



ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2013
(Comparative Financial Information of Ratel Group Limited)

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2013

	Note	30 June 2013	30 June 2012
		US\$	US\$
Continuing Operations			
Revenue	3	10,553	4,073
Exploration and evaluation expenditure	4(a)	(558,853)	(2,754,667)
Operating expenses	4(d)	(1,783,165)	-
Business development	4(b)	(811,117)	(77,879)
Borrowing costs		(112,606)	-
Foreign exchange gains/(losses)		(319,111)	(73,240)
Administrative expenses	4(c)	(4,748,453)	(1,945,595)
Loss from continuing operations		(8,322,752)	(4,847,308)
Income tax benefit	5	-	-
Loss for the year		(8,322,752)	(4,847,308)
Other comprehensive income/(loss)			
Other comprehensive income/(loss) for the year		-	-
Total comprehensive income/(loss) for the year		(8,322,752)	(4,847,308)
Loss attributable to:			
Owners of the Company		(8,322,752)	(4,847,308)
Total comprehensive loss attributable to:			
Owners of the Company		(8,322,752)	(4,847,308)
Earnings/(loss) per share for loss attributable to the ordinary equity holders of the company			
Basic loss per share (cents)	12	(5.04)	(3.23)
Diluted loss per share (cents)	12	(5.04)	(3.23)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION AS AT 30 JUNE 2013**

	Note	30 June 2013 US\$	30 June 2012 US\$
ASSETS			
Current Assets			
Cash and cash equivalents	6	14,988,172	144,984
Trade and other receivables	7	242,061	1,130,522
Prepayments		2,259	18,036
Total Current Assets		15,232,492	1,293,542
Non-Current Assets			
Property, plant and equipment	8	961,496	1,224,049
Total Non-Current Assets		961,496	1,224,049
TOTAL ASSETS		16,193,988	2,517,591
LIABILITIES			
Current Liabilities			
Trade and other payables	9	722,986	308,441
Total Current Liabilities		722,986	308,441
TOTAL LIABILITIES		722,986	308,441
NET ASSETS		15,471,002	2,209,150
SHAREHOLDER'S EQUITY			
Issued capital	10(a)	34,162,759	14,493,355
Reserves	10(b)	(1,160,957)	(3,076,157)
Accumulated losses	10(c)	(17,530,800)	(9,208,048)
TOTAL SHAREHOLDER'S EQUITY		15,471,002	2,209,150

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2013

	Note	2013 US\$	2012 US\$
Cash flows from operating activities			
Exploration costs		(558,853)	(3,338,358)
Payments to suppliers and employees		(3,768,662)	(2,431,313)
Interest received		10,553	2,726
Net cash inflow/(outflow) from operating activities	6(a)	(4,316,962)	(5,766,945)
Cash flows from investing activities			
Payments for property, plant & equipment		(77,538)	(643,236)
Net cash (outflow) from investing activities		(77,538)	(643,236)
Cash flows from financing activities			
Proceeds from issue of shares		20,660,939	-
Capital raising costs		(991,534)	-
Loan funds received		2,500,000	-
Loan principal repaid		(2,500,000)	-
Borrowing costs		(112,606)	-
Net cash inflow from financing activities		19,556,799	-
Net increase/(decrease) in cash and cash equivalents		15,162,299	(6,410,181)
Cash and cash equivalents at beginning of the period		144,984	6,628,367
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		(319,111)	(73,202)
Cash and cash equivalents at end of the financial period	6	14,988,172	144,984

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	<i>Issued Capital US\$</i>	<i>Acquisition reserve US\$</i>	<i>Share option reserve US\$</i>	<i>Accumulated losses US\$</i>	<i>Total US\$</i>
Balance at 1 July 2012	14,493,355	(4,300,157)	1,224,000	(9,208,048)	2,209,150
Loss for the year	-	-	-	(8,322,752)	(8,322,752)
Total comprehensive income /(loss) for the year	-	-	-	(8,322,752)	(8,322,752)
Share acquired upon merger	2	-	-	-	2
Shares issued under employee loan share plan	-	-	1,915,200	-	1,915,200
Shares issued on private placement	20,660,936	-	-	-	20,660,936
Share issue costs	(991,534)	-	-	-	(991,534)
At 30 June 2013	34,162,759	(4,300,157)	3,139,200	(17,530,800)	15,471,002

For the year ended 30 June 2012

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of RTG Mining Inc (“the Company”, “RTG”, “the Group” or “the Entity”) as at 30 June 2013 and for the financial year ended 30 June 2013 (“the year”) was recognized for issue in accordance with a resolution of directors on 27 September 2013.

RTG Mining Inc was incorporated on 27 December 2012 and is domiciled in the British Virgin Islands. Its registered address is Midocean Chambers, Road Town, Tortola, VG1110 British Virgin Islands. On 28 March 2013, Ratel Group and RTG completed the merger (the “Merger”) of Ratel Group and Ratel Merger Ltd., a wholly-owned subsidiary of RTG. As a result, the surviving corporation formed by the Merger is a wholly-owned subsidiary of RTG. The principal activity of the Group during the period consisted of mineral exploration and development.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

RTG Mining Inc was incorporated on 27 December 2012 and is domiciled in the British Virgin Islands. On 28 March 2013, Ratel Group and RTG completed the merger (the “Merger”) of Ratel Group and Ratel Merger Ltd., a wholly-owned subsidiary of RTG. As a result, the surviving corporation formed by the Merger is a wholly-owned subsidiary of RTG. On 15 April the restructuring transaction was fully completed along with the satisfaction of the escrow release conditions pursuant to the private placement (the “Private Placement”) of 162,538,641 subscription receipts of RTG at C\$0.13 each, raising gross proceeds in the order of C\$21.1M. As a result, the previously issued ordinary shares of Ratel Group (the “Ratel Shares”) were exchanged for ordinary shares of RTG (the “RTG Shares”) the surviving corporation formed by the Merger is a wholly-owned subsidiary of RTG; and the 162,538,641 previously issued subscription receipts have been automatically converted (for no additional consideration) into 162,538,641 RTG Shares and the gross proceeds of the Private Placement, less the commission payable to Haywood Securities Inc. as agent under the Private Placement and less the fees payable to the subscription receipt agent under the Private Placement, have been released to RTG. The RTG Shares began trading on the TSX under the former symbol for the Ratel Shares, “RTG”, effective as of the open of markets on April 15, 2013. As a result of the merger, the prior year comparative information shown in these financial statements is that of Ratel Group Limited.

(b) Statement of compliance

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

The following Accounting Standards and interpretations have been issued but are not yet effective for the financial year ending 30 June 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Reference	Title	Nature of Change	Application date of standard	Impact on RTG Mining Inc financial statements	Application date for RTG Mining Inc
IFRS 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in IFRS 139 have been eliminated. IFRS 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods beginning on or after 1 January 2015	Adoption of IFRS 9 is only mandatory for the year ending 30 June 2016. The RTG Mining Inc has not yet made an assessment of the impact of these amendments.	1 July 2015
IFRS 10 (issued August 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: • Power over investee (whether or not power used in practice) • Exposure, or rights, to variable returns from investee	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the RTG Mining Inc does not have any special purpose entities.	1 July 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		• Ability to use power over investee to affect the RTG Mining Inc's returns from investee. • Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.		The 'Entity' does not have 'defacto' control of any entities with less than 50% ownership interest in an entity.	
IFRS 11 (issued August 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement).	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, additional disclosures will be required about any joint arrangements.	1 July 2013
IFRS 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from IFRS 127 <i>Consolidated and Separate Financial Statements</i> , IFRS 128 <i>Investments in Associates</i> and IFRS 131 <i>Interests in Joint Ventures</i> . Introduces new disclosure requirements for interests in associates and joint	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and	1 July 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		arrangements, as well as new requirements for unconsolidated structured entities.		joint arrangements, as well as for unconsolidated structured entities.	
IFRS 13 (issued September 2011)	Fair Value Measurement	IFRS 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values.	1 July 2013
IAS 19 (reissued September 2011)	Employee Benefits	Employee benefits expected to be settled (as opposed to due to settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when	Annual periods commencing on or after 1 January 2013	When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012 as long-term benefits	1 July 2013

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.		because they are not expected to be settled wholly within 12 months after the end of the reporting period. This will result in a reduction of the annual leave liabilities recognised on 1 July 2012, and a corresponding increase in retained earnings at that date	
Interpretation 20 (issued November 2011)	Stripping Costs in the Production Phase of a Surface Mine	Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under IFRS 102 <i>Inventories</i> 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.	Annual periods commencing on or after 1 January 2013	The RTG Mining Inc does not operate a surface mine. There will therefore be no impact on the financial statements when this interpretation is first adopted.	1 July 2013
Interpretation 21 (issued June 2013)	Levies	Clarifies the circumstances under which a liability to pay a levy imposed by a government should be	1 January 2014	The entity is not liable to pay any government levies. There will therefore	1 July 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time.		be no impact on the financial statements when this interpretation is first adopted.	
IFRS (issued December 2011)	Mandatory Effective Date of IFRS 9 and Transition Disclosures	Entities are no longer required to restate comparatives on first time adoption. Instead, additional disclosures on the effects of transition are required.	Annual reporting periods commencing on or after 1 January 2015	As comparatives are no longer required to be restated, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required on transition, including the quantitative effects of reclassifying financial assets on transition.	1 July 2015

The Group is in the process of determining the impact of the standards and interpretations above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(c) Significant accounting estimates and assumptions

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

Significant accounting estimates and assumptions

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

Carrying value of exploration and evaluation.

Refer to note (g) for details.

Deferred tax assets and liabilities

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

Impairment of plant and equipment

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

Share based payment transactions

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

(d) Plant and equipment

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

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

Office, plant and equipment – over 1 to 10 years

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

De-recognition and disposal

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

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

(e) Income tax

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

(f) Other taxes

Revenues, expenses and assets are recognized net of the amount of goods and services tax ("GST" or "VAT"), except where the amount of GST or VAT incurred is not recoverable from the relevant taxation authorities, in which case the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and receivables and payables, which are stated with the amount of GST or VAT included.

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

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

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

(g) Exploration and evaluation

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

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

An area of interest is established where a discovery of economically recoverable resource is made. The area of interest will be established as a mineral project. All activity relating to the area of interest is then subsequently capitalised. Where development is anticipated, costs will be carried forward until the decision to develop is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

(h) Foreign currency translation

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

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

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

(i) Employee leave benefits

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

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

(ii) Long service leave

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

(j) Trade and other payables

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

(k) Cash and cash equivalents

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(l) Share capital

Share capital is recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(m) Impairment of non-financial assets

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

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

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

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

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

(n) Provisions

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

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is represented in the statement of comprehensive income net of any reimbursement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

(o) Trade and other receivables

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

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

(p) Loans and receivables

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

(q) Leases

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

Entity as a lessee

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

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

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

(r) Borrowing costs

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(s) Revenue recognition

Interest revenue

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

(t) Business combinations of entities under common control

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

The pooling of interest method involves the following:

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

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

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

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

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

(u) Interest in a jointly controlled asset

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

(v) Interest in joint ventures

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

(w) Basis of consolidation

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

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

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

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

(x) Share based payment transactions

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

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

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

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

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

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(y) Segment reporting

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

(z) Earnings per share

(i) Basic earnings/(loss) per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

(aa) Parent entity financial information

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

Note: Comparatives are those of Ratel Group Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. REVENUE

	2013	2012
	US\$	US\$
Interest income	10,553	2,827
Other income	-	1,246
	<u>10,553</u>	<u>4,073</u>

4. EXPENSES

	2013	2012
	US\$	US\$
(a) Exploration and evaluation expenditure		
Employee benefits	255,500	761,766
Consultants fees	-	102,949
Motor vehicle expenses	17,221	36,178
Travel expenses	-	345,331
Exploration and drilling	42,256	968,187
Depreciation expense	-	30,451
Rental expense	34,873	44,935
Other general and office costs	209,003	464,870
	<u>558,853</u>	<u>2,754,667</u>

	2013	2012
	US\$	US\$
(b) Business development		
Travel	514,816	44,312
Employee fees	238,171	-
Other	58,130	33,567
	<u>811,117</u>	<u>77,879</u>

	2013	2012
	US\$	US\$
(c) Administrative expenses		
Accounting & audit fees	173,089	173,152
Employee and directors fees	1,066,528	330,291
Loan share plan embedded option expense	1,915,200	-
Legal fees	1,203,238	765,343
Management fee	-	409,563
Listing and shareholder reporting costs	147,633	63,558
Consultants	46,275	-
Other	196,490	203,688
	<u>4,748,453</u>	<u>1,945,595</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2013 US\$	2012 US\$
(d) Operating expenses		
Provision for joint venture partner receivable (see also note7)	1,181,194	-
Depreciation	312,788	-
Employee expenses	220,850	-
Other	68,333	-
	<u>1,783,165</u>	<u>-</u>

5. INCOME TAX

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

(a) Recognised in the statement of comprehensive income

	2013 US\$	2012 US\$
<i>Current income tax</i>		
Current Income tax expense / (benefit)	(963,778)	(235,057)
Adjustments in respect of current income tax of previous years	-	(183,799)
<i>Deferred Income tax</i>		
Relating to the origination and reversal of temporary differences	17,191	(2,993)
Deferred tax assets not brought to account	946,587	421,849
Income tax expense reported in the statement of comprehensive income	<u>-</u>	<u>-</u>

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

	2013 US\$	2012 US\$
Accounting loss before income tax	(8,322,752)	(4,847,308)
At the domestic income tax rate of 30% (Australia)	(2,496,825)	(1,454,192)
Expenditure not allowable for income tax purposes	1,515,857	1,212,963
Adjustments in respect of current income tax of previous years	34,382	(180,620)
Deferred tax assets not brought to account	946,587	421,849
Income tax expense reported in the statement of comprehensive income	<u>-</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(c) Deferred income tax	2013 US\$	2012 US\$
Deferred income tax at 30 June 2013 relates to the following:		
<i>Deferred tax assets</i>		
Accruals	30,000	6,172
Tax losses available to offset against future taxable income	916,587	415,677
Deferred tax assets not brought to account	(946,587)	(421,849)
	<u>-</u>	<u>-</u>

The tax losses have not been recognised as their realisation is not considered probable at this stage. The recovery of any tax losses is dependent upon compliance with relevant tax authorities and regulations.

6. CASH AND CASH EQUIVALENTS

	2013 US\$	2012 US\$
Cash on hand	5,857	5,218
Cash at bank	14,982,315	139,766
	<u>14,988,172</u>	<u>144,984</u>

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

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

(a) Reconciliation to Statement of Cash Flows

	2013 US\$	2012 US\$
Reconciliation of net loss after tax to net cash flows from operations		
Net loss after related income tax	(8,322,752)	(4,847,308)
<i>Adjustment for non-cash income and expense items:</i>		
Depreciation	340,092	30,391
Share based payments	1,915,200	-
Borrowing costs	112,606	-
Unrealised foreign exchange (gains)/losses	319,111	73,202
<i>Changes in assets and liabilities:</i>		
(Increase) /decrease in trade and other receivables	888,461	(1,002,271)
(Increase) / decrease in prepayments	15,777	9,858
Increase /(decrease) in payables	414,543	(30,817)
Net cash outflow from operating activities	<u>(4,316,962)</u>	<u>(5,766,945)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

b) Non Cash Financing and Investing Activities

During the period ended 30 June 2013, shares were issued by RTG Mining in relation to the reorganisation of the Company and 14,000,000 shares were issued pursuant to the Loan Funded Share Plan. These are shown in note 10.

7. TRADE AND OTHER RECEIVABLES

	2013	2012
	US\$	US\$
VAT and GST	32,132	65,929
Other	209,929	55,816
Joint venture partner receivable	1,181,194	1,008,777
Provision for joint venture partner receivable	(1,181,194)	-
	<u>242,061</u>	<u>1,130,522</u>

Receivables are non-interest bearing and are generally on 30-90 day terms. Other than the joint venture partner receivable, There are no receivables past due or impaired and it is expected that these receivables will be received when due.

The joint venture partner receivable due on the joint venture partner 49% share of the development costs funded by the Company at the Mkushi Copper Project has been fully provided for the Company as at 30 June 2013. The Company has, subsequent to year end, entered into an agreement for the sale of its 51% interest in the project. The purchaser has agreed to repay the joint venture partner receivable, on or before 1 January 2014, however the purchase agreement is still subject to completion conditions, hence the amount has been fully provided for. Refer to note 20 for further details on the sale agreement. Refer to note 18 for further information on trade and other receivables.

8. PROPERTY, PLANT & EQUIPMENT

	2013	2012
	US\$	US\$
<i>Office equipment</i>		
Opening balance	174,123	199,798
Additions	13,768	4,715
Disposals	-	-
Depreciation expense	(27,304)	(30,450)
Foreign exchange differences	-	60
At 30 June, net of accumulated depreciation	<u>160,587</u>	<u>174,123</u>
<i>Processing plant and equipment under construction</i>		
Opening balance	1,049,926	411,405
Additions	63,771	638,521
Disposals	-	-
Depreciation expense	(312,788)	-
At 30 June, net of accumulated depreciation	<u>800,909</u>	<u>1,049,926</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. PROPERTY, PLANT & EQUIPMENT (cont.)

	2013 US\$	2012 US\$
Opening balance	1,224,049	611,203
Additions	77,539	643,235
Disposals	-	-
Depreciation expense	(340,092)	(30,450)
Foreign exchange differences	-	60
At 30 June, net of accumulated depreciation	<u>961,496</u>	<u>1,224,049</u>

9. TRADE AND OTHER PAYABLES

	2013 US\$	2012 US\$
Trade creditors	594,398	111,666
Accrued expenses	128,588	196,775
	<u>722,986</u>	<u>308,441</u>

Trade payables are non-interest bearing and are normally settled on 30 to 60 day terms. There are no amounts that are expected to be settled greater than 12 months. Refer to note 18 for further information on trade and other payables.

10. ISSUED CAPITAL

	2013 Number	2012 Number	2013 US\$	2012 US\$
Issued and paid up capital:	326,538,643	150,000,000	34,162,759	14,493,355

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

Movements in contributed equity during the year were as follows:

(a) Ordinary Shares	Number	US\$
Opening balance at 1 July 2012	150,000,000	14,493,355
Shares issued under merger	2	2
Shares issued under the employee loan share plan (Refer to Note 19)	14,000,000	
Private placement	162,538,641	20,660,936
Capital raising costs	-	(991,534)
Total shares on issue at 30 June 2013	<u>326,538,643</u>	<u>34,162,759</u>
	Number	US\$
Opening balance at 1 July 2011	150,000,000	14,493,355
Total shares on issue at 30 June 2012	<u>150,000,000</u>	<u>14,493,355</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Reserves

	Acquisition	Share based payments	Total
	\$US	\$US	\$US
At 1 July 2012	(4,300,157)	1,224,000	(3,076,157)
Loan Share Plan	-	1,915,200	1,915,500
At 30 June 2013	(4,300,157)	3,139,200	(1,160,957)

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

Nature and purpose of reserves

Acquisition reserve

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

Share based payment reserve

The share based payment reserve is used to record the value of share based payments provided to employees, including key management personnel and directors as part of remuneration. The notional value attributed to the shares issued under the Loan Share Plan is included in this reserve as accounting standards deem the non recourse loan to contain an embedded option (Refer to Note 19).

(c) Accumulated losses

	2013 \$US	2012 \$US
At 1 July	(9,208,048)	(4,360,740)
Net loss for the year	(8,322,752)	(4,847,308)
At 30 June	(17,530,800)	(9,208,048)

(d) Dividends

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

Refer to Note 18 for information on capital risk management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. AUDITORS REMUNERATION

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

	2013 US\$	2012 US\$
<i>Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for:</i>		
• An audit or review of the financial report of the entity and any other entity in the consolidated group.	87,211	28,672
	<u>87,211</u>	<u>28,672</u>

12. EARNINGS PER SHARE

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

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

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

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

(a) Earnings/(loss) used in calculating earnings per share	2013 US\$	2012 US\$
For basic loss per share		
Net loss attributable to ordinary equity holders of the parent	(8,322,752)	(4,847,308)
For diluted earnings per share	n/a	n/a
Net loss attributable to ordinary equity holders of the parent	(8,322,752)	(4,847,308)
(b) Weighted average number of shares	Number of Shares	Number of Shares
Weighted average number of ordinary shares used in calculating basic earnings per share	165,240,681	150,000,000
Effect of dilutive options	-	-
<i>Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share</i>	<u>165,240,681</u>	<u>150,000,000</u>

Options on issue in the 2012 financial year have not been included in the calculation of diluted EPS as the options are anti-dilutive.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. SEGMENT INFORMATION

Identification of reportable segments

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

Accounting policies

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

The following table presents the revenue and result information regarding operating segments for the period to 30 June 2013.

Operating segment	Nigeria	Zambia	Un-allocated	Consolidated Total
	2013	2013	2013	2013
	US\$	US\$	US\$	US\$
Revenue				
Segment revenue from external customers	-	-	-	-
Interest revenue	-	-	10,553	10,553
Total revenue as per statement of comprehensive income				10,553
	Nigeria	Zambia	Un-allocated	Consolidated Total
Results				
Segment profit/(loss) before tax	(707,199)	(879,854)	(6,735,699)	(8,322,752)
Interest revenue	-	-	10,553	10,553
Administrative expenses	(629,804)	(418,308)	(3,700,341)	(4,748,453)
Foreign exchange	(6,813)	14,147	(326,445)	(319,111)
Other expenses	(70,582)	(475,693)	(2,719,466)	(3,265,741)
Segment profit/(loss) before income tax as per statement of comprehensive income				(8,322,752)
Depreciation expense	(21,128)	(318,187)		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Nigeria 2013	Zambia 2013	Un-allocated 2013	Consolidated Total 2013
Segment assets				
Corporate assets	135,016	2,023,531	14,035,441	<u>16,193,988</u>
Total assets as per statement of financial position				<u>16,193,988</u>
Segment liabilities				
Corporate liabilities	-	(17,230)	(705,756)	<u>(722,986)</u>
Total liabilities as per statement of financial position				<u>(722,986)</u>

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Nigeria 2012	Zambia 2012	Un-allocated 2012	Consolidated Total 2012
Segment assets	233,839	2,158,281	-	2,392,120
Corporate assets				125,472
Total assets as per statement of financial position				2,517,592
Segment liabilities	(2,260)	(77)	82	2,255
Corporate liabilities				(310,696)
Total liabilities as per statement of financial position				308,441

14. RELATED PARTY DISCLOSURE

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

Name of Entity	Country of Incorporation	Equity Interest (%)	Investment (US\$)	Equity Interest (%)	Investment (US\$)
		2013	2013	2012	2012
Controlled Entities					
Ratel Group Limited	British Virgin Islands	100	2	n/a	n/a
CGX Limited	British Virgin Islands	100	2	100	2
Ilesha Mining Holdings Limited	British Virgin Islands	100	22,546	-	-
Ilesha Mining Co-operative	The Netherlands	100	39,845	-	-
Ilesha Mining Limited	The Netherlands	100	40	-	-
Segilola Gold Ltd	Nigeria	100	100,555	100	100,555
Zambian Mining Limited	British Virgin Islands	100	2	100	2
Seringa Mining Ltd	Zambia	100	1,191	100	1,191
Joint Ventures					
Segilola Joint Venture Co*	Nigeria*	38*	-	38*	-
Mkushi Copper Joint Venture Co Ltd	Zambia	51	-	51	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Other transactions with related parties

Transactions with related parties

During the period ended 30 June 2013, the Group entered into transactions with related parties in the wholly-owned group:

- loans of \$1,410,650 were advanced on short term inter-company accounts; and
- loans of \$2,026,200 were advanced to employees and directors under the employee loan share plan.

These transactions were undertaken on the following terms and conditions:

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

On September 4, 2012 the Company entered a Loan Facility Agreement with CGA Mining Limited for the sum of \$2.5M. The facility is for a term of 24 months and the drawn portion of the facility incurs interest at a rate 9% p.a. In April 2013 the Company repaid all of the principal and interest totalling \$2.611M to CGA Mining Limited.

(b) Segilola Joint Venture

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

A notice was submitted by SGL to TML on March 30, 2012 advising that SGL intended to acquire their final additional 13% interest in the Segilola Gold Project. On April 30, 2012 TML advised SGL that they were disputing SGL's notice on the grounds that they required a Production Sharing Contract to be executed prior to the exercise of the third option by SGL. SGL disputed the position adopted by TML and on May 18, 2012 SGL served on TML a notice of dispute pursuant to the Joint Venture Agreement seeking a declaration that SGL is the holder of a 51% beneficial interest in the mine tenements. On June 1, 2012 TML wrote to SGL denying that SGL holds a 51% beneficial interest in the tenements pointing to irregularities in the notice of arbitration. On June 18, 2012 TML applied for and was granted interim orders in the Federal High Court of Nigeria restraining SGL from proceeding with the arbitration or commencing a new arbitration until the hearing and determination of TML's motion. On June 27, 2012 SGL consented to orders that SGL not proceed with the arbitration commenced on May 18, 2012 however SGL has disputed orders sought that SGL is required to pay TML's legal fees to defend its interest in response to the purported notice of arbitration. A hearing was due to be held on October 4, 2012 to hear arguments on the point of costs but has been adjourned to November 14, 2012. The matter was further adjourned to 22 April 2013 for report of the settlement or hearing of the pending applications. At the hearing on 22 April 2013, counsel informed the court that settlement was still on-going and that parties needed more time to conclude the same. As a result the matter was adjourned to 17 June 2013, and has subsequently been further adjourned to October 2013, for report of settlement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SGL is also involved in separate proceedings with Segilola Resources Operating Limited (“SROL”) whereby SGL is seeking injunctive relief to restrain SROL from acting on the basis of a purported termination of the Joint Venture Agreement between SGL and TML, which agreement was assigned to SROL on 1 April 2013. SGL’s application for interim relief is due to be heard on 16 October 2013.

(c) Mkushi Copper Joint Venture

Under the *Zambian Mines and Minerals Development Act 2008* a land owner is entitled to compensation where any of its surface rights are disturbed. Mkushi Holdings Limited (“Mkushi Holdings”) the landowner where the Mkushi Copper Project is situated has sought compensation of US\$5.98 million from Mkushi Copper Joint Venture Limited (“MCJVL”), the holder of the Mkushi Copper tenements. MCJVL has rejected Mkushi Holdings’ claim as it has not disturbed any rights of Mkushi Holdings. Mkushi Holdings advised MCJVL on May 17, 2012 that it has elected to pursue arbitral proceedings in light of the failure of negotiations between the parties. In August 2012 MCJVL wrote to Mkushi Holdings requesting it to explain how it arrived at the amount of compensation claimed, pointing out again that none of its rights had been disturbed. In June 2013, both parties submitted their witness statements to an arbitrator and an arbitration hearing was subsequently held in Zambia to allow the parties to cross examine each other based on these statements. The arbitrator requested an independent valuation report on the land area in dispute, which has been prepared and submitted in September 2013. Going forward, both parties are to submit their written legal arguments to the arbitrator to deliberate on, with the arbitrator currently expected to hand down his findings in December 2013.

15. KEY MANAGEMENT PERSONNEL DISCLOSURES

Remuneration Policy

The remuneration policy is to ensure that remuneration properly reflects the relevant person’s duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. Given the present nature of Ratel’s business, early stage production, exploration and development, the Company believes the best way to achieve this objective is to provide executives (including executive directors) with a remuneration package consisting of fixed and variable components that reflect the person’s responsibilities, duties and personal performance.

Non-executive Director Remuneration

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

Executive Remuneration

Fixed Remuneration

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

- a review by the Board of the Group's financial performance; and
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company.

Remuneration levels are reviewed as required by the compensation committee on an individual contribution basis in the form of a performance appraisal meeting. This incorporates analysis of key performance indicators with each individual to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the Company.

Variable Remuneration – Short Term Incentive (“STI”)

Objective

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

Structure

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

STI payments are made at the discretion of the Board and remuneration committee. Amounts are determined in line with the extent to which a key business objective has been met and the individuals responsibilities and contribution. The process occurs shortly after the key objective has been met and payments are delivered as a cash bonus upon approval, in order to closely align the achievement and reward.

STI Bonus for 2013 Financial Year and for 2012 Financial Period

For the 2013 and 2012 financial years there were no STI payments made to Executives. No STI bonus amounts have been forfeited during the 2013 financial year or 2012 financial year. STI payments are made at the discretion of the Board and remuneration committee.

Variable Remuneration - Long Term Incentive (“LTI”)

Objective

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

Structure

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Service Agreements

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Details of Key Management Personnel

(i) Directors

Michael Carrick	Director and Chairman – appointed 28 March 2013
Justine Magee	Director and Chief Executive Officer – appointed 28 March 2013
David Cruse	Director (non-executive) – appointed 28 March 2013
Philip Lockyer	Director (non-executive) – appointed 28 March 2013
Robert Scott	Director (non-executive) – appointed 28 March 2013
Michael Bowen	Director – appointed 27 December 2012, resigned 28 March 2013

(ii) Executives

Hannah Hudson	Chief Financial Officer and Company secretary– appointed 28 March 2013
Mark Turner	Chief Operating Officer– appointed 28 March 2013

(a) Key management personnel compensation

2013	Short-term			Post-employment Benefits	Long term incentive	Total	Total Performance Related
	Salary & Fees	Bonus	Other allowances	Superannuation benefits	Loan funded share plan		
	US\$	US\$	US\$	US\$	US\$	US\$	%
Directors							
Mr Michael Carrick	47,532	-	-	5,704	410,400	463,636	-
Ms Justine Magee	127,132	-	6,248	9,868	410,400	553,648	-
Mr David Cruse	14,262	-	-	-	68,400	82,662	-
Mr Philip Lockyer	14,262	-	-	1,284	68,400	83,946	-
Mr Robert Scott	14,262	-	-	1,284	68,400	83,946	-
Michael Bowen	-	-	-	-	-	-	-
Executives							
Mr Mark Turner	124,380	-	3,134	8,951	342,000	478,465	-
Ms Hannah Hudson	80,907	-	-	7,282	205,200	293,389	-
Total Remuneration	422,737		9,382	34,373	1,573,200	2,039,692	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following 2012 comparative figures show the remuneration for the key management personnel of Ratel Group Limited for the 2012 financial year.

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

*Mr Savage resigned on 26 November 2012, Mr Jones resigned on 1 October 2011.

(b) Equity instrument disclosures relating to key management personnel

(i) Shares issued to employees

On 28 March 2011, shares were issued to key management personnel of the Company under the Loan Funded Share Plan that was approved by Shareholders at the 21 March 2013 special shareholders meeting of Ratel Group Limited. The share were issued to employees under the following terms(Refer to Note 19 for further details):

- Shares were issued on 28 March 2013 at C\$0.165, which was in excess of the 5 day volume weighted average market price on that day.
- 14,000,000 shares were issued which vested immediately.
- Shares issued under this plan have been paid for by employees who have been provided with an interest free non-recourse loan by the Company.
- A total of 14,000,000 shares were issued on 28 March 2013 with a face value of C\$2,310,000.

The details of the allocation of shares to key management personnel are as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Name	Date of issue	No. of shares issued	Share issue price (\$C)	Shares vested to the end of FY 2013	Shares forfeited in the year	Financial year in which shares vest	Nature of shares
Mr Michael Carrick	28 March 2013	3,000,000	0.165	100%	nil	2013	Ordinary shares
Ms Justine Magee	28 March 2013	3,000,000	0.165	100%	nil	2013	Ordinary shares
Mr David Cruse	28 March 2013	500,000	0.165	100%	nil	2013	Ordinary shares
Mr Philip Lockyer	28 March 2013	500,000	0.165	100%	nil	2013	Ordinary shares
Mr Robert Scott	28 March 2013	500,000	0.165	100%	nil	2013	Ordinary shares
Mr Mark Turner	28 March 2013	2,500,000	0.165	100%	nil	2013	Ordinary shares
Ms Hannah Hudson	28 March 2013	1,500,000	0.165	100%	nil	2013	Ordinary shares

Details of the non-recourse loans granted to employees can be found at Note 19.

(ii) Options granted to key management personnel

30 June 2013

There were no options granted to executives of the Company during the financial year ended 30 June 2013 (2012: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(iii) Share holdings

30 June 2013	Balance at start of period	Received during the period on exercise of options	Granted un the Loan Share Plan	Other changes during the period	Balance at the end of period
Directors					
Mr Michael Carrick	416,658 ^{(1) (2)}	-	3,000,000	1,860,676 ⁽³⁾	5,277,334
Ms Justine Magee	-	-	3,000,000	454,044	3,454,044
Mr David Cruse	-	-	500,000	865,400	1,365,400
Mr Philip Lockyer	-	-	500,000	-	500,000
Mr Robert Scott	-	-	500,000	307,700	807,700
Executives					
Mr Mark Turner	-	-	2,500,000	-	2,500,000
Ms Hannah Hudson	41,664	-	1,500,000	-	1,541,664

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

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

(3) Includes 1,860,676 shares held by Mountainside Investments Pty Ltd. Mr Carrick is a director of this company but has no beneficial interest in these shares.

The following comparatives show the option holdings of executives of Ratel Group Limited for the 2012 financial year.

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

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

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

DIRECTORS' DECLARATION

16. PARENT ENTITY INFORMATION

	2013 US\$	2012 US\$
Information relating to RTG (prior year comparatives of Ratel Group Limited):		
Current assets	15,922,350	125,468
Total assets	15,933,031	125,468
Current liabilities	(462,030)	(310,697)
Total liabilities	(462,030)	(310,697)
Issued capital	36,188,960	14,493,353
Share option reserve	1,224,000	1,224,000
Asset acquisition reserve	(4,974,629)	(4,974,629)
Accumulated losses	(16,967,329)	(10,927,949)
Total shareholders equity/(deficiency)	15,471,002	(185,225)
Profit/(loss) of the parent entity	(6,039,380)	(6,460,760)
Total comprehensive income/(loss) of the parent entity	(6,039,680)	(6,460,760)

17. COMMITMENT AND CONTINGENCIES

Contractual obligations	Total	Payments due by period			
		Less than 1 year	1-3 years	4-5 years	More than 5 years
Lease obligations ¹	619,650	206,550	413,100	-	-
Total contractual obligations	619,650	206,550	413,100	-	-

¹ Corporate office lease payments due.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Net fair values

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

Credit risk

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

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group monitors this credit risk through holding its cash through banks with a Standard and Poors credit rating of 'A' or greater. The credit risk associated with cash and cash equivalents is considered negligible by the Group. The Group does not hold collateral as security. As discussed in note 7, the Company has recognised a receivable from its joint venture partner in the Mkushi Copper Project. The joint venture partner receivable represents 49% of the development costs funded by Seringa Mining Limited for the agreed heap leach operation since the development began in the last quarter of the 2011 financial year. The amount is currently past 90 days due and has been fully provided for. For further detail, refer to note 7.

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

Interest rate risk

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

	Note	2013 US\$	2012 US\$
Cash and cash equivalents			
US\$ balances held	6	4,983,158	92,621
CAD\$ balances held	6	9,814,440	-
		14,797,599	92,621

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Foreign currency risk

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

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

	2013 US\$	2012 US\$
Financial Assets		
Cash and cash equivalents	10,039,210	52,363
Trade and other receivables	242,061	121,745
Prepayments	2,259	18,037
	<u>10,283,527</u>	<u>192,145</u>
Financial Liabilities		
Trade and other payables	<u>175,488</u>	<u>289,318</u>
	<u>175,488</u>	<u>289,318</u>
Net exposure	<u>10,108,039</u>	<u>(97,173)</u>

Liquidity risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2013 US\$	2012 US\$
Within one month		
Trade creditors	624,396	185,512
One Month or later and no later than one year		
Trade creditors	-	122,929
	<u>624,396</u>	<u>308,441</u>

The Group manages liquidity risk through maintaining sufficient cash loan facilities or credit terms with its suppliers to meet the operating requirements of the business and investing excess funds in highly liquid short term cash deposits. The Group's liquidity needs can likely be met through existing cash on hand, subject to the current forecast operating parameters being met.

Sensitivity Analysis

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

Consolidated 30 June 2013			Interest rate risk				Foreign exchange risk			
Financial assets	Note	Carrying Amount \$	Negative movement		Positive movement		Negative movement		Positive movement	
			Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
Cash and cash equivalents										
USD	5	4,983,158	(49,832)	(49,832)	49,832	49,832	-	-	-	-
AUD	1,5	163,708	(1,637)	(1,637)	1,637	1,637	(22,919)	(22,919)	22,919	22,919
CAD	1,5	9,814,440	(98,144)	(98,144)	98,144	98,144	(687,011)	(687,011)	687,011	687,011
EUR	1,5	45,108	(451)	(451)	451	451	(5,413)	(5,413)	5,413	5,413
NGN	1,5	10,888	(10,888)	(10,888)	10,888	10,888	(871)	(871)	871	871
ZMK	1,5	5,066	(5,066)	(5,066)	5,066	5,066	(405)	(405)	405	405

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Capital risk management

The Group's total capital is defined as equity attributable to equity holders of the parent and cash and cash equivalents amounted to \$30,459,174 at 30 June 2013.

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

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

19. SHARE BASED PAYMENTS

Loan funded share plan

Shares issued pursuant to the Loan Funded Share Plan are for services rendered to date by eligible employees and directors to date and, going forward, for services rendered by existing and any new eligible employees and directors who are appointed in the future. The purposes of the Plan are to motivate and retain employees, attract quality employees to the Group create commonality of purpose between the employees and the Group, create wealth for shareholders by motivating the employees, and enable the employees to share the rewards of the success of the Group. Where the Company offers to issue incentive shares to a Director employee, the Company may offer to provide the recipient with a limited recourse, interest free loan to be used for the purposes of subscribing for the shares in the Company. The Company's recourse to repayment of the loans is limited to the lesser of:

- The original loan to the participant less any repayments made; or
- The market value of the shares as at the date of repayment of the loan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Loan Funded Share Plan Shares issued at 30 June 2013

Name	Date of issue	No. of shares issued	Share issue price (\$C)	Balance at start of year	Granted during the year	Forfeited during the year	Balance at the end of the year
Michael Carrick	28 March 2013	3,000,000	0.165	nil	3,000,000	nil	3,000,000
Justine Magee	28 March 2013	3,000,000	0.165	nil	3,000,000	nil	3,000,000
David Cruse	28 March 2013	500,000	0.165	nil	500,000	nil	500,000
Philip Lockyer	28 March 2013	500,000	0.165	nil	500,000	nil	500,000
Robert Scott	28 March 2013	500,000	0.165	nil	500,000	nil	500,000
Mark Turner	28 March 2013	2,500,000	0.165	nil	2,500,000	nil	2,500,000
Hannah Hudson	28 March 2013	1,500,000	0.165	nil	1,500,000	nil	1,500,000
Other employees	28 March 2013	2,500,000	0.165	nil	2,500,000	nil	2,500,000

Employee and director option plan

On 15 October 2010 the Board of Ratel Group Limited approved an option plan whereby Directors and Employees could be issued options in the Company. 12,000,000 options were granted under this plan expired on 22 February 2013. No further options have been granted.

20. EVENTS AFTER REPORTING DATE

On 29 August, the Company announced it had entered into an agreement for the sale of RTG's 51% interest in the Mkushi Copper Project in Zambia for US\$13.1m ("Transaction"). The sale to our joint venture partner, Elephant Copper Ltd. ("Elephant Copper"), is subject to conditions precedent, with completion expected in October 2013.

The purchase price of US\$13.1m will be satisfied by the issue of US\$6.6m in new fully paid ordinary shares in Elephant Copper and a US\$6.5m unsecured redeemable convertible note ("Convertible Note"). The Convertible Note will be repayable on or before 1 January 2015, unless converted earlier, and will have an exercise price for conversion equal to the lesser of US\$0.45 and 1.36 times the IPO Price (as defined in the agreement). Elephant Copper is in the process of completing a "go public event" ("IPO") through a transaction that would, after obtaining regulatory approval, be the qualifying transaction for Credent Capital Corp.

If Elephant Copper enters into an "alternative transaction" (a sale of 20% or more of the shares or assets in Elephant Copper or similar transaction) both parties have rights to convert the US\$6.6m share issue into a cash payment and Elephant Copper is entitled to redeem the Convertible Note early.

Elephant Copper has also agreed to repay on or before 1 January 2014, the joint venture partner receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DIRECTORS DECLARATION

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

- (a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the period from incorporation to the 30 June 2013; and
 - (ii) comply with International Accounting Standards; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.

A handwritten signature in black ink, appearing to read 'M Carrick', is written over a horizontal line.

MICHAEL CARRICK
Director

Perth, 27 September 2013

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF RTG MINING INC.

As lead auditor of RTG Mining Inc. for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of RTG Mining Inc. and the entities it controlled during the period.



Peter Toll

Director

BDO Audit (WA) Pty Ltd

Perth, Western Australia

Dated 27 September 2013



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INDEPENDENT AUDITOR'S REPORT

To the members of RTG Mining Inc.

Report on the Financial Report

We have audited the accompanying financial report of RTG Mining Inc., which comprises the consolidated statement of financial position as at 30 June 2013, consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the entity 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 and fair presentation of the financial report in accordance with International Financial Reporting Standards, and for such internal control as the directors' determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, that the financial statements comply with *International Financial Reporting Standards* as issued by the International Accounting Standards Board.

Auditor's Responsibility

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

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

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



Independence

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

Opinion

In our opinion;

- (a) the financial report presents fairly, in all material respects, the financial position of the consolidated entity, as at 30 June 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Peter Toll', is written over the BDO logo.

Peter Toll
Director

Perth, Western Australia

Dated this 27th day of September 2013