benefits	1,027,083	1,090,399
Post employment benefits	51,091	43,250
Share based payments	187,738	2,123,368
	1,265,912	3,257,017

(b) Individual key management personnel compensation disclosure

Information regarding key management personnel compensation and some equity instruments disclosures as required by Corporation Regulation 2M.3.03 is provided in the remuneration report section of the directors' report.

Kathleen Copeland a member of Ian Copeland's family was employed by Phoenix in a position of Tenement Officer on a salary of $76,000 plus 9% superannuation. Kathleen also received 100,000 share options on 19 September 2011 as part of the employee share option plan. Kathleen ceased employment with Phoenix on 31 March 2013 having earned a gross salary of $59,845 in the period 1 July 2012 to 31 March 2013.

Apart from the details disclosed in this note, no director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving directors' interest existing at year end.

(c) Parent entity

The ultimate parent entity within the Group is Phoenix Gold Limited.

(d) Wholly-owned group transactions

Loans

Phoenix Gold Limited has provided an unsecured, interest free loan to its wholly owned subsidiary, Hayes Mining Pty Ltd totalling $7,303,542 (2012: $3,887,548) at reporting date. There were no repayments made during the year. This loan can be recalled within 12 months and is interest free however, this loan will not be called should there be insufficient funds available.

(e) Loans to key management personnel

There were no loans to key management personnel at the end of the year.

(f) Shareholdings of key management personnel

The movement during the reporting period in the number of shares in Phoenix Gold Limited held, directly, indirectly or beneficially, by each key management person, including related parties, is as follows:

Notes to the Financial Statements

23. RELATED PARTY DISCLOSURES (CONTINUED)

2013	Balance at 1 July 2012 *	Share Consolidation	On Exercise of Options	Bought & (Sold) *	Balance at 30 June 2013
Jon Price	7,000,000	-	-	150,000	7,150,000
Dale Rogers	7,000,000	-	-	33,334	7,033,334
Clay Gordon (resigned 31/5/13)	1,112,500	-	-	(190,000)	922,500
Ian Copeland	23,000	-	-	-	23,000
Stuart Hall (appointed 7/5/13)	-	-	-	-	-
Grant Haywood (commenced 12/1/13)	-	-	-	-	-
Tim Manners (commenced 12/11/12)	180,000	-	-	160,000	340,000
Ian Gregory	-	-	-	-	-
	15,315,500	-	-	153,334	15,468,834

* for those key management personnel that commenced during the year this shareholding is the shareholding at the date they commenced.

2012	Balance at 1 July 2011	Share Consolidation	On Exercise of Options	Bought & (Sold) *	Balance at 30 June 2012
Jon Price	7,000,000	-	-	-	7,000,000
Dale Rogers	7,000,000	-	-	-	7,000,000
Clay Gordon	1,062,500	-	-	50,000	1,112,500
Ian Copeland	-	-	-	23,000	23,000
Ian Gregory	-	-	-	-	-
	15,062,500			73,000	15,135,500

(g) Option holdings of key management personnel

The movement during the reporting period in the number of options over ordinary shares in Phoenix Gold Limited held, directly, indirectly or beneficially, by each key management person, including related parties, is as follows:

2013	Balance at 1 July 2012	Granted as Remuneration	Entitlement Issue	Exercised	Balance at 30 June 2013	Total Vested at 30 June 2013
Jon Price	9,000,000	-	-	(3,000,000)	6,000,000	5,250,000
Dale Rogers	6,000,000	-	-	(3,000,000)	3,000,000	3,000,000
Clay Gordon (resigned 31/5/13)	2,850,000	-	-	-	2,850,000	2,350,000
Ian Copeland	1,000,000	1,000,000	-	-	2,000,000	750,000
Stuart Hall (appointed 7/5/13)	-	-	-	-	-	-
Grant Haywood (commenced 12/1/13)	-	2,000,000	-	-	2,000,000	-
Tim Manners (commenced 12/11/12)	80,000	2,000,000	-	-	2,080,000	80,000
Ian Gregory	-	-	-	-	-	-
	18,930,000	5,000,000	-	(6,000,000)	17,930,000	11,430,000

Notes to the Financial Statements

23. RELATED PARTY DISCLOSURES (CONTINUED)

2012	Balance at 1 July 2011	Granted as Remuneration	Entitlement Issue	Exercised	Balance at 30 June 2012	Total Vested at 30 June 2012
Jon Price	-	9,000,000	-	-	9,000,000	6,750,000
Dale Rogers	-	6,000,000		-	6,000,000	6,000,000
Clay Gordon	1,700,000	1,150,000	-	-	2,850,000	1,950,000
Ian Copeland	-	1,000,000	-	-	1,000,000	250,000
Ian Gregory	-	-	-	-	-	-
	1,700,000	17,150,000	-	-	18,850,000	14,950,000

24. FINANCIAL INSTRUMENTS

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies and evaluates financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

(a) Exposure to credit risk

All bank deposits are held onshore in a reputable financial institution in Australia. Trade receivables are regularly monitored to ensure they are paid within the agreed terms.

(b) Impairment losses

A provision for impairment has been recognised in the consolidation statement of profit or loss and other comprehensive income in the current year in the amount of $309,936. For further details refer to Note 8.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Notes to the Financial Statements

24. FINANCIAL INSTRUMENTS (CONTINUED)

	Carrying amount	Contractual cash flows	<6 months	6-12 months	1-2 years	2-5 years	>5 years
Consolidated 30 June 2013							
Payables	5,219,161	5,219,161	4,219,161	500,000	500,000	-	-
Consolidated 30 June 2012							
Payables	845,463	845,463	845,463	-	-	-	-

(d) Market risk
The Group has no significant exposure to market risk.

(e) Currency risk
The Group has no significant exposure to currency risk.

(f) Interest rate risk
The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

Cash flow sensitivity analysis for variable rate instruments
A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. The analysis is performed on the same basis for 2012.

At reporting date, the Group had $11,250,000 in fixed rate deposits for terms of between 3-5 months and $4,380,069 is held in an account with a variable interest rate of 2.75%.

	Consolidated Loss 100bp Increase $	Consolidated Loss 100bp Decrease $
30 June 2013		
Cash and cash equivalents	158,238	(158,238)
	158,238	(158,238)
30 June 2012		
Cash and cash equivalents	36,994	(36,994)
	36,994	(36,994)

Notes to the Financial Statements

24. FINANCIAL INSTRUMENTS (CONTINUED)

(g) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	30 June 2013 Carrying Value $	30 June 2013 Fair Value $	30 June 2012 Carrying Value $	30 June 2012 Fair Value $
Consolidated				
Cash and cash equivalents	15,823,758	15,823,758	3,699,403	3,699,403
Receivables	1,305,529	1,305,529	246,911	246,911
Payables	(5,219,161)	(5,219,161)	(845,463)	(845,463)
Financial assets	533,221	533,221	140,400	140,400
	12,443,347	12,443,347	3,241,251	3,241,251

The basis for determining fair values is disclosed in note 1.

25. COMMITMENTS

(a) Exploration commitments

In order to maintain current rights of tenure to mining tenements, the Group has a minimum annual commitment of $2,845,860 (2012: $2,488,000). This obligation, which is subject to renegotiation upon expiry of the leases, is not provided for in the financial statements.

If the Group decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the statement of financial position may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

(b) Operating lease expenditure commitments

Within 1 year	261,237	138,331
Between 1 and 5 years	93,008	103,462
	354,245	241,793

Operating leases consists of premises leases, motor vehicle leases and other office equipment. The range of these leases is between 9 to 24 months.

Notes to the Financial Statements

26. SHARE-BASED PAYMENTS

In June 2013, the Company issued 5,300,000 options to employees under the terms of the Employee Share Option Plan. These options are subject to the achievement of a number of milestones as follows:

		Key Performance Area Vesting Conditions			
Milestone	Number of Options	Exploration	Definitive Feasibility Study	Corporate Finance	Other
Milestone 1 30 June 2013	550,000	-	Delivery of DFS planning document	-	Similar vesting hurdles supporting senior executives
Milestone 2 30 Sept 2013	550,000	-	-	Delivery of financial model supporting DFS	Similar vesting hurdles supporting senior executives
Milestone 3 31 Dec 2013	2,050,000	Resource position of at least 4 million ounces Reserve position of at least 1.5 million ounces	Completion of full mining schedule Completion of independently verified DFS	Delivery to the Board of a recommended finance package for the project	-
Milestone 4 31 Jan 2014	500,000	-	-	Successful completion of project funding solution with first drawdown notice fulfilled	-
Milestone 5	1,325,000	-	-	-	Market capitalisation of A$80 million and the employee achieving 12 months service
Milestone 6	325,000	-	-		Market capitalisation of A$120 million and the employee achieving 24 months service

Notes to the Financial Statements

26. SHARE-BASED PAYMENTS CONTINUED

2013

	Grant date	Expiry date	Exercise Price	Balance at 1 July 2012	Granted	Exercised	other	Balance at 1 July 2013
Milestones 1 - 6	11/06/2013	10/06/2016	33 cent	-	5,300,000	-	-	5,300,000

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date are as follows:

Tranche	Milestone	Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
E	1	11/06/2013	10/06/2016	0.16	0.33	75%	-	2.40%	$15,400
E	2	11/06/2013	10/06/2016	0.16	0.33	75%	-	2.40%	$17,600
E	3	11/06/2013	10/06/2016	0.16	0.33	75%	-	2.40%	$67,650
E	4	11/06/2013	10/06/2016	0.16	0.33	75%	-	2.40%	$17,000
E	5	11/06/2013	10/06/2016	0.16	0.33	75%	-	2.40%	$47,700
E	6	11/06/2013	10/06/2016	0.16	0.33	75%	-	2.40%	$14,300

The share based payments are amortised over the vesting period.

27. COMPANY DETAILS

The registered office and principal place of business address is:

73 Dugan Street,
Kalgoorlie, WA, 6430

Directors Declaration

The directors of the Company declare that:-

1. The financial statements, notes and the Remuneration Report in the Directors' Report designated as audited are in accordance with the Corporations Act 2001 including:

   (a) complying with Australian Accounting Standards and Corporations Regulations 2001;

   (b) containing an explicit and unreserved statement of compliance with International Financial Reporting Standards in note 1; and

   (c) giving a true and fair view of the financial position of the company and consolidated entity as at 30 June 2013, and of its performance for the year ended on that date.

2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become payable.

3. This declaration has been made after receiving the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2013.

This declaration is made in accordance with a resolution of the Board of Directors:

Jon Price
Managing Director

Dated: 27 September 2013

PKF Mack & Co

Chartered Accountants & Business Advisers

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

PHOENIX GOLD LTD

Report on the Financial Report

We have audited the accompanying financial report of Phoenix Gold Ltd, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 company and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Tel: 61 8 9426 8999 | Fax: 61 8 9426 8900 | www.pkf.com.au
PKF Mack & Co | ABN 11 713 325 732
4th Floor, 35 Havelock Street | West Perth | Western Australia 6005 | Australia
PO Box 609 | West Perth | Western Australia 6872 | Australia

Opinion

In our opinion:

(a) the financial report of Phoenix Gold Ltd is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2013 and their performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 19 of the directors' report for the year ended 30 June 2013. 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 Phoenix Gold Ltd for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

PKF Mack and Co.

PKF MACK & CO

SIMON FERMANIS
PARTNER

27 SEPTEMBER 2013
WEST PERTH,
WESTERN AUSTRALIA

Corporate Governance

The Board is responsible for the operational and financial performance of the Company, including its corporate governance. The Board has adopted a corporate governance framework for the Company which is underpinned by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition) (the **Recommendations**) applicable to ASX-listed entities.

For ease of comparison to the Recommendations, the following Section addresses each of the Corporate Governance Principles and, where the Company has not followed a Recommendation, this is identified with the reasons for not following the Recommendation.

Phoenix Gold's corporate governance policies are available on the Company's website: www.phoenixgold.com.au.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The Board is accountable to shareholders for the performance of the Company. The Board operates under the Board Charter that details its functions, responsibilities and powers and those delegated to management. Broadly, the key responsibilities of the Board are:

1. reviewing and approving corporate strategies, the annual budget and financial plans;
2. overseeing and monitoring organisational performance and the achievement of the Company's strategic goals and objectives;
3. monitoring financial performance and liaising with the Company's external auditor;
4. appointing and assessing the performance of the Managing Director (or equivalent), and overseeing succession plans for the senior executives;
5. ratifying the appointment and the removal of senior executives and the company secretary;
6. approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures;
7. reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance;
8. enhancing and protecting the reputation of the Company; and
9. reporting to and communicating with shareholders.

All non-executive directors of the Company will, on appointment, receive a letter of appointment which sets out the terms and conditions of their appointment.

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

The Board and the Managing Director monitor the performance of senior executives on a regular basis. The Managing Director conducts an annual evaluation of each senior executive's performance, at which the senior executive's performance during the previous 12 months is assessed against relevant performance indicators, and role expectations and goals are set for the following year.

The Board (in the absence of the Managing Director) also assesses the performance of the Managing Director at least once in each financial year. The Chairman will meet with the Managing Director and provide him or her with feedback on the Board's assessment.

Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.

The Board reviews executive performance annually as part of the Company's remuneration review process.

In accordance with the Guide to reporting on Principle 1, the Company's Board Charter is available from the corporate governance section of its website.

Corporate Governance (Continued)

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1: A majority of the board should be independent directors.

The structure of the Board does not comply with Recommendation 2.1 in that a majority of the directors are not independent. Currently the Board consists of one executive director, Mr Price, and two non-executive directors, Mr Rogers and Mr Hall, who was appointed a director on 7 May 2013. Mr Gordon resigned as a director on 31 May 2013. Mr Rogers is the Chairman. Details of each Board member's experience, expertise and qualifications are set out in the Directors' Report.

The Board has assessed the independence of Mr Rogers, Mr Hall and Mr Gordon using defined criteria of independence and materiality consistent with the guidance and commentary for Recommendation 2.1.

The independent status of the Chairman, Mr Rogers, is affected by his position as, and direct association with, a substantial shareholder of the Company. Accordingly, Mr Rogers is not considered by the Board to be an independent director as defined in Recommendation 2.1.

Mr Hall is considered to be an independent director as defined in Recommendation 2.1.

The Gordon Family Trust is a party to an agreement with Phoenix Gold to provide geological consulting services to the Company. Mr Gordon's wife is the Trustee of the Gordon Family Trust, and employs Mr Gordon to perform the relevant geological consulting services. Accordingly, Mr Gordon is not considered by the Board to be an independent director.

The Board has nevertheless determined that the composition of the current Board represents the best mix of directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management. Furthermore, each individual member of the Board is satisfied that whilst the Company may not comply with Recommendation 2.1, all directors bring an independent judgment to bear on Board decisions. In addition, each director is entitled to seek independent professional advice (including but not limited to legal, accounting and financial advice) at the Company's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures and subject to the conditions set out in the Board Charter.

Board structure and composition will be reviewed as and when the Company's scale, strategic direction or activities change. The Company will only recommend the appointment of additional directors to the Board where it believes the expertise and value added outweighs the additional cost.

Recommendation 2.2: The chair should be an independent director.

The structure of the Board does not comply with Recommendation 2.2 in that the non-executive Chairman, Mr Rogers, is a top 20 shareholder of the Company and is not considered by the Board to be an independent director.

However, the Board believes that the Chairman is able to and does bring expertise and independent judgment to all relevant issues falling within the scope of his role as Chairman.

Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.

The roles of Chairman and Managing Director are not exercised by the same individual. The Board Charter summarises the roles and responsibilities of the Chairman, Mr Rogers and the Managing Director, Mr Price.

Corporate Governance (Continued)

Recommendation 2.4: The board should establish a nomination committee.

The Company does not comply with Recommendation 2.4 in that it has not established a separate nomination committee. As the Board currently comprises only three directors, it has been decided that there are no efficiencies to be gained by, and, given the current size and composition of the Board, it is not practicable to, form a separate nomination committee. The Board considers that it is more appropriate to set aside time at Board meetings to specifically address matters that would ordinarily fall to a nomination committee.

The Board has adopted a formal Nomination and Remuneration Committee Charter. The current Board members will, when considering matters within the ambit of the Nomination and Remuneration Committee Charter, be guided by and, to the extent practicable, act in accordance with, that Charter.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The Chairman conduct's an informal evaluation of each Board member's performance at least once in each financial year. The review process includes a combination of qualitative and quantitative assessments, the results of which shall be discussed with the individual director and the Board.

At least once in each financial year, the Chairman also conducts an informal evaluation of the performance of the Board committees (if any) and the Board as a whole. For the purposes of this evaluation, each director will complete and submit to the Chairman an assessment of the Board's performance.

Before each annual general meeting, the Board reviews the performance of each director retiring in accordance with the Company's constitution before determining its recommendation to shareholders on the re-election of the director (in the absence of the director involved). The Board (excluding the Chairman) conducts the review of the Chairman.

The Board will, from time to time, utilise the services of an external party to review the performance of the Board.

Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.

In accordance with the Guide to reporting on Principle 2, the Company's Nomination and Remuneration Committee Charter (incorporating a description of the procedure for the selection and appointment of new directors and the re-election of current directors) is available from the corporate governance section of the Company's website.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

- *the practices necessary to maintain confidence in the company's integrity;*
- *the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and*
- *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

The Board has adopted a Code of Conduct which applies to all directors, officers, employees, contractors and consultants of the Company. It sets out Phoenix Gold's commitment to successfully conducting its business in accordance with all applicable laws and regulations while demonstrating and promoting the highest ethical standards. The Code of Conduct reflects the matters set out in the commentary and guidance for Recommendation 3.1.

Corporate Governance (Continued)

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

The Company's policy regarding equal employment opportunity & diversity is set out on the Company's website. The Company's Equal Employment Opportunity & Diversity Policy does not include measureable objectives as the Board believes that the Company will not be able to successfully meet these given the size and stage of development of the Company.

Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Given the size of the Company the Directors do not consider it appropriate to set measurable objectives in relation to diversity. Notwithstanding this the Company strives to provide the best possible opportunities for current and prospective employees of all backgrounds in such a manner that best adds to overall shareholder value and which reflects the values, principles and spirit of the Company's Equal Employment Opportunity & Diversity Policy.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

For the 2013 financial year the Company had a total of 9 woman employees out of a total of 12 employees with 1 woman in senior management and no women on board.

Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.

The Company is not aware of any departure from Recommendations 3.1 or 3.4. The Company's Equal Employment Opportunity & Diversity Policy does not include measureable objectives as the Board believes that the Company will not be able to successfully meet these given the size and stage of development of the Company.

The Company's Code of Conduct and the Company's Equal Employment Opportunity & Diversity Policy are publicly available on the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1: The board should establish an audit committee.

Recommendation 4.2: The audit committee should be structured so that it:

- *consists only of non-executive directors;*
- *consists of a majority of independent directors;*
- *is chaired by an independent chair, who is not chair of the board; and*
- *has at least three members.*

The Company does not comply with Recommendations 4.1 and 4.2 in that it has not established a separate audit committee comprised only of non-executive directors. As the Board currently comprises only three directors, it has been decided that there are no efficiencies to be gained by, and, given the current size and composition of the Board, it is not practicable to, form a separate audit committee. The Board considers that it is more appropriate to set aside time at Board meetings to specifically address matters that would ordinarily fall to an audit committee.

Corporate Governance (Continued)

Recommendation 4.3: The audit committee should have a formal charter.

The Board has adopted a formal Audit and Risk Committee Charter. The current Board members will, when considering matters within the ambit of the Audit and Risk Committee Charter, be guided by and, to the extent practicable, act in accordance with, that Charter.

Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.

In accordance with the Guide to reporting on Principle 4, the Company's Audit and Risk Committee Charter (incorporating information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners) is available from the corporate governance section of the Company's website.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company's Continuous Disclosure Policy sets out the key obligations of the Company's directors, officers, employees and consultants in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The Policy also contains procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements and for the monitoring of Company compliance.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.

In accordance with the Guide to reporting on Principle 5, the Company's Continuous Disclosure Policy is available from the corporate governance section of the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

The Shareholder Communications Policy sets out the Company's aims and practices in respect of communicating with both current and prospective Shareholders. The Policy reinforces the Company's commitment to promoting investor confidence and reflects the matters set out in the commentary and guidance for Recommendation 6.1.

Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.

In accordance with the Guide to reporting on Principle 6, the Company's Continuous Disclosure Policy and Shareholder Communications Policy is available from the corporate governance section of the Company's website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Corporate Governance (Continued)

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

The Company does not currently have a separate risk management committee. As the Board currently comprises only three directors, it has been decided that there are no efficiencies to be gained by, and, given the current size and composition of the Board, it is not practicable to, form a separate risk management committee. The Board considers that it is more appropriate to set aside time at Board meetings to specifically address matters that would ordinarily fall to a risk management committee.

The Company's risk management framework is supported by the Board and management. The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Management is responsible for monitoring that appropriate processes and controls are in place to effectively manage risk. The Board believes that it has a thorough understanding of the Company's key risks and is managing them appropriately.

The Board has adopted a formal Audit and Risk Committee Charter. The current Board members will, when considering matters within the ambit of the Audit and Risk Committee Charter, be guided by and, to the extent practicable, act in accordance with, that Charter.

Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The integrity of the Company's financial reporting relies upon a sound system of risk management and control. Accordingly, the persons performing the functions of Managing Director and Chief Financial Officer (or equivalent) will be asked to confirm that any declaration they provide in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Similarly, in a separate written statement, the Managing Director will also confirm to the Board whether the Company's risk management and internal control systems are operating effectively in relation to material business risks for the period, and that nothing has occurred since period-end that would materially change the position.

Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.

In accordance with the Guide to reporting on Principle 7, the Company's Audit and Risk Committee Charter (incorporating a summary of the Company's policies on risk oversight and management of material business risks) is available from the corporate governance section of the Company's website.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1: The board should establish a remuneration committee.

Corporate Governance (Continued)

Recommendation 8.2: The remuneration committee should be structured so that it:

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

The Company does not comply with Recommendations 8.1 and 8.2 in that it has not established a separate remuneration committee. As the Board currently comprises only three directors, it has been decided that there are no efficiencies to be gained by, and, given the current size and composition of the Board, it is not practicable to, form a separate remuneration committee. The Board considers that it is more appropriate to set aside time at Board meetings to specifically address matters that would ordinarily fall to a remuneration committee.

The Board has adopted a formal Nomination and Remuneration Committee Charter. The current Board members will, when considering matters within the ambit of the Nomination and Remuneration Committee Charter, be guided by and, to the extent practicable, act in accordance with, that Charter.

Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The structure of non-executive directors' remuneration is clearly distinguished from that of executive directors and senior executives. Remuneration for non-executive directors is fixed. Total remuneration for all non-executive directors is not to exceed $300,000 per annum unless approved by shareholders at the Company's annual general meeting.

Neither the non-executive directors nor the executives of the Company receive any retirement benefits, other than superannuation.

Executive directors are employed pursuant to employment agreements, which are summarised within the Remuneration Report under Service Agreements.

Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.

Directors are prohibited from entering into transactions which limit the risk of participating in unvested entitlements under any equity based remuneration scheme.

In accordance with the Guide to reporting on Principle 8, the Company's Nomination and Remuneration Committee Charter is available from the corporate governance section of the Company's website.