



ratel group

LIMITED

Annual Financial Statements

**For the period from date of incorporation,
18 OCTOBER 2010, to 30 JUNE 2011**

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Note	2011 US\$
Continuing Operations		
Revenue	3	6,644
Exploration and evaluation expenditure	4(a)	(2,332,095)
Foreign exchange gains/(losses)		24,918
Administrative expenses	4(b)	(2,060,207)
Loss from continuing operations		(4,360,740)
Income tax benefit	5	-
Loss for the period		(4,360,740)
Other comprehensive income/(loss)		
Other comprehensive income/(loss) for the period		-
Total comprehensive income/(loss) for the period		(4,360,740)
Loss attributable to:		
Owners of the Company		(4,360,740)
Total comprehensive loss attributable to:		
Owners of the Company		(4,360,740)
Earnings/(loss) per share for loss attributable to the ordinary equity holders of the company		
Basic loss per share (cents)	12	(5.86)

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

**CONSOLIDATED STATEMENT OF
FINANCIAL POSITION AS AT 30 JUNE 2011**

	Note	30 June 2011 US\$
ASSETS		
Current Assets		
Cash and cash equivalents	6	6,628,366
Trade and other receivables	7	128,251
Prepayments		27,895
Total Current Assets		6,784,512
Non-Current Assets		
Property, plant and equipment	8	611,203
Total Non-Current Assets		611,203
TOTAL ASSETS		7,395,715
LIABILITIES		
Current Liabilities		
Trade and other payables	9	339,259
Total Current Liabilities		339,259
TOTAL LIABILITIES		339,259
NET ASSETS		7,056,456
SHAREHOLDER'S EQUITY		
Issued Capital	10(a)	14,493,353
Reserves	10(b)	(3,076,157)
Accumulated losses	10(c)	(4,360,740)
TOTAL SHAREHOLDER'S EQUITY		7,056,456

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note	2011 US\$
Cash flows from operating activities		
Exploration costs		(2,287,580)
Payments to suppliers and employees		(457,522)
Interest received		6,486
Net cash inflow/(outflow) from operating activities	6(a)	(2,738,616)
Cash flows from investing activities		
Cash held by subsidiaries at acquisition	14	133,345
Payments for property, plant & equipment		(386,259)
Net cash (outflow) from investing activities		(252,914)
Cash flows from financing activities		
Proceeds from issue of shares		10,060,362
Capital raising costs		(541,643)
Net cash inflow from financing activities		9,518,719
Net increase in cash and cash equivalents		6,527,189
Cash and cash equivalents at beginning of the period		-
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		101,177
Cash and cash equivalents at end of the financial period	6	6,628,366

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	<i>Note</i>	<i>Issued Capital US\$</i>	<i>Acquisition reserve US\$</i>	<i>Share option reserve US\$</i>	<i>Accumulated losses US\$</i>	<i>Total US\$</i>
Loss for the period		-	-	-	(4,360,740)	(4,360,740)
Other comprehensive income/(loss)		-	-	-	-	-
Total comprehensive income /(loss) for the period		-	-	-	(4,360,740)	(4,360,740)
Issue of share capital	10(a)	14,493,353	-	-	-	14,493,353
Acquisition reserve	10(b)	-	(4,300,157)	-	-	(4,300,157)
Share option reserve	10(b)	-	-	1,224,000	-	1,224,000
At 30 June 2011		14,493,353	(4,300,157)	1,224,000	(4,360,740)	7,056,456

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

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2011**

1. CORPORATE INFORMATION

The financial report of Ratel Group Limited ("the Company", "Ratel", "the Group" or "the Entity") as at 30 June 2011 and for the period from date of incorporation, 18 October 2010 to 30 June 2011 ("the period") was authorised for issue in accordance with a resolution of directors on 28 September 2011.

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

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

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

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

The Company was incorporated on 18 October 2010 and accordingly there are no comparatives.

(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 period ending 30 June 2011.

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS**
FOR THE PERIOD ENDED 30 JUNE 2011

Reference	Title	Summary	Application date of standard*	Application date for Group
	Consolidated Financial Statements	IFRS 10 establishes a new control model that applies to all entities. It replaces parts of IAS 27 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and SIC-12 <i>Consolidation – Special Purpose Entities</i>. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.	1 January 2013	1 July 2013
	Joint Arrangements	IFRS 11 replaces IAS 31 <i>Interests in Joint Ventures</i> and SIC-13 <i>Jointly- controlled Entities – Non-monetary Contributions by Ventures</i>. IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures	1 January 2013	1 July 2013

		that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.		
	Disclosure of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013
	Fair Value Measurement	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets. IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	1 July 2013

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

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2011**

(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

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.

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.

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 performance 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.

(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 dependant 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.

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.

(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 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.

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

3. REVENUE

	2011 US\$
Interest income	6,644
	<u>6,644</u>

4. EXPENSES

	2011 US\$
(a) Exploration and evaluation expenditure	
Employee benefits	542,083
Consultants fees	23,544
Motor vehicle expenses	46,233
Travel expenses	134,001
Exploration and drilling	1,112,678
Depreciation expense	19,478
Rental expense	32,130
Other general and office costs	421,948
	<u>2,332,095</u>

	2011 US\$
(b) Administrative expenses	
Accounting & audit fees	47,554
Business development	35,614
Employee options expense	1,224,000
Legal fees	96,276
Management fee	202,363
Share registry	159,348
Consultants	57,174
Other	237,878
	<u>2,060,207</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

	2011 US\$
<i>Current income tax</i>	
Current Income tax expense / (benefit)	(180,620)
<i>Deferred Income tax</i>	-
Relating to the origination and reversal of temporary differences	(3,179)
Deferred tax assets not brought to account	183,799
Income tax expense reported in the statement of comprehensive income	<u>-</u>

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

	2011 US\$
Accounting loss before income tax	(4,360,740)
At the domestic income tax rate of 30% (Australia)	(1,308,222)
Expenditure not allowable for income tax purposes	1,124,423
Deferred tax assets not brought to account	183,799
Income tax expense reported in the statement of comprehensive income	<u>-</u>

(c) Deferred income tax

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

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

6. CASH AND CASH EQUIVALENTS

	2011 US\$
Cash on hand	16,369
Cash at bank	6,611,997
	<u>6,628,366</u>

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

For further information on Financial Risk Management refer to Note 18.

(a) Reconciliation to Statement of Cash Flows

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

b) Non Cash Financing and Investing Activities

Share issued to Ratel Gold Limited for the acquisition in relation to the reorganisation of the Company shown in note 10.

7. TRADE AND OTHER RECEIVABLES

	2011 US\$
VAT and GST	64,501
Other	63,750
	<u>128,251</u>

Receivables are non-interest bearing and are generally on 30-90 day terms. There are no receivables past due or impaired. It is expected that these receivables will be received when due. Refer to note 18 for further information on trade and other receivables.

8. PROPERTY, PLANT & EQUIPMENT

	2011 US\$
<i>Office equipment</i>	
Office equipment arising on acquisition of subsidiaries 17 December 2010, net of accumulated depreciation	217,701
Additions	1,800
Disposals	(197)
Depreciation expense	(19,479)
Foreign exchange differences	(27)
At 30 June, net of accumulated depreciation	<u>199,798</u>
<i>Processing plant and equipment under construction</i>	
At acquisition of subsidiaries, 17 December 2010	-
Additions	411,405
Disposals	-
Depreciation expense	-
At 30 June, net of accumulated depreciation	<u>411,405</u>
At 17 December 2010, net of accumulated depreciation	217,701
Additions	413,205
Disposals	(197)
Depreciation expense	(19,479)
Foreign exchange differences	(27)
At 30 June, net of accumulated depreciation	<u>611,203</u>

9. TRADE AND OTHER PAYABLES

	2011 US\$
Trade creditors	169,121
Accrued expenses	170,138
	<u>339,259</u>

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

10. ISSUED CAPITAL

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

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

Movements in contributed equity during the period were as follows:

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

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

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

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

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

Share options

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

(b) Reserves

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

Nature and purpose of reserves

Acquisition reserve

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

Share based payment reserve

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

(c) Accumulated losses

	2011 \$US
At 18 October 2010	-
Net loss for the period	(4,360,740)
At 30 June 2011	<u>(4,360,740)</u>

(d) Dividends

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

Refer to Note 18 for information on Capital Risk Management.

11. AUDITORS REMUNERATION

The auditor of the Company is BDO Australia.

	2011 US\$
<i>Amounts received or due and receivable by BDO Australia for:</i>	
• An audit or review of the financial report of the entity and any other entity in the consolidated group.	<u>29,667</u>
	<u>29,667</u>

12. EARNINGS PER SHARE

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

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

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

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

(a) Earnings/(loss) used in calculating earnings per share	2011 US\$
---	----------------------

For basic loss per share	
Net loss attributable to ordinary equity holders of the parent	(4,360,740)
For diluted earnings per share	n/a
Net loss attributable to ordinary equity holders of the parent	(4,360,740)

(b) Weighted average number of shares	Number of Shares
--	-----------------------------

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

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

13. SEGMENT INFORMATION

Identification of reportable segments

For management purposes the Group is organised into three operating segments which is segmented by location, Nigeria, Zambia and Ghana. 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 2011.

Operating segment	Nigeria 2011 US\$	Zambia 2011 US\$	Ghana 2011 US\$	Un-allocated 2011 US\$	Consolidated Total 2011 US\$
Revenue					
Segment revenue from external customers	-	-	-	-	-
Interest revenue	193	-	899	(934)	158
Other interest revenue	-	-	-	6,486	<u>6,486</u>
Total revenue as per statement of comprehensive income	9	-	899	5,552	<u><u>6,644</u></u>

Results	Nigeria	Zambia	Ghana	Un-allocated	Consolidated Total
Segment profit/(loss) before tax	(2,402,813)	(1,068,786)	(848,940)	1,700,542	(2,619,997)
Interest revenue	-	-	-	-	6,486
Administrative expenses	-	-	-	-	(1,837,571)
Foreign exchange	-	-	-	-	125,955
Other expenses	-	-	-	-	<u>(35,613)</u>
Segment profit/(loss) before income tax as per statement of comprehensive income	-	-	-	-	<u>(4,360,740)</u>
Depreciation expense	23,057	10,250	-	(13,829)	19,478
	Nigeria	Zambia	Ghana	Un-allocated	Consolidated Total
Segment assets	351,871	506,955	24,595	-	883,421
Corporate assets					<u>6,512,296</u>
Total assets as per statement of financial position					<u>7,395,717</u>
Segment liabilities	(10,932,729)	(12,598,225)	(1,721,440)	25,149,895	(102,499)
Corporate liabilities					<u>(236,761)</u>
Total liabilities as per statement of financial position					<u>(339,260)</u>

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

* The Company has been granted a 38% interest in the Segilola Joint Venture Co, and a balance of 13% to be granted upon delivery of a bankable feasibility study and other criteria potentially increasing its total interest to 51%.

On 17 December 2010, the Company acquired a 100% interest in Zambian Mining Limited, CGX Limited and CAML Ghana. The entities were 100% owned subsidiaries of St Augustine Gold and Copper Limited (formerly Ratel Gold Limited).

The acquisition was effective 17 December 2010 and the consideration paid for Zambian Mining Limited and CGX Limited was \$2. In addition the Company assumed the loan receivables owed by Zambian Mining Limited, CGX Limited and CAML Ghana to Ratel Gold (now SAU). As the transaction was a common control transaction, the Company has elected to apply the 'pooling of interest' method to account for the combinations. The combination resulted in an acquisition reserve of \$21,748,977 which has been eliminated against accumulated losses in accordance with the Company's accounting policy. The balance of the reserve is \$4,300,157.

At the date of acquisition the net assets of the entities acquired were:

Assets	US\$
Cash	133,345
Trade and Other Receivables	233,413
Plant and Equipment	217,701
Liabilities	
Trade and Other Payables	(5,053)
Loan to Ratel Group	(22,328,383)
Net liabilities	(21,748,977)

(a) Other transactions with related parties

Transactions with related parties

During the period ended 30 June 2011, the Group entered into transactions with related parties in the wholly-owned group:

- loans were advanced on short term inter-company accounts;

These transactions were undertaken on the following terms and conditions:

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

On 19 November 2010 the Company entered into a management agreement with CGA (a 19.1% shareholder). The agreement allows for the provision of management services to be provided by CGA for an amount of \$403,129 per annum. The agreement was subject to the successful listing of the Company on the Toronto Stock Exchange. On 7 January 2011, Ratel completed its listing on the Toronto Stock Exchange.

(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.

To exercise the Third Option, SGL must, in addition to the matters already addressed:

- execute a production sharing contract the form of which must be negotiated and agreed by TML and SGL; and
- receive confirmation from the project accountant that SGL has incurred a total expenditure in the sum of US\$2,000,000 on exploration operations on the Mine Tenements.

Pursuant to the Segilola JV, if SGL fails to exercise the Third Option, SGL will forfeit to TML its entire interest in the Segilola Gold Project.

15. KEY MANAGEMENT PERSONNEL DISCLOSURES

Remuneration Policy

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

Non-executive Director Remuneration

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

Executive Remuneration

Fixed Remuneration

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

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

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

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

Variable Remuneration – Short Term Incentive ("STI")

Objective

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

Structure

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

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

STI Bonus for 2011 Financial Period

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

Variable Remuneration - Long Term Incentive (“LTI”)

Objective

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

Structure

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

Service Agreements

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

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS**
FOR THE PERIOD ENDED 30 JUNE 2011

Details of Key Management Personnel (including the executives of the Company)

(i) Directors

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

(ii) Executives

Geoffrey Jones	Chief Executive Officer – Appointed: 4 January 2011
Hannah Hudson	Chief Financial Officer – Appointed: 4 January 2011

(a) Key management personnel compensation

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

(b) Equity instrument disclosures relating to key management personnel

(i) Options Granted to Directors and Executives

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

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

(ii) Share holdings

30 June 2011	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	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	-	-	-	-
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

**NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2011**

16. PARENT ENTITY INFORMATION

	2011 US\$
Information relating to Ratel:	
Current assets	6,512,292
Total assets	6,512,296
Current liabilities	(236,761)
Total liabilities	(236,761)
Issued capital	14,493,353
Reserves	(3,750,629)
Accumulated losses	(4,467,189)
Total shareholders equity	<u>6,275,535</u>
Profit/(loss) of the parent entity	(4,467,189)
Total comprehensive income/(loss) of the parent entity	<u>(4,467,189)</u>

17. COMMITMENT AND CONTINGENCIES

At 30 June 2011 the Group had the following outstanding commitments and contingencies requiring disclosure:

- \$1,339,750 remaining to be spent on the new drill program for the Segilola Gold Project;
- \$243,000 being payment to TML (the Company's Joint Venture Partner) for community relations costs at the Company's Segilola Project;
- \$768,897 in relation to the Heap Leach Development at the Mkushi Copper Project; and
- \$403,000 for provision of, serviced office, company secretarial, administrative, accounting and management services by CGA Mining Limited that came into effect on the Company listing on the TSX, which was January 4, 2011.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

Net fair values

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

Credit risk

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

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. The Group monitors this credit risk through holding its cash through banks with a Standard and Poors credit rating of 'A' or greater. The credit risk associated with cash and cash equivalents is considered negligible by the Group. The Group does not hold collateral as security. The Group does not have any receivables past due or impaired.

Interest rate risk

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

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

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

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

Foreign currency risk

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

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

	2011 US\$
Financial Assets	
Cash and cash equivalents	209,408
Trade and other receivables	<u>111,044</u>
	<u>320,452</u>
Financial Liabilities	
Trade and other payables	<u>102,499</u>
	<u>102,499</u>
Net exposure	<u><u>217,953</u></u>

Liquidity risk

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

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

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

	2011 US\$
Within one month	
Trade creditors	<u>339,259</u>
	<u><u>339,259</u></u>

Future capital needs can be met through our cash position, future loans from the parent entity up until the proposed listing on the TSX, and the proposed capital raising at that time. These will likely be sufficient to meet our necessary capital requirements, subject to the current forecast operating parameters being met.

Sensitivity Analysis

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

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

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

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

Capital risk management

The Group's total capital is defined as equity attributable to equity holders of the parent and cash and cash equivalents amounted to \$616,866 at 30 June 2011.

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

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

19. SHARE BASED PAYMENTS

Employee and director option plan

On 15 October 2010 the Board approved an option plan whereby Directors and Employees could be issued options in the Company. At 30 June 2011 a total of 12,000,000 options were on issue with the following terms:

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

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

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

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

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

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

(b) Summary of options granted under the option plan

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

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

20. EVENTS AFTER REPORTING DATE

Subsequent to 30 June 2011 with respect to the Obuasi Gold Project, the joint venture has not committed to further exploration or a budget and is currently in discussions to determine the future of the joint venture.

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 2011 and of its performance for the period from incorporation to the 30 June 2011; 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.



MICHAEL CARRICK
Director

Perth, 28 September 2011



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Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

28 September 2011

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

Dear Sirs,

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

As lead auditor of Ratel Group Limited for the period ended 30 June 2011, 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 Australian professional accounting bodies in relation to the audit.

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

Peter Toll
Director

BDO Audit (WA) Pty Ltd
Perth, Western Australia

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

Report on the Financial Report

We have audited the accompanying financial report of Ratel Group Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period 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 period's end or from time to time during the financial period.

Directors' Responsibility for the Financial Report

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Australian Professional Accounting Bodies. We confirm that the independence declaration which has been given to the directors of Ratel Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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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 2011, and its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards.
- (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 a faint, light blue BDO logo.

Peter Toll
Director

Perth, Western Australia
Dated this 28th day of September 2011