# 2012
# ANNUAL REPORT

A U S M O N   R E S O U R C E S   L I M I T E D

AUSMON RESOURCES
LIMITED

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# CHAIRMAN'S LETTER

Dear Shareholder,

I am pleased to present you the 2012 Annual Report of Ausmon Resources Limited.

Exploration work has continued in our gold and copper licences although field work has been hampered by wet weather in the areas during the year.

We have carried detailed mapping and reviewed previous interpretations and the anomalies identified in the Koonenberry Copper Project. The identified anomalies were followed up by ground investigation. For 2013, we plan to carry out further drill testing of the Grasmere-Peveril copper deposit and carry out a gravity survey over EL 6424.

In August 2011, we drilled 6 holes in EL 6417 Cumnock and collected 488 samples. The results were very encouraging, and have significantly upgraded the potential of the Gumble sub-area for base metal and silver discoveries.

Our team has also been assessing several new projects in Australia and China. In November 2011, we entered into a framework agreement with Jiangsu Datang International Jintan for a joint development of a gas-fired thermoelectric co-generation power project. This potentially very large project consists of the construction of a gas fired thermoelectric co-generation power plant and construction of a natural gas pipeline to transport gas to the power plant. We are hopeful to reach a transaction in that project once all conditions precedent have been satisfied and all the regulatory approvals have been obtained.

Our investment in Premium Exploration Inc., a company listed on the Canadian TSX Venture Exchange has not performed as we expected during the year. Consequently, after the financial year we have disposed of a substantial part of our investment and applied the proceeds to fund operations in Australia.

I would like to thank the team at Ausmon for their dedicated efforts and our loyal shareholders for their support as we continue to strive to create value for the Company in the current difficult financial environment worldwide.

**King M Fan**
Chairman

28th September 2012

# REVIEW OF OPERATIONS

## Summary

### Exploration

- Analytical results from 3 of the 4 diamond drill holes, drilled in June 2011 by the Company, into the Grasmere-Peveril line of lode gave very pleasing results, including 3.33 m at 3.33% Cu, 0.44% Zn and 7.3g/t Ag, and 0.73 m at 4.81% Cu, 0.8% Zn, and 10.1 g/t Ag. (*see Footnote on true widths at end of this report*).

- Detailed mapping and anomaly checking continued on the recently discovered west-north-west extension to the Grasmere-Peveril line of lode. Lithologic, fault line, and sink hole mapping, plus magnetic trends, all point to the presence of extensions that need to be drill tested.

- Detailed petrographic/mineragraphic work (15 samples of core/chips) undertaken by CODES (University of Tasmania) confirmed that Cu sulphides are primary (ie not supergene) in nature. The report also noted that metal concentrations and associations suggest that sulphides formed along a near concordant fault or shear zone, rather than in a sea floor VMS environment. That idea remains to be confirmed.

- Planning was undertaken for a detailed gravity survey within Koonenberry EL 6424 to cover the Wertago copper diggings and the Nutherungie silver field. The latter is considered to be the epithermal cap above a deeper porphyry copper system, and gravity data should hone drill targets.

- Exploration activities at Koonenberry ELs 6400, 6464, 7691 and 6424 have been largely hampered by wet weather.

- On EL 6417 (Cumnock) 6 RC percussion holes were completed in August. Two were drilled beneath the historic Cumnock Cu Mine, 2 into a skarn target at Gumble, and 2 into a large soil Cu anomaly at Mt Catombal. The 2 Gumble holes intersected broad skarned zones enriched in Ag, Cu, and Zn, with lesser Sn and Au —e.g. 8 m @ 0.7% Cu, 30 g/t Ag, and 0.22 g/t Au, with 0.15% Sn over 3 m. (*see Footnote on true widths at end of this report*). The other 4 holes did not intersect significant mineralisation, but did detect anomalous Cu values at depth.

- The Gumble results look very promising, and significantly upgrade the potential of the Gumble sub-area. At Anomaly A, broad skarn system (caused by mineralised granitic fluids reacting with limestones and associated rocks) is evident over 500+ metres. Elements present are the same as those seen in the nearby (historic) Delaney's Dyke mine—i.e. Cu, Zn, Ag-Au, and Sn.

- At Gumble sub-area another 11 anomalies remain to be drill tested. Silver grades in particular as noted above (e.g. 8 m at 30 g/t, 23m at 4.5 g/t, 10m at 3 g/t, and 7 m at 3.9 g/t (see Footnote on true widths at end of this report) are both high and consistent.

# REVIEW OF OPERATIONS

- Further analysis of the RC drilling results from Cumnock EL 6417, near Orange confirmed the Gumble sub area as being highly prospective for skarn-type Cu-Zn-Ag-(Au) deposits. Up to eleven targets remain to be drill tested. Rehabilitation of six RC holes (drilled in 2011) was completed on Cumnock EL 6417, near Orange.

- Targets were honed for bedrock sampling on Cobar ELs 6413 & 7564 (Pooraka) and 6416 (Mt Barrow). This work included detailed analysis of aeromagnetic features to determine bedrock depths beneath soils and ferruginised palaeochanels.

- Farmin partners are sought for Cobar ELs 6413 and 7564 (Pooraka) and 6416 (Mt Barrow) to contribute to exploration expenditure. These ELs contain gold and base metal targets that require drilling.

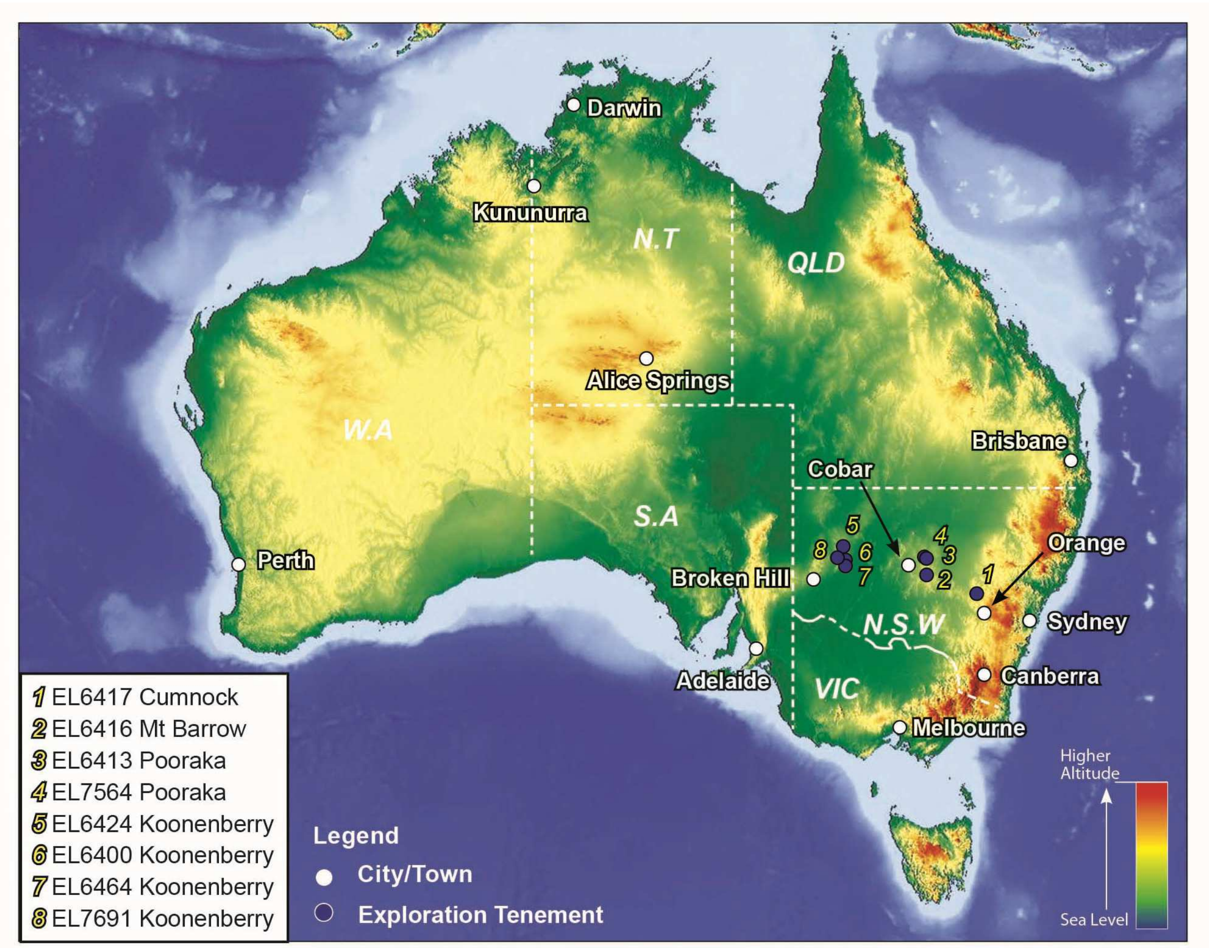



***Figure 1 - Licence Locations in New South Wales, Australia***

# REVIEW OF OPERATIONS

## COPPER EXPLORATION AT KOONENBERRY BELT
***ELs 6400, 6424, 6464 and 7691 - NSW (100%)***

The Company holds a 100% interest in 4 ELs covering a total area of 639 sq kms in the highly prospective and under-explored Koonenberry Belt in Western NSW, near Broken Hill.

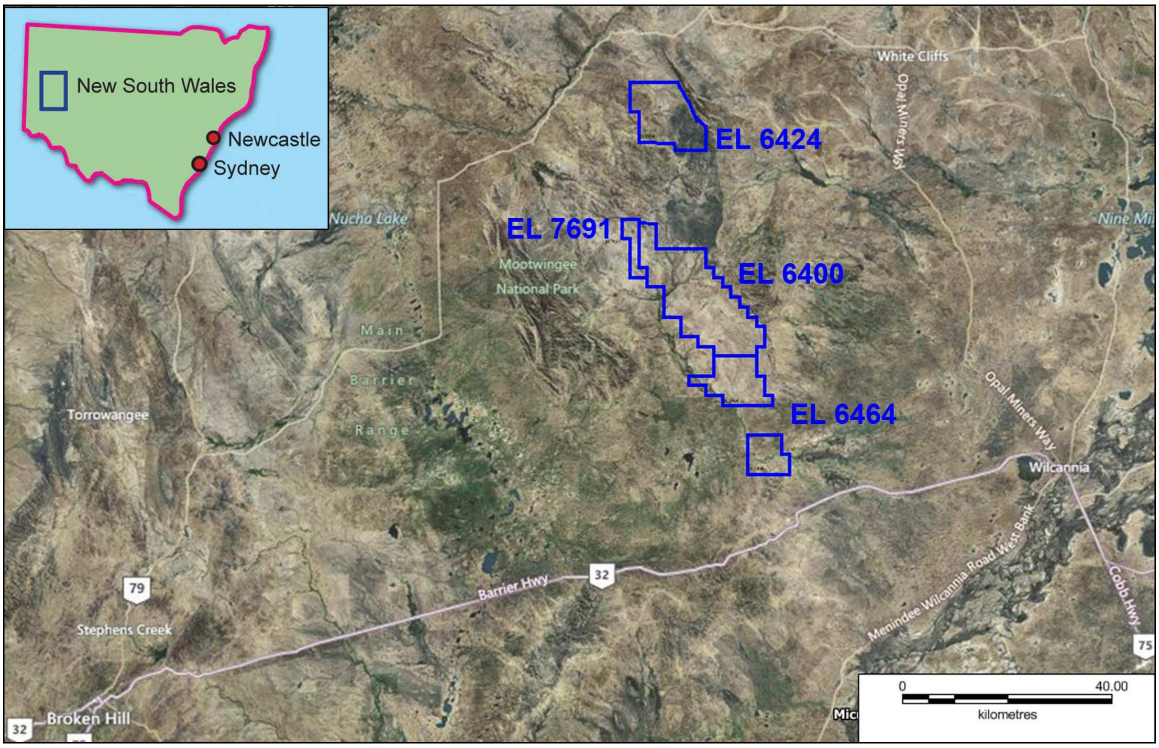



***Figure 2 - Location map of Koonenberry Exploration Licences***

### Results of Diamond drilling- Koonenberry Copper Project (EL 6400)

Four diamond drill holes (ADD01-ADD04) were drilled in June 2011 into broader and/or more metal rich parts of the Grasmere-Peveril line of lode**.** Known Cu-Zn mineralisation occurs continually over a west-north-west strike of about 3.8 km. The lode is broken by several offsetting faults, and is most thickly developed in two near vertically dipping bodies, referred to as the Grasmere and Peveril bodies.

Findings were as follows:

**Hole ADD01** intersected the western part of the Peveril ore body and substantially increased the down dip extension of known mineralisation.

# REVIEW OF OPERATIONS

**Hole ADD04** was drilled 100 m further to the west and made a much narrower intersection, indicating proximity to the western edge of the Peveril ore body.

**Hole ADD02** was drilled to test for thickening of the mineralisation in earlier drill holes 300 m west of the Peveril ore body.

**Hole ADD03** was drilled to test the western part of the Grasmere ore body at a drill hole length of c. 250 m. Between 245.20 m and 255.55 m, it intersected a fault zone with core losses suggesting that the Grasmere body is displaced by a fault.

Cores were logged and photographed, and sulphide bearing intersections split by diamond saw. Half core samples (71 samples) were submitted to the ALS laboratory in Orange for multi element analysis, including 13 samples for SG (density) determination.

Sulphide minerals were noted to consist of pyrite, with lesser chalcopyrite, sphalerite and pyrrhotite, but proportions were hard to estimate visually. Shears and crush zones were noted in all holes. High grade intersections (45% - 65+% sulphides) were noted to be associated in part with lower grade intersections (2% - 20% sulphides) consisting of the same sulphide minerals.

High grade Cu intersections, with Zn and Ag credits, were as follows (*see Footnote on true widths at end of this report*):

| Hole No | Intersection, m | | Length m | Cu% | Zn% | Ag g/t | Au g/t |
|---|---|---|---|---|---|---|---|
| | from | to | | | | | |
| ADD01 | 254.00 | 257.33 | 3.33 | 3.33 | 0.44 | 7.3 | 0.08 |
| ADD02 | 158.20 | 158.40 | 0.20 | 3.17 | 0.31 | 5.2 | 0.04 |
| ADD04 | 268.81 | 269.54 | 0.73 | 4.81 | 0.80 | 10.1 | 0.15 |

**Discovery of Probable WNW Extension to Line of Lode (see Diagram)**

Detailed (1:1000 scale) fault delineation and lithological mapping during the first half year led to the discovery of a new, south-east displaced, fault bounded, slice of the line of lode, roughly one kilometre north of the Company's June 2011 drilling area. Lithological, fault line, and aeromagnetic evidence also pointed to further extensions to the west-north-west as indicated. Earlier explorers were beguiled by high copper concentrations in soils draining the area, leading to the drilling of extensive lines of RAB (bedrock probing) holes—shown as brown dots on Figure 3. The presence of strong copper anomalies also suggests the possibility of higher concentrations of copper sulphides in that area.

Detailed mapping along the west-north-west extensions of the Grasmere-Peveril line of lode located new features, including narrow, late stage, cross cutting veins, showing at surface as silicified ironstones. Portable XRF (Niton) field testing of these detected the presence of Cu and Zn. A number of targets were selected for later testing by RC percussion drilling. Work on EL 7691 has also revealed a number of targets for drilling.

# REVIEW OF OPERATIONS

Data from 2011 diamond drilling of the line of lode have demonstrated that higher grade Cu zones (shoots) are primary in nature, and not caused by supergene enrichment effects. Lode extensions to the west-north-west will now be more precisely located by mapping and, where required, bedrock (air core drill) sampling. Lodes will then need to be tested by RC percussion and diamond drilling. The aim will be to confirm continuity, thickness and Cu content of lodes to the west-north-west.

The lode is considered to probably be structurally controlled, along a major fault, however given the highly deformed and altered nature of the host rocks, primary features would have been largely or entirely obliterated, which means a re-constituted Cyprus-type VMS seafloor origin cannot be ruled out**.**

## Petrographic/ Mineragraphic Study of Drill Cores and Chips at CODES, Tasmania

Fifteen samples of cores and chips were collected over 5 km from drill holes along the Grasmere-Peveril line of lode and submitted to CODES (University of Tasmania) for petrographic/mineragraphic analysis. The results of this work were as follows:

- Host rocks to the lode are thinly bedded shale-siltstone-fine sandstone metasediments of the Ponto Group, associated with lesser strongly veined and altered mafic volcanic, or volcaniclastic rocks.

- The lode itself is consistently fine-grained, with strong cataclasis (deformation of rigid particles by fracture, sliding and rolling, without internal strain) of the dominant sulfide mineral, pyrite, which is associated with variable amounts of chalcopyrite and minor sphalerite.

- Limited assay data provided shows very high Cu/Zn ratios, with Pb almost always <30 ppm, in keeping with the observed sulfide mineralogy and absence of galena.

- Although the pyritic, Cu-rich, Pb-poor lode is broadly similar to Cyprus-type VHMS deposits in mineralogy and metal ratios, over its entire 5 km extent there is no known evidence of stockwork zones, barite, exhalative sediments, or seafloor sulfide deposit constructional features (chimneys, mounds, concentrically banded sulfides) suggesting that it is unlikely to represent a Cyprus-type VHMS system.

- The strong and lode-wide cataclasis of brittle pyrite, coupled with evidence from detailed mapping that the lode appears to transect the host stratigraphy in places, suggests that the lode is structurally controlled, along a major fault. Further study is required however to thoroughly characterize the nature and origin of the lode.

- Other features noted include local plastic deformation of chalcopyrite, rare alteration along chalcopyrite rims to (blue) covellite, and very rare sulphosalt inclusions.

# REVIEW OF OPERATIONS

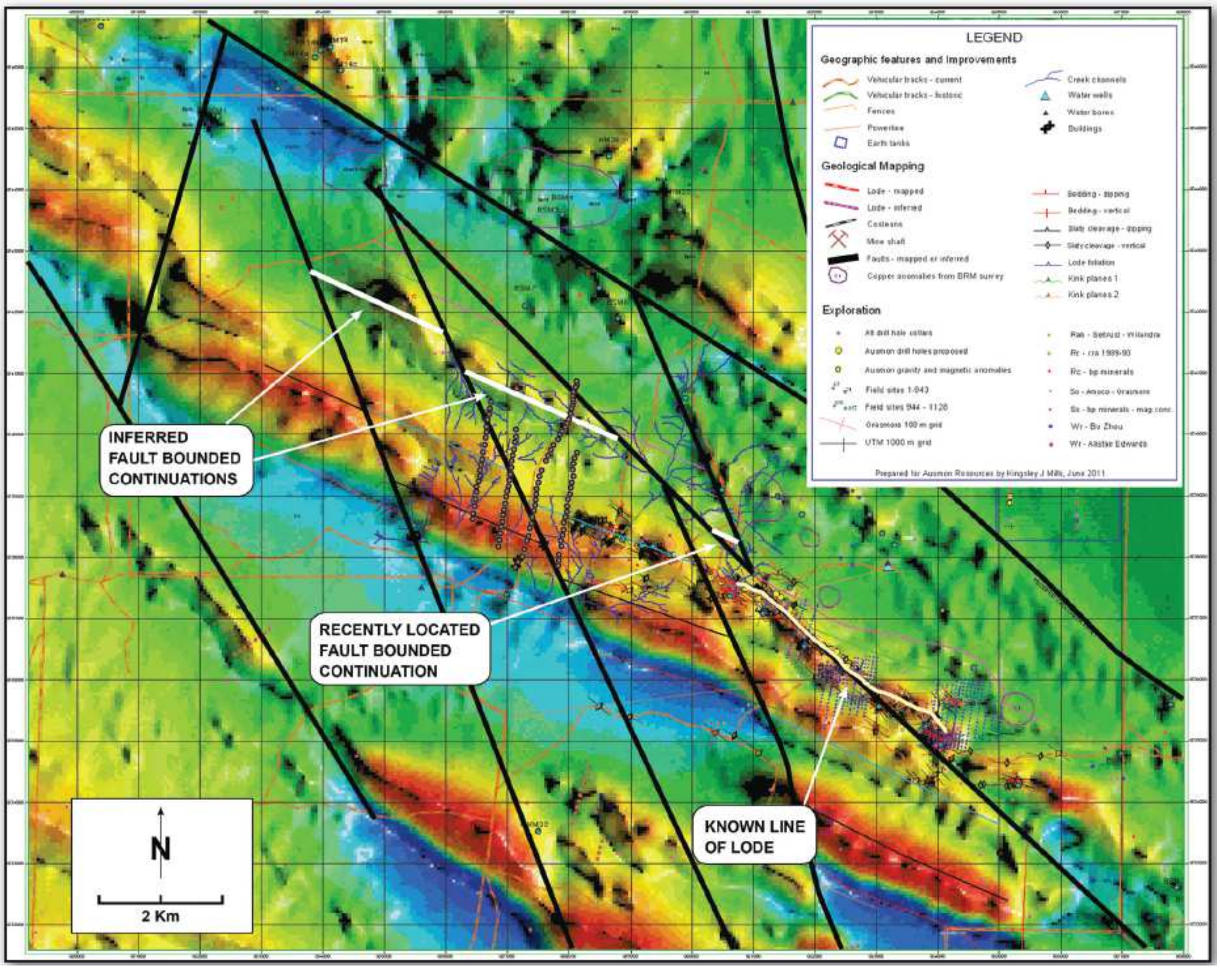



***Figure 3 - EL 6400 – Probable WNW Extension to Grasmere Peverill Line of Lode***

**GOLD, SILVER AND BASE METAL EXPLORATION AT ORANGE AND COBAR**
***EL 6413, EL 6416 EL 6417 and EL 7564 - NSW (100%)***

## *EL 6417 (Cumnock)*

EL 6417 (Cumnock) is composed of 3 segments (sub areas) centred about the town of Cumnock, near Orange. The EL contains gold and base metal mineralization hosted in a range of rock units of Ordovician to Devonian age. There are many recorded mineral occurrences, and the presence of historic mine workings, at Gumble, Cumnock, and Mt Catombal.

# REVIEW OF OPERATIONS

## Work Undertaken and Results

In March 2011 RC percussion targets were selected and marked out for drilling. Due to ongoing wet weather, and logistical factors, drilling was delayed until August 2011. Up to 9 targets were marked out, and 6 were drilled - 2 each on the Mt Catombal, Gumble, and Cumnock sub areas. Hole drilled were follows, in the order completed:

| Hole No | Location | GPS Co-Ordinates | | Plunge | Direction | Length |
|---|---|---|---|---|---|---|
| Hole 3A | Cumnock | 0661753 E | 6352209 N | 50 | W | 100m |
| Hole 3 | Cumnock | 0661656 E | 6352210 N | 50 | E | 100m |
| Hole 4 | Mt Catombal | 0675867 E | 6377293 N | 50 | E | 30m |
| Hole 4A | Mt Catombal | 0675897 E | 6377291 N | 60 | E | 80m |
| Hole 1A | Gumble | 0656538 E | 6342578 N | 55 | E | 87m |
| Hole 1B | Gumble | 0656518 E | 6342409 N | 55 | E | 91m |

Samples were collected over 1 m intervals - total 488 samples. Chips were separated by dry and wet sieving, geologically logged, and retained in sample boxes. Intervals of interest were homogenised in collection bags, and 1 kg splits taken for chemical analyses. In all 279 such splits were collected and submitted to the ALS laboratory in Orange. All were analysed for for Cu, Pb, Zn, Ag analysis (method ICP 41). Fifty of those samples were also submitted for Au analysis (AA 25), and 20 for Sn analysis (XRF). The results were received in late September for assessment by the Company.

Extensive close spaced soil grid sampling was undertaken at Gumble in 2009, and 2010 to cover the contact areas of the Gumble Granite, mainly in the prospective Ordovician Kabadah Formation, which hosts numerous gold and base metal occurrences along its western margin. Another aim was to test fault-bound Ordovician and Silurian-age units to the north for skarn type mineralization associated with shallow granite apophasis features. Some 12 anomalies were detected, and 2, (labeled A and G) were selected for initial drilling, viz:

**Anomaly A** (~656550mE, 6342000mN), takes in old surface diggings, and is a Cu (<135 ppm), Au (<23 ppb), As (<23 ppm), Zn (<163 ppm) anomaly located about 200 m west of the contact of the Gumble Granite with the Kabadah Formation. Continues over some 500+ m.

**Anomaly G** (~659850mE, 6344600mN) is a smaller copper (< 148 ppm), gold (<13 ppb), Bi (< 3 ppm), As (<102 ppm), Zn (<256 ppm) anomaly coinciding with a northwest-southeast trending fault in the Maradana Shale.

The expectation was that these targets should contain Cu-Zn sulphides, with Ag-Au credits, and possibly Sn (tin) (as cassiterite- $SnO_2$). Anomaly G could not be drilled due to access issues, so it was decided to sink two (2), 55 degree inclined holes into Anomaly A.

## REVIEW OF OPERATIONS

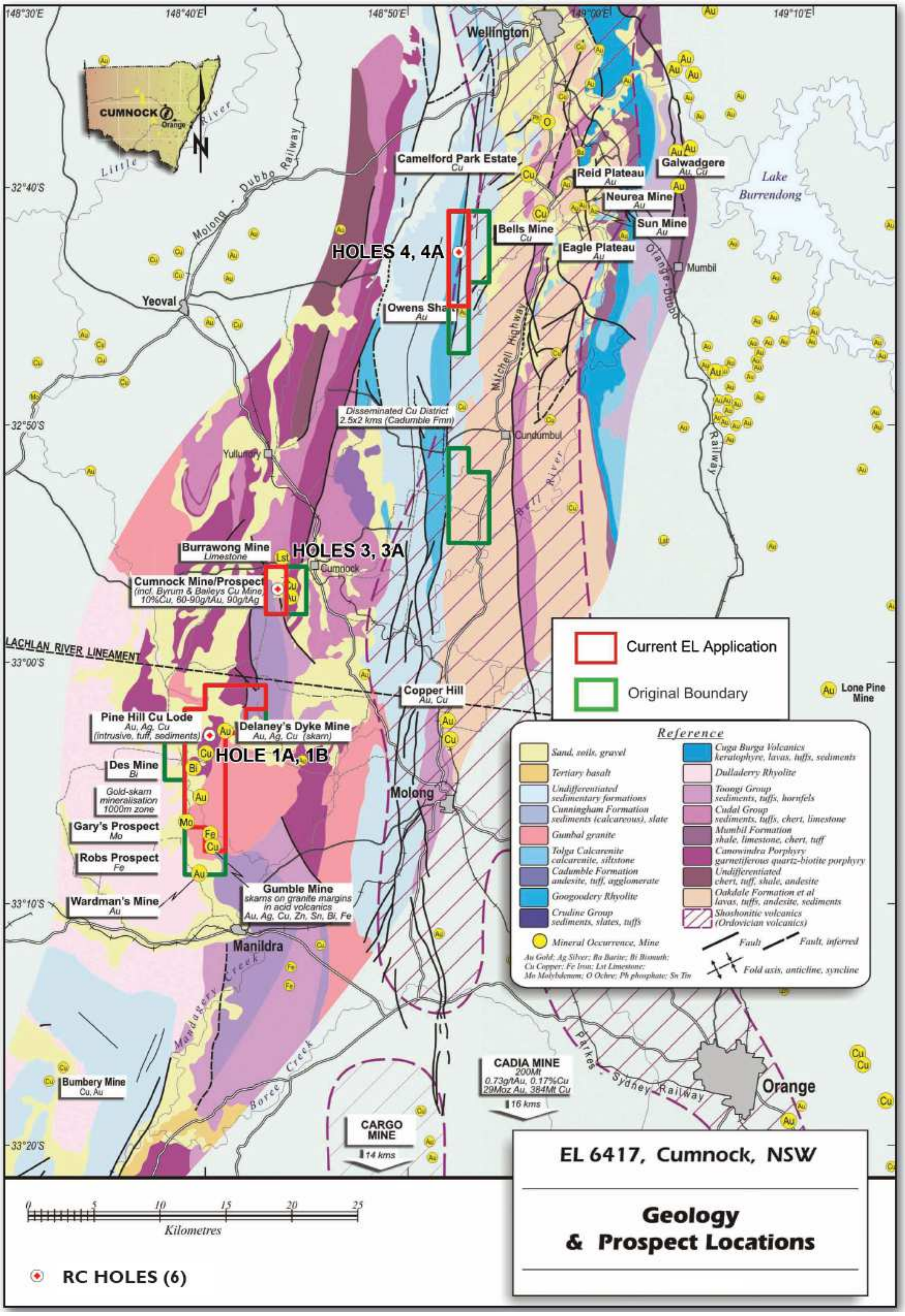



**Figure 4 – EL 6417 Targets drilled in August 2011**

# REVIEW OF OPERATIONS

## Target 1--Gumble Skarns (2 holes)

The first hole (**Designated Hole 1A**) was about 170 m north of originally proposed Hole 1, and targeted old diggings in a gossanous (silicified ironstone) outcrop. The second (Designated Hole 1B) was on the same line as original Hole 1, but closer to the target soil anomaly. Hole 1A encountered red-brown soils (0 -12 m), followed by shaley sediments with lesser volcanic rocks (12 m - 45 m). This was underlain (45 m - 49 m) by what looked like weathered Fe sulphides, then by wet limestone karst (red-brown) muds containing sandstone and shale chips (49 m -56 m). The interval from 56 m - 58 m consisted of similar karst muds, *but with 10 to 15% Cu carbonate (malachite and azurite) in sieved (i.e. concentrated) chips.* Muds, with traces of Cu carbonate chips persisted to 64 m, followed by black shales with minor traces of Cu carbonates and non- magnetic black specks (possibly $SnO_2$). The hole was stopped at 87 m in shales.

The second hole (**Designated Hole 1B**) intersected deep, rich soils underlain by weathered basic volcanics to 36 m. Below that monotonous limestones persisted, with lesser interbedded black shales. One weathered limestone/ shale contact zone (70 m -73 m) looked somewhat silicified and ferruginised (skarned). The hole was stopped at 91 m in black shales with minor limestone chips.

Analytical results for the two holes were as follows (*see Footnote on true widths at end of this report*):

**Hole 1A**. 46 m to 56 m (**10 m**) @ 0.3% Cu (range 0.2% to 0.4%), 0.2% Zn (range 0.1% to 0.6%), and 3 g/t Ag (range 0.6 g/t to 6.8 g/t). 56 m to 64 m (**8 m**) @ 0.7% Cu (range 0.5% to 1.5%), 0.22 g/t Au (range 0.05 g/t - 0.61g/t), 30 g/t Ag (range 4 g/t to 79 g/t), and 0.15% Sn (last over 3 m from 62 m to 65 m). 65 m to 87 m (**23 m**) @ 0.1% Cu (range 0.05% - 0.4%), 4.5 g/t Ag (range 1.1 g/t to 13.7g/t).

**Hole 1B**. 68 m to 74 m (**7 m**) @ 3.9 g/t Au, and up to 0.2% Cu. Also nine non-limestone samples collected between 2 m and 65 m yielded 0.5 g/t to 12.1 g/t Ag, up to 0.18% Cu, up to 0.32% Zn, and up to 0.05% Sn.

The above results are very encouraging, and significantly upgrade the potential of the Gumble sub-area for base metal and silver discoveries. At Anomaly A, a broad skarn system (caused by mineralised granitic fluids reacting with limestones and associated rocks) is evident over 500+ m of strike. Elements present are the same as those seen in the nearby (historic) Delaney's Dyke mine—ie Cu, Zn, Ag-Au, and Sn. Another eleven anomalies remain to be tested by RC percussion drilling (labeled B to L in Figure 5). Silver grades in particular (e.g. 8 m at 30 g/t, 23 m at 4.5 g/t, 10m at 3 g/t, and 7 m at 3.9 g/t are very high and consistent (*see Footnote on true widths at end of this report*).

## Target 2—Cumnock Cu Mine (2 holes)

In December 2007, a soil geochemical survey around the historic Cumnock Cu mine area, on a staggered 100 m by 100 m grid, revealed an extensive Cu anomaly, open to the south. Historically the Cumnock Cu Mine produced about 10 tonnes of 10+% Cu ore with Au (60 g/t - 90 g/t), and Ag (90 g/t) credits. Mineralisation in dumps exhibits as weathered sulphide blebs and disseminations associated with quartz veins in altered Silurian (mainly acid) volcanic rocks.

# REVIEW OF OPERATIONS

Two inclined (50 degree) scissors holes (designated 3 and 3A) were sunk beneath the Cumnock Cu Mine to test for possible disseminated and/or vein-type Cu-Zn sulphides and/or Au-Ag credits. Both holes mainly intersected fine grained, grey- olive acid volcanics, with variable amounts of vein quartz. In Hole 3 trace to minor amounts of very fine grained sulphides (mainly pyrite, with lesser chalcopyrite) were noted between 48 m and 62 m. The highest concentration (5% to 10%) was noted around 58 m. Minor lithologies included felsic volcanics (possibly cross cutting dykes) and thin grey shale bands.

Analytical results were as follows (*see Footnote on true widths at end of this report*):

**Hole 3**. 57 m to 58 m (**1 m**) @ 0.45% Cu and 1.7 g/t Ag. 59 m to 63 m (**4 m**) @ 100 ppm to 388 ppm Cu (3 to 13 X background). 75 m to 76 m (**1 m**) @ 696 ppm Cu (23 X background)

**Hole 3A**. 68 m to 76 m (**8 m**) @ 148 ppm to 542 ppm Cu (5 to 18 X background). Ag up to 0.2 g/t.

**Comment**

Drilling clearly detected the diminished downward continuation of the old Cumnock Cu diggings, which occur in a fracture zone in the acid volcanic host rocks. Lack of down dip continuity means that no further work is justified on this target area.

**Target 3—Mt Catombal epithermal Cu-Au veins (2 holes)**

This most northerly segment of EL 6417 is located south of Wellington, and covers a few old Cu and Au diggings, and extensive soil and rock chip Cu-Au anomalies. These occur in the Cuga Burga Volcanics, a 10 km long 1.8 km wide patch of fault bounded, noth-noth-east striking, mainly andesitic rocks. These dip moderately west, and are part of the eastern limb of a regional syncline. The volcanics exhibit widespread epidote alteration associated with disseminated pyrite-chalcopyrite and minor epithermal quartz, suggesting the possibility of large undiscovered Mt Aubrey type Cu-Au deposits. Variations in magnetic response (due to selective magnetite destruction) also point to extensive hydrothermal activity. Detailed soil sampling by the Company in 2009 and 2010 led to the delineation of 3 large Cu anomalous areas, referred to as the *Turner, Lawrence* and *Bayliss anomalies*, named after the current landholders.

Two inclined RC holes were sunk into the most Cu anomalous part of Turner anomaly. The anomaly (<1580 ppm, background 50 ppm) is extensive, near the eastern edge of the volcanic sequence, and close to a faulted contact with sedimentary rocks. The first hole, designated Hole 4, reached refusal at 30 m. The plunge angle (50 degrees) was apparently too low for the conditions (wet, hard, fractured rocks), so a second, more steeply inclined (60 degree) hole, designated 4A, was spudded about 30 m to the east, and drilled to 80 m. Both holes encountered weathered and iron stained intermediate volcanic rocks, with extensive quartz veining and epidote alteration, however no secondary Cu minerals were noted.

Analytical results were as follows (see Footnote on true widths at end of this report):

**Hole 4**. 3 m to 4 m (**1 m**) @ 540 ppm Cu. 6 m to 16 m (**10 m**) @ 508 ppm to 1230 ppm Cu. Spot Ag - 0.2 g/t to 0.3. g/t.

## REVIEW OF OPERATIONS

**Hole 4A**. Average Cu content- 150 ppm. Nine samples were anomalous- in the range 500 ppm to 730 ppm Cu. Spot Ag - up to to 0.3 g/t.

**Comment**

Clearly bedrock Cu values are sufficiently high to explain the soil Cu anomaly, but drilling failed to detect any meaningful Cu-Ag-(Au) mineralisation in bedrocks. An extensive epithermal mineralising system is nevertheless evident at Mt Catombal, with sulphide concentrations seen in old Cu diggings, as veins and in fractures. All data (soil, rock chip, old diggings, mapping, and geophysics) now needs to be re-evaluated with the aim of finding any targets worthy of further drilling.

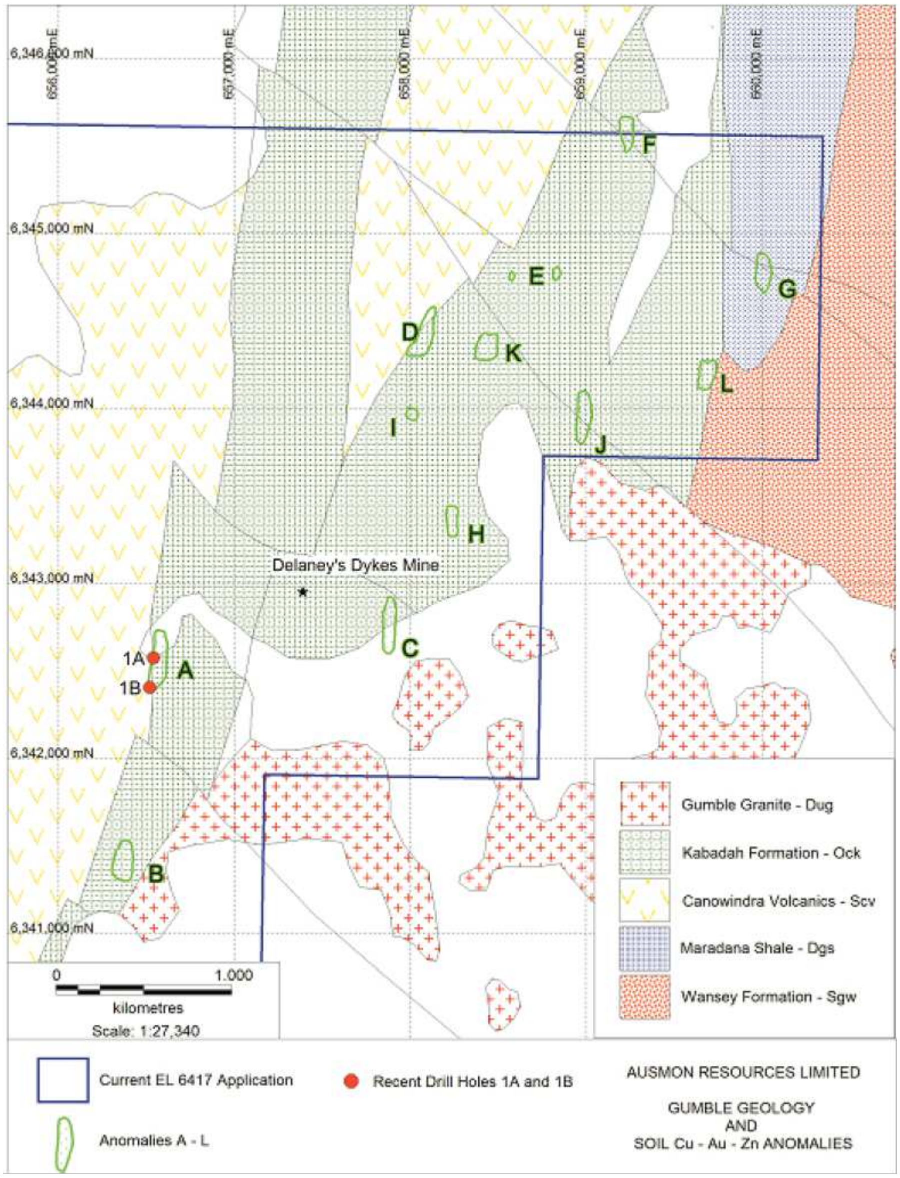



***Figure 5 – EL 6417 - Gumble Geology and Soil Cu-Au-Zn Anomalies***

# REVIEW OF OPERATIONS

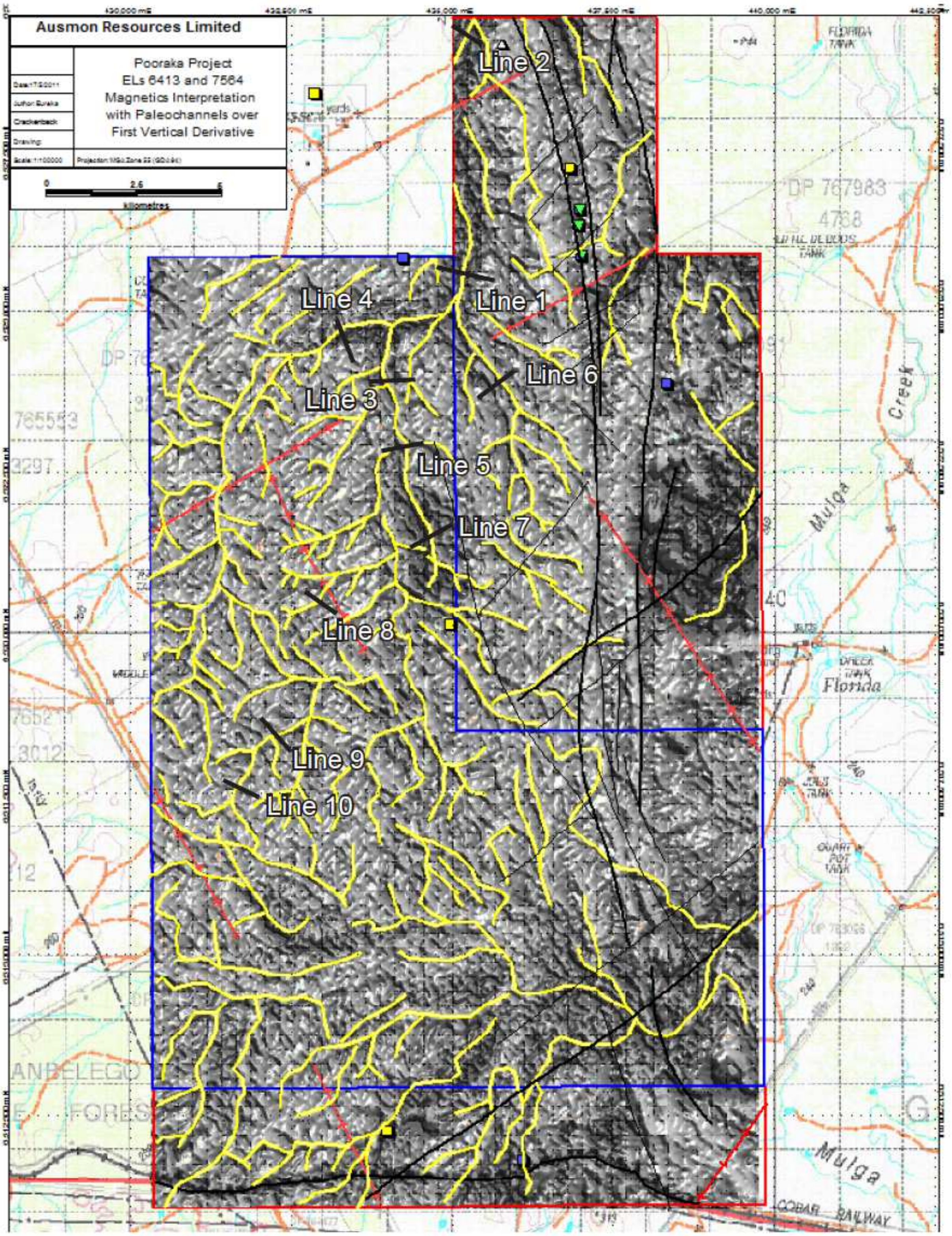
## *ELs 6413 and 7564 (Pooraka) and EL 6416 (Mt Barrow)*

Eureka Consulting (Geophysical Consultants) prepared a detailed report on the analysis of 2011 aeromagnetic data from joined ELs 6413 and 7564, near Pooraka. The western parts of these ELs are covered by soils and alluvium which overlie extensive dendritic magnetic (maghemite bearing) palaeochannels of uncertain depth and thickness. TMI data acquired from the survey were analysed, using the first vertical derivative (tilt filter) which highlights shallow magnetic geological features and surface features like roads, train lines and fences. Abundant dendritic palaeochannels are evident—see Figure 6. Ferric mineral precipitation (as pisolites in soils and along drainage channels) is caused by occasional heavy rains in the high evaporation environment. Resultant channel iron deposits (CIDs) vary considerably in width and thickness, and are an important part of the regolith. In detail iron oxides (goethite and maghemite) are associated with clays, silica, carbonates, and detrital material, forming thin lenses that follow palaeochannels.

For the analysis, 10 magnetic profiles across a range of palaeochannel types were studied to determine depths to channel tops, thicknesses, and magnetic responses. In the modeling process channels were assumed to be tabular and thinning towards edges. Data profiles, adjusted for terrain and regional effects, revealed channel thicknesses ranging from about 12 to 20 m and depths to tops ranging from 0 to 18m, averaging between 5 and 11m—see Diagrams after Figure 6 below.

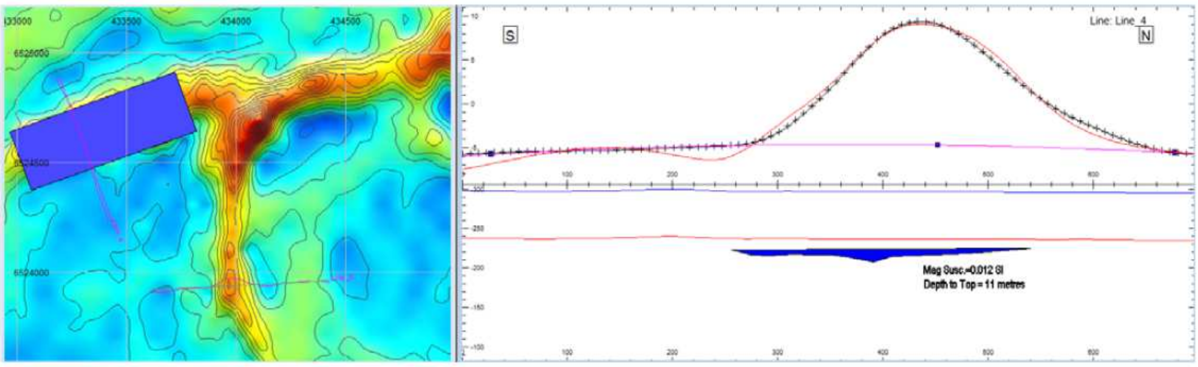
These data are an important precursor to bedrock sampling by aircore or RAB drilling of deeper magnetic and/or geologic features, including in areas close to known mineralisation. Also, bedrock sampling beneath deeper channels and cover will most likely require wider spaced inclined holes. Bedrock sampling of targets is planned for 2012/2013. Wet weather and access issues has hampered drilling plans in first half 2012.

# REVIEW OF OPERATIONS

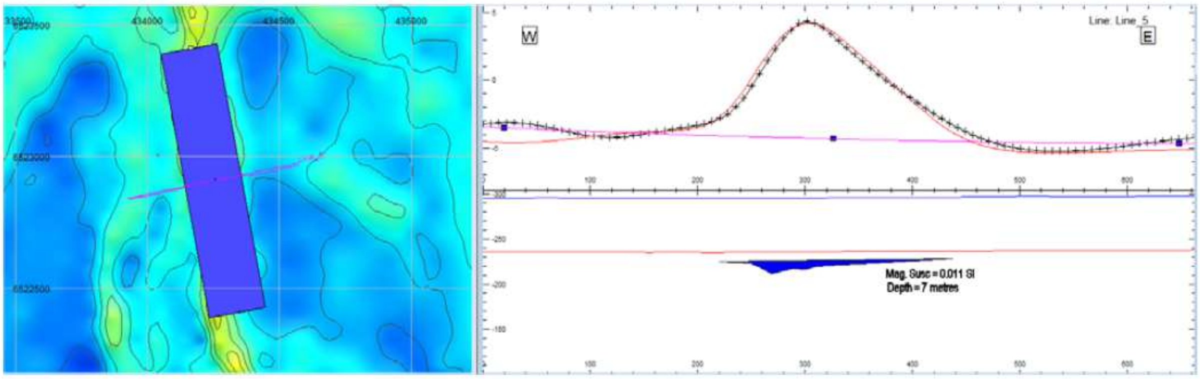


## REVIEW OF OPERATIONS

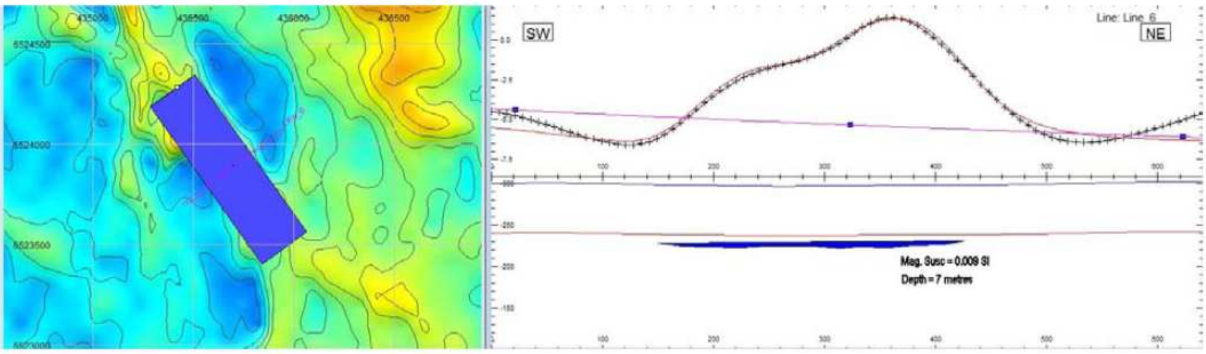
**Figure 6 - ELs 6413 and 7564 Magnetics Interpretation with Paleochannels**




**Line 4 with channel polygon, on the western extension of drainage channel**

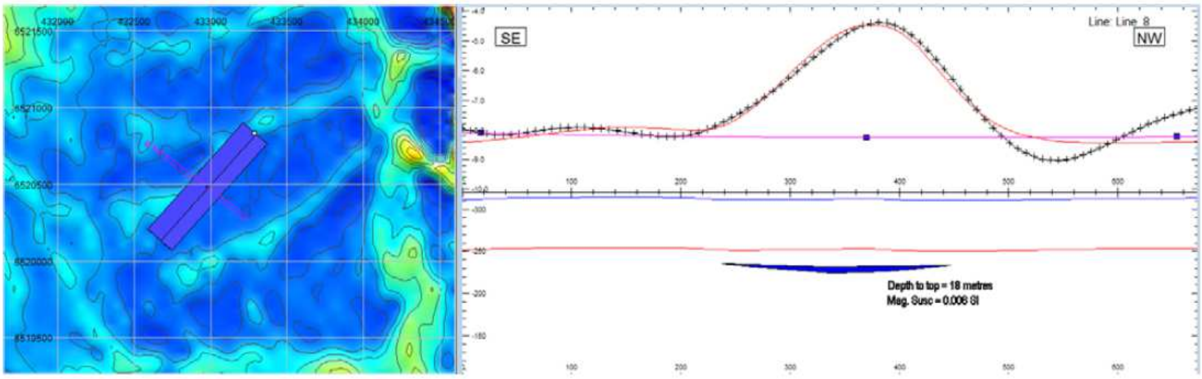



**Line 5 with channel response modeled as a polygonal body**




**Line 6 with channel response modeled as a polygonal body over a minor tributary**

# REVIEW OF OPERATIONS




**Line 8 with low amplitude channel response modeled as a polygonal body**

## INVESTMENT IN ADVANCED GOLD EXPLORATION PROJECT - IDAHO, USA
***Premium Exploration Inc. ("PEM")***

Since 2010, the Company has invested in PEM which is focused on gold exploration at its district-sized land package along the Orogrande Shear Zone ("OSZ") in North-Central Idaho, USA. The "OSZ" is a +30 km regionally-significant structure with multiple known zones of gold mineralization and is similar to many large gold belts including the Carlin Trend in Nevada.

During the year, the Company has disposed of 2.88 million shares in PEM realising proceeds of $1.1 million to fund Australian operations. The Company has disposed of a further 4,708,000 shares realising proceeds of approximately $354,000 since the end of the financial year to fund working capital and intends to continue the divestment at appropriate times to focus on the Australian and new projects.

## New Projects

During the year the Company considered several projects for investment with cornerstone partners in China with the objective to spur growth and generate income.

In November 2011, the Company announced its agreement with Jiangsu Datang International Jintan ("Jiangsu") setting out the framework for the parties to jointly develop a gas-fired thermoelectric co-generation power project ("Jintan Project") in Jiangsu Province in China to supply power to the Jintan Economic Development Zone. It was intended that the Company participates as a minority partner in the total Jintan Project with the percentage of equity yet to be determined.

The Jintan Project consists of the construction in two phases of a 1,200 MW gas-fired thermoelectric co-generation power plant. The Jintan Project also includes the construction of a natural gas pipeline to transport gas from the supplier to the power plant.

No material financial commitment has been made by the Company at this stage and the agreement is subject to condition precedents to be achieved before proceeding to a transaction.

# REVIEW OF OPERATIONS

The conditions precedent are the securing of supply of gas for the Jintan Project under applicable quotas in China and obtaining government approvals applicable for this type of project. Progression of implementation of the agreement will also be subject to Australian Securities Exchange's consideration of applicable Listing Rules, including Listing Rule 11.1.
The Jintan Project has progressed very slowly and is not at a stage for further reports.The other projects considered by the Company are still incomplete and not at a stage for reporting.

***Footnote***

*Based on geometry, and geological information, intersection widths (in metres) described in this report are estimated to be 20% to 50% greater than true widths.*

**Glossary**

Ag - silver
Au - gold
As - arsenic
Cu - copper
$O_2$ - oxide
Pb - lead
Sn - tin
Zn - zinc

g/t - gram per tonne
km - kilometre
m - metre
ppb - parts per billion
ppm - parts per million

*(The information in this report that relates to Exploration Results is based on information compiled by Dr Pieter Moeskops, the principal of Agaiva Holdings Pty Ltd and a member of The Australasian Institute of Mining and Metallurgy.*

*Dr Moeskops has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activities 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. Dr Moeskops consents to the inclusion in this report of matters based on his information in the form and context in which it appears.)*

# LICENCE SCHEDULE

as at the date of this report

| **Licence** | **Location** | **Project Name** | **Interest** |
|---|---|---|---|
| EL 6413 | New South Wales | Pooraka 1 | 100% |
| EL 7564 | New South Wales | Pooraka 2 | 100% |
| EL 6416 | New South Wales | Mt Burrow | 100% |
| EL 6417 | New South Wales | Cumnock | 100% |
| EL 6400 | New South Wales | Koonenberry - Grasmere | 100% |
| EL 6424 | New South Wales | Koonenberry - Wertago | 100% |
| EL 6464 | New South Wales | Koonenberry – Grasmere South | 100% |
| EL 7691 | New South Wales | Koonenberry – Grasmere NW | 100% |

# DIRECTORS' REPORT

The Directors present their report on Ausmon Resources Limited ("Company") and its controlled entity ("Group") for the financial year ended 30 June 2012.

## DIRECTORS

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

**King Ming Fan**
**Executive Chairman**

Mr Fan is also the Chief Executive Officer of the Company and has over 30 years' experience in diversified businesses in Hong Kong, China and Australia. He has a wide network of business and official relationships in China and has been assisting Australian companies to invest in China. More recently, he has been facilitating investment in Australia by both government and privately owned Chinese entities in a wide range of business sectors.

Special responsibilities: Chairman.
Current directorship of other listed public companies: None.
Former directorship of listed public companies in the last three years: None.

**John Qiang Wang**
**Finance Director**

Mr Wang holds a Bachelor of Computer Science from Shanghai University and a Master of Business Administration from the University of Technology, Sydney. He is a Justice of the Peace with more than 15 years' experience in the accounting profession in Australia. He is a Fellow Member of the Taxation Institute of Australia, a member of National Institute of Accountants and an affiliate member of the Financial Planner Association of Australia. He is also the Company Secretary of the Company.

Special responsibilities: Finance.
Current directorship of other listed public companies: None.
Former directorship of listed public companies in the last three years: None.

**Gang (Gary) Zheng**
**Projects Director**

Mr Zheng has over 15 years' experience in business in China, primarily in Shanghai and Beijing, and also in Australia. He has developed a good network of business and investors relationships in China and Australia. He has been working in conjunction with Mr Fan for a number of years.

Special responsibilities: Projects.
Current directorship of other listed public companies: None.
Former directorship of listed public companies in the last three years: None.

## DIRECTORS' REPORT (continued)

**David William King**
**Non-Executive - Resigned on 25 July 2011**

Dr King graduated with a First Class Honours degree in Physics/Mathematics from the University of East Anglia in 1968, a Masters degree in geophysics from Imperial College, University of London in 1969, and a PhD in Seismology from the Australian National University in 1974. After an early academic research career, he held executive positions at Offshore Oil NL and Hartogen Energy Limited before an appointment as Managing Director of gold producer North Flinders Mines Ltd. In 1991, he joined Beach Petroleum/Claremont Petroleum as Chief Executive Officer and Director, a position he held until 1995.

Special responsibilities: Former Chairman of the Audit Committee and the Remuneration Committee.
Current directorship of other listed public companies: Cellmid Limited (Chairman since January 2008), Robust Resources Limited (Chairman since February 2010) and Republic Gold Limited (since 2011).
Former directorship of listed public companies in the last three years: Gas2Grid Limited (December 2004 to August 2008), Sapex Limited (March 2006 to October 2008) and Eastern Star Gas Limited (2000 to 2011).

### COMPANY SECRETARY

Mr John Qiang Wang (Finance Director) is the Company Secretary of the Company as at the end of the financial year and at the date of this report.

### PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year consisted of acquiring interests and carrying out exploration in minerals tenements with an focus on gold, silver, copper and other base metals and also seeking new projects in the resources industry.

### OPERATING RESULTS

The loss of the Group after income tax for the year was $1,195,890 (2011: $1,468,751).

### FINANCIAL POSITION

The net assets of the Group at 30 June 2012 were $3,587,833 (2011: $6,784,184). Total assets decreased by $4,002,051 to $3,658,515 and total liabilities decreased by $805,700 to $70,682 with cash on hand of $112,252 (2011: $230,284) and no borrowings.

### DIVIDENDS

No dividends have been paid or declared by the Company since the beginning of the year.

# DIRECTORS' REPORT (continued)

## STATE OF AFFAIRS

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

(a) Issue of a total of 3,120,000 fully paid ordinary shares for settlement of consultants fees and 2011 directors fees of $624,000; and
(b) Sale of 2,882,333 shares in Premium Exploration Inc. for $1,114,753.

## REVIEW OF OPERATIONS AND LIKELY DEVELOPMENTS

A Review of Operations for the financial year, together with future prospects, is set out on pages 3 to 18.

During the subsequent financial year the likely developments of the Group will involve continuation of exploration in its tenements to define mineral resources and seeking additional mineral prospects in Australia and overseas. Except as described elsewhere in this Annual Report, the likely results of the exploration activities are unknown at the date of this report.

## ENVIRONMENTAL ISSUES

The Group's operations are subject to significant environmental and other regulations under the laws of the Commonwealth and State. The Group has a policy of engaging appropriately experienced contractors and consultants to advise on and ensure compliance with environmental regulations in respect of its exploration activities. There have been no reports of breaches of environmental regulations in the financial year and at the date of this report.

## AFTER BALANCE DATE EVENTS

In the opinion of the Directors, no items, transactions or events of a material or unusual nature have arisen in the interval between the end of the financial year and the date of this report which have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years other than that the Company has disposed of 4,708,000 shares in Premium Exploration Inc. reducing its holdings to 2,243,000 shares realising cash proceeds of approximately $354,000.

## REMUNERATION REPORT (AUDITED)

Details of the nature and amount of remuneration for each key management personnel of Ausmon Resources Limited are set out below.

### Remuneration Policy and Practices

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

# DIRECTORS' REPORT (continued)

(i) Non-Executive Directors
The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities with annual reviews based on market practices.

The maximum aggregate annual remuneration of Non-Executive Directors is subject to approval by the shareholders in general meeting. The Company had determined the maximum aggregate amount at $500,000 per year.

(ii) Key Management Personnel
The remuneration structure for senior executives, including Executive Directors, is based on a number of factors, including qualifications, particular experience and general past performance of the individual concerned, overall performance of the Group and general human resources market pricing. There is no predetermined equity compensation element within the remuneration structure nor predetermined performance condition to be satisfied. Remuneration including equity compensation is reviewed on an annual basis with advice from external remuneration advisers as may be required. There are no contracts for service between the Company and Executive Directors and other key management personnel currently in place.

The Board along with the Remuneration Committee determines payments to Non-Executive and Executive Directors and other key management personnel. During the year, the Board resolved to remunerate Directors for the year ended 30 June 2012 as follows:

- the Executive Chairman and the Executive Directors $120,744 (inclusive of superannuation contributions) for the year each.

**Company performance, shareholder wealth and Director and executive remuneration**

The remuneration policy at this early stage of the Group has been tailored for goal congruence between shareholders, directors and executives.

**Use of remuneration consultants**

No remuneration consultants were used during the year.

**Voting and comments made at the Company's 2011 annual general meeting**

The Company received more than 95% of "yes" votes on its remuneration report for 2011 financial year. The Company did not receive any specific feedback at the annual general meeting on its remuneration report.

# DIRECTORS' REPORT (continued)

## Employee Incentive Plan

The Company has established an Ausmon Resources Limited Employee Incentive Plan under which the Directors may offer options and ordinary shares in the Company to eligible persons. The Directors may also offer non-recourse interest free loans for terms of up to 5 years under the plan for subscription of shares and under such loans the Company holds a lien over the issued shares. The options are issued free at grant. The shares may not be subscribed for less than the market value of the shares at the time an offer is made under the plan. The maximum total number of options and shares that may be offered or issued under the plan may not exceed 10% of the issued shares of the Company.

The shares issued under the plan rank pari passu with other issued ordinary shares and are not listed while there are loans outstanding on the subscription of the shares. Executives participate in the Ausmon Resources Employee Incentive Plan at the invitation of the Board after a review of performance. Directors may participate in the Plan subject to approval of shareholders.

No options or ordinary shares were granted under the plan during the financial year.

## Key management personnel remuneration

The key management personnel of the Group are the Directors K M Fan, D W King, J Q Wang and G Zheng.

| | Short-term benefits | | Post employ-ment | | Share-based payment | | Total remune-ration repre-sented by options |
|---|---|---|---|---|---|---|---|
| | Cash salary and fees $ | Non-cash benefits $ | Super-annuation $ | Termi-nation benefits $ | Options $ | Total $ | % |
| **2012** | | | | | | | |
| K M Fan | 109,944 | - | 10,800 | - | - | 120,744 | - |
| D W King[1] | - | - | - | - | - | - | - |
| J Q Wang | 109,944 | - | 10,800 | - | - | 120,744 | - |
| G Zheng | 109,944 | - | 10,800 | - | - | 120,744 | - |
| | 329,832 | - | 32,400 | - | - | 362,232 | - |

[1] Resigned on 25 July 2011

## DIRECTORS' REPORT (continued)

| | Short-term benefits | | Post employment | | Share-based payment | | Total remuneration represented by options |
|---|---|---|---|---|---|---|---|
| | Cash salary and fees | Non-cash benefits | Superannuation | Termination benefits | Options | Total | |
| **2011** | **$** | **$** | **$** | **$** | **$** | **$** | **%** |
| K M Fan | 222,080 | - | - | - | - | 222,080 | - |
| D W King | 44,000 | - | - | - | - | 44,000 | - |
| J Q Wang | 222,080 | - | - | - | - | 222,080 | - |
| G Zheng | 222,080 | - | - | - | - | 222,080 | - |
| | 710,240 | - | - | - | - | 710,240 | - |

At the annual general meeting held on 28 November 2011 shareholders approved for the total remuneration due and payable at 30 June 2011 of $404,000 to be made in fully paid ordinary shares in the Company at 20 cents per share. The shares were issued on 1 December 2011 to the Directors or their nominees as follows:

| **Director or nominee** | **Number of Shares Issued** |
|---|---|
| Australian MBA Accountants Pty Ltd <Australian MBA S/F A/C> | 600,000 |
| KMFan Family Pty Ltd <KMFan Family Trust A/C> | 600,000 |
| C K Camden Pty Ltd <Zhengs Family Trust A/C> | 600,000 |
| David William King | 220,000 |

**Directors' Securities Holdings**

As at the date of this report, the relevant interests of the Parent Entity Directors in the securities of the Parent Entity were as follows:

| | Number | |
|---|---|---|
| | Fully paid ordinary shares | Options exercisable at $0.80 on or before 30 June 2014 |
| K M Fan, J Q Wang and G Zheng[1] | 24,300,000 | 12,150,000 |
| K M Fan[2] | 2,725,001 | 937,500 |
| J Q Wang[3] | 2,117,501 | 668,750 |
| G Zheng[4] | 2,807,501 | 768,750 |
| | 31,950,003 | 14,525,000 |

# DIRECTORS' REPORT (continued)

[1] Shares are held by Aumeng Investments Limited of which Directors K M Fan, J Q Wang and G Zheng are directors and in which they have substantial financial interests.
[2] 850,000 shares are registered in the name of KMFan Family Pty Ltd <FMFan Family Trust A/C>
[3] 1,180,000 shares and 200,000 options are registered in the name of MBA Accountants Pty Ltd <Australian MBA Super Fund> of which J Q Wang is a beneficiary.
[4] 50,000 shares and 50,000 options are registered in the name of H&G Camden Pty Ltd. 1,850,000 shares and 250,000 options are registered in the name of C K Camden Pty Ltd. G Zheng is a director and has financial interests in H&G Camden Pty Ltd and C K Camden Pty Ltd.

**End of audited remuneration report.**

.

## SHARE OPTIONS

The number of options over unissued ordinary shares at the date of this report were as follows:

| | |
|---|---|
| Options exercisable on or before 30 June 2014 at $0.80 per share: | |
| Listed | 33,750,000 |
| Options exercisable on or before 30 June 2013 at $0.25 per share: | |
| Unlisted | 1,000,000 |
| | 34,750,000 |

No option holder has any right under the options to participate in any share issue of the Company or of any other body corporate.

## MEETINGS OF DIRECTORS

The number of meetings of Directors and number of meetings attended by each of the Directors of the Company during the financial year are as follows:

| | Directors' Meetings | |
|---|---|---|
| | **Number eligible to attend** | **Number Attended** |
| K M Fan | 1 | 1 |
| D W King | - | - |
| J Q Wang | 1 | 1 |
| G Zheng | 1 | 1 |

During the year, because of the size of the Board, no separate Audit Committee or Remuneration Committee meetings were held, as all matters were dealt with in the Directors' meetings. Board business during the year has also been effected by execution of circulated resolution by Directors.

# **DIRECTORS' REPORT** (continued)

## INDEMNIFYING OFFICERS OR AUDITORS

The Group has not during or since the end of the year indemnified an officer or an auditor of the Group or of any related body corporate, against a liability incurred by such an officer or auditor. The Group has not paid or agreed to pay a premium to insure a current or former officer or the auditor against legal liabilities.

## PROCEEDINGS

During the financial year and in the interval between the end of the financial year and the date of this report, the Group has made no application of leave under section 237 of the Corporations Act 2001.

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings in the year.

## NON-AUDIT SERVICES

No non-audit services were provided by the auditor during the year ended 30 June 2012.

## AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the Corporations Act 2001 the auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 28 of the Annual Report and forms part of this report.

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

John Wang
Director
Dated this 28th day of September 2012

Grant Thornton

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**Auditor's Independence Declaration**
**To the Directors of Ausmon Resources Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Ausmon Resources Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 28 September 2012

# CORPORATE GOVERNANCE STATEMENT

The table below on Corporate Governance Statement sets out the extent to which the Company has followed the recommendations of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

| | Principles and Recommendations | Compliance | Comment |
|---|---|---|---|
| **1.** | **Lay solid foundations for management and oversight** | | |
| **1.1** | Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions. | Complies | The Group's Corporate Governance Statement includes a Board Charter, which discloses the specific responsibilities of the Board. The Board delegates responsibility for the day to day operations and administration of the Group to the Executive Directors. The Corporate Governance Statement is posted on the Group's website. |
| **1.2** | Companies should disclose the process for evaluating the performance of senior executives. | Does not comply | During the financial year the Group had a Remuneration Committee consisting of one Executive Director (K Fan) and one Non-Executive Director (D King) to evaluate the performance of senior executives on an annual basis.<br><br>After the resignation of D King on 25 July 2011, K Fan is the only member of the committee. A new committee will be established when new non-executive directors are appointed at an appropriate time. |
| **1.3** | Companies should provide the information indicated in the Guide to reporting on Principle 1. | Complies | Explanation of departure from the Recommendation 1.2 is set out in this section. There are no departures from the Recommendations 1.1 and 1.3. The Corporate Governance Statement is posted on the Group's website. |
| **2.** | **Structure the Board to Add Value** | | |
| **2.1** | A majority of the board should be independent directors. | Does not comply | The Board consists of three Executive Directors (K Fan, J Wang and G Zheng) since the resignation of Non-Executive Director D King on 25 July 2011.<br><br>The current stage of establishment and size of the Group does not justify the cost of increasing the number of directors. However new Non-Executive Directors will be appointed at an appropriate time. |

| | Principles and Recommendations | Compliance | Comment |
|---|---|---|---|
| **2.2** | The chair should be an independent director. | Does not comply | The Chairman is Executive Chairman and Chief Executive Officer. With the current stage of development, it was decided that the Chair takes a more active role in the day to day business of the Company, in particular in negotiations of new projects. |
| **2.3** | The roles of chair and chief executive officer should not be exercised by the same individual. | Does not comply | The Chairman is Executive Chairman and Chief Executive Officer. With the current stage of development, it was decided that the Chair takes a more active role in the day to day business of the Company, in particular in negotiations of new projects. |
| **2.4** | The board should establish a nomination committee | Does not comply | Given the present size of the Group, the existing Board structure is able to meet the needs of the Group in the examination of selection and appointment practices without the establishment of a nomination committee of the Board. |
| **2.5** | Companies should disclose the process for evaluating the performance of the board, its committees and individual directors. | Does not comply | The Group has not yet established a formal process for evaluating the performance of the Board and its committees although there is a peer review procedure for evaluating the performance of individual directors.<br>The Board intends to put in place an evaluation process by an independent consultant as the Group develops. |
| **2.6** | Companies should provide the information indicated in the Guide to reporting on Principle 2. | Complies | Explanation of departures from the Recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 are set out in this section. There are no departures from the Recommendations 2.6.The Corporate Governance Statement is posted on the Group's website. |

| | Principles and Recommendations | Compliance | Comment |
|---|---|---|---|
| **3.** | **Promote ethical and responsible decision-making** | | |
| **3.1** | Companies should establish a code of conduct and disclose the code or a summary of the code as to:<br>• the practices necessary to maintain confidence in the company's integrity<br>• the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders<br>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. | Complies | The Group's Corporate Governance Statement includes a Code of Conduct on Ethical Standards, which provides a guide to ethical conduct of Directors and management. The Corporate Governance Statement is posted on the Group's website. |
| **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. | Does not comply | The Company has not implemented a diversity policy given its relatively small size and the small number of employees. The recommendation is inappropriate to the Company's particular circumstances. |
| **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. | Does not comply | The Company has not implemented a diversity policy given its relatively small size. The recommendation is inappropriate to the Company's particular circumstances. |
| **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. | Complies | % women in whole organisation – 17%<br>% women in senior executive positions – nil<br>% women on the board - nil |
| **3.5** | Provide the information indicated in Guide to reporting on Principle 3. | Complies | Explanation of departures from the Recommendation 3.2 and 3.3 are set out in this section. There are no departures from the Recommendations 3.1, 3.4 and 3.5. The Corporate Governance Statement is posted on the Group's website. |

| | Principles and Recommendations | Compliance | Comment |
|---|---|---|---|
| **4.** | **Safeguard integrity in financial reporting** | | |
| **4.1** | The board should establish an Audit Committee. | Does not comply | The Company does not have an Audit Committee following resignation of the Chairman of the Audit Committee and Non-Executive Director on 25 July 2011. |
| **4.2** | Structure the Audit Committee so that it:<br>• consists of only non-executive directors<br>• consists of a majority of independent directors<br>• is chaired by an independent chair, who is not chairperson of the board<br>• has at least three members. | Does not comply | An Audit Committee will be established once Non-Executive Directors are appointed to the board. Presently the cost of a larger Board size is not justifiable. |
| **4.3** | The audit committee should have a formal charter. | Complies | The Audit Committee has a formal charter (policy) that is included within the Corporate Governance Statement. The Corporate Governance Statement is posted on the Group's website. |
| **4.4** | Provide the information indicated in Guide to reporting on Principle 4. | Complies | Explanation of departures from the Recommendation 4.1 and 4.2 are set out in this section. There are no departures from the Recommendations 4.3 and 4.4. The Corporate Governance Statement is posted on the Group's website. |
| **5.** | **Make timely and balanced disclosure** | | |
| **5.1** | Companies should establish written policies and procedures 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. | Complies | The Group's Corporate Governance Statement states the policy and procedures to ensure compliance with ASX Listing Rule disclosure requirements.<br><br>The Board has delegated the function of continuous disclosure as required under the ASX Listing Rule to the Executive Directors and the Company Secretary to assess the type of information that needs to be disclosed and to ensure that Group's announcements are made in a timely manner, are factual, do not omit material information and are in compliance with the ASX Listing Rules. Information which is considered to be price sensitive is approved by the Board before its release. |

| | Principles and Recommendations | Compliance | Comment |
|---|---|---|---|
| **5.2** | Companies should provide the information indicated in the Guide to reporting on Principle 5. | Complies | There is no departure from the Recommendations 5.1 and 5.2. The Corporate Governance Statement is posted on the Group's website. |
| **6.** | **Respect the rights of shareholders** | | |
| **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. | Complies | The Board's policy is for all investors to have equal and timely access to material information concerning the Group, including its financial position, performance, ownership and governance.<br><br>The Board has established practices to facilitate communication with the Company's shareholders. The Company Secretary oversees this process through the Group's website and direct mailing of announcements by email. Briefings are held with professional investors. Prior to such briefings, information to be given will be first released to ASX (if not previously released) and later broadcast to shareholders/investors who have registered their email address with the Company.<br><br>All shareholders are notified in writing of general meetings and encouraged to attend and participate. |
| **6.2** | Companies should provide the information indicated in the Guide to reporting on Principle 6. | Complies | There is no departure from the Recommendations 6.1 and 6.2. The Corporate Governance Statement is posted on the Group's website. |
| **7.** | **Recognise and manage risk** | | |
| **7.1** | Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. | Complies | The Group's Corporate Governance Statement includes a business risk oversight and management policy.<br><br>The Board monitors and receives advice as required on areas of operational and financial risk, and considers appropriate risk management strategies.<br><br>Specific areas of risk that are identified are regularly considered at Board meetings. Included in these areas are performance of activities, human resources, health, safety and the environment, continuous disclosure obligations, asset protection and financial exposures. |

| | Principles and Recommendations | Compliance | Comment |
|---|---|---|---|
| **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. | Complies | The Board requires the Executive Directors including the Chief Financial Officer to provide such a report at the relevant time. |
| **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. | Complies | The Board requires the Executive Directors including the Chief Financial Officer to provide such a statement at the relevant time. |
| **7.4** | Provide the information indicated in Guide to reporting on Principle 7. | Complies | There is no departure from the Recommendations 7.1, 7.2, 7.3 and 7.4. The Corporate Governance Statement is posted on the Group's website. |
| **8.** | **Remunerate fairly and responsibly** | | |
| **8.1** | The board should establish a remuneration committee | Does not comply | Given the present size of the Group, the Board carries out the function of a remuneration committee. |

| | Principles and Recommendations | Compliance | Comment |
|---|---|---|---|
| **8.2** | Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. | Complies | The Company's constitution provides that the remuneration of Non-Executive Directors will be not more than the aggregate fixed sum determined by a general meeting.<br>Remuneration of the Executive Directors is determined by the Board. |
| **8.3** | Companies should provide the information indicated in the Guide to reporting on Principle 8. | Complies | Explanation of departure from the Recommendation 8.1 is set out in this section. There is no departure from the Recommendations 8.2 and 8.3. The Corporate Governance Statement is posted on the Group's website. |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2012

| | Note | Consolidated Group | |
|---|---|---|---|
| | | **2012** | **2011** |
| | | $ | $ |
| **Revenue** | | | |
| Interest revenue | | 14,915 | 54,577 |
| Gain on financial assets at fair value through profit or loss | | - | 918,802 |
| Foreign exchange gains | | - | 21,209 |
| | | 14,915 | 994,588 |
| **Expenses** | | | |
| Depreciation expense | | (10,206) | (12,559) |
| Employee benefits expense | | (114,735) | (97,075) |
| Projects written off | | - | (569,373) |
| Other expenses | 2 | (1,085,864) | (1,784,332) |
| **Loss before income tax expense** | | (1,195,890) | (1,468,751) |
| Income tax expense | 3 | - | - |
| **Loss for the year** | | (1,195,890) | (1,468,751) |
| **Other comprehensive income** | | | |
| Unrealised fair value loss on available-for-sale financial assets, net of tax | | (2,577,532) | (860,782) |
| Realised fair value loss on available-for-sale financial assets | | (147,529) | - |
| **Other comprehensive income for the year, net of tax** | | (2,725,061) | (860,782) |
| **Total comprehensive income for the year** | | (3,920,951) | (2,329,533) |
| **Loss attributable to:** | | | |
| - members of the Parent Entity | | (1,195,890) | (1,468,751) |
| **Total comprehensive income attributable to:** | | | |
| - members of the Parent Entity | | (3,920,951) | (2,329,533) |
| **Earnings per share** | | | |
| Basic and diluted loss per share | 19 | 1.67 cents | 2.23 cents |

These financial statements should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

| | Note | Consolidated Group | |
|---|---|---|---|
| | | **2012** | **2011** |
| | | **$** | **$** |
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 4 | 112,252 | 230,284 |
| Trade and other receivables | 5 | 59,685 | 53,862 |
| Financial assets | 6 | 466,572 | 4,306,385 |
| Other | 7 | - | 205,637 |
| **TOTAL CURRENT ASSETS** | | 638,509 | 4,796,168 |
| | | | |
| **NON-CURRENT ASSETS** | | | |
| Financial assets | 6 | 10,000 | 30,000 |
| Plant and equipment | 8 | 14,607 | 24,813 |
| Exploration and evaluation expenditure | 9 | 2,995,399 | 2,809,585 |
| **TOTAL NON-CURRENT ASSETS** | | 3,020,006 | 2,864,398 |
| | | | |
| **TOTAL ASSETS** | | 3,658,515 | 7,660,566 |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 10 | 60,004 | 866,427 |
| Provisions | 11 | 10,678 | 9,955 |
| **TOTAL CURRENT LIABILITIES** | | 70,682 | 876,382 |
| | | | |
| **TOTAL LIABILITIES** | | 70,682 | 876,382 |
| | | | |
| **NET ASSETS** | | 3,587,833 | 6,784,184 |
| | | | |
| **EQUITY** | | | |
| Issued capital | 12 | 9,517,076 | 8,893,076 |
| Reserves | 13 | (1,895,331) | 729,130 |
| Accumulated losses | | (4,033,912) | (2,838,022) |
| **TOTAL EQUITY** | | 3,587,833 | 6,784,184 |

These financial statements should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2012

| | | Reserves | | | |
|---|---|---|---|---|---|
| | Issued capital | Option reserve | Asset revaluation reserve | Accumulated losses | Total |
| | $ | $ | $ | $ | $ |
| **CONSOLIDATED GROUP** | | | | | |
| **Balance at 30 June 2010** | 6,492,070 | 47,540 | 1,542,372 | (1,369,271) | 6,712,711 |
| Total comprehensive income for the year | - | - | (860,782) | (1,468,751) | (2,329,533) |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Shares issued during the year | 2,421,006 | - | - | - | 2,421,006 |
| Transaction costs | (20,000) | - | - | - | (20,000) |
| **Balance at 30 June 2011** | 8,893,076 | 47,540 | 681,590 | (2,838,022) | 6,784,184 |
| Total comprehensive income for the year | - | - | (2,725,061) | (1,195,890) | (3,920,951) |
| **Transactions with owners in their capacity as owners:** | | | | | |
| Shares issued during the year | 624,000 | - | - | - | 624,000 |
| Shares issued under Employee Incentive Plan during the year | - | 100,600 | - | - | 100,600 |
| **Balance at 30 June 2012** | 9,517,076 | 148,140 | (2,043,471) | (4,033,912) | 3,587,833 |

These financial statements should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2012

| | Note | Consolidated Group | |
|---|---|---|---|
| | | **2012** | **2011** |
| | | **$** | **$** |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Payments to suppliers and employees | | (849,827) | (867,474) |
| Interest received | | 14,915 | 54,577 |
| **Net cash used in operating activities** | 17(b) | (834,912) | (812,897) |
| | | | |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Payments for exploration and evaluation expenditure | | (383,156) | (723,188) |
| Payments for investment in listed company | | - | (1,711,215) |
| Payment for purchases of prospects | | - | (200,000) |
| Proceeds from sale of available-for-sale financial assets | | 1,114,753 | - |
| Payments for security deposits | | (30,000) | (30,000) |
| Proceeds from refund of security deposits | | 20,515 | - |
| **Net cash provided by/(used in) investing activities** | | 722,112 | (2,664,403) |
| | | | |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Proceeds from the issue of shares | | - | 800,000 |
| Capital raising costs | | - | (20,000) |
| Proceeds from borrowings | | - | 989,609 |
| **Net cash provided by financing activities** | | - | 1,769,609 |
| | | | |
| **Net decrease in cash and cash equivalents** | | (112,800) | (1,707,691) |
| Cash and cash equivalents at beginning of year | | 230,284 | 1,937,975 |
| Exchange difference on cash and cash equivalents | | (5,232) | - |
| **Cash and cash equivalents at end of year** | 17(a) | 112,252 | 230,284 |

These financial statements should be read in conjunction with the accompanying notes.

## Notes to the Financial Statements for the Year Ended 30 June 2012

### Note 1 – Statement of significant accounting policies

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

The financial statements cover Ausmon Resources Limited ("Parent Entity") and its controlled entity as a consolidated entity ("Group"). Ausmon Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

### Statement of compliance

Compliance with Australian Accounting Standards ensures that the financial statements and notes of Ausmon Resources Limited comply with International Financial Reporting Standards (IFRS).

### Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

### Going concern

The Directors are considering various funding options to fund the development of the Company. The continuing viability of the Company and its ability to continue as a going concern and meet its commitments as and when they fall due is dependent upon the Company being successful in either one or a combination of the following alternatives:

- Undertaking further capital raisings.
- Selling part of the Company's interests in its exploration licences and entering into a joint ventures for the potential development of the projects.
- Selling the Company's remaining shareholdings in Premium Exploration Inc.
- Obtaining debt finance.

As a result of these matters, there is a material uncertainty whether the Company will continue as a going concern and realise the value of its assets in the normal course of business and at the amounts stated in the financial report.

The Directors believe the Company has sufficient funds to settle its debts as and when they become due and payable. The Directors expect the Company will be able to secure the necessary funding through one, or a combination of, the aforementioned alternatives.

On that basis the Directors have prepared the financial report on a going concern basis. At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than

## Notes to the Financial Statements for the Year Ended 30 June 2012

the amount at which it is recorded in the financial report at 30 June 2012. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

### Adoption of new and revised accounting standards

In the current year, the Group has adopted all of the new and revised accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period.
There were no significant effects on current, prior or future periods arising from the first-time application of the standards discussed above in respect of presentation, recognition and measurement of accounts.

**Changes in accounting policies**

### Early adoption of AASB 9: Financial Instruments

The Company has elected to early adopt AASB 9: Financial Instruments from 1 July 2011. This new standard has been adopted as it includes requirements for the classification and measurement of financial assets which improve and simplify the approach when compared with the requirements of the previous Accounting Standard AASB 139: Financial Instruments: Recognition and Measurement.
When adopting this standard the Company has designated investments held as at 1 July 2011 as financial assets at fair value through other comprehensive income. All gains and losses on investments are presented in other comprehensive income as part of the Statement of Comprehensive Income. Under AASB 9, there is no recycling of the realised gains and losses to the Income Statement as was previously required by AASB 139. There is also no requirement to test the Company's long-term investments for impairment with the result that there is no transfer of unrealised impairment revaluation charge from the investment revaluation reserve to the Income Statement.

The transition provisions of AASB 9 do not require restatement of prior year financial statements for an entity that adopts this Standard for reporting periods beginning before 1 January 2012. However, AASB 9 does require the standard to be applied retrospectively (in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors) by recognising any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period for which the standard is applied (2010) in opening equity.

***Adoption of AASBs and improvements to AASBs 2011 – AASB 1054 and AASB 2011-1***

The AASB has issued AASB 1054 *Australian Additional Disclosures* and 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project*, and made several minor amendments to a number of AASBs. These standards eliminate a large portion of the differences between the Australian and New Zealand accounting standards and IFRS and retain only additional

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

disclosures considered necessary. These changes also simplify some current disclosures for Australian entities and remove others.

***Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group***

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

**Consolidation Standards**

A package of consolidation standards are effective for annual periods beginning or after 1 January 2013. Information on these new standards is presented below. The Group's management have yet to assess the impact of these new and revised standards on the Group's consolidated financial statements.

***AASB 10 Consolidated Financial Statements (AASB 10)***

AASB 10 supersedes the consolidation requirements in AASB 127 Consolidated and Separate Financial Statements (AASB 127) and Interpretation 112 Consolidation – Special Purpose Entities. It revised the definition of control together with accompanying guidance to identify an interest in a subsidiary. However, the requirements and mechanics of consolidation and the accounting for any non-controlling interests and changes in control remain the same.

***AASB 11 Joint Arrangements (AASB 11)***

AASB 11 supersedes AASB 131 Interests in Joint Ventures (AASB 131). It aligns more closely the accounting by the investors with their rights and obligations relating to the joint arrangement. It introduces two accounting categories (joint operations and joint ventures) whose applicability is determined based on the substance of the joint arrangement. In addition, AASB 131's option of using proportionate consolidation for joint ventures has been eliminated. AASB 11 now requires the use of the equity accounting method for joint ventures, which is currently used for investments in associates.

***AASB 12 Disclosure of Interests in Other Entities (AASB 12)***

AASB 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

***Consequential amendments to AASB 127 Separate Financial Statements (AASB 127) and AASB 128 Investments in Associates and Joint Ventures (AASB 128)***

AASB 127 Consolidated and Separate Financial Statements was amended to AASB 127 Separate Financial Statements which now deals only with separate financial statements. AASB 128 brings investments in joint ventures into its scope. However, AASB 128's equity accounting methodology remains unchanged.

***AASB 13 Fair Value Measurement (AASB 13)***

AASB 13 does not affect which items are required to be fair-valued, but clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It is applicable for annual periods beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this new standard.

***AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income (AASB 101 Amendments)***

The AASB 101 Amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other IFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for

annual periods beginning on or after 1 July 2012. The Group's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

***Amendments to AASB 119 Employee Benefits (AASB 119 Amendments)***

The AASB 119 Amendments include a number of targeted improvements throughout the Standard. The main changes relate to defined benefit plans. They:

- eliminate the 'corridor method', requiring entities to recognise all gains and losses arising in the reporting period in other comprehensive income
- streamline the presentation of changes in plan assets and liabilities
- enhance the disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in them.

The amended version of AASB 119 is effective for financial years beginning on or after 1 January 2013. The Group's management have yet to assess the impact of this revised standard on the Group's consolidated financial statements.

***AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)***

AASB 2011-4 makes amendments to AASB 124 Related Party Disclosures to remove individual key management personnel disclosure requirements, to achieve consistency with the international equivalent (which includes requirements to disclose aggregate (rather than individual) amounts of KMP compensation), and remove duplication with the Corporations Act 2011. The amendments are applicable for

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

annual periods beginning on or after 1 July 2013. The Group's management have yet to assess the impact of these amendments.

***Amendments to IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures***

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities. Qualitative and quantitative disclosures have been added to IFRS 7 relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The amendments are applicable for annual periods beginning on or after 1 January 2014. The Group's management have yet to assess the impact of these amendments.

***AASB Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine***

Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 112 if the benefits from stripping activity is realised in the form of inventory produced.

Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, stripping activity asset if certain recognition criteria are met (as an addition to, or enhancement of, an existing asset). The interpretation is applicable for annual periods beginning on or after 1 January 2013. The interpretation will have no impact on the Group while it has no mining activities.

### Significant Accounting Policies

### (a) Principles of consolidation

A controlled entity is any entity that Ausmon Resources Limited has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 21 to the financial statements. All controlled entities have a June financial year end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

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.

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

Minority interests, being that portion of the profit or loss and net assets of subsidiaries attributable to equity interests held by persons outside the Group, are shown separately within the equity section of the consolidated statement of financial position and in the consolidated statement of comprehensive income.

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Goodwill is recognised initially as the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss after the fair value of the acquired assets and liabilities have been reassessed.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets liabilities and contingent liabilities recognised.

### (b) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income). Current and deferred income tax expense (income) is charged or credited directly to other comprehensive income instead of the profit or loss when the tax relates to items that are credited or charged directly to other comprehensive income.

#### Current tax

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

### Deferred tax

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

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

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

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

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

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

### (c) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

### (d) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

### (e) Receivables

Receivables represent the principal amounts due at balance date plus accrued interest and less, where applicable, any unearned income and allowance for doubtful accounts.

### (f) Plant and equipment

Plant and equipment are measured on the cost basis. On disposal of an item of plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognised as a gain or loss. All items of plant and equipment are depreciated using the straight line method over their expected useful lives to the Group. The expected useful lives are as follows:

| Class | Useful life |
|---|---|
| Furniture and other office equipment | 5 years |

### (g) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest, and carried forward in the statement of financial position where:

(i) rights to tenure of the area of interest are current; and

(ii) one of the following conditions is met :

> (i) such costs are expected to be recouped through successful development and exploitation of the area of interest or by its sale; or
>
> (ii) exploration and/or evaluation activities in the area of interest have not at balance date yet reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas are continuing.

Indirect costs relating to exploration and evaluation in areas of interest are capitalised in the period they are incurred. 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. Accumulated expenditure on areas which have been abandoned, or are considered to be of no value, is written off in the year in which such a decision is made.

### (h) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and internally. Actual results may differ from these estimates.

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision

affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Key estimate – Share-based payments**

The fair value of options granted is measured based on the Black-Scholes option pricing model. The contractual life of the options is used as an input into the model. Expectations of early exercise are incorporated into the model as well. The expected volatility is based on historic volatility (calculated on the average remaining life of the share option).

**Significant estimate – Fair value of investments**

The Group has decided to classify investments in listed and unlisted securities as “available-for-sale” investments and movements in fair value are recognised directly in other comprehensive income. The fair value of listed shares has been determined by reference to published price quotations in an active market.

**(i) Impairment**

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are dependent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at each reporting date and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher 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 for which the estimates of future cash flows have not been adjusted.

Plant and equipment are assessed for impairment on a cash generating unit (“CGU”) basis. A cash generating unit is the smallest grouping of assets that generates independent cash flows and generally represents an individual tenement. Impairment losses recognised in respect of cash generating units are allocated to reduce the carrying amount of the assets in the unit on a pro-rata basis. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that would have been determined had no impairment loss been recognised for the asset (cash-

generating unit) in prior year. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value. Impairment of goodwill is not reversed.

### (j) Restoration, rehabilitation and environmental protection expenditure

Where applicable, a provision for material restoration obligations is recognised for exploration licences. The amount recognised includes costs of reclamation and site rehabilitation after taking into account restoration works which are carried out during exploration. The provision for restoration costs are determined from an estimate of future costs and are capitalised as exploration expenditure.

If the effect of 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 assessment 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.

### (k) Foreign currency transactions and balances

**Functional and presentational currency**

The Group's financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

**Transactions and balances**

Foreign currency transactions during the period are translated into functional currency using the rates of exchange prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items are recognised in the income statement.

### (l) Accounts payable

Accounts payable represent the principal amounts outstanding at balance date plus, where applicable, any accrued interest.

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

### (m) Equity-settled compensation

The Company operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity

account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

### *(n)* Financial assets

The Company elected to early adopt AASB 9 Financial Instruments from 1 July 2011. This new standard has been adopted as it includes requirements for the classification and measurement of financial assets which improve and simplify the approach when compared with the requirements of the previous Accounting Standard AASB 139 Financial Instruments: Recognition and Measurement.

When adopting this standard the Company designated investments held as at 1 July 2011 as financial assets at fair value through other comprehensive income. All gains and losses on investments are presented in other comprehensive income as part of the statement of comprehensive income. Under AASB 9, there is no recycling of the realised gains and losses to the income statement as was previously required by AASB 139. There is also no requirement to test the Company's long-term investments for impairment with the result that there is no transfer of unrealised impairment revaluation charge from the investment revaluation reserve to the statement of comprehensive income.

### Other financial assets

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

***i. Financial assets measured at amortised cost***

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

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. Such impairment losses are recognised in the income statement.

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

***ii. Financial assets at fair value***

Prior to the early adoption of AASB 9, investments were classified as available for sale in accordance with the AIFRS definition. From 1 July 2011, the all investments form part of the Company's investment portfolio and have been classified as financial assets at fair value through other comprehensive income.

**Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income include investments in the Company's investment portfolio. Financial assets at fair value through other comprehensive income are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity (into the asset revaluation reserve).

Note no impairment is required to be assessed for financial assets at fair value through other comprehensive income.

***iii. Financial liabilities***

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**Impairment of financial assets**

At each reporting date, the consolidated group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

**(o) 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 Taxation 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 expenses. Receivables and payables are stated with the amount of GST included.

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

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

### (p) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### (q) Earnings per share

Basic loss per share is determined by dividing the operating loss after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial period or year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial period.

When the Group has an operating loss after income tax and the conversion of ordinary share capital in respect of potential ordinary shares does not lead to a diluted earnings per share that shows an inferior view of the earnings performance of the Group, than is shown by basic loss per share, the diluted loss per share is reported as the same as basic earnings per share.

### (r) Segment reporting

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

### (s) Parent Entity financial information

The financial information for the Parent Entity, Ausmon Resources Limited, disclosed in Note 22 has been prepared on the same basis as the consolidated financial statements.

### (t) Comparative information

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

### Note 2 – Other expenses

| | Consolidated Group 2012 $ | Consolidated Group 2011 $ |
|---|---|---|
| Audit fees | 44,000 | 39,000 |
| Consulting and contract fees | 334,481 | 776,322 |
| Directors remuneration | 362,232 | 710,240 |
| Listing expenses | 27,690 | 54,635 |
| Operating leases | 48,718 | 52,468 |
| Registry and ASX fees | 13,297 | 12,821 |
| Share-based payments | 100,600 | - |
| Travel | 101,690 | 66,206 |
| Other | 53,156 | 72,640 |
| | 1,085,864 | 1,784,332 |

### Note 3- Income tax

The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax expenses as follows:

| | 2012 | 2011 |
|---|---|---|
| Prima facie tax benefit on the loss from ordinary activities calculated at 30% | (358,767) | (440,625) |
| Tax effect of: | | |
| Non-temporary differences | 30,480 | 300 |
| Equity capital raising costs debited to equity | (14,066) | (14,066) |
| Temporary differences and tax losses not recognized | (375,181) | 454,391 |
| Income tax expense | - | - |

**Tax losses**

| | 2012 | 2011 |
|---|---|---|
| Unused tax losses for which no tax loss has been recognised as a deferred tax asset adjusted for non-temporary differences at 30% | 2,026,559 | 1,265,384 |

The taxation benefits will only be obtained if:

(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised;

(ii) the Group continues to comply with the conditions for deductibility imposed by law; and

(iii) no changes in tax legislation adversely affect the Group in realising the benefits from the deductions for the loss.

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

| | Consolidated Group | |
|---|---|---|
| | **2012** | **2011** |
| | **$** | **$** |
| **Note 4 – Cash and cash equivalents** | | |
| Cash at bank and in hand | 112,252 | 230,284 |
| **Note 5 – Trade and other receivables** | | |
| **Current** | | |
| Other receivables | 59,685 | 53,862 |

(a) Allowance for impairment loss

The Group does not have trade receivables. Other receivables are non-interest bearing and are generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. No impairment has been recognised by the Group in the current period. No receivables are past due.

(b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

(c) Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in Note 20.

### Note 6 – Financial assets

| | | |
|---|---|---|
| **CURRENT** | | |
| Financial assets at fair value through other comprehensive income[1] | 466,572 | 4,306,385 |

[1] 6,951,000 (2011 – 9,833,333) ordinary shares held in Premium Exploration Inc.

| | | |
|---|---|---|
| **NON-CURRENT** | | |
| Security deposits | 10,000 | 30,000 |

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

| | Consolidated Group | |
|---|---|---|
| | 2012 | 2011 |
| | $ | $ |
| **Note 7 – Other current assets** | | |
| Prepayments | - | 205,637 |

## Note 8 – Plant and equipment

| | 2012 | 2011 |
|---|---|---|
| Office equipment and furniture – at cost | 42,070 | 42,070 |
| Accumulated depreciation | (27,463) | (18,489) |
| | 14,607 | 23,581 |
| Leasehold improvements – at cost | 7,392 | 7,392 |
| Amortisation | (7,392) | (6,160) |
| | - | 1,232 |
| **Total plant and equipment** | 14,607 | 24,813 |

## Movements during the year

Movements in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year:

| | Office equipment and furniture | Leasehold improvements | Total |
|---|---|---|---|
| | $ | $ | $ |
| Balance at 30 June 2010 | 33,060 | 4,312 | 37,372 |
| Depreciation | (9,479) | (3,080) | (12,559) |
| Balance at 30 June 2011 | 23,581 | 1,232 | 24,813 |
| Depreciation | (8,974) | (1,232) | (10,206) |
| Balance at 30 June 2012 | 14,607 | - | 14,607 |

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

### Note 9 – Exploration and evaluation expenditure

| | Consolidated Group 2012 $ | Consolidated Group 2011 $ |
|---|---|---|
| Exploration areas of interest at cost | 2,995,399 | 2,809,585 |
| **Movements during the year** | | |
| **Exploration areas :** | | |
| Balance at beginning of year | 2,809,585 | 1,643,472 |
| Additions at cost | 185,814 | 1,735,486 |
| Write off | - | (569,373) |
| Balance at end of year | 2,995,399 | 2,809,585 |

Ultimate recoupment of the carrying value of the exploration areas is dependent on successful development and commercial exploitation, or alternatively sale of the respective areas of interest. The areas of interest are exploration licences held or being earned by the Group are detailed in the Licence Schedule on page 19.

### Note 10 – Trade and other payables

| | 2012 $ | 2011 $ |
|---|---|---|
| Trade payables | - | 1,032 |
| Directors remuneration accrual | - | 404,000 |
| Sundry payables and accrued expenses | 60,004 | 461,395 |
| | 60,004 | 866,427 |

### Note 11 – Provisions

**CURRENT**

| | 2012 $ | 2011 $ |
|---|---|---|
| Employee entitlement provisions | 10,678 | 9,955 |

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

### Note 12 – Issued capital

| | 2012 | 2011 |
|---|---|---|
| | $ | $ |
| 74,499,125 (2011: 71,379,125) fully paid ordinary shares | 9,517,076 | 8,893,076 |

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Number | $ | Number | $ |
| **(a) Fully Paid Ordinary shares** | | | | |
| Balance at beginning of year/period | 71,379,125 | 8,893,076 | 59,820,004 | 6,492,070 |
| Shares issued during the year: | | | | |
| For consultancy services at 20 cents each | 1,100,000 | 220,000 | - | - |
| For 2011 Directors' fees at 20 cents each | 2,020,000 | 404,000 | - | - |
| Private placement at 20 cents each | - | - | 1,000,000 | 200,000 |
| For consultancy services at 21 cents each | - | - | 1,700,000 | 357,000 |
| For consultancy services at 22 cents each | - | - | 109,121 | 24,006 |
| For acquisition of ELs 6400 and 6424 at 22 cents each | - | - | 1,000,000 | 215,000 |
| For 2010 Directors' fees at 22 cents each | - | - | 3,350,000 | 737,000 |
| Private placement at 20 cents each | - | - | 4,000,000 | 800,000 |
| For acquisition of 15% interest in ELs 6413, 6416, 6417 and 7564 at 22 cents each | - | - | 400,000 | 88,000 |
| Share issue expenses | - | - | - | (20,000) |
| Balance at end of year | 74,499,125 | 9,517,076 | 71,379,125 | 8,893,076 |

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. Every ordinary shareholder present at a meeting of the Company in person or by proxy, is entitled to one vote, and upon a poll each ordinary share is entitled to one vote.

Ordinary shares have no par value.

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

| | 2012 Number | 2011 Number |
|---|---|---|
| **(b) Options over unissued shares** | | |
| **Options exercisable at $0.80 each on or before 30 June 2014:** | | |
| **Listed** | | |
| Balance at beginning of year | 33,750,000 | 21,475,000 |
| Released from escrow during the year | - | 12,275,000 |
| Balance at end of year | 33,750,000 | 33,750,000 |
| **Unlisted** | | |
| Balance at beginning of year | - | 12,275,000 |
| Listed during the year | - | (12,275,000) |
| Balance at end of year | - | - |
| **Options exercisable at $0.25 each on or before 30 June 2013:** | | |
| **Unlisted** | | |
| Balance at beginning of year | - | - |
| Issued during the year | 1,000,000 | - |
| Balance at end of year | 1,000,000 | - |
| **Options exercisable at $0.50 each on or before 30 June 2011:** | | |
| **Unlisted** | | |
| Balance at beginning of year | - | 2,900,000 |
| Expired during the year | - | (2,900,000) |
| Balance at end of year | - | - |
| Total | 34,750,000 | 33,750,000 |

### (c) Capital management

When managing capital, management's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Group.

Management adjusts the capital structure to the extent possible to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, management may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group is not subject to any externally imposed capital requirements.

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

### Note 13 – Reserves

(a) Asset revaluation reserve

The asset revaluation reserve records movements in financial assets recorded at fair value through other comprehensive income.

(b) Option reserve

The option reserve records items recognised as expenses on shares granted under the Employee Incentive Plan and the fair value of options issued for the acquisition of an exploration licence.

### Note 14 – Share-based payments

**Employee incentive plan**

The Company has established an Ausmon Resources Limited Employee Incentive Plan under which the Directors may offer options and ordinary shares in the Company to eligible persons. The Directors may also offer non-recourse interest free loans for terms of up to 5 years under the plan for subscription of shares and under such loans the Company holds a lien over the issued shares.

No Employee Incentive Plan shares were issued during the year. The loan amount on granted shares at the end of the year was $55,000 (2011 - $55,000).

| | Consolidated Group | |
|---|---|---|
| | **2012** | **2011** |
| | **Number** | **Number** |
| Balance at beginning and end of year | 220,000 | 220,000 |

During the year 1,000,000 Options A were issued for nil consideration under the Ausmon Resources Limited Employee Incentive Plan. Options A are exercisable on or before 30 June 2013 at $0.25 per share after a qualifying period ending on 31 December 2011. The Options vested on 1 January 2012.

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

The model inputs for assessing the fair value of Options A, applying the Black-Scholes Option Pricing Model, during the year are as follows:

| Description | Issue and grant date | Share price at grant date | Life assumption | Risk free rate | Expected price volatility of the Company's share price | Value of each option |
|---|---|---|---|---|---|---|
| Issue of 1,000,000 Options A | 15/07/11 | $0.18 | 2 years | 4.33% | 122% | $0.1006 |

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

### Note 15 – Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

During the year the following related party transactions occurred in addition to the transactions disclosed elsewhere in these financial statements:

### Key management personnel (KMP)

Names and positions held of Group and Parent Entity key management personnel in office at any time during the year were:

| | |
|---|---|
| K M Fan | Executive Chairman and Chief Executive Office |
| D W King | Non-Executive Director (resigned on 25 July 2011) |
| J Q Wang | Finance Director and Company Secretary |
| G Zheng | Projects Director |

### (a) KMP compensation

The totals of remuneration payable to KMP of the Company and the Group during the year are as follows:

| | Consolidated Group | |
|---|---|---|
| | 2012 | 2011 |
| | $ | $ |
| Short-term employee benefits | 329,832 | 710,240 |
| Post-employment benefits | 32,400 | - |
| Other long-term benefits | - | - |
| Termination benefits | - | - |
| Share-based payments | - | - |

| | |
|---|---|
| 362,232 | 710,240 |

## (b) KMP share holdings

The number of ordinary shares in Ausmon Resources Limited held directly and indirectly by each key management personnel of the Group during the financial year is as follows:

| 2012 | Balance at beginning of year | Granted as compensation | Issued on exercise of options | Other changes | Balance at end of year |
|---|---|---|---|---|---|
| K M Fan, J Q Wang and G Zheng[1] | 24,300,000 | - | - | - | 24,300,000 |
| K M Fan[2] | 2,125,001 | - | - | 600,000[6] | 2,725,001 |
| D W King[3] | 630,001 | - | - | (630,001) | - |
| J Q Wang[4] | 1,517,501 | - | - | 600,000[6] | 2,117,501 |
| G Zheng[5] | 2,207,501 | - | - | 600,000[6] | 2,807,501 |
| | 30,780,004 | - | - | 1,169,999 | 31,950,003 |

[1] Shares are held by Aumeng Investments Limited of which Directors K M Fan, J Q Wang and G Zheng are directors and in which they have substantial financial interests

[2] 850,000 shares are registered in the name of KMFan Family Pty Ltd <KMFan Family Trust A/C>

[3] Resigned on 25 July 2011

[4] 1,180,000 shares are registered in the name of MBA Accountants Pty Ltd <Australian MBA Super Fund> of which J Q Wang is a beneficiary

[5] 50,000 shares are registered in the name of H&G Camden Pty Ltd. 1,850,000 shares are registered in the name of C K Camden Pty Ltd. G Zheng is a director and has financial interests in H&G Camden Pty Ltd and C K Camden Pty Ltd.

[6] Issued by the Company in settlement of outstanding Director's fees at 30 June 2011 and approved by shareholders at the annual general meeting held on 28 November 2011.

| 2011 | Balance at beginning of period | Granted as compensation | Issued on exercise of options | Other changes | Balance at end of period |
|---|---|---|---|---|---|
| K M Fan, J Q Wang and G Zheng | 24,300,000 | - | - | - | 24,300,000 |
| K M Fan | 1,875,001 | - | - | 250,000 | 2,125,001 |
| D W King | 280,001 | - | - | 350,000 | 630,001 |
| J Q Wang | 1,137,501 | - | - | 380,000 | 1,517,501 |
| G Zheng | 1,207,501 | - | - | 1,000,000 | 2,207,501 |
| | 28,800,004 | - | - | 1,980,000 | 30,780,004 |

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

### (c) KMP Option holdings

| 2012 | Balance at beginning of year | Granted as compensation | Exercised | Other changes | Balance at end of year |
|---|---|---|---|---|---|
| K M Fan, J Q Wang and G Zheng[1] | 12,150,000 | - | - | - | 12,150,000 |
| K M Fan | 937,500 | - | - | - | 937,500 |
| D W King[2] | 145,000 | - | - | (145,000) | - |
| J Q Wang[3] | 668,750 | - | - | - | 668,750 |
| G Zheng[4] | 768,750 | - | | - | 768,750 |
| | 14,670,000 | - | - | (145,000) | 14,525,000 |

[1] Options are held by Aumeng Investments Limited of which Directors K M Fan, J Q Wang and G Zheng are directors and in which they have substantial financial interests

[2] Resigned 25 July 2011

[3] 200,000 options are registered in the name of MBA Accountants Pty Ltd <Australian MBA Super Fund> of which J Q Wang is a beneficiary

[4] 50,000 options are registered in the name of H&G Camden Pty Ltd. 250,000 options are registered in the name of C K Camden Pty Ltd. G Zheng is a director and has financial interests in H&G Camden Pty Ltd and C K Camden Pty Ltd.

| 2011 | Balance at beginning of period | Granted as compensation | Exercised | Other changes | Balance at end of period |
|---|---|---|---|---|---|
| K M Fan, J Q Wang and G Zheng | 12,150,000 | - | - | - | 12,150,000 |
| K M Fan | 937,500 | - | - | - | 937,500 |
| D W King | 145,000 | - | - | - | 145,000 |
| J Q Wang | 668,750 | - | - | - | 668,750 |
| G Zheng | 768,750 | - | - | - | 768,750 |
| | 14,670,000 | - | - | - | 14,670,000 |

### (d) Other

| | Consolidated Group | |
|---|---|---|
| | 2012 | 2011 |
| | $ | $ |
| Paid to John Wang & Partners Pty Ltd an entity controlled by Director J Q Wang | | |
| - Services for tax return | 3,000 | 2,000 |

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

### Note 16 – Remuneration of auditors

| | Consolidated Group | |
|---|---|---|
| | **2012** | **2011** |
| | **$** | **$** |
| Remuneration of the auditors for: | | |
| - auditing or reviewing the financial reports | 44,000 | 39,000 |

### Note 17 – Notes to the Cash Flow Statement

**(a) Reconciliation of cash**

| | | |
|---|---|---|
| Cash at bank and on hand | 112,252 | 230,284 |

**(b) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities**

| | | |
|---|---|---|
| Loss after income tax | (1,195,890) | (1,468,751) |
| Add non-cash items in operating costs: | | |
| Depreciation | 10,206 | 12,559 |
| Exploration and evaluation expenditure written off | - | 569,373 |
| Provision for employee entitlements | 722 | 6,670 |
| Shares issued to creditors | - | 380,997 |
| Shares issued under Employee Incentive Plan | 100,600 | - |
| Debts written off | 5,473 | - |
| Foreign exchange differences | 5,232 | - |
| Unrealised gain on investments | - | (925,486) |
| Changes in assets and liabilities relating to operations: | | |
| Decrease in prepayments | 205,636 | 411,272 |
| Increase in creditors and accruals | 14,921 | 187,947 |
| Decrease in receivables | 18,188 | 12,522 |
| Net cash used in operating activities | (834,912) | (812,897) |

**(c) Non-cash financing activities**

**Issue of shares in the Company**
During the year the Company issued fully paid ordinary shares in settlement of directors' and consultants' fees as follows:

- 1,100,000 shares for consultants fees of $220,000; and

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

- 2,020,000 shares for 2011 directors fees of $404,000.

### Note 18 – Segment information

The Group has identified its operating segments based on internal reports that are reviewed and used by the Board of Directors in assessing performance and determining the allocation of resources. The Group operates in one business segment being mineral exploration. All segment assets, segment liabilities and segment results relate to the one business segment and therefore no segment analysis has been prepared. This position has not changed from the prior period.

| | Consolidated Group | |
|---|---|---|
| | **2012** | **2011** |
| | **$** | **$** |
| **Note 19 – Earnings per share** | | |
| Operating loss after income tax used in the calculation of basic and diluted loss per share | (1,195,890) | (1,468,751) |
| | Number | Number |
| Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share | 71,574,684 | 65,791,872 |

The options are non dilutive for the period to 30 June 2012 (see Note 1(q)).

### Note 20 – Financial risk management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, bills, leases, preference shares and derivatives.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

| | Note | Consolidated Group | |
|---|---|---|---|
| | | 2012 $000 | 2011 $000 |
| **Financial Assets** | | | |
| Cash and cash equivalents | 4 | 112,252 | 230,284 |
| Trade and other receivables | 5 | 59,685 | 53,862 |
| Other financial assets | 6 | 10,000 | 30,000 |
| Financial assets at fair value through other comprehensive income | | | |
| — listed investments | 6 | 466,572 | 4,306,385 |
| **Total Financial Assets** | | 648,509 | 4,620,531 |
| **Financial Liabilities** | | | |
| Financial liabilities at amortised cost | | | |
| — Trade and other payables | 10 | 60,004 | 866,427 |
| **Total Financial Liabilities** | | 60,004 | 866,427 |

### (a) Financial risk management policies

The Board of Directors is responsible for, amongst other issues, monitoring and managing financial risk exposures of the Group. It also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, financing risk and interest rate risk. Management, in conjunction with the Board, reviews and agrees policies for managing each of these risks.

The overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. This also include the review of the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

### Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and commodity and equity price risk.

(i) Interest rate risk

The Group has cash at bank and its income and operating cash flows are exposed to changes in market interest rates.

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

At balance date the Group had the following financial assets exposed to variable interest rate risk:

| | Consolidated Group | |
|---|---|---|
| | **2012** | **2011** |
| | **$** | **$** |
| **Financial assets** | | |
| Cash and cash equivalents | 112,252 | 230,284 |
| Security deposits | 10,000 | 30,000 |
| | 122,252 | 260,284 |

(ii) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

*Credit risk exposures*

The maximum exposure to credit risk by class of recognised financial assets at balance date, excluding the value of any collateral or other security held, is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 5.

The Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group.

(iii) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group does not have a material exposure to liquidity risk.

(iv) Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Group is also exposed to securities price risk on investments held for trading or for medium to longer terms.

The Group has performed sensitivity analysis relating to its exposure to securities price risk at balance date. This sensitivity analysis demonstrates the effect on the current period results which could result from a change in these risks.

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

| | Consolidated Group | |
|---|---|---|
| | **2012** | **2011** |
| | **$** | **$** |
| Decrease/ (increase) in other comprehensive income, net of tax | | |
| - increase in fair value of shares by 5% | 23,329 | 150,732 |
| - decrease in fair value of shares by 5% | (23,329) | (150,732) |

As the Group does not derive revenue from sale of products, the effect on profit and equity as a result of changes in the price risk is not considered material. The fair value of the mining projects will be impacted by commodity price changes (predominantly gold, silver and copper) and could impact future revenues once operational. However, management monitors current and projected commodity prices.

(v) Foreign currency risk

The Group is exposed to foreign currency risk on purchases and financial assets that are denominated in a currency other than Australian dollar. The currency giving rise to foreign currency risk on financial assets is Canadian dollars (CAD). The Group does not currently enter into derivative financial instruments to hedge such transactions denominated in a foreign currency.

At 30 June 2012, the Group had the following exposure to Canadian dollars:

| | | |
|---|---|---|
| **Financial assets** | | |
| Financial assets at fair value through other comprehensive income | 466,572 | 4,306,385 |

The Consolidated Group has performed sensitivity analysis relating to its exposure to foreign currency risk at balance date. This sensitivity analysis demonstrates the effect on the net exposure which could result from a change in this risk.

**Foreign currency sensitivity analysis**

| | | |
|---|---|---|
| **Increase/(decrease) in net exposure** | | |
| -Australian dollar depreciates by 5% against CAD | 23,329 | 226,665 |
| -Australian dollar appreciates by 5% against CAD | (23,329) | (205,078) |

### (b) Net fair values

***Fair value estimation***

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to

calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the Group. Most of these instruments which are carried at amortised cost (i.e. term receivables, held-to-maturity assets, loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the Group.

For assets and other liabilities, the net fair value approximates their carrying values. The Group has no financial assets where the carrying amount exceeds net fair values at balance date.

### (c) Financial instruments

### Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities, is as follows:

| | | **Fixed interest rate maturing** | | **Non-interest bearing** | |
|---|---|---|---|---|---|
| | Variable interest rate | Within 1 year | 1 to 5 years | Within 1 year | **Total** |
| **2012** | $ | $ | $ | $ | $ |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 112,245 | - | - | 7 | 112,252 |
| Trade and other receivables | - | - | - | 59,685 | 59,685 |
| Security deposits | 10,000 | - | - | - | 10,000 |
| | 122,245 | - | - | 59,692 | 181,937 |
| **Financial liabilities** | | | | | |
| Trade and other payables | - | - | - | 60,004 | 60,004 |

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

| | | **Fixed interest rate maturing** | | **Non-interest bearing** | |
|---|---|---|---|---|---|
| | Variable interest rate | Within 1 year | 1 to 5 years | Within 1 year | **Total** |
| **2011** | $ | $ | $ | $ | $ |
| **Financial assets** | | | | | |
| Cash and cash equivalents | 230,277 | - | - | 7 | 230,284 |
| Trade and other receivables | - | - | - | 53,862 | 53,862 |
| Security deposits | 30,000 | - | - | - | 30,000 |
| | 260,277 | | | 53,869 | 314,146 |
| **Financial liabilities** | | | | | |
| Trade and other payables | - | - | - | 866,427 | 866,427 |

### (d) Sensitivity analysis

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current period results which could result from a change in these risks.

| | **Consolidated Group** | |
|---|---|---|
| | **2010** | **2010** |
| | **$** | **$** |
| **Interest rate sensitivity analysis** | | |
| Decrease/ (increase) in loss | | |
| - increase in interest rate by 2%, | 2,245 | 4,605 |
| - decrease in interest rate by 2% | (2,245) | (4,605) |

### Note 21 – Controlled entity

Great Western Minerals Pty Ltd (formerly Great Western Minerals Limited) is incorporated in Australia and is wholly-owned by the Parent Entity.

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

### Note 22 – Parent Entity information

| | 2012 | 2011 |
|---|---|---|
| | $ | $ |
| **Assets** | | |
| Current assets | 169,541 | 481,912 |
| Non-current assets | 3,489,975 | 7,179,653 |
| Total assets | 3,659,516 | 7,661,565 |
| **Liabilities** | | |
| Current liabilities | 70,682 | 876,380 |
| Total liabilities | 70,682 | 876,380 |
| **Equity** | | |
| Issued capital | 9,517,076 | 8,893,076 |
| Reserves | (1,895,331) | 729,130 |
| Accumulated losses | (4,032,911) | (2,837,021) |
| | 3,588,834 | 6,785,185 |
| **Financial performance** | | |
| Loss for the year | (1,195,890) | (1,469,000) |
| Other comprehensive income | (2,725,061) | (860,782) |
| Total comprehensive income | (3,920,951) | (2,329,782) |

The Parent Entity has not entered into any financial guarantees which is outstanding and has no contingent liabilities or commitments for the acquisition of property, plant and equipment as at 30 June 2012 and 30 June 2011.

## Notes to the Financial Statements for the Year Ended 30 June 2012 (continued)

### Note 23 – Commitments

#### Exploration expenditure commitments

The expenditure commitments to maintain rights to tenure and earn interests under joint venture arrangements in exploration licences as at 30 June 2012 have not been provided for in the financial statements and are due:

| | 2012 | 2011 |
|---|---|---|
| | $ | $ |
| Within twelve months | 486,500 | 547,500 |
| Twelve months or longer and not longer than five years | 149,500 | 512,500 |
| | 636,000 | 1,060,000 |

The Group has obligations to restore land disturbed during exploration under the terms and conditions of licences.

### Note 24 – Contingent liabilities

The Group has no contingent liabilities at 30 June 2012 or 30 June 2011.

### Note 25 – Events after balance sheet date

There has not arisen in the interval since 30 June 2012 and up to the date of this report, any matter that, in the opinion of the Directors, has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years other than that the Company has disposed of 4,708,000 shares in Premium Exploration Inc. reducing its holdings to 2,243,000 shares realising cash proceeds of approximately $354,000.

The financial report was authorised for issue on 28 September 2012 by the Board of Directors.

## ADDITIONAL INFORMATION

# Directors' Declaration
# For the Financial Year ended 30 June 2012

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 36 to 71, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards;

   (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the Consolidated Group; and

   (c) complies with International Financial Reporting Standards as disclosed in Note 1.

2. the Chief Executive Officer and Chief Financial Officer have each declared that:

   (a) the financial records of the Company for the financial period have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view.

3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

K M Fan
Director

Dated this 28th day of September 2012

## ADDITIONAL INFORMATION (continued)

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### Independent Auditor's Report
### To the Members of Ausmon Resources Limited

### Report on the financial report

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

### Directors responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determines 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, 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 us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's

## ADDITIONAL INFORMATION (continued)

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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.

**Auditor's opinion**
In our opinion:

a the financial report of Ausmon Resources Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the 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 the notes to the financial statements.

**Material uncertainty regarding continuation as a going concern**
Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity's ability to continue as a going concern and meet its commitments as and when they fall due is dependent upon the Company being successful in either one or a combination of a number of alternatives; undertaking further capital raisings, or selling part of the Company's interests in its exploration licences and entering into a joint ventures for the potential development of the projects, or selling the Company's remaining shareholdings in Premium Exploration Inc, or obtaining debt finance. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise

## **ADDITIONAL INFORMATION** (continued)

Grant Thornton

its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

### Report on the remuneration report

We have audited the remuneration report included in pages 22 to 26 of the directors' report for the year ended 30 June 2012. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Ausmon Resources Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 28 September 2012

# ADDITIONAL INFORMATION (continued)

Additional information included in accordance with Listing Rules of the ASX Limited.

## 1. SHAREHOLDINGS

### (a) Distribution of Shareholders as at 18 September 2012

| Size of Holding | Holders | Ordinary Shares Held | % |
|---|---|---|---|
| 1-1,000 | 3 | 411 | .001 |
| 1,001-5,000 | 15 | 54,555 | .073 |
| 5,001- 10,000 | 104 | 1,014,911 | 1.362 |
| 10,001-100,000 | 98 | 4,242,579 | 5.695 |
| 100,001 – and over | 80 | 69,186,669 | 92.869 |
| | **300** | **74,499,125** | **100.000** |

123 shareholders held less than a marketable parcel.

### (b) Top Twenty Shareholders as at 18 September 2012

| Shareholder | Number of Ordinary Shares | % Held of Issued Ordinary Capital |
|---|---|---|
| Aumeng Investments Limited | 24,300,000 | 32.618 |
| Octan Energy Pty Ltd | 3,670,000 | 4.926 |
| WVM & ML Sam Yue <Samyue Super Fund a/c> | 2,822,247 | 3.788 |
| X P Pu & X Y Wang & J Wang <Ivy Family S/F a/c> | 2,066,362 | 2.774 |
| Yongjian Wang | 2,000,000 | 2.685 |
| Suzhou Jiutai Group Company | 2,000,000 | 2.685 |
| King Ming Fan | 1,875,001 | 2.517 |
| Wujiang Investment Pty Ltd | 1,360,000 | 1.826 |
| Australian MBA Accountants Pty Ltd <Australian MBA S/F | 1,180,000 | 1.584 |
| Yaohua Yang | 1,000,000 | 1.342 |
| Black Range Minerals Limited | 1,000,000 | 1.342 |
| C K Camden Pty Ltd <Zhengs Family A/C> | 1,000,000 | 1.342 |
| Zhen Long Holdings Limited | 1,000,000 | 1.342 |
| Yelin Xu | 991,000 | 1.330 |
| P R & H M Murray <PHM Super Fund a/c> | 980,000 | 1.315 |
| Gang Zheng | 907,501 | 1.218 |
| KMFan Family Pty Ltd <KMFan Family A/C> | 850,000 | 1.141 |
| Australasia Access Pty Ltd | 800,000 | 1.074 |
| Lurong Wang | 790,000 | 1.060 |
| Yu fan | 770,000 | 1.034 |
| **Twenty largest shareholders** | 51,362,111 | 68.943 |
| **Others** | 23,137,014 | 31.057 |
| | **74,499,125** | **100.000** |

## 2. OPTION HOLDINGS

### (a) Distribution of Option holders as at 18 September 2012
**Listed options – $0.80 exercisable on or before 30 June 2014**

| Size of Holding | Holders | Options Held | % |
|---|---|---|---|
| 1-1,000 | 0 | | 0.000 |
| 1,001-5,000 | 0 | | 0.000 |
| 5,001- 10,000 | 132 | 1,320,000 | 3.911 |
| 10,001-100,000 | 77 | 3,293,750 | 9.759 |
| 100,001 – and over | 47 | 29,136,250 | 86.330 |
| | **256** | **33,750,000** | **100.00** |

## ADDITIONAL INFORMATION (continued)

### Unlisted options – $0.25 exercisable on or before 30 June 2013

| Size of Holding | Holders | Options Held | % |
|---|---|---|---|
| 1-1,000 | - | - | - |
| 1,001-5,000 | - | - | - |
| 5,001- 10,000 | - | - | - |
| 10,001-100,000 | 2 | 200,000 | 20.000 |
| 100,001 – and over | 2 | 800,000 | 80.000 |
| | **4** | **1,000,000** | **100.00** |

### (b) Top Twenty Listed Options holders as at 18 September 2012

| Shareholder | Number of Ordinary Shares | % Held of Issued Ordinary Capital |
|---|---|---|
| Aumeng Investments Limited | 12,150,000 | 36.000 |
| WVM & ML Sam Yue <Samyue Super Fund a/c) | 2,200,000 | 6.519 |
| Yongjian Wang | 1,500,000 | 4.444 |
| Wujiang Investment Pty Ltd | 1,075,000 | 3.185 |
| Yaohua Yang | 1,000,000 | 2.963 |
| King Ming Fan | 937,500 | 2.778 |
| X P Pu & X Y Wang & J Wang <Ivy Family S/F a/c> | 655,000 | 1.941 |
| Yelin Xu | 500,000 | 1.481 |
| Songqing Ma | 500,000 | 1.481 |
| John Wang | 468,750 | 1.389 |
| Gang Zheng | 468,750 | 1.389 |
| Xiao Hua Li | 400,000 | 1.185 |
| Yongquan Zhang | 400,000 | 1.185 |
| Qin Liu | 400,000 | 1.185 |
| W Y M Sam Yue | 335,000 | 0.993 |
| Smlinda Pty Ltd | 312,500 | 0.926 |
| Huiqing Yuan | 310,000 | 0.919 |
| Xiao Ping Pu | 250,000 | 0.741 |
| Actwise Pacfic Pty Ltd | 250,000 | 0.741 |
| Andrew Ouyang | 250,000 | 0.741 |
| **Twenty largest optionholders** | 24,362,500 | 72.186 |
| **Others** | 9,387,500 | 27.814 |
| | **33,750,000** | **100.000** |

## ADDITIONAL INFORMATION (continued)

### 3. VOTING RIGHTS

(a) At meetings of members each member entitled to vote may vote in person or by proxy or attorney or, in the case of a member which is a body corporate, by representative duly authorized.

(b) On a show of hands every member entitled to vote and be present in person or by proxy or attorney or representative duly authorised shall have one (1) vote.

(c) On a poll every member entitled to vote and be present in person or by proxy or attorney or representative duly authorised shall have one (1) vote for each fully paid share of which he is a holder.

### 4. AUDIT COMMITTEE

As at the date of this report the Company does not have an Audit Committee..

### 5. SUBSTANTIAL SHAREHOLDERS

The securities held by substantial shareholders are as follows:

| Name | Number of Shares |
|---|---|
| Aumeng Investments Limited, K M Fan, J Q Wang and G Zheng | 31,950,003 |

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