GTI RESOURCES LTD

ABN 33 124 792 132

ANNUAL REPORT FOR THE YEAR ENDED

31 December 2011

Corporate Directory

Board of Directors

Mr Murray McDonald	Executive Chairman
Mr Ian Cowden	Non-Executive Director
Ms Emma Gilbert	Executive Director

Company Secretary

Mr Frank Campagna

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West Perth, Western Australia 6005

Principal Office

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West Perth, Western Australia 6005

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Auditor

Stantons International Audit & Consulting Pty Ltd
Level 2, 1 Walker Avenue
West Perth, Western Australia 6005

Share Registry

Advanced Share Registry Services Pty Ltd
150 Stirling Highway
Nedlands, Western Australia 6009

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Perth, Western Australia 6000

ASX Code: GTR

Website

www.gtiresources.com.au

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Chairman's Report

Dear Shareholder

During the year we reviewed potential acquisitions and opportunities world-wide.

The projects were principally gold, iron ore and coal.

We have not yet been successful in securing a suitable international project.

We have been active in the Asia-Pacific region and continue to follow up projects of interest.

In a difficult economic climate the board believes that a focussed approach has the best chance of adding significant value to the company.

GTI's West Australian projects continue to grow with exploration and area expansion. Properties include Silver King, Henry River and Conical Hill (GTI 100%) Cambridge Creek JV (GTI 30%) and Bali HI JV (GTI 20%)

Silver King was significantly expanded with authorisation for iron ore exploration now granted by the Department of Mines & Petroleum (refer to review of operations).

We sold our minority interest in Yangibana to an overseas company for $0.5 million cash payment with the potential for an additional $0.5 million on completion of a bankable feasibility together with a retained royalty.

Shareholders and the market will be informed when negotiations on a potential acquisition progress past the preliminary stage.

Murray McDonald
Executive Chairman

Perth, 13th March 2012

Operations Report

Review of Operations

GTI has continued to work during 2011 on identification of potential acquisition opportunities in a number of selected countries world-wide. In the difficult economic climate which has prevailed throughout the year, the Board and believes that this focussed approach has the best potential to add significant value to the Company.

This strategy has been complemented with continuing exploration and growth of GTI's projects in Western Australia.

GTI's minority interest in the Yangibana project was sold for $0.5 million cash, with a further potential payment of $0.5 million due after completion of a bankable feasibility study. The Company also retains a royalty interest of $1/tonne of ore mined within the project area.

International Project Acquisition

During the year, the Company's technical team has identified and carried out extensive due diligence on a number of advanced international projects. Several of these have significant reported mineral resources of gold and copper.

Recently this detailed evaluation work identified an undeveloped copper-gold project with a significant JORC resource, which has lain dormant for many years. An approach has been made to ascertain potential availability.

To date, the Company has not been successful in securing a suitable project. Shareholders and the market will be informed when negotiations on any potential acquisition progress past the preliminary phase.

The Company has been active particularly in the Asia-Pacific region, but continues to search world-wide for projects with favourable technical and commercial aspects.

Western Australian Projects

GTI's portfolio of silver, base metal, gold and uranium projects in Western Australia include Silver King, Henry River and Conical Hill (GTI 100%), Cambridge Creek JV (GTI 30%) and Bali Hi JV (GTI 20%).

At **Silver King**, the project area has been greatly expanded by grant of a further exploration licences. Authorisation for Iron Ore exploration was granted by the Department of Mines and Petroleum over the central licences which cover BIF (Banded Iron Formation) with a strike length of more than 3.5 kilometres.

This BIF unit has been mapped as the geological equivalent of the host to the nearby Mt Alexander Iron Ore deposit, which has a reported Inferred Mineral Resource of 392.9 million tonnes at 29.5% Fe.

Old mine workings at Silver King – 38,927 ounces of silver production

Silver, copper, lead and zinc occurrences are widespread within the project area, with historical shallow workings on many small higher-grade concentrations. Gold has been reported from other prospects within the tenure. Encouraging multi-element geochemical results were received from orientation sampling, and reported during the year as follows:

Sample	Location	Ag g/t	Cu %	Pb %	Fe %
1700001	Silver King	168.6	0.23%	36.88%	7.27%
1700002	Silver King	725.2	5.88%	38.00%	1.79%
1700003	Silver King NW	9.9	0.05%	1.58%	5.58%
1700004	Silver King NW	47.6	0.36%	2.36%	2.21%
1700005	Dark Horse	42.0	3.32%	0.07%	3.27%
1700006	Dark Horse	25.4	12.75%	0.05%	9.98%
1700007	Nankavell's	1.5	7.92%	0.02%	25.78%
1700008	Nankavell's	2.7	2.28%	0.02%	29.79%

Full details and locations are given in the September 2011 Quarterly Report.

GTI's exploration at Silver King will evaluate the overall mineralisation setting, investigate metal zoning patterns and to identify larger potential targets for drill evaluation.

Henry River (GTI 100%) lies 20 kilometres east of Silver King. Two exploration licences totalling more than 140 square kilometres were granted during the year, and a number of silver-base metal and uranium targets have been identified for exploration in 2012.

Silver-lead mineralisation has been previously mined at the historical Thowagee mine in the south-western sector of the project area. A series of trenches and shallow opencuts are developed on two separate vein systems which are up to 370m and 260m long respectively.

One sample from these workings contained 99.52g/t silver (approximately 3.2 ounces/tonne), 17.4% lead, and 3.87% zinc as reported by Blockley 1971 (GSWA MR Bulletin 9).

Other mineralisation known in and adjacent to the expanded project area includes tungsten, molybdenum and uranium.

At **Bali Hi (GTI 20%),** potentially economic grades of copper and silver were returned from 62 selected mineralised rock samples, with best results >10% Cu reported by the JV operator as follows:

- 12% Cu, 746g/t Ag (BH122)
- 12% Cu, 14g/t Ag (BH129)
- 12% Cu, 11g/t Ag (BH156)
- 33% Cu, 259g/t Ag (BH159)
- 14% Cu, 75g/t Ag (BH160)

Approximately 4km strike length was tested with the reconnaissance mapping and rock sampling programme.

Exploration tenure at **Conical Hill (GTI 100%)** was consolidated by application for a larger 111 block single licence, extending the area previously held under application by three separate EL's to more than $342km^2$.

The Company's minority interest in the **Yangibana** project was sold to an overseas company for a $0.5 million cash payment, with further payment of $0.5 million due on completion of a bankable feasibility study. GTI also has a retained royalty. No work was reported on the **Cambridge Creek JV (GTI 30%)**.

Competent Person: *The contents of this report that relate to geology and exploration results are based on information compiled by consulting geologist Ian Cowden of Iana Pty Ltd, who is a Fellow of the Australasian Institute of Mining and Metallurgy, a Chartered Professional Geologist and a Member of the Australian Institute of Geoscientists. He has sufficient experience relevant to the styles of mineralisation and types of deposit under consideration and to the activity being undertaken to qualify as a "Competent Person", as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Ian Cowden consents to the inclusion in this report of the matters compiled by him in the form and context in which they appear.*

Corporate Governance Statement

INTRODUCTION

A description of the Company's main corporate governance practices is set out below. These practices, unless otherwise stated, were in place for the entire financial year.

Further information about the Company's corporate governance practices is set out on the Company's website at www.gtiresources.com.au**.** In accordance with the ASX Principles and Recommendations, information published on the Company's website includes charters (for the Board and its committees), the Company's code of conduct and other policies and procedures.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 – Establish and disclose the functions reserved to the Board and those delegated to senior executives.

The Board has the responsibility for protecting the rights and interests of shareholders and the enhancement of long-term shareholder value. The Board's primary role is to formulate the strategic direction of the Company and to oversee the Company's business activities and management. Day to day management of the Company's affairs and the implementation of corporate strategies are formally delegated by the Board to the Executive Chairman.

The Board has established functions that are reserved for the Board, as separate from those functions delegated to the Executive Chairman and are summarised in the Board Charter which is available on the Company's website. The Board retains responsibility for the following:

(a) the overall strategic direction and leadership of the Company, including its control and accountability systems;

(b) appointing the chief executive officer, or equivalent, for a period and on terms as the directors see fit and, where appropriate, removing the chief executive officer;

(c) ratifying the appointment and, where appropriate, the removal of senior executives including the company secretary;

(d) approving and monitoring the corporate governance of the Company;

(e) the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company;

(f) monitoring, reviewing and challenging senior management's performance and implementation of objectives and strategies;

(g) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;

(h) monitoring the financial and non-financial performance of the Company;

(i) ensuring the integrity of the Company's financial and other reporting (with the assistance of the Audit Committee);

(j) appointing the external auditor (based on recommendations of the Audit Committee) and the appointment of a new external auditor when any vacancy arises, provided that any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company;

Recommendation 1.2 – Disclose the process for evaluating the performance of senior executives.

The Remuneration Committee is charged with periodic review of the job description and performance of the Executive Chairman according to agreed performance parameters. The Executive Chairman is the subject of an informal evaluation against both individual performance and overall business measures. These evaluations were undertaken progressively and periodically during the year.

No formal process exists for the appraisal of other senior executives, as the size and management structure of the Company permits ongoing monitoring by the Executive Chairman and the Remuneration Committee of senior executive performance. No formal evaluation of senior executive performance was therefore undertaken during the year.

The Company's website contains a section formally setting out the Company's Process for Performance Evaluation.

Recommendation 1.3 – Provide the information in the guide to reporting on Principle 1.

Performance evaluations for the Executive Chairman have taken place in the reporting period in accordance with the process disclosed.

The Board charter is publicly available at www.gtiresources.com.au and includes a description of what matters are reserved for the Board and management respectively.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1 – A majority of the Board should be independent directors.

The Company has a three member Board comprising two executive directors, including the chairman and one non-executive director. Under present circumstances, there is not a majority of directors classified as independent, according to ASX guidelines. The directors are not considered to be independent by virtue of either holding in excess of 5% ownership of the Company or holding an executive position with the Company.

The Board believes that the current structure is the most appropriate for the Company having regard to its size, its current level of operations and its strategy of minimising operating costs. As the Company grows and/or circumstances change, the Board will consider further appointments of independent directors if appropriate.

Recommendation 2.2 – The Chairperson should be an independent director.

Board members should possess complementary business disciplines and experience aligned with the Company's objectives and where appropriate, significant shareholders being represented on the Board and if nominated, holding the position of Chairman. The Chairman is expected to bring independent thought and judgement to his role in all circumstances. Where matters arise in which there is a perceived conflict of interest, the Chairman must declare his interest and abstain from any consideration or voting on the relevant matter.

Recommendation 2.3 –The roles of Chairperson and Chief Executive Officer should not be exercised by the same individual.

Mr McDonald is the Executive Chairman and Chief Executive Officer of the Company and is therefore not deemed to be independent director and as such, the Company does not comply with Recommendation 2.2 or 2.3. The Board believes that the current size of the Company and of the Board does not make a separation of the Chief Executive Officer's and Chairman's duties viable.

Recommendation 2.4 – The Board should establish a nomination committee.

The Company does not have a separate nomination committee. The current size of the full Board permits it to act as the nomination committee and to regularly review membership.

Recommendation 2.5 – Disclose the process for evaluating the performance of the Board, its committees and individual directors.

The Chairman is responsible for evaluation of the Board, Board committees and individual directors. The Board, acting as the Nomination Committee, in the absence of the Executive Chairman, is responsible for evaluating the performance of the Executive Chairman. Other senior executives are evaluated by the Executive Chairman.

The Company has adopted policies and procedures concerning the evaluation and development of its directors, executives and Board committee. Procedures include an internal Board performance assessment, an induction protocol and ongoing internal discussion with regard to the performance of the Board and its directors.

The Company's Process for Performance Evaluation is available on the Company's website.

Recommendation 2.6 – Provide the information indicated in the guide to reporting on Principle 2.

Contained in the Directors' Report section of this Annual Report are details of the skills, experience and expertise held by each Director in office at the date of this Annual Report. The terms of office, and their status as executive/non-executive/independent, for each director for the year ended 31 December 2011 were as follows (with all directors noted as continuing in office as at 31 December 2011 and still being in office at the date of this annual report):

Murray McDonald	Executive/non-independent (appointed 5 April 2007 continuing)
Ian Cowden	Non-executive/non-independent (appointed 5 April 2007 continuing)
Emma Gilbert	Executive/non-independent (appointed 15 June 2010 continuing)

The Board has adopted ASX recommended principles in relation to the assessment of directors' independence, which identifies shareholdings, executive roles and contractual relationships which may affect independent status. Financial materiality thresholds used in the assessment of directors' independence are set at 10% of the annual gross expenditure of the Company and/or 25% of the annual income or business turnover of the director. The Board Charter empowers a director to seek independent professional advice, in connection with their duties and responsibilities, at the expense of the Company.

A formal evaluation of the Board of Directors did not take place during the period.

The Company's procedure for the selection and appointment of new directors is available on the Company's website.

It is the policy of the Board that in determining candidates for Board positions, the following process is followed;

1. The Board evaluates the range of skills, experiences and expertise of the existing Board. In particular, the Board will identify the particular skills that will contribute to the Board's effectiveness.;

2. A potential candidate is considered with reference to their skills and expertise in relation to other Board members; and

3. Any appointment made by the Board is subject to ratification by shareholders at the next annual general meeting.

The Company encourages diversity in employment and in the composition of its Board, as a means of ensuring that the Company has an appropriate mix of skills and experience which are relevant to the operations of the Company.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Recommendation 3.1 - Establish a code of conduct and disclose the code, or a summary as to:

3.1.1 the practices necessary to maintain confidence in the company's integrity;

3.1.2 the practices necessary to take into account legal obligations and reasonable expectations of stakeholders;

3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company has established a formal code of conduct to guide the Directors, senior executives and employees to guide compliance with the legitimate interests of all stakeholders. The code aims to encourage the appropriate standards of conduct and behaviour of the directors, employees and contractors of the Company. All personnel are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. A summary of the code of conduct is disclosed on the Company's website.

Recommendation 3.2 - Establish a policy concerning diversity and disclose a summary of that policy.

The Board recognises the benefits of achieving an appropriate mix of diversity on its Board and throughout the Company as a means of enhancing the Company's performance and organisational capabilities. However, at this stage of development of the Company, the Board has elected not to establish a formal diversity policy due to limited number of personnel employed by the Company and the nature of its current activities.

Recommendation 3.3 – Disclose the measurable objectives for achieving gender diversity and the progress towards achieving those objectives.

The Company aims to achieve an appropriate mix of diversity on its Board, in senior management and throughout the organisation. The Board has determined that no specific measurable objectives will be established until the number of employees and level of activities of the Company increases to a level sufficient to enable meaningful and achievable objectives to be developed.

Recommendation 3.4 – Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.

The Board comprises three directors, two of whom are male and one is female. The Company Secretary is a male. There are no other officers or employees of the Company.

Recommendation 3.5 – Provide the information indicated in the guide to reporting on Principle 3.

A summary of the code of conduct is available on the Company's web-site

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Recommendation 4.1, 4.2 and 4.3 - The Board should establish an Audit Committee, the Committee should comprise only non-executive directors and there should be a formal written charter.

The Board has established a separate Audit Committee comprising the full Board. The Audit Committee operates in accordance with a formal written charter. The Audit Committee met three times during the year and attendances by committee members are recorded in the Directors' Report.

Mr McDonald, the Chair of the Audit Committee, is a qualified Certified Practising Accountant and has the relevant knowledge and experience to chair the Committee.

Recommendation 4.4 - Provide the information indicated in the guide to Reporting on Principle 4.

A copy of the Audit Committee Charter and the process for the selection, appointment and rotation of the Company's external auditors is available on the Company's website.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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

The Company has a formal written policy for the continuous disclosure of any price sensitive information concerning the Company and to ensure accountability by senior executives.

The Chairman and Company Secretary have been nominated as the Company's primary disclosure officers. All information released to the ASX is posted on the Company's web-site immediately after it is disclosed to the ASX. When analysts are briefed on aspects on the Company's operations, the material used in the presentation is released to the ASX and posted on the Company's web-site.

Recommendation 5.2 - Provide the information indicated in the guide to reporting on Principle 5.

A copy of the continuous disclosure policy is available on the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Recommendation 6.1 - Design and disclose a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings.

The Board has adopted a formal written policy covering arrangements to promote communications with shareholders, including effective use of electronic communications, and to encourage effective participation at general meetings. The Board encourages the attendance of shareholders at shareholders' meetings and sets the time and place of each meeting to allow maximum attendance by shareholders.

Recommendation 6.2 - Provide the information indicated in the guide to reporting on Principle 6.

A copy of the shareholders communication policy is available on the Company's website.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

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

The Board is responsible for the oversight of the Company's risk management and control framework, and has adopted a formal policy on risk oversight and management. A summary of the Company's risk management policy is available on the Company's website.

The Company has reported on financial risks in the annual report including credit risk, liquidity risk, market risk and capital management risk.

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

The Company's risk management systems are continuing to be developed and it is recognised that the extent of the systems will evolve with the growth in the Company's activities. Internal controls are designed to manage both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial and non-financial information.

The Executive Chairman reports to the Board on a regular basis on the material business risks of the Company. No formal report was provided to the Board during the year on whether those risks are being managed effectively.

Recommendation 7.3 - Board to disclose whether it has received assurance from the Managing Director (or equivalent) and the CFO (or equivalent) that the declaration provided in accordance with Section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Executive Chairman and the CFO provide a declaration to the Board that the Company's external financial reports present a true and fair view of the Company's financial condition and operational results and that the declaration in relation to the integrity of the

Company's external financial reports is founded on sound risk management and internal control systems and that those systems are operating effectively in relation to financial reporting risks

Recommendation 7.4 - Provide the information indicated in the guide to reporting on Principle 7.

A summary of the Company's risk management policy is available on the Company's website. It is acknowledged that a more detailed policy will be introduced once risk management systems and policies are further developed.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1 and 8.2 - The Board should establish a remuneration committee and the recommended structure of the remuneration committee

The current size of the Board and the stage of development of the Company do not warrant the establishment of a separate remuneration committee. The full Board acts in the capacity of the Remuneration Committee and operates under a formal written charter. No separate meetings of the remuneration committee were held during the year, however, remuneration policies and practices are reviewed on an ongoing basis by the Board.

Recommendation 8.3 - Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

The structure for the remuneration of non-executive directors and senior executives is separate and distinct. Details of the Company's remuneration policies are set out in the Remuneration Report section of the Directors' Report.

Recommendation 8.4 - Provide the information indicated in the guide to reporting on Principle 8.

Non Executive Director Retirement Benefits
Non-executive directors are entitled to statutory superannuation. There are no other schemes for retirement benefits for non-executive directors.

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

Information Publicly Available
A copy of the Remuneration Committee charter is available on the Company's website.

Directors' Report

The Directors of GTI Resources Ltd submit herewith the annual financial report of the Company for the financial year ended 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

The names and particulars of the Directors of the Company during or since the end of the financial year and up to the date of this report are:

Murray McDonald	Executive Chairman
Ian Cowden	Non-executive Director
Emma Gilbert	Executive Director

Information on Directors

Murray McDonald
Executive Chairman ***Appointed 5 April 2007***

In 1995 Mr McDonald floated Legend Mining Limited and after 10 years as the managing director of that company, resigned to pursue other interests.

Mr McDonald has broad management and operating expertise ranging from the acquisition of large mining operations, joint venture negotiations, tenement acquisition, regulatory approvals to resource funding and implementation.

Mr McDonald is a Member of the Australasian Institute of Mining & Metallurgy, the Financial Services Institute of Australasia and is a Certified Practising Accountant.

During the past three (3) years Mr McDonald has not held directorships in any other listed company.

Ian Cowden
Non-Executive Director ***Appointed 5 April 2007***

Mr Cowden is a professional geologist and has been involved in the exploration and mining sectors worldwide for over 30 years. His experience ranges from project generation and management of exploration programmes through to discovery of ore bodies, with emphasis on feasibility studies and development to mining.

He has worked for major international mining companies and junior explorers including BP Minerals International Limited, Utah Development Company and Delta Gold NL. His specific operational experience has included gold, base metals, uranium and industrial minerals. Mr Cowden has served on the boards of a number of public listed companies since 1990.

Mr Cowden is a Fellow of the Australasian Institute of Mining & Metallurgy, a Certified Practising Geologist and a Member of the Australian Institute of Geoscientists.

During the past three (3) years Mr Cowden has not held directorships in any other listed company.

Mr Cowden is a director and shareholder in Iana Pty Ltd which supplies the services of Mr Cowden as a consultant geologist/geophysicist.

Emma Gilbert
Executive Director ***Appointed 15 June 2010***

For the past 12 years Ms Gilbert has been involved in the mining industry, having acquired extensive experience in accounting and management ranging from joint venture negotiations, company secretarial services and overseeing financial activities.

Ms Gilbert has served in an accounting and administration role which has included liaison with the Australian Securities Exchange (ASX), Company auditors, various financial institutions and government departments. She has extensive experience in development and management of mine accounting and financial control systems, including large overseas gold mining operations and the Gidgee Gold mine.

In 2007 Ms Gilbert rejoined Mr McDonald and Mr Cowden to list GTI Resources Ltd on the Australian Securities Exchange, a company fully underwritten on listing raising $4 million.

During the past three (3) years Ms Gilbert has not held directorships in any other listed company.

Company Secretary

Frank Campagna ***B.Bus* (Acc), CPA**
Company Secretary ***Appointed 15 June 2010***

Mr Campagna was appointed Company Secretary of GTI Resources on 15 June 2010. Mr Campagna is a Certified Practicing Accountant with over 25 years experience as Company Secretary, Chief Financial Officer and Commercial Manager for listed resources and industrial companies. He presently operates a corporate consultancy practice which provides corporate secretarial and advisory services to both listed and unlisted companies.

Directors' Shareholdings

The following table sets out each Director's relevant interest in shares, debentures, and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report.

Directors	Shares At 1 January 2011	Shares Acquired Off Market During The Year and to date of this report	Total	Options
Murray McDonald	4,500,001	-	4,500,001	-
Ian Cowden	4,500,001	-	4,500,001	-
Emma Gilbert	-	-	-	-

Remuneration of Directors and Senior Management

Information about the remuneration of Directors and senior management is set out in the remuneration report of this Directors' Report.

Share Options Granted to Directors and Senior Management

During and since the end of the financial year no share options were granted to Directors or remunerated officers of the Company as part of their remuneration (2010: Nil).

Principal Activities

The principal activity of GTI Resources Ltd is the exploration and evaluation of mineral and energy resources. There was no significant change in the nature of this activity during the year.

Review of Operations

A review of the Company's exploration projects and activities during the year are discussed in the Operations Report included in this Annual Report.

The loss of the Company after income tax for the year was $360,171 (2010: $983,556).

Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the Company other than referred to in the financial statements or notes thereto.

Subsequent Events

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future Developments

Disclosure of information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

Environmental Regulations

The Company's operations are subject to significant environmental regulations under both Commonwealth and State legislation. The Board believes that the Company has adequate systems in place for the management of its environmental regulations and is not aware of any breach of those environmental requirements as they apply to the Company.

Dividends

No amounts were paid or declared by way of dividend by the Company. The Directors do not recommend payment of a dividend in respect of the financial year ended 31 December 2011.

Share Options

Shares under option or issued on exercise of options

At the date of this report, there were no unissued ordinary shares of GTI Resources Ltd under option.

Shares issued on the exercise of options
No shares or interests were issued during the financial year or up to the date of this report as a result of the exercise of any options.

Share options that expired/lapsed during the period

3,000,000 directors' options, 1,500,000 former director's options and 250,000 employee options expired during the year ended 31 December 2011. No other options expired or lapsed since the end of the financial year or up to the date of this report.

Indemnification of Officers and Auditors

The Company has entered into Deeds of Insurance, Indemnity and Access with each of the Directors under which the Company agrees to indemnify the Directors against certain liabilities incurred by the Directors while acting as Director of the Company, to insure the Directors against certain risks to which the Directors are exposed to as a Director of the Company.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Directors' Meetings

The following table sets out the number of formal Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member). During the financial year, three Board meetings and three audit committee meetings were held.

	Board of Directors		Remuneration committee		Audit committee	
Directors	Entitled to attend	Attended	Entitled to attend	Attended	Entitled to attend	Attended
Murray McDonald	3	3	-	-	3	3
Ian Cowden	3	3	-	-	3	2
Emma Gilbert	3	3	-	-	3	3

The Directors also passed two circular resolutions during the year.

Proceedings on Behalf of the Company

No persons have applied for leave pursuant to s.237 of the Corporation Act 2001 to bring, or intervene in, proceedings on behalf of GTI Resources Ltd.

Non-Audit Services

There were no non-audit services performed during the year by the auditors (or by another person or firm on the auditor's behalf).

Auditor's Independence Declaration

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 17 of the financial report.

Remuneration Report (audited)

This remuneration report, which forms part of the Directors' report, sets out information about the remuneration of GTI Resources Ltd's key management personnel for the financial year ended 31 December 2011. Disclosures required under AASB 124 *Related Party Disclosures* have been transferred from the financial report and have been audited.

The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel details;
- remuneration policy and relationship between the remuneration policy and Company performance;
- remuneration of key management personnel; and
- key terms of employment contracts

Key management personnel details
The key management personnel of GTI Resources Ltd during the year or since the end of the year were:

- Murray McDonald — Executive Chairman
- Ian Cowden — Non-Executive Director
- Emma Gilbert — Executive Director

There were no specified executives of the Company during the year.

Remuneration policy and relationship between the remuneration policy and Company performance
The Board policy for determining emoluments is based on the principle of remunerating Directors and senior executives on their ability to add value to the Company (taking into account the Company's strategic plan and operations) whilst also considering market emolument packages for similar positions within the industry and in consultation with external consultants. The Board appreciates the interrelationship between this policy and Company performance. It acknowledges that it is in the best interests of shareholders to provide challenging but achievable incentives to reward senior executives for reaching the Company's stated goals. The Board will discuss these issues internally and with candidates prior to engaging additional Directors or senior executives in the future.

<u>Key management personnel (excluding non-executive Directors)</u>
The Board is responsible for establishing remuneration packages applicable to the Board members of the Company. The policy adopted by the Board is to ensure that remuneration properly reflects an individual's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest calibre.

Directors' remuneration packages are also assessed in the light of the condition of markets within which the Company operates, the Company's financial condition and the individual's contribution to the achievement of corporate objectives.

The remuneration policy for executive Directors and other key management personnel has the following key elements:

- Primary benefits (being salary, fees, bonus and non monetary benefits)
- Post-employment benefits (being superannuation)
- Equity (being share options granted)
- Other benefits

No remuneration has been provided that is performance related.

<u>Non-executive Directors</u>
The fees paid to the Company's non-executive Directors reflect the demands on, and responsibilities of these Directors. They do not currently receive any superannuation or retirement benefits. The Board decides annually the level of fees to be paid to non-executive Directors with reference to market standards.

Non executive Directors may also receive share options where this is considered appropriate by the Board as a whole and with regard to the stage of the Company's development. Such options are primarily designed to provide an incentive to non-executive Directors to remain with the Company.

A non-executive Directors' fee pool limit of $200,000 per annum was approved by the shareholders at the Annual General Meeting on 26 May 2008 and is currently utilised to a level of $40,000 per annum.

Remuneration of key management personnel

	Short-term employee benefits				Post-employment benefits	Other long-term employee benefits	Share-based payment	Total	% of compensation consists of options
	Salary & fees	Bonus	Non-monetary	Other	Super-annuation		Options		
	$	$	$	$	$	$	$	$	%
2011									
Directors									
Murray McDonald (i)	199,600	-	-	36,815	23,750	-	-	260,165	-
Ian Cowden (ii)	40,000	-	-	119,426	-	-	-	159,426	-
Darren Crawte (iii)	-	-	-	-	-	-	-	-	-
Emma Gilbert (iv)	91,693	-	-	12,052	9,018	-	-	112,762	-
Company Secretary									
Frank Campagna (v)	-	-	-	8,000	-	-	-	8,000	-
	331,293	-	-	176,293	32,678	-	-	540,354	-
2010									
Directors									
Murray McDonald (i)	190,000	-	-	12,958	17,417	-	-	220,375	-
Ian Cowden (ii)	40,000	-	-	159,958	-	-	-	199,958	-
Darren Crawte (iii)	8,250	-	-	1,679	-	-	-	9,929	-
Emma Gilbert (iv)	83,360	-	-	(22,129)	7,630	-	1,659	70,520	2.4%
Company Secretary									
Frank Campagna (v)	-	-	-	3,614	-	-	-	3,614	-
	321,610	-	-	156,080	25,047	-	1,659	504,396	0.3%

i) Other employee benefits for Mr McDonald included 2011: $33,267 (2010: $nil) payment for annual leave not taken. He was also entitled to annual leave not taken at 31 December 2011: $6,397 (2010: $26,286).

ii) The services of Ian Cowden as a non-executive director and consultant to the Company are provided by Iana Pty Ltd, a company of which Mr Cowden is a director and shareholder.

iii) The services of Darren Crawte were provided by Ord Nexia Pty Ltd, a firm of Chartered Accountants of which Mr Crawte was a director. Fees paid or payable to Ord Nexia Pty Ltd for secretarial and accounting services amounted to 2011: $nil (2010: $27,399). Mr Crawte resigned as Non-Executive Director on 15 June 2010.

iv) Other employee benefits for Ms Gilbert included $8,503 for annual leave cash payment during the year. Ms Gilbert was also entitled to annual leave not taken at 31 December 2011: $4,261 (2010: $3,789).

v) The services of Frank Campagna were provided by Frank Campagna and Associates a Corporate consulting firm of which Mr Campagna is a Principal.

During the year no options were issued to Directors (2010: Nil).

Key terms of employment contracts

Remuneration and other terms of employment for Directors and key management personnel

Mr Murray McDonald

The Executive Chairman, Mr Murray McDonald, was employed for an initial period of three years commencing 1st June 2007 with an option to extend the initial term for a further three year period on the same terms and conditions of the original contract. Mr McDonald exercised the option under his executive services agreement dated 8th June 2007 which shall now continue until the 31st May 2013. The base fee (which did not change during the year) is currently $199,600 per annum (exclusive of superannuation entitlements).

The agreement may be terminated by the Company if Mr McDonald has an illness that prevents him from working in excess of three months in any twelve month period or in the event of serious misconduct. If the Company terminates the agreement (other than for serious misconduct) or Mr McDonald is voted off the Board (in which case the employment of Mr McDonald is deemed to be terminated), Mr McDonald is entitled to be paid his full salary and entitlements for the then unexpired period of the agreement and for any unexpired option period (but in any event limited to 1 (one) year's salary and entitlements). The limit on termination benefits under the agreement was varied during the prior period limiting the entitlement to a maximum of one year to meet the new legislative requirements restricting termination benefits.

Ms Emma Gilbert

Ms Gilbert has been employed with the company from 1st June 2007 managing financial and administration activities. On 15th June 2010 Ms Gilbert was appointed Executive Director. Ms Gilbert is entitled to a base salary inclusive of statutory superannuation of $80,325 plus Directors fees of $18,000 per annum. There is no fixed term agreement or termination benefits payable under Ms Gilbert's agreement.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Murray McDonald
Executive Chairman

Perth, 13th March 2012

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

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13 March 2012

Board of Directors
GTI Resources Limited
97 Outram Street
WEST PERTH WA 6005

Dear Directors

RE: GTI RESOURCES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of GTI Resources Limited.

As Audit Director for the audit of the financial statements of GTI Resources Limited for the year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely
STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

John P Van Dieren - FCA
Director

Stantons International Audit and Consulting Pty Ltd
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
GTI RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of GTI Resources Limited, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

Opinion

In our opinion:

(a) the financial report of GTI Resources Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

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

(b) the financial report of the Company also complies with International Financial Reporting Standards as disclosed in note 2.

Inherent Uncertainty Regarding Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matters:

As referred to in Note 2 to the financial statements, the financial statements have been prepared on the going concern basis. At 31 December 2011 the entity had net working capital of $562,752 and had incurred a loss for the year of $360,171. The ability of the entity to continue as a going concern is subject to the successful recapitalisation of the Company. In the event that the Board is not successful in recapitalising the Company and in raising further funds, the entity may not be able to continue in its present form and may not be able to meet its planned commitments.

Report on the Remuneration Report

We have audited the remuneration report included in pages 14 to 16 of the directors' report for the year ended 31 December 2011. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Opinion

In our opinion the remuneration report of GTI Resources Limited for the year ended 31 December 2011 complies with section 300A of the *Corporations Act 2001.*

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd

Director

West Perth, Western Australia
13 March 2012

Directors' Declaration

The Directors declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position as at 31 December 2011 and performance of the Company for the financial year ended on that date;

(c) the financial statements and notes also comply with International Financial Reporting standards as disclosed in note 2; and

(d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001 for the financial year ended 31 December 2011.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Murray McDonald
Executive Chairman

Perth, 13th March 2012

Statement of Comprehensive Income for the Financial Year Ended 31 December 2011

	Note	2011 $	2010 $
Revenue	5	500,639	50,768
Employee benefits expense		(269,776)	(239,470)
Exploration expenditure expensed as incurred		(66,604)	(58,494)
Project generation expenditure		(276,215)	(366,164)
Corporate expenses		(82,021)	(84,952)
Occupancy expenses		(87,073)	(71,341)
Administration expenses		(78,691)	(49,524)
Finance costs		(430)	(629)
Impairment of exploration expenditure	10	-	(163,750)
Loss before income tax expense	6	(360,171)	(983,556)
Income tax expense	7	-	-
Loss for the year		**(360,171)**	**(983,556)**
Other comprehensive income/(loss)			
Net change in fair value of available for sale financial assets		62,658	14,379
Other comprehensive income/(loss) for the year, net of tax		**62,658**	**14,379**
Total comprehensive loss for the year		**(297,513)**	**(969,177)**
Loss attributable to members of GTI Resources Ltd		**(360,171)**	**(983,556)**
Total comprehensive loss attributable to managing GTI Resources Ltd		**(297,513)**	**(969,177)**
Loss per share:			
Basic and diluted (cents per share)	16	0.95	2.59

Notes to the financial statements are included on pages 25 to 45

Statement of Financial Position as at 31 December 2011

	Note	2011 $	2010 $
Current assets			
Cash and cash equivalents	19(a)	659,349	964,012
Trade and other receivables	8	23,333	19,617
Other financial assets	11	-	-
Total current assets		682,682	983,629
Non-current assets			
Trade and other receivables	8	-	1,063
Plant and equipment	9	25,459	24,795
Exploration and evaluation expenditure	10	85,900	119,679
Other financial assets	11	368,651	303,994
Total non-current assets		480,010	449,531
Total assets		1,162,692	1,433,160
Current liabilities			
Trade and other payables	12	107,780	62,811
Provisions	13	12,150	30,074
Total current liabilities		119,930	92,885
Total liabilities		119,930	92,885
Net assets		**1,042,762**	**1,340,275**
Equity			
Issued capital	14	4,809,720	4,809,720
Reserves	15	311,073	248,415
Accumulated losses		(4,078,031)	(3,717,860)
Total equity		**1,042,762**	**1,340,275**

Notes to the financial statements are included on pages 25 to 45

Statement of Changes in Equity
for the Financial Year Ended 31 December 2011

	Attributable to equity holder				
	Ordinary shares $	Equity-settled employee benefits reserve $	Investment revaluation reserve $	Accumulated losses $	Total equity $
Balance at 1 January 2010	**4,809,720**	**208,377**	**24,000**	**(2,734,304)**	**2,307,793**
Loss for the year	-	-	-	(983,556)	(983,556)
Other comprehensive income					
Net change in fair value of available for sale financial assets	-	-	14,379	-	14,379
Total other comprehensive income	-	-	14,379	-	14,379
Total comprehensive income/(loss) for the year	**-**	**-**	**14,379**	**(983,556)**	**(969,177)**
Recognition of share-based payments	-	1,659	-	-	1,659
Balance at 31 December 2010	**4,809,720**	**210,036**	**38,379**	**(3,717,860)**	**1,340,275**
Balance at 1 January 2011	**4,809,720**	**210,036**	**38,379**	**(3,717,860)**	**1,340,275**
Loss for the year	-	-	-	(360,171)	(360,171)
Other comprehensive income					
Net change in fair value of available for sale finance assets	-	-	62,658	-	62,658
Total other comprehensive income	-	-	62,658	-	62,658
Total comprehensive income/(loss) for the year	**-**	**-**	**62,658**	**(360,171)**	**(297,513)**
Balance at 31 December 2011	**4,809,720**	**210,036**	**101,037**	**(4,078,031)**	**(1,042,762)**

Notes to the financial statements are included on pages 25 to 45

Statement of Cash Flows
for the Financial Year Ended 31 December 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Interest received		34,419	50,768
Payments to suppliers, employees and for exploration activities		(828,260)	(858,124)
Interest and other costs of finance paid		(430)	(629)
Net cash used in operating activities	19(b)	(794,271)	(807,985)
Cash flows from investing activities			
Payment for plant and equipment		(7,457)	(4,051)
Proceeds from sale of interests in exploration assets		500,000	-
Payment for purchases of prospects		-	(31,500)
Payments for financial assets		(2,000)	(76,614)
Net cash provided by/ (used in) investing activities		490,543	(112,165)
Cash flows from financing activities			
Loans to related parties		(935)	(1,063)
Net cash used in financing activities		(935)	(1,063)
Net decrease in cash and cash equivalents		(304,663)	(921,213)
Cash and cash equivalents at the beginning of the financial year		964,012	1,885,225
Cash and cash equivalents at the end of the financial year	19(a)	**659,349**	**964,012**

Notes to the financial statements are included on pages 25 to 45

Notes to the Financial Statements

1. General Information

GTI Resources Ltd (the Company) is a listed public company, incorporated in Australia and operating in Australia.

The Company's registered office and its principal place of business are as follows:

Registered office	**Principal place of business**
97 Outram Street West Perth WA 6005	97 Outram Street West Perth WA 6005

2. Significant Accounting Policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the financial statements and notes of the entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 13th March 2012.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The directors have prepared the financial statements on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The directors believe this to be appropriate for the following reasons:

- The Company has cash reserves of $659,349 and net working capital of $562,752, at 31 December 2011;
- The Company continues to monitor opportunities to raise further equity from interested investors.

Based on the above, the directors are confident that the Company will be able to continue operations as a going concern into the foreseeable future.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods.

Refer to Note 3 for a discussion of critical judgements in applying the entity's accountings policies and key sources of estimation uncertainty.

Adoption of new and revised Accounting Standards

Changes in accounting policy on initial application of Accounting Standards

In the year ended 31 December 2011, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2011.

2. Significant Accounting Policies (cont'd)

During the current reporting period, certain accounting policies have changed as a result of new or revised accounting standards which became operative for the annual reporting period commencing on 1 January 2011.

The accounting policies and methods of computation adopted in the preparation of the 2011 annual financial report are consistent with those adopted and disclosed in the company's 2010 annual financial report, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Company include:

- AASB 124 *Related Party Disclosures (amendment)* effective 1 January 2011
- AASB 132 *Financial Instruments: Presentation (amendment)* effective 1 February 2010
- AASB Int 14 Prepayments *of a Minimum Funding Requirement (amendment)* effective 1 January 2011
- *Improvements to AASBs* (May 2010)

The adoption of these amendments has not resulted in any changes to the Company's accounting policies and have no affect on the amounts reported for the current or prior periods.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(b) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

2. Significant Accounting Policies (cont'd)

(c) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

<u>Loans and receivables</u>
Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

<u>Available-for-sale financial assets</u>
Available-for-sale financial assets are stated at fair value. Gains and losses arising from changes in fair value are recognised in equity. Where the investment is disposed of or is determined to be impaired, the cumulate gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

(d) Financial instruments issued by the Company

<u>Debt and equity instruments</u>
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

<u>Transaction costs on the issue of equity instruments</u>
Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

2. Significant Accounting Policies (cont'd)

(f) Impairment of assets

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Exploration and evaluation expenditure

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

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

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the period in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Notwithstanding the fact that a decision not to abandon an area of interest has been made, based on the above, the exploration and evaluation expenditure in relation to an area may still be written off if considered appropriate to do so.

2. Significant Accounting Policies (cont'd)

(h) Income tax

Current tax

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

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The Company is an Australian resident for Australian taxation law purposes and has no tax consolidated subsidiaries.

2. Significant Accounting Policies (cont'd)

(i) Operating cycle

The operating cycle of the entity coincides with the annual reporting cycle.

(j) Payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

(k) Presentation currency

The entity operates entirely within Australia and the presentation currency is Australian dollars.

(l) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on plant and equipment. Depreciation is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Class of fixed asset	Depreciation rate (%)
• Furniture & equipment	10 – 50
• Computer equipment	25 – 100
• Fixtures & fittings	10 – 20

(m) Provisions

Provisions are recognised when the entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(n) Share-based payments

The fair value of options are measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

2. Significant Accounting Policies (cont'd)

(o) Revenue recognition
Interest revenue is recognised when receivable.

(p) Comparatives
Where necessary, comparatives have been re-classified and re-positioned for consistency with current year disclosures.

(q) New Accounting Standards for application in future periods
The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Company has decided not to early adopt any of the new and amended pronouncements. The Company's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

- AASB 9 Financial Instruments and AASB 2010-7 Amendments to Australian Accounting Standards
- AASB 2010-6 Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]
- AASB 2010-8 Deferred Tax: Recovery of Underlying Assets [AASB 112]
- AASB 1054 Australian Additional Disclosures
- AASB 10 Consolidated Financial Statements
- AASB 13 Fair Value measurement; and
- AASB 119 Employee Benefits

The Company has not yet assessed the impact of these new and amended standards.

3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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:

Key estimates — impairment
The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. During the current financial year, there was no impairment of capitalised exploration expenditure (2010: $163,750).

Key estimates — share based payments
The Company measures the cost 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 fair value is determined using a Black Scholes model.

Key estimates – deferred taxation
The Company is currently in the exploration phase. As a result a deferred tax asset in relation to losses has not been recognised by the Company on the basis that it is not probable that there will be future taxable income available against which the tax losses can be utilised.

4. Segment Information

The Company operates predominantly in one geographical segment, being Australia, and in one industry, being mineral exploration.

5. Revenue

	2011 $	2010 $
Continuing operations		
Interest revenue	34,419	50,768
Gain on disposal of exploration assets	466,220	-
	500,639	50,768

6. Loss for the Year

	2011 $	2010 $
Loss before income tax has been arrived at after charging the following expenses:		
Impairment of plant and equipment (note 9)	-	194
Depreciation of plant and equipment (note 9)	6,793	8,709
Employee benefit expense:		
Share-based payments	-	1,659

7. Income Taxes

	2011 $	2010 $
Income tax recognised in profit or loss		
Tax expense/(income) comprises:		
Current tax expense/(income)	-	-
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-
Total tax expense/(income)	-	-
The prima facie income tax benefit on pre-tax accounting profit loss from operations reconciles to the income tax expense in the financial statements as follows:		
Loss from operations	(360,171)	(983,556)
Income tax benefit calculated at 30%	(108,051)	(295,067)
Tax effect of expenses that represent permanent differences	(25,495)	51,143
Tax effect of expenses that represent temporary differences	12,014	(10,909)
Tax effect of unused tax losses and tax offsets not recognised as deferred tax assets	121,532	254,833
Income tax attributable to operating loss	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

7. Income Taxes (cont'd)

	2011 $	2010 $
Unrecognised deferred tax balances		
The following deferred tax assets and (liabilities) have not been brought to account:		
Tax effect of revenue losses - revenue	1,282,596	1,161,063
Temporary differences – capitalised exploration activities	(25,770)	(35,904)
Temporary differences – provisions	24,050	20,839
Temporary differences – investment	-	(11,514)
	1,280,876	1,134,484

The Company has estimated unrecouped income tax losses of $4,275,320 (2010: $3,870,209) available to be offset against future taxable income. A deferred tax asset in relation to the losses has not been recognised by the company on the basis that it is not probable that there will be future taxable income available against which the losses can be utilised.

8. Trade and Other Receivables

	2011 $	2010 $
Current		
Other debtors	-	2,778
Goods and services tax (GST) recoverable	7,910	8,724
Loan to related party	1,998	-
Prepayments	13,424	8,115
	23,332	19,617
Non Current		
Loan to related party	-	1,063
	-	1,063

No receivables are past due.

9. Plant and Equipment

	Furniture and equipment at cost $	Computer equipment at cost $	Fixtures & fittings at cost $	Total $
Gross carrying amount				
Balance at 1 January 2010	41,696	22,539	2,800	67,035
Additions	4,246	-	-	4,246
Impairment	(1,265)	-	-	(1,265)
Balance at 31 December 2010	44,677	22,539	2,800	70,016
Balance at 1 January 2011	44,677	22,539	2,800	70,016
Additions	572	6,885	-	7,457
Balance at 31 December 2011	45,249	29,424	2,800	77,473
Accumulated depreciation and impairment				
Balance at 1 January 2010	18,384	18,460	739	37,583
Depreciation expense	6,249	2,161	299	8,709
Impairment	(1,071)	-	-	(1,071)
Balance at 31 December 2010	23,562	20,621	1,038	45,221
Balance at 1 January 2011	23,562	20,621	1,038	45,221
Depreciation expense	5,162	1,380	251	6,793
Balance at 31 December 2011	28,724	22,001	1,289	52,014
Net book value				
As at 31 December 2010	21,115	1,918	1,762	24,795
As at 31 December 2011	16,525	7,423	1,511	25,459

10. Exploration and Evaluation Expenditure

	2011 $	2010 $
Balance at beginning of year	119,679	251,929
Capitalised during the year	-	31,500
Disposed during the year	(33,779)	-
Impairment of exploration expenditure	-	(163,750)
Balance at end of year	85,900	119,679

The ultimate recoupment of costs carried forward for exploration and evaluation phase is dependent on the successful development and commercial exploitation or sales of the respective areas.

11. Other Financial Assets

	2011 $	2010 $
Current		
Available for sale financial investments carried at fair value		
Listed investments	-	-
	-	-
Non- current		
Available for sale financial investments carried at fair value		
Listed investments	368,651	303,994
	368,651	303,994

12. Trade and Other Payables

	2011 $	2010 $
Trade payables (i)	32,200	19,240
Other payables and accruals	75,580	43,571
	107,780	62,811

(i) The average credit period on purchases of goods is 30 days. No interest is charged on the trade payables for at least the first 30 days from the date of the invoice. Thereafter, interest may be charged on the outstanding balance. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe (refer note 20). No payables are past due.

13. Provisions

	2011 $	2010 $
Current		
Employee benefits (i)	12,150	30,074

(i) The current provision for employee benefits relates to annual leave.

There are 2 employees at 31 December 2011 (2010: 2).

14. Issued Capital

	2011 $	2010 $
38,000,003 fully paid ordinary shares (2010: 38,000,003)	4,809,720	4,809,720

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	2011		2010	
	No.	$	No.	$
Fully paid ordinary shares				
Balance at the beginning of the financial year	38,000,003	4,809,720	38,000,003	4,809,720
Share placement	-	-	-	-
Share issue costs	-	-	-	-
Balance at end of financial year	38,000,003	4,809,720	38,000,003	4,809,720

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Share options on issue

Share options issued by the Company are unlisted options and carry no rights to dividends and no voting rights.

As at 31 December 2011, the Company has nil share options on issue (2010: 4,750,000). Further movement details of options are as follows:

Nature of option issued	Balance at 1 January 2011 No.	Expiry Date	Options Expired	Balance at 31 December 2011 No.
Directors options	4,500,000	19/12/2011	(4,500,000)	-
Options – incentive to Ms E Gilbert	125,000	30/06/2011	(125,000)	-
Options – incentive to Ms E Gilbert	125,000	30/06/2011	(125,000)	-

No other options were exercised, lapsed or expired during the financial year.

15. Reserves

	2011 $	2010 $
Equity-settled employee benefits reserve	210,036	210,036
Equity-settled share based payments reserve	-	-
Investment revaluation reserve	101,037	38,379
	311,073	248,415

Equity-settled employee benefits reserve

The equity-settled employee benefits reserve arises on the grant of share options to Directors and employees under the share option arrangement. Amounts are transferred out of this reserve and into issued capital when the options are exercised. Further information about share-based payments is made in note 21 to the financial statements.

Equity-settled share based payments reserve

The equity-settled employee benefits reserve arises on the grant of share options to vendor, consultants and advisors under the share option arrangement. Amounts are transferred out of this reserve and into issued capital when the options are exercised. Further information about share-based payments is made in note 21 to the financial statements.

Investment revaluation reserve

Changes in the fair value arising on revaluation of investments classified as available-for-sale financial assets, are taken to the investments revaluation reserve, as described in note 2(c). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

16. Loss Per Share

	2011 Cents per share	2010 Cents per share
Basic loss per share	(0.95)	(2.59)

The Company incurred a loss for the year and the diluted earnings per share is the same as the basic earnings per share.

Basic earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2011 $	2010 $
Net loss	(360,171)	(983,556)

	2011 No.	2010 No.
Weighted average number of ordinary shares for the purposes of basic loss per share	38,000,003	38,000,003

17. Commitments for Expenditure

	2011 $	2010 $
(a) Capital expenditure commitments		
There are no capital expenditure commitments.	-	-
(b) Lease commitments		
Non-cancellable operating lease payments		
Not longer than 1 year	-	20,349
Longer than 1 year and not longer than 5 years	-	-
	-	20,349

The Company was relocated to 97 Outram Street West Perth in September 2011 and it subleases the office space from Amex Resources Ltd. At the time of reporting, the lease was payable on a monthly basis and no formal lease agreement has been entered into by the relevant parties.

(c) Exploration commitments (i)

	2011 $	2010 $
Within one year	90,000	16,161

(i) In order to maintain current rights of tenure to exploration tenements, the Company is required to perform minimum exploration work to meet the minimum expenditure requirements specified by the Western Australian state government. These obligations are not provided for in the financial report and are payable.

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

The Company also entered into a joint venture in 2009 with partner Artemis Resources Limited. Commitments under this joint venture will be covered by the joint venture partner as the company has a free carry interest until the commencement of any bankable feasibility study, at which time the Company may elect to contribute based on the percentage interest in the joint venture held by the Company.

During the financial year, the Company had the following tenements granted; EL08/2099, E08/2225, E08/2098, E08/1846, and E08/2201, with an annual minimum exploration expenditure of $90,000 in 2012 reporting year.

18. Contingent Liabilities and Contingent Assets

In the opinion of the Directors, there are no contingent liabilities as at 31 December 2011 and none were incurred in the interval between the financial year end and the date of this financial report.

For contingent assets, please refer to note 24.

19. Notes to the Statement of Cash Flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

	2011 $	2010 $
Cash and cash at bank	659,349	964,012
Term deposits	-	-
	659,349	964,012

	2011 $	2010 $
(b) Reconciliation of loss for the year to net cash flows from operating activities		
Loss for the year	(360,171)	(983,556)
Gain on disposal of exploration assets	(466,220)	-
Depreciation of plant and equipment	6,793	8,709
Equity settled share-based payment	-	1,659
Impairment of exploration expenditure	-	163,750
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses		
(Increase)/decrease in assets:		
Trade and other receivables	(1,717)	20,783
Increase/(decrease) in liabilities:		
Current trade and other payables	44,968	(35,151)
Provisions	(17,924)	15,821
Net cash used in operating activities	794,271	(807,985)

20. Financial Instruments

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Capital management

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this note and the financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

20. Financial Instruments (cont'd)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company has no sales and trade accounts at the end of the period.

The Company's exposure and the credit ratings of its counterparties are continuously monitored. The Company does not have any significant credit risk exposure to any single counterparty or any Company of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The maximum exposure to credit risk is 2011: $661,347 (2010: $976,577).

Liquidity risk management

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

Liquidity risk management is the responsibility of the Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

During the reporting period, the Company had no access to the borrowing facility as the Company maintained adequate working capital to fund its operation.

<u>Liquidity and interest risk tables</u>

The following tables detail the Company's remaining contractual maturity for its financial assets and liabilities and have been prepared on the following basis:

- Financial assets - based on the undiscounted contractual maturities including interest that will be earned on those assets except where the Company anticipates that the cash flow will occur in a different period; and
- Financial liabilities - based on undiscounted cash flows on the earliest date on which the Company can be required to pay, including both interest and principal cash flows. Balance due within 12 months equal their carrying balances as the impact of discounting is not significant.

The Company had no derivative financial assets or liabilities during the year, or at the end of the reporting period.

20. Financial Instruments (cont'd)

Liquidity risk management (cont'd)

Contractual maturities of financial assets and liability	Less than 1 month $	1-3 months $	3-12 months $	1 year to 5 years $	5+ years $	Total $
2011						
Non- derivative financial assets						
Non-interest bearing	7,910	-	-	370,649	-	378,559
Variable interest rate	659,349	-	-	-	-	659,349
	667,249	-	-	370,649	-	1,037,908
Non- derivative financial liabilities						
Non-interest bearing	107,780	-	-	-	-	107,780
	107,780	-	-	-	-	107,780
2010						
Non- derivative financial assets						
Non-interest bearing	11,502	-	-	305,057	-	316,559
Variable interest rate	964,012	-	-	-	-	964,012
	975,514	-	-	305,057	-	1,280,571
Non- derivative financial liabilities						
Non-interest bearing	62,811	-	-	-	-	62,811
	62,811	-	-	-	-	62,811

Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

- ***Currency risk***

The Company is not exposed to any currency risk. All investments and purchases are denominated in Australian dollars.

- ***Interest rate risk***

The Company is exposed to interest rate risk as it invests cash in both fixed and floating interest rate products. The risk is managed by maintaining an appropriate mix between fixed and floating rate products.

Although some of the Company's assets are subject to interest rate risk, it is not dependent on this income. Interest income is only incidental to the Company's operations and operating cash flows.

The Company is not exposed to interest rate risk associated with borrowed funds.

Interest rate sensitivity analysis

The sensitivity analyses of the Company's exposure to interest rate risk at the reporting date has been determined based on the change of 50 basis points in interest rates.

At reporting date, if interest rates had been 50 basis points higher and all other variables were constant, the Company's net loss after tax would have decreased by 2011: $3,297 (2010: $4,820) with a corresponding increase in equity. Where interest rates decreased, there would be an equal and opposite impact on the profit after tax and equity.

20. Financial Instruments (cont'd)

Market risk management (cont'd)

- ***Other price risk***

The Company is exposed to equity securities price risk. This arises from investments held by the Company and classified on the statement of financial position as available for sale financial assets. Material investments are managed on individual basis.

Equity securities price sensitivity analysis

The sensitivity analyses of the Company's exposure to equity securities price risk at the reporting date has been determined based on the assumption that the equity security price had increased/decreased by 5%.

At reporting date, if the equity security price had increased by 5% and all other variables were constant, the Company's equity would have increased by 2011: $18,433 (2010: $15,200). Where the equity security price decreased, there would be an equal and opposite impact on equity. As the fair value of the available for sale financial assets would still be above historical cost, no impairment loss would be recognized in the statement of comprehensive income as a result of the decrease in the equity security price.

Fair value of financial instruments

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

As of 1 January 2010, GTI Resources Ltd has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements, by level, of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Company's assets and liabilities measured and recognised at fair value at year end.

As at 31 December 2011	Level 1 $	Level 2 $	Level 3 $	Total $
Financial Assets				
Listed investment	368,651	-	-	368,651
Unlisted investment	-	-	17,000	17,000
Provision for movement in fair value	-	-	(17,000)	(17,000)
	368,651	-	-	368,651
Financial Liabilities	-	-	-	-
	-	-	-	-

As at 31 December 2010	Level 1 $	Level 2 $	Level 3 $	Total $
Financial Assets				
Listed investment	303,994	-	-	303,994
Unlisted investment	-	-	17,000	17,000
Provision for movement in fair value	-	-	(17,000)	(17,000)
	303,994	-	-	303,994
Financial Liabilities	-	-	-	-
	-	-	-	-

The fair value of financial instruments traded in active markets (such as available for sale financial securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the closing bid price on that date. These instruments are included in level 1. The fair value of these instruments at reporting day were 2011: $368,651 (2010: $303,944). The Company does not have any assets or liabilities falling within level 2 or 3 that are not fully provided for.

21. Share-Based Payments

(a) Directors and Employees

The Company has an ownership-based compensation arrangement for employees of the Company.

Each option issued under the arrangement converts into one ordinary share of GTI Resources Ltd on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options neither carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is at the sole discretion of the Directors.

No share options were granted during the financial year (2010: Nil) and all share options held in existence at the beginning of the financial year were expired and unexercised during the year (note 14).

The following reconciles the outstanding share options granted under all share based payment arrangements at the beginning and end of the financial year:

	2011		2010	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	4,750,000	0.392	4,750,000	0.392
Granted during the financial year:				
Employees	-	-	-	-
Exercised during the financial year	-	-	-	-
Expired/lapsed during the financial year	4,750,000	0.392	-	-
Balance at end of the financial year (i)	-	-	4,750,000	0.392
Exercisable at end of the financial year	-	-	4,750,000	0.392

(i) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average remaining contractual life of zero years (2010: 0.94 years).

22. Related Party Disclosures

(a) Equity interests in related parties

Equity interests in subsidiaries

Details of interests held in subsidiaries is disclosed in note 23 to the financial statements.

Equity interests in associates and joint ventures

GTI Resources Ltd has no equity interests in associates or joint ventures, other than as disclosed in Note 24.

(b) Key management personnel remuneration

Details of key management personnel compensation are disclosed in the Remuneration Report which forms part of the Directors' Report and has been audited. The aggregate compensation of the key management personnel is summarised below:

	2011 $	2010 $
Short term employee benefits	507,586	477,690
Post employment benefits	32,768	25,047
Other benefits	-	-
Share based payments	-	1,659
	540,354	504,396

(c) Key management personnel equity holdings

Fully paid ordinary shares of GTI Resources Ltd

	Balance at 1 January No.	Granted as remuneration No.	Received on exercise of options No.	Net other change No.	Balance at 31 December No.
2011					
Murray McDonald	4,500,001	-	-	-	4,500,001
Ian Cowden	4,500,001	-	-	-	4,500,001
	9,000,002	-	-	-	9,000,002
2010					
Murray McDonald	4,500,001	-	-	-	4,500,001
Ian Cowden	4,500,001	-	-	-	4,500,001
	9,000,002	-	-	-	9,000,002

22. Related Party Disclosures (cont'd)

(d) Share options of GTI Resources Ltd

	Bal at 1 January	Granted as remuneration	Lapsed	Bal at 31 December	Bal vested at 31 December	Vested but not exerci-sable	Vested and exercisable
	No.	No.	No.	No.	No.	No.	No.
2011							
Murray McDonald	1,500,000	-	(1,500,000)	-	-	-	-
Ian Cowden	1,500,000	-	(1,500,000)	-	-	-	-
Emma Gilbert	250,000	-	(250,000)	-	-	-	-
	3,250,000	-	(3,250,000)	-	-	-	-

	Bal at 1 January	Granted as remuneration	Lapsed	Bal at 31 December	Bal vested at 31 December	Vested but not exerci-sable	Vested and exercisable
	No.	No.	No.	No.	No.	No.	No.
2010							
Murray McDonald	1,500,000	-	-	1,500,000	1,500,000	--	1,500,000
Ian Cowden	1,500,000	-	-	1,500,000	1,500,000	-	1,500,000
Emma Gilbert (appointed on 15 June 2010)	250,000	-	-	250,000	250,000	-	250,000
Darren Crawte (resigned on 15 June 2010)	-	-	-	-	-	-	-
	3,250,000	-	-	3,250,000	3,250,000	-	3,250,000

(e) Other transactions with key management personnel of the Company

The loss from operations includes the following items of revenue and expense that resulted from transactions other than remuneration, loans or equity holdings, with specified Directors or their personally-related entities:

	2011 $	2010 $
Company secretarial and accountants fees paid or payable to entity associated with Darren Crawte on normal terms and conditions at market rates	-	27,399
Total amount recognised as expenses	-	27,399
Total current liabilities arising from transactions other than remuneration with specified Directors or their personally-related entities as at reporting date:	12,742	13,567

23. Subsidiaries

The Company has a 100% interest in GTI (Australia) Pty Ltd, a company incorporated in Australia for $1.00, the Company also has a 75% interest in PT GTRI Mining, a company incorporated in Indonesia. Both have been dormant since incorporation. As the subsidiaries have no assets or liabilities, consolidated financial statements have not been prepared.

24. Disposal of Exploration Projects

The Company's minority interest in the Yangibana project was sold to an overseas company for a cash payment of $500,000 during the year, with a potentially further payment of $500,000 due after completion of a bankable feasibility study. The Company also retains a royalty interest of $1/ tonne of ore mined within the project area. The potential further payment of $500,000 has not been brought to account at 31 December 2011 as it is uncertain.

25. Remuneration of Auditors

	2011 $	2010 $
Audit or review of the financial report	31,615	19,776
	31,615	19,776

The auditor of GTI Resources Ltd is Stantons International Audit and Consulting Pty Ltd.

26. Subsequent Events

There have not been any matters or circumstances that have arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Additional Securities Exchange Information

As at 13 March 2012

1. Shareholdings

a. Share capital

38,000,003 fully paid ordinary shares held by 421 shareholders.

b. Distribution of holders of equity securities

Category (size of holding)	Ordinary shares	Number of holders
1 – 1,000	605	6
1,001 – 5,000	12,780	3
5,001 – 10,000	2,557,233	257
10,001 – 100,000	4,921,637	111
100,001 – and over	30,507,748	44
	38,000,003	**421**

The number of shareholdings held in less than marketable parcels is 13 given a share value of 5.5 cents per share.

c. Voting rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

Each ordinary share is entitled to one (1) vote when a poll is called, otherwise each member present at a meeting or by proxy has one (1) vote on a show of hands.

d. 20 Largest shareholders — ordinary shares

		Fully paid ordinary shares	
	Name	**Number held**	**% held**
1.	KDDG Nominees Pty Ltd <MM Super Fund>	4,500,000	11.842
2	Iana Pty Ltd <Cowden Super Fund A/C>	4,500,000	11.842
3.	J & I Resources Pty Ltd	4,500,000	11.842
4.	Judith Hare	3,000,000	7.895
5.	Globe Metals and Mining Limited	2,000,000	5.263
6.	Mr George Lopez <BKT Est Angus C Pilmer A/C>	1,750,002	4.605
7.	Aquatreat Services Pty Ltd	1,111,250	2.895
8.	Cape Birchington Pty Ltd <Delaney Family S/F A/C>	700,000	1.842
9.	Mr Andrew McLean	500,000	1.316
10.	Wombola Gold Pty Ltd	500,000	1.316
11.	Elinora Investments Pty Ltd	500,000	1.316
12	Mr Sin Jen Hwang	500,000	1.316
13.	Mr Dahong Cai	492,902	1.297
14.	Accord Investment Corporation Pty Ltd <Accord Unit A/C>	427,230	1.124
15.	Opeka Dale Pty Ltd <Opeka Dale P/L S/F NO2 A/C>	402,000	1.058
16.	Pure Nominees Pty Ltd <The Frog Investment Fund AC>	400,000	1.053
17.	Tromso Pty Limited	300,000	0.789
18.	Mr Matthew John Collard	275,000	0.724
19.	Jutland Nominees Pty Ltd	250,000	0.658
20.	NCJ Holdings Pty Ltd <NCJ Superannuation Fund A/C>	250,000	0.658
		26,858,384	**70.680**

e. **Substantial shareholders**

Information based on the substantial holding notices. This does not necessarily correspond to the 20 Largest Shareholders List as it includes the substantial shareholder's associates:

	Number of shares held
J & I Resources Pty Ltd	4,600,000
KDDG Nominees Pty Ltd <MM Super Fund>	4,500,001
Iana Pty Ltd	4,500,001
Judith Hare	3,000,000
Globe Metals and Mining Limited	2,000,000

2. Restricted securities

Class	Number

There were no restricted securities as at the 31 December 2011.

3. Unquoted equity securities

	Unlisted options	
Class	Number	Number of holders

There were no unquoted equity securities as at the 31 December 2011.

4. Company secretary

The name of the Company Secretary is Frank Campagna.

5. Registered office

97 Outram Street
West Perth, Western Australia 6005
Telephone +618 9215 0400

Principal place of business

97 Outram Street
West Perth, Western Australia 6005
Telephone +618 9215 0400

6. Registers of securities

The Company's register of securities is maintained at:

Advanced Share Registry Services
150 Stirling Highway
Nedlands, Western Australia 6009

7. Securities exchange listing

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited. The Company's ASX Code is GTR.

Tenement Schedule

As at 13 March 2012

	TENEMENT	HOLDER/APPLICANT	SHARES HELD
Bali Hi	E08/1372	GTI Resources Ltd Wombat Resources Pty Limited	20% 80%
Cambridge Creek	E08/1561	GTI Resources Ltd Wombat Resources Pty Limited	30% 70%
Cambridge Creek	E08/1792	GTI Resources Ltd Wombat Resources Pty Limited	30% 70%
Cambridge Creek	E08/1834	GTI Resources Ltd Wombat Resources Pty Limited	30% 70%
Conical Hill	(E69/2957)	GTI Resources Ltd	100%
Henry River	E08/2098	GTI Resources Ltd	100%
Henry River	E08/2099	GTI Resources Ltd	100%
Silver King	E08/1846	GTI Resources Ltd	100%
Silver King	E08/2201	GTI Resources Ltd	100%
Silver King	E08/2225	GTI Resources Ltd	100%

Key to Tenement Schedule

E - Exploration Licence
( ) - Application