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ASX Announcement

26th September 2012

ASX Code: COY

ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

We attach the Annual Report for the year ended 30 June 2012.

The Annual General Meeting of Shareholders will be held at The Winner's Circle Room, Gold Coast Turf Club, Racecourse Drive, Surfers Paradise, Queensland on Wednesday 14 November 2012 at 1.00pm (Brisbane Time).

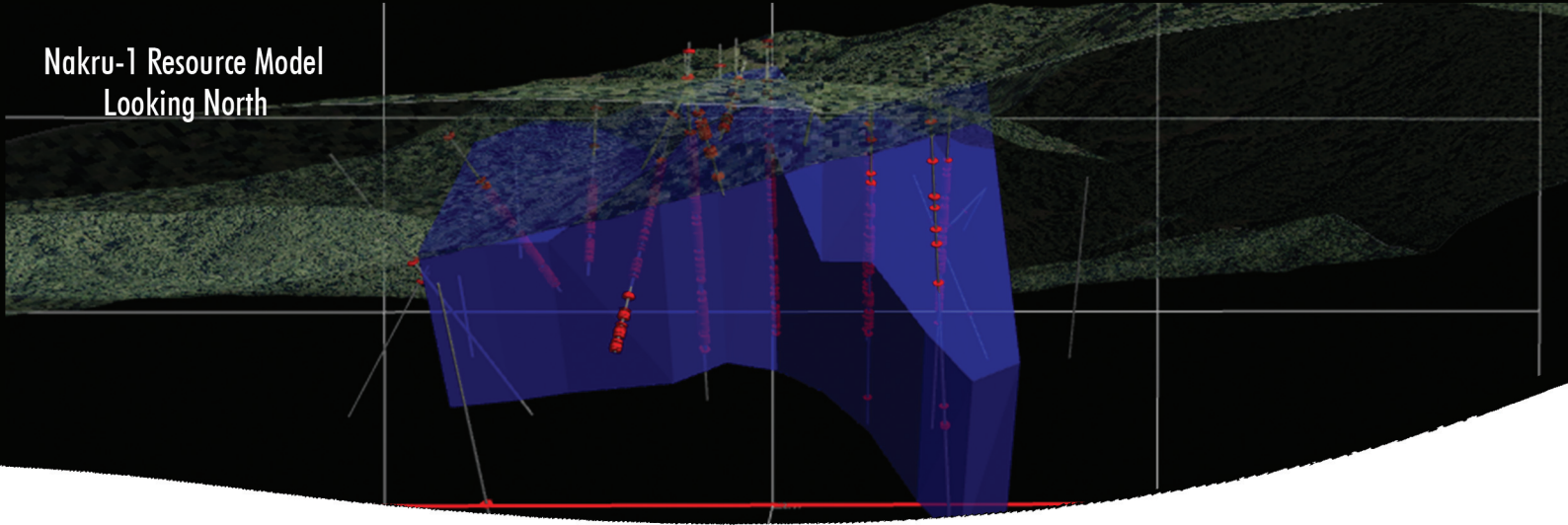
Yours faithfully,

A handwritten signature in dark ink, appearing to read "Mannon", is written over a light blue horizontal line.

Maurice Gannon
Director and Company Secretary

Encl.

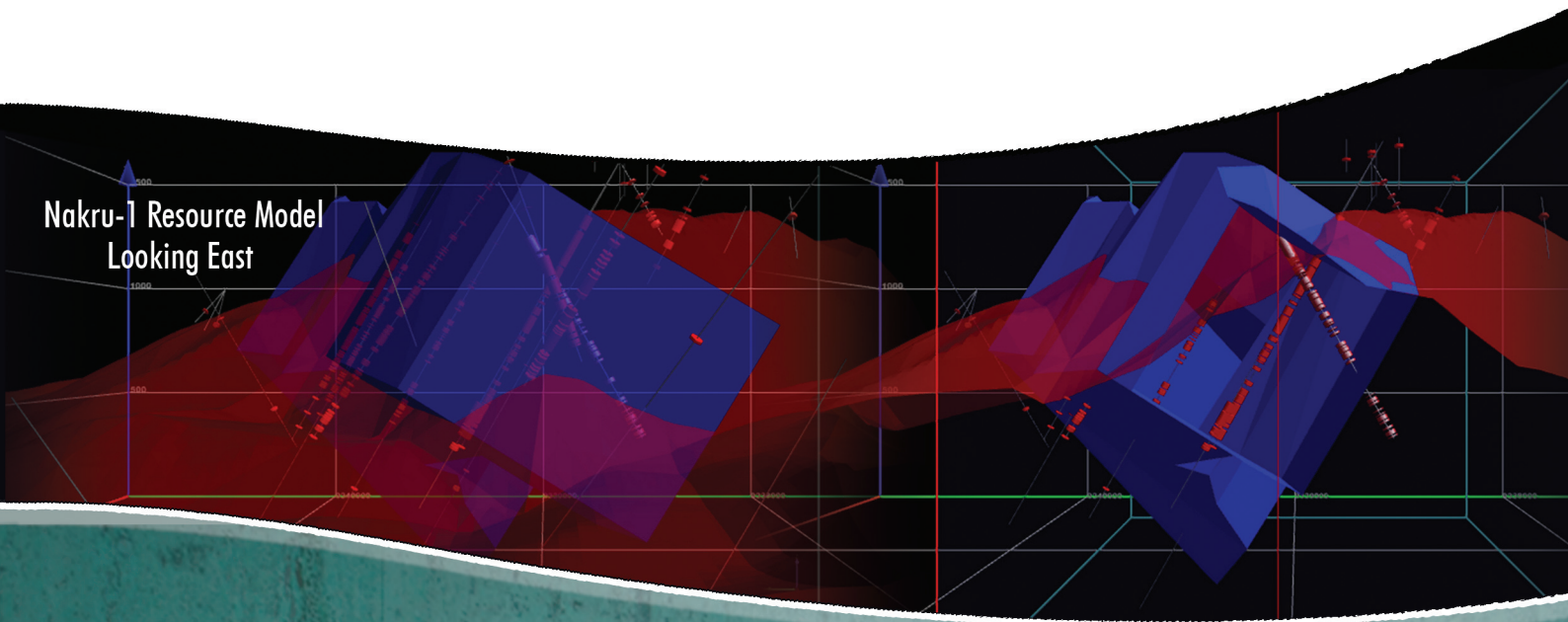
Nakru-1 Resource Model
Looking North



COPPERMOLY
Limited

ANNUAL REPORT 2012

Nakru-1 Resource Model
Looking East



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THE CHAIRMAN'S LETTER

Dear Shareholder,

It is with pleasure that your Board of Directors present you with this fifth Annual Report of Coppermoly Limited ('Coppermoly' or 'the Company').

In October 2009 an exploration agreement was signed under which Barrick Gold Corporation (Barrick) agreed to sole fund up to AUD\$20 million on three of the Company's Exploration Licences on New Britain Island. During the year Barrick reached the \$20 million milestone and has sought to divest its 72% interest.

Whether or not a divestment occurs, Coppermoly will remain carried to feasibility without having to contribute to further exploration and Barrick is required to maintain the tenements in good standing. Indeed Barrick are currently completing a \$2.2 million exploration and drilling program on the tenements.

Shareholders can be assured that Barrick's divestment decision does not reflect the exploration and development potential of the Company's tenements. In fact, during the year Coppermoly commissioned a resource calculation on the Nakru-1 target and announced the Company's second Inferred Resource. This has been supported by a Conceptual Mining Study which reports excellent economic potential for the future development of Nakru-1 resource.

Coppermoly is determined to ensure that the full value of the Company's West New Britain assets is realised.

The Makmak Exploration Licence, also on New Britain Island and neighbouring Nakru, was granted in May 2012. Coppermoly has 100% ownership of the Makmak Licence and mobilised a preliminary exploration program in September 2012.

Coppermoly has demonstrated that it is a successful explorer by attracting over \$30m in funding into its PNG tenements since listing in 2008. It also discovered a significant near surface copper enrichment in Queensland but decided, following the recent granting of the highly prospective 100% owned Makmak tenement, to renew its focus entirely on PNG.

The Company has appointed Odyssey Capital Partners to assist in negotiations with the objective of reacquiring 100% ownership of all of our projects and to help structure and establish funding for further exploration to be undertaken directly by Coppermoly.

The Company has kept its operating costs to a bare minimum but has also kept its exploration base on New Britain in readiness to remobilise.

The recent political tensions in Papua New Guinea appear to have eased as a result of the recent national election and it is apparent that the public sector administration is also being restored to normal.

In its first five years, through exceptionally turbulent times, both globally and in Papua New Guinea, Coppermoly has managed to maintain the continuous exploration of its New Britain exploration licences and continued to plan for a successful future with the building of shareholder wealth as the foremost objective.

Your company is a successful and well managed explorer. On behalf of the Board I would, once again, like to thank all shareholders and the company's personnel for their continued support.



D. Brynelsen
Chairman

THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

Dear Shareholder,

Welcome to the Annual Report for Coppermoly Limited for the 12 month period to 30 June 2012.

Following another year of volatility and fluctuations within financial markets, Coppermoly's key commodities, copper and gold, continue to remain robust, above \$3.50 per pound and \$1,700 an ounce respectively. Long-term forecasts of both commodities are particularly strong and are cause for optimism in regards to our prospective Papua New Guinea Projects.

During 2012, we were pleased to have delivered our second Inferred Resource on New Britain Island at Nakru-1 of 38.4Mt at 0.82% copper equivalent¹. The Nakru-1 resource combines with the existing resource at the Simuku Project for a total inventory of over two billion pounds of contained copper.

With further drilling, we can expect to improve the size of the Nakru-1 resource as well as define the size of existing upper copper enrichment. With Nakru-2 next door requiring a similar amount of drilling, there is certainly much more copper to be found.

Given the limited amount of drilling performed on such large prospective targets, the results of the Conceptual Mining Study (CMS) confirming the financial viability of the Nakru-1 system is very encouraging. The CMS study reiterated that there is extensive copper mineralisation still to be defined at both Nakru-1 and Nakru-2.

During the year Barrick reached the \$20m threshold originally agreed upon and as a result earned a 72% interest in the Nakru, Simuku and Talelumas tenements. In June this year Barrick advised of its intention to divest its 72% interest in the copper tenements. An additional \$2.21m is still to be spent on further drilling and general upkeep of the tenements while they seek divestment of their 72% interest.

During the year we were successfully granted the long-standing Makmak tenement application (EL2014), located on the south coast of New Britain Island on the Kulu-Awit Copper belt (refer to Figure 1). The Makmak prospect is not part of the Barrick farm-in agreement and is 100% owned by Coppermoly. Previous outcrop rock samples in the tenement returned 10.7% copper and 15.5% silver coincident with geophysical intrusive-like bodies which are currently being followed-up to determine the nature of mineralisation ahead of drilling.

In addition to the existing programs at Nakru, Simuku and the recently granted Makmak tenement, Coppermoly has two additional 100% owned tenements under application on New Britain Island. The tenements are prospective for copper and gold and cover an area ten times larger than those at Simuku and Nakru. Coppermoly continues to be active in progressing its landowner meetings for the tenement applications which is a vital part of the application process. We are also working closely with the Mineral Resources Authority in Port Moresby to have the applications granted.

Coppermoly is buoyant about the future prospects of the West New Britain prospects, which importantly are ideally located near existing infrastructure. An existing deep water port at the Provincial Capital of Kimbe is within a four hour's drive from its most advanced prospects. We are continually reviewing all possibilities in regards to funding further development with interested parties and have appointed Odyssey Capital Partners to manage negotiations in regards to Coppermoly's interests as a part of Barrick's divestment.

To finish I'd like to thank all our staff for their efforts over the past year and our shareholders for their continued loyalty. We are entering into exciting times at Coppermoly, with a lot of prospects on the horizon for the remainder of 2012 and beyond. I am looking forward to a busy year ahead.

¹ Copper equivalent using a 0.2% Cu cut-off,

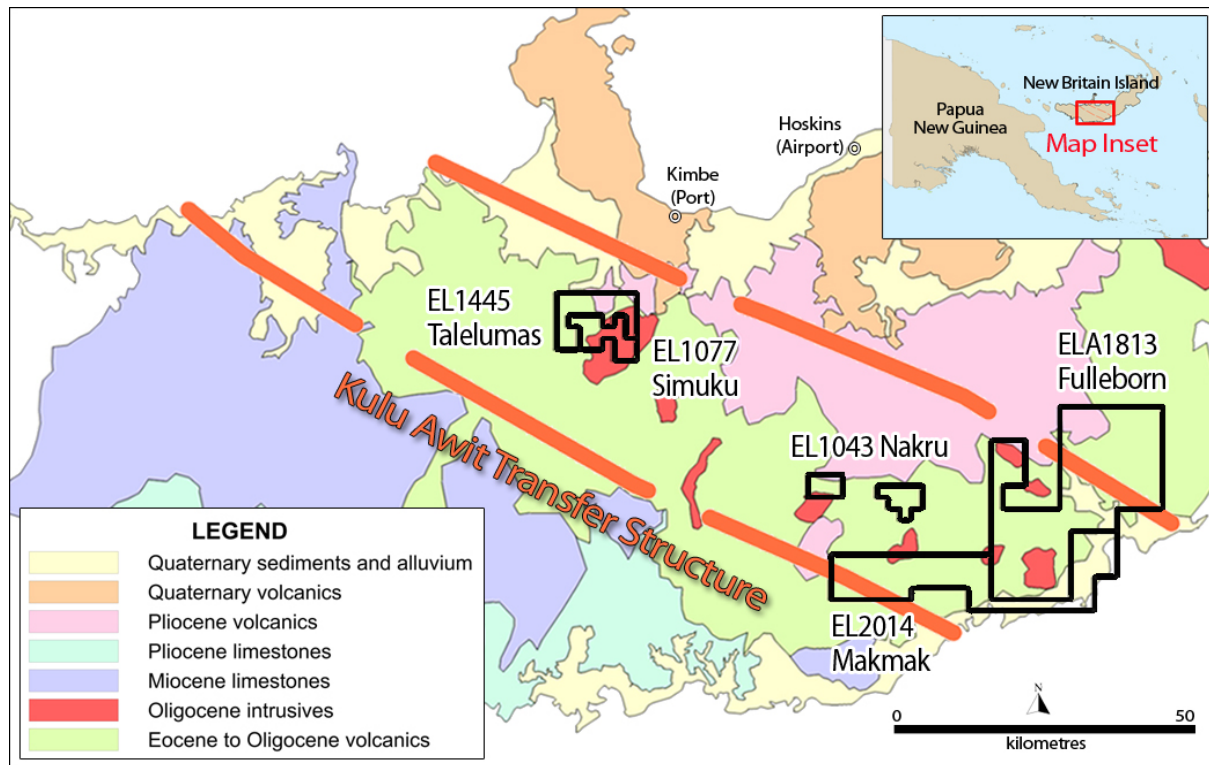


Figure 1: Coppermoly Tenements on the Kulu-Awit Copper Belt

SIMUKU PROJECT (EL 1077)

72% Barrick (PNG) 28% Coppermoly

The Simuku project is located on New Britain Island, Papua New Guinea, within an hour's drive from existing infrastructure, including a deep water port which is a key ingredient in any future development.

The project has an Inferred Resource of 200 million tonnes at 0.36% copper + 61 ppm molybdenum + 0.06 g/t gold + 2 g/t silver, containing 700,000 tonnes of copper, 12,000 tonnes of molybdenum, 12 tonnes of gold and 391 tonnes of silver.

Within the area of the Inferred Resource, higher grades of copper mineralisation at the Nayam prospect include drilling intercepts of 93m at 0.59% copper, with an upper zone of secondary enrichment of 18m at 1% copper from 8m. The Conceptual Mining Study completed in 2009 recommended the secondary enrichment blanket be drilled and a separate upper resource defined to ensure its financial viability.

In September 2011, a diamond drill (DD) hole was completed by Barrick at the Tobarum prospect to a depth of 1004m beneath the Inferred Resource. The drill hole intersected copper mineralisation right through to the end of the hole. Results included 1,001.9m at 0.24% copper, 60ppm molybdenum and 2.38 g/t silver. The best intersections of the hole were 43m at 0.54% copper from 224m and 70m at 0.42% copper from 359m. The mineralisation extended more than 500m below the existing Inferred Resource.

In February, a third deep drill hole beneath the Horseshoe molybdenum prospect was completed to 900m. The results showed copper and molybdenum mineralisation to more than 600 metres depth, including 97m grading 0.31% copper + 112 ppm molybdenum + 0.04 g/t gold + 3.36 g/t silver from 391m including 29m at 0.48% copper + 93 ppm molybdenum + 0.04 g/t gold + 4.73 g/t silver.

The drilling results demonstrated the continuity of molybdenum and copper mineralisation to depth, beneath mineralised samples from surface bulldozer trenching.

Throughout 2010 and 2011, farm-in partner Barrick, drilled six holes at Simuku for an average depth of 704m - totalling 4,227m - which have shown continuity of mineralisation to depth throughout the large 3,500m long by 600m wide envelope of copper mineralisation.

Following additional drilling in the third quarter of 2012, a resource upgrade will be undertaken.

THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

NAKRU PROJECT (EL 1043)

72% Barrick (PNG) 28% Coppermoly

The Mt.Nakru tenement (EL 1043) plays host to a number of discrete massive sulphide and breccia related copper-gold-zinc systems, associated with anomalous copper and gold geochemistry at surface (refer to Figure 2). Geochemical and geophysical surveys led to the discovery of the Nakru-1 and Nakru-2 copper-gold-zinc systems.

The Nakru-1 copper-gold system is the most advanced prospect within the Nakru tenement with 27 diamond drill (DD) holes completed for 5,928.4m. The average depth of hole is 220 metres, with 18 of the 27 holes intercepting significant mineralisation. Significantly, during 2010 a diamond drill hole through the centre of an untested geophysical chargeability anomaly intersected 213.75m at 0.92% copper and 0.33 g/t gold from 74.45m. An upper layer of secondary copper enrichment was intersected with 13.6m at 2.8% copper and 0.23 g/t gold from 74.5m.

During July this year, Coppermoly released its maiden Inferred Mineral Resource at Nakru-1. With a 0.2% copper cut-off, independent consultants Golder Associates estimated a resource compliant with the JORC Code of 38.4 million tonnes grading 0.61% copper + 0.28g/t gold + 1.80 g/t silver containing 233,400 tonnes of copper, 11 tonnes of gold and 69 tonnes of silver.

The geophysical response and exploration results received to-date have indicated that further drilling is required to determine the confines of overall mineralisation, as well as define the extent of the upper oxide zone and secondary copper enrichment blanket beneath.

The resource milestone marked the second maiden inferred mineral resource on New Britain Island, after the Simuku's inferred mineral resource announced in 2009.

A Conceptual Mining Study (CMS) independently completed by Swain Engineers highlighted the positive financial outcome for the Nakru-1 deposit. The CMS recommended that the Nakru tenement continue to be explored for additional copper ore and for further drilling to be completed at Nakru-1 and Nakru-2 in order to define the extent of mineralisation prior to any feasibility studies.

Considering the limited amount of drilling completed at the Nakru project, the results of the Study received were very encouraging, highlighting the ability for the project to complete payback after two years of production.

Conceptual Mining Study - Key Results:

- An open pit encompassing 38.4 million tonnes for a 8.0 year mine life
- A mining rate of 5.0 million tonnes per annum (Mtpa)
- Employment of over 400 personnel
- Recovery of 92%
- Project completes payback within 2 years
- Potential for a significant increase in tonnage in the area
- Estimated capital costs of US\$458 million
- Operating costs of US\$16.48/tonne of ore
- Shipping using existing wharf at Kimbe or a new wharf built on the south coast

Further drilling is expected to improve the size of the Nakru-1 resource as well as define the size of upper copper enrichment. The adjacent Nakru-2 prospect and other targets (refer to Figure 2) also require drilling, highlighting the extent of copper still to be discovered.

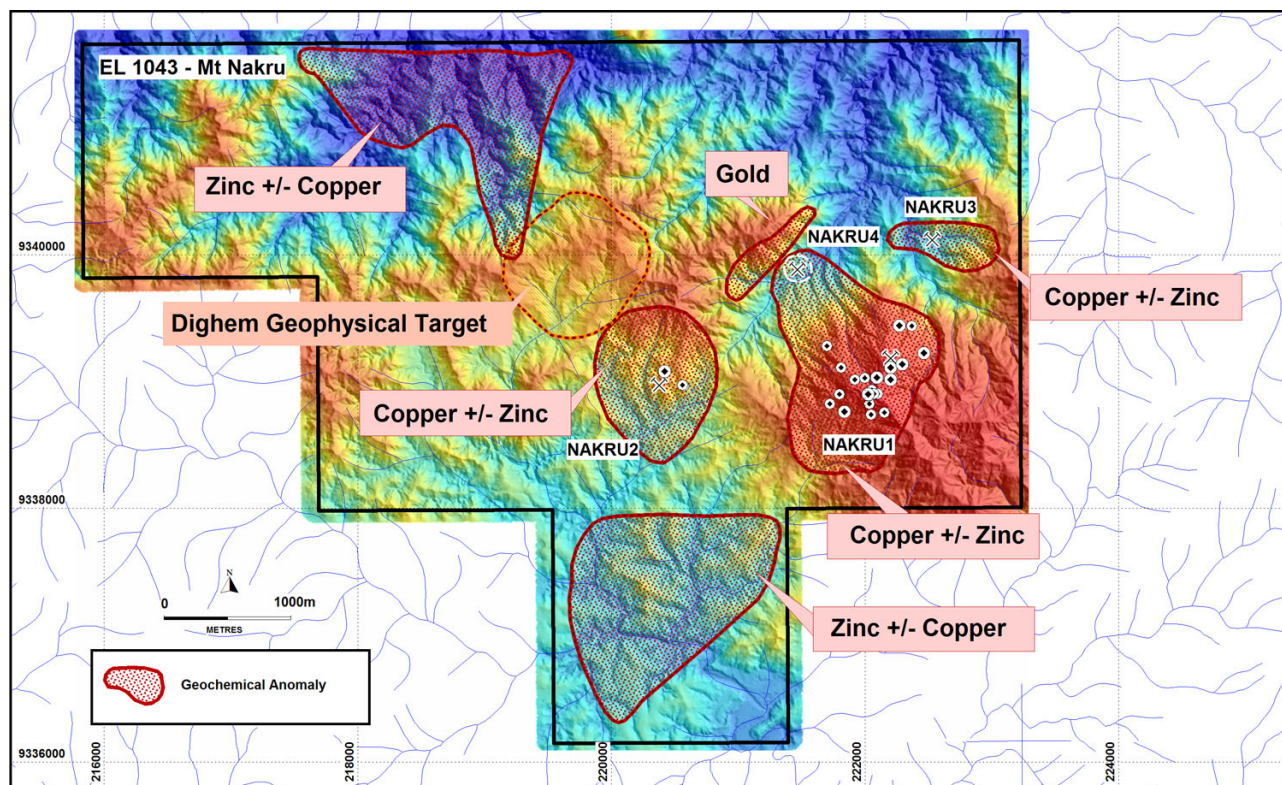


FIGURE 2: Nakru Geochemical and Geophysical Targets on Topographic Image

The Nakru-2 system occurs as an 800 metre diameter circular topographic expression within an envelope copper-zinc-gold-molybdenum in surface geochemistry located one kilometre to the west of Nakru-1 (refer to Figure 2). Previous 3-D IP anomaly has indicated potential for a significant tonnage of sulphide mineralisation below a 7m thick lens that averages 3% - 4% copper from only 25m below surface.

Kulu Prospect

The Kulu prospect located within Simuku, occurs 5.5km further east of the Simuku system and has anomalous copper over an area of 800 metres by 600 metres with geochemistry and mapping indicating a larger porphyry copper system at depth.

Early in 2012, a hole drilled by Barrick at South Kulu targeted a strongly fractured dioritic intrusive which consistently returned more than 0.2% copper and 20 to 50ppm molybdenum from channel rock chip sampling. The target zone has at least a 500m strike length delineated from 2010 and 2011 mapping by Barrick. Assay results exhibited copper mineralisation from 93m to 442m depth including 27m grading 0.21% copper from 143m.

Makmak Tenement (EL 2014) (100% Coppermoly)

In May 2012, Coppermoly was granted its long standing tenement application EL 2014 Makmak, located on the south coast of New Britain Island, Papua New Guinea for a period of two years.

The Makmak tenement covers 280 square kilometres and is 9km south of the Company's Nakru tenement. Makmak is not part of the Barrick farm-in agreement. Coppermoly wholly owns the licence.

During reconnaissance sampling in 2010, Coppermoly collected surface rock float samples at the 'Pulding' prospect at Makmak which returned 10.7% Cu & 15.5g/t Ag, 1.18% Cu, 0.64% Cu, 2.91% Cu and 0.65% Cu. These samples are within granitoid type rocks associated with a nearby geophysical magnetic intrusive target. The project is accessible via 4WD from New Britain Island's provincial capital, Kimbe.

THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

Exploration activity has started on the tenement with a view to relocating anomalous surface copper mineralisation ahead of soil sampling, geophysics and drilling in 2013. The follow-up rock sampling is expected to be completed in September with results due in November.

Corporate

The company raised \$1,000,000 through a private placement, managed by RBS Morgans and \$26,871 through the exercise of options.

Shawn Uldridge was appointed as a Non-Executive Director of the Company during July.

Odyssey Capital Partners have been appointed to manage the negotiations with parties interested in financing Coppermoly and restoring its 100% ownership of the West New Britain Project tenements (EL 1077 Simuku, EL 1043 Nakru and EL 1445 Talelumas).

On behalf of the board,



Peter Swiridiuk

The information in this report that relates to Exploration Results is based on information compiled by Peter Swiridiuk, who is a Member of the Australian Institute of Geoscientists. Peter Swiridiuk is a consultant to Coppermoly Ltd and employed by Aimex Geophysics. Peter Swiridiuk has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Peter Swiridiuk consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

Notes:

- All stated intersections are weighted assay averages ($[\text{Sum of each total interval} \times \text{grade}] / \text{Total length of intersection}$).
- Quality control and quality assurance checks on sampling and assaying quality were satisfactory.
- BWNBDD (Barrick West New Britain Diamond Drillhole) Series Drill Core is PQ, HQ and NQ in size with core recovery predominantly greater than 93%.
- Co-ordinates are given in UTM Zone 56, AGD66 Datum.
- Mineralised intersections are quoted as down hole widths.
- Mineralisation at Nakru-1 consists of copper, gold and silver.
- * Copper equivalent values have been calculated as $(\text{Cu} + (6764.1 \times \text{Au}) + (113 \times \text{Ag}))$
- * Copper Equivalent is the contained copper, gold and silver that are converted to an equal amount of pure copper and summed (based on assays of mineralised rock and actual metal prices). It is used to allow interpretation of the possible theoretical 'value' of mineralised rock, without consideration of the ultimate extractability of any of the metals.
- Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.
- The ASX requires a metallurgical recovery be specified for each metal. JK Tech and ALS Ammtec in Queensland conducted metallurgical testwork on samples from Nakru-1. Additional testwork arranged by Barrick from Nakru-1 drilling samples is being reviewed.
- It is the Company's opinion that each of the elements included in the metal equivalents calculation has reasonable potential to be recovered if the project proceeds to mining.
- Drillhole samples from drillholes in PNG were transported to the camp site then to the town of Kimbe where they were logged, orientated and sampled between 1m and 2m intervals from core split by saw. The split samples were then freighted to either Intertek in Lae (PNG) for sample preparation. Samples were dried to 106 degrees C and crushed to < 2 mm. Samples greater than 2kg were rifle split down to 1.5kg and pulverised to 75 microns. The final 300g sized pulp samples were then sent to Intertek laboratories in Jakarta for geochemical analysis. Intertek analysed for gold using a 50g Fire Assay with Atomic Absorption Spectroscopy finish. Other elements were assayed with ICPAES Finish. Copper values greater than 0.5% were re-assayed. Intertek laboratories have an ISO 17025 accreditation. Unused half core is stored in sheltered premises in the town of Kimbe.
- The Nakru-1 CMS was completed by Mr David Swain, FAusIMM, Principal of Swain Engineers, Consulting Mining Engineers, at the request of Coppermoly Ltd.
- Swain Engineers has verified the data disclosed and approves the contents of this ASX release. The estimate of mineral resources is not materially affected by any known environmental, permitting, legal, title, taxation or political issues.

DIRECTORS' REPORT

Your Directors present their report on the consolidated entity consisting of Coppermoly Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2012.

DIRECTORS

The following persons were Directors of Coppermoly Ltd during the whole of the financial year and up to the date of this report unless otherwise stated:

P. Swiridiuk
M.J. Gannon
D.S. Brynelsen
C.E. Iewago

R.D. McNeil resigned as a Director on 16 November 2011.

B. Faulkner was appointed as a Director on 6 December 2011 and continues in office at the date of this report.

S. Uldridge was appointed on 30 July 2012 and continues in office at the date of this report.

PRINCIPAL ACTIVITIES

The principal activities during the financial year of entities within the consolidated entity were exploration and evaluation of porphyry copper-molybdenum-gold projects in Papua New Guinea and Queensland.

There were no significant changes in the principal activities during the year.

RESULTS AND DIVIDENDS

The consolidated entity loss from operating activities after income tax for the period was \$1,476,601 (2011: Restated \$1,291,652). No dividend has been paid or recommended during the five years ended 30 June 2012.

REVIEW OF OPERATIONS

The Managing Director's Review of Operations and Activities is given on pages 2 to 7.

During the financial year the consolidated entity supported;

- (i) Through its agreement with Barrick (PNG Exploration) Limited, ongoing exploration and evaluation work on its exploration areas, with particular emphasis on Simuku, Nakru and Talelumas projects in Papua New Guinea.
- (ii) Through its agreement with ActivEX Limited, exploration and evaluation of five contiguous Exploration Permits for Minerals located in South East Queensland, collectively known as the Esk Trough Project.
- (iii) The Company increased its issued capital by \$946,017 (2011: \$242,190) after costs, from the issue of shares and options as detailed in note 16(b) to the Financial Statements.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year not otherwise disclosed in this report or the consolidated financial report.

DIRECTORS' REPORT

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

- A Maiden Inferred Resource of 38.4 million tonnes grading 0.82% copper equivalent on the company's Nakru Exploration Licence was announced.
- Mr Shawn Uldridge was appointed as a Director on 30 July 2012.
- The Makmak Exploration Licence (EL 2014) in West New Britain (PNG) was granted for 2 years in July 2012 (effective 15 May 2012).
- In August 2012, Coppermoly Limited elected not to proceed with the farm-in to the Esk Trough Project.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely future developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years are:-

- Continuing exploration of the Mt Nakru, Simuku and Talelumas projects on New Britain Island in Papua New Guinea;
- Exploration of Makmak on New Britain Island in Papua New Guinea;
- Exploration of new exploration licences on New Britain Island in Papua New Guinea (subject to their being granted by the PNG Mineral Resources Authority);
- Evaluation and exploration of new project initiatives which could meet corporate strategic guidelines.

ENVIRONMENTAL REGULATION

The consolidated entity is subject to significant environmental regulation in respect of its mineral exploration and mining activities.

The entity has exploration tenements in Papua New Guinea. The entity is not aware of any breach of environmental regulations during or since the end of the financial year.

INFORMATION ON DIRECTORS

Director and Experience	Particulars of Directors' interest in shares and options of Coppermoly Ltd		
	Special Responsibilities	Ordinary Shares	Options
Peter Swiridiuk			
Managing Director since July 2007.	Member of Audit Committee.	320,000	3,000,000 Unlisted
Age 45. BSc (Hons), DipEd, MAIG. Mr Swiridiuk has over 22 years experience exploring for copper and gold deposits in the middle-east, Cyprus, South Pacific Islands and Australia. He also spent six years exploring for diamonds and coal. Peter has managed the exploration and discovery of copper deposits utilising geophysics, satellite imagery and geochemistry for over 16 years. Early in his career he spent six years with DeBeers diamond services as a geophysicist in their Research and Technical Services Division. He has been author of numerous independent technical geological reports for companies both in Australia and Canada.	Member of Planning & Operations Committee.		
Mr Swiridiuk has not served as a Director of any other public listed companies during the last three years.	Member of Risk Management Committee.		

DIRECTORS' REPORT

INFORMATION ON DIRECTORS (continued)

Particulars of Directors' interest in shares and options of Coppermoly Ltd

Director and Experience

Special Responsibilities	Ordinary Shares	Options
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Maurice Gannon

Executive Director since February 2010.
Alternate Director October 2009 to 16 November 2011.

Member of Audit Committee.	701,250	2,000,000 Unlisted
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Age 55. BSc, GAICD, FCIS, FCSA, AFAIM, MAusIMM. Mr Gannon holds a Bachelor of Science Degree, a Graduate Diploma in Applied Corporate Governance and a Business Management Certificate. He has twenty four years' experience in business and financial management and a professional background in earth and environmental sciences. Mr Gannon is a Graduate Member of the Australian Institute of Company Directors, a Fellow of the Chartered Institute of Secretaries, a Fellow of Chartered Secretaries Australia, an Associate Fellow of the Australian Institute of Management and a member of the Australasian Institute of Mining and Metallurgy.

Member of Planning & Operations Committee.

Member of Risk Management Committee.

Mr Gannon has not served as a Director of any other public listed companies during the last three years.

Dal Brynelsen

Chairman since 8 February 2011 and Non-Executive Director since September 2007.

Member of Audit Committee.	1,450,000	2,000,000 Unlisted
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Age 65. Mr Brynelsen holds a Diploma in Urban Land Economics from the University of British Columbia and is a licensed real estate broker of the Real Estate Council of British Columbia. Mr Brynelsen has over 30 years of experience in the mining industry including the discovery, financing and bringing into production of two gold mines in Canada. He was a Founding Director of Griffin Mining NPL, being the first Western company to build a mine in China in 100 years. Griffin operates a zinc mine and has approximately 400 employees.

During the last three years Mr Brynelsen has served as a Director of the following public listed companies:-

- President and Chief Executive Officer of Vangold Resources Ltd (TSX-Venture) (appointed September 1990).
- Founding Director of Griffin Mining NPL (AIM-London) (appointed January 2001).
- Director of Janina Resources Limited (TSX-IB) (appointed November 2007).
- President, Chief Executive Officer and Director of Vanoil Energy Ltd (TSX-Venture) appointed September 2009.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS (continued)	Particulars of Directors' interest in shares and options of Coppermoly Ltd		
	Special Responsibilities	Ordinary Shares	Options
Ces Iewago			
Non-Executive Director since November 2008.	N/A	Nil	1,500,000 Unlisted
Age 52. Mr Iewago is a citizen of Papua New Guinea. He holds an MBA and BA Commerce degrees and is a Fellow of the Australian Institute of Directors. He has over 25 years experience in the business banking, financial services and investments sectors in Papua New Guinea. Mr Iewago previously served as Managing Director of Public Officers Superannuation Fund. He was Country Director and General Manager of investment bank Merrill Lynch in Papua New Guinea (1997 to 2000) and was responsible for its corporate and retail business. He also held the position of Deputy Managing Director of Papua New Guinea's first merchant bank, Resources & Investment Finance Ltd (1990 to 1996) responsible for Marketing, Corporate Business and Portfolio Management. He is a Director of New Guinea Gold Corporation and a number of Papua New Guinea companies. During the last three years Mr Iewago has served as a Director of the following public listed company:- Non-Executive Chairman since 15 December 2010 and Non-Executive Director of New Guinea Gold Corporation (TSX-Venture) appointed 5 December 2005.			
Ben Faulkner			
Non-Executive Director since 6 December 2011.	N/A	2,463,000	Nil
Age 29. Mr Faulkner holds a Bachelor of Business (Banking and Finance) from Monash University and a Professional Diploma in Stockbroking. He is a member of the Stockbrokers Association of Australia (SAA) and the Australian Financial Markets Association (AFMA). He is a Senior Private Client Advisor with stockbroking firm RBS Morgans Limited, one of Australia's largest full service retail stockbroking firms. Mr Faulkner has not served as a Director of any other public listed companies during the last three years.			
Shawn Uldridge			
Non-Executive Director since 30 July 2012.	N/A	1,200,000	Nil
Age 33. Mr Uldridge holds a Bachelor of Business (Management) from the University of Queensland and has 12 years financial markets experience, 8 of which have been in the financial advisory and investment management industry. He has also co-founded William Shaw Securities in 2006, prior to which he worked with a boutique stock broking firm based in Sydney. Mr Uldridge has not served as a Director of any other public listed companies during the last three years.			

COMPANY SECRETARY – QUALIFICATIONS & EXPERIENCE

Maurice J. Gannon

See information on Directors.

DIRECTORS' REPORT

DIRECTORS' MEETINGS

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2012, and the numbers of meetings attended by each Director were:

	Directors' Meetings		Audit Committee Meetings		Planning & Operations and Risk Management Committee Meetings	
	A	B	A	B	A	B
Mr P. Swiridiuk	8	8	2	2	4	4
Mr M.J. Gannon	8	8	2	2	4	4
Mr R.D. McNeil	3	3	*	*	3	3
(resigned 16 Nov 2011)						
Mr D. Brynelsen	7	8	1	2	*	*
Mr C.E. Iewago	7	8	*	*	*	*
Mr B. Faulkner	4	4	*	*	*	*
(appointed 6 Dec 2011)						

A= Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

* = not a member of the relevant committee

REMUNERATION REPORT (Audited)

(a) Principles used to determine the nature and amount of remuneration

The following people were the Directors, Executives and key management personnel of the Group during the period covered by this report:-

Name	Position	Period Position Held
P. Swiridiuk	Managing Director	27 July 2007 – Current
M.J. Gannon	Assistant Company Secretary and Financial Controller Company Secretary Alternate Director Executive Director	14 March 2008 - 29 July 2008 30 July 2008 - Current 1 October 2009 – 16 November 2011 12 February 2010 – Current
D. Brynelsen	Non-Executive Director Non-Executive Director and Chairman	25 September 2007 – 7 February 2011 8 February 2011 – Current
C.E. Iewago	Non-Executive Director	1 November 2008 – Current
B. Faulkner	Non-Executive Director	6 December 2011 - Current
P.A. McNeil	Non-Executive Director Non-Executive Director and Chairman	25 September 2007 -18 November 2008 19 November 2008 – 4 February 2011
R.D. McNeil	Non-Executive Director and Chairman Non-Executive Director	27 July 2007 -18 November 2008 19 November 2008 – 16 November 2011

Apart from the above there were no other executives of the Company and the Group during the current year.

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The Board ensures that Director and executive rewards satisfy the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency
- capital management.

The Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation. Remuneration consultants have not been engaged by the company.

DIRECTORS' REPORT

REMUNERATION REPORT (Audited) (continued)

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to shareholder growth
- provides a clear structure for earning rewards
- provides recognition for contribution.

Relationship between remuneration and Company performance

During the past year, the Group has generated losses because it is still involved in exploration and not production.

Details of market price movements in the Company's ordinary share price for the current year and last four years ended 30 June 2012:

	2008	2009	2010	2011	2012
Share price at year end	\$0.09	\$0.055	\$0.086	\$0.094	\$0.027
Change in share price ¹	N/A*	(\$0.035)	\$0.031	\$0.008	(\$0.067)
TSR – year on year ²	N/A*	(38.8%)	56.4%	9.3%	(71.3%)
Loss for the year	\$2,543,286	\$3,934,553	\$2,099,504	\$1,291,652	\$1,476,601

* The Company's shares were listed in January 2008.

1. The change in share price as measured by the share price at the end of the year from opening share price.
2. Total shareholder return (TSR) – measured as the percentage change in the share price over the year.

There were no dividends paid during the year ended 30 June 2012.

Given that the remuneration is commercially reasonable, the link between remuneration, company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a minerals company.

Options issued to Key Management Personnel have performance "premiums" factored into their exercise prices. The cash component of remuneration is kept relatively low. Therefore, there is a significant performance component in remuneration arrangements.

Share prices are subject to the influence of international economic factors and market sentiment toward the sector and increases or decreases may occur quite independent of executive performance or remuneration.

Non-Executive Directors

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board. The Board seeks to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market.

Directors' fees

The current base remuneration was last reviewed in February 2010. Directors' fees are inclusive of committee fees.

Retirement allowances for Directors

The Company provides no retirement allowances for Non-Executive Directors under service contracts.

Executive pay

The executive pay and reward framework has three components:

- base pay and benefits
- long-term incentives through options (see note 22 to the Financial Statements), and
- other remuneration such as superannuation.

Base pay

Structured as a total employment cost package which may be delivered as a mix of cash and prescribed non-financial benefits at the executive's below discretion and subject to mutual agreement between the executive and the Company.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases fixed in any senior executive's contracts. Refer to section (b) for further details.

DIRECTORS' REPORT

REMUNERATION REPORT (Audited) (continued)

Benefits

Executives receive no benefits outside of the base pay, non-monetary benefits, options and superannuation disclosed in this report.

Retirement benefits

Other than the statutory superannuation contribution and superannuation paid by way of salary sacrifice, no retirement benefits are provided for executives.

Coppermoly Ltd Employee Incentive Option Plan

Information on the Coppermoly Ltd Employee Incentive Option Plan is set out in Note 22. Directors, including Executive Directors, may not participate in the Employee Incentive Option Plan.

Employee options are not performance related except to the extent that they are awarded at the discretion of the Board in recognition of performance. In the interest of encouraging employee retention, options issued under the Plan vest one year after the date of issue. Therefore, allocation of options under the Plan is subject to the Board's assessment of individual performance and vesting of the options to the employee requires a further twelve months of satisfactory performance subsequent to the date of issue. Options may be forfeited at the discretion of the Board if an individual's performance is considered unsatisfactory or employment ceases.

The Coppermoly Ltd Employee Incentive Option Plan rules contain a restriction on removing the 'at risk' aspect of the options granted to employees. Participants in the Coppermoly Ltd Employee Incentive Option Plan may not enter into derivative transactions with third parties in regard to the options. The Plan does not include any limitation of risk for the option holders. All employees who are issued options under the Plan are given a full copy of the Plan rules.

Options issued to Directors and Officers are subject to the Terms and Conditions of The Directors' & Officers Option Plan and vest at the date of issue. The rules of the Plan preclude the granting of a security interest over the options. Therefore, the participants cannot use the options for any form of mortgage, loan or any other third party interest of any nature. Options issued under the Plan to-date have significant premiums factored into their exercise prices in order to establish explicit performance criteria. Substantial share price appreciation is required in order for the options to obtain a realisable value. If a Director ceases to hold office, either as a result of suspension or vacation of office, their options are forfeitable, at the discretion of the remaining directors.

The Group has no Board policy in relation to the Directors and Officers limiting their exposure to risk from the share-based compensation granted to them.

(b) Service Agreements

Remuneration and other terms of employment for the Executive Directors are formalised in service agreements. None of the Directors are eligible to participate in the Coppermoly Ltd Employee Incentive Option Plan. Other major provisions of the agreements relating to remuneration are set out below.

In circumstances where the employment of an Executive Director is terminated without cause, between three and six months' salary may be payable in lieu of notice. Non-Executive Directors are not eligible to receive any termination payments.

P. Swiridiuk, Managing Director

- Base salary, as at 30 June 2012 of \$750 per day, to be reviewed annually.
- Notice period of three months.
- If terminated by the Company a sum of \$35,000 may be paid in lieu of notice.

M. Gannon, Executive Director & Company Secretary

- Base salary, inclusive of superannuation, as at 30 June 2012 of \$165,952, to be reviewed annually.
- Notice period of six months.

D.S. Brynelsen, Non-Executive Chairman and Director

- Base salary, as at 30 June 2012 of \$20,000, to be reviewed annually.

C.E. Iewago, Non-Executive Director

- Base salary, as at 30 June 2012 of \$20,000, to be reviewed annually.

B. Faulkner, Non-Executive Director

- Base Salary, as at 30 June 2012 of \$21,800, to be reviewed annually.

All Directors are required by the Company's Constitution to retire at the end of the third Annual General Meeting after their appointment and may offer themselves for reappointment.

Directors may give notice of resignation, effective at the time of receipt (which depends upon the means of delivery or transmission). Directors can be suspended from office by a majority of directors at a meeting of the Board called for that purpose.

DIRECTORS' REPORT

REMUNERATION REPORT (Audited) (continued)

(c) Details of remuneration

Details of the nature and amount of each element of the remuneration of each key management personnel of the Company and the consolidated entity for the years ended 30 June 2012 and 30 June 2011 are set out in the following tables:

2012	Short-term employee benefits			Post Employment Benefits	Long-term Benefits		Share-based payments		Proportion of remuneration that is performance based %	% of Value of remuneration that consists of options %
Name	Cash salary and fees \$	Cash Bonus \$	Non-Monetary benefits \$	Super-annuation \$	Long Service Leave \$	Termination Benefits \$	Options* \$	Total \$		
<i>Directors</i>										
P. Swiridiuk**	144,938	-	-	-	-	-	-	144,938	-	-
M. Gannon	152,250	-	-	13,702	-	-	-	165,952	-	-
R.D.McNeil ■ (1 Jul 2011 - 16 Nov 2011)	7,590	-	-	683	-	-	-	8,273	-	-
D. Brynelsen	20,000	-	-	-	-	-	-	20,000	-	-
C. Iewago	25,391	-	-	-	-	-	-	25,391	-	-
B.Faulkner (from 6 Dec 2011)	11,439	-	-	1,030	-	-	-	12,469	-	-
Total	361,608	-	-	15,415	-	-	-	377,023		

2011	Short-term employee benefits			Post Employment Benefits	Long-term Benefits		Share-based payments		Proportion of remuneration that is performance based %	% of Value of remuneration that consists of options %
Name	Cash salary and fees \$	Cash Bonus \$	Non-Monetary benefits \$	Super-annuation \$	Long Service Leave \$	Termination Benefits \$	Options* \$	Total \$		
<i>Directors</i>										
P. Swiridiuk	122,813	-	-	-	-	-	139,950	262,763	53	53
M. Gannon***	46,695	-	-	4,202	-	-	93,300	144,197	65	65
R.D.McNeil	20,000	-	-	1,800	-	-	139,950	161,750	87	87
D. Brynelsen	20,000	-	-	-	-	-	93,300	113,300	82	82
C. Iewago	24,960	-	-	-	-	-	46,650	71,610	65	65
P.A.McNeil# (1 Jul 2010 - 4 Feb 2011)	23,949	-	-	2,155	-	-	93,300	119,404	78	78
Total	258,417	-	-	8,157	-	-	606,450	873,024		

*Option value calculation using Black-Scholes Model.

#P. McNeil resigned as a Director effective 4 February 2011.

■R. McNeil resigned as a Director effective 16 November 2011.

** P.Swiridiuk's services are engaged part time under a consultancy agreement.

***M.Gannon served a number of statutory and operational roles for other entities during 2011.

DIRECTORS' REPORT

REMUNERATION REPORT (Audited) (continued)

(d) Share-based Compensation

Options

Options are granted to Directors and Officers under conditions approved by the Shareholders at the 2009 and 2010 Annual General Meetings. Options are granted to other key management personnel under the Coppermoly Ltd Employee Incentive Option Plan which was approved by the Directors on 17th October 2007. Employee options are not performance related except to the extent that they are issued at the discretion of the Board in recognition of performance. Any options issued to employees under the Employee Incentive Option Plan vest to the employee only when they have achieved one continuous year of service to the entity. If the employee leaves, regardless of whether the options have vested or not, the options may be forfeited at the discretion of the Directors.

The terms of the Coppermoly Ltd Employee Incentive Option Plan are outlined in note 22 to the Financial Statements.

Options are granted under the Plan for no consideration. Options are granted for between 2-5 year periods.

The details of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Type of Options	Grant date	Expiry date	Exercise price	Fair Value per option at grant date	% vested	% forfeited	% expired	Date exercisable
Directors	22 Oct 2007	22 Oct 2010	\$0.30	\$0.06	100	-	100	Between 22 Oct 2009 and 22 Oct 2010
Officers	22 Oct 2007	22 Oct 2010	\$0.30	\$0.06	100	-	100	Between 22 Oct 2008 and 22 Oct 2010
Employee	13 Mar 2008	13 Mar 2011	\$0.25	\$0.0125	28.6	-	100	Between 13 Mar 2009 and 13 Mar 2011
Employee	5 Oct 2009	5 Oct 2012	\$0.10	\$0.0488	77.4	64.2	-	Between 5 Oct 2010 and 5 Oct 2012
Directors	1 Dec 2009	1 Dec 2012	\$0.19	\$0.0969	100	-	-	Between 1 Dec 2009 and 1 Dec 2012
Directors	1 Dec 2009	1 Dec 2012	\$0.23	\$0.0969	100	-	-	Between 1 Dec 2009 and 1 Dec 2012
Directors	22 Nov 2010	1 Dec 2012	\$0.19	\$0.0933	100	-	-	Between 20 Nov 2010 and 1 Dec 2012

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

Details of options over ordinary shares in the Company provided as remuneration to each Director of Coppermoly Ltd and each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of Coppermoly Ltd. Further information on the options is set out in note 22 to the Financial Statements.

Name	Number of Options granted during the year 2012	Number of options vested during the year 2012	Number of options forfeited during the year 2012	Number of options expired during the year 2012
Directors of Coppermoly Ltd				
P. Swiridiuk	-	-	-	-
M. Gannon	-	-	-	-
R.D. McNeil	-	-	-	-
D. Brynelsen	-	-	-	-
C.E. Iewago	-	-	-	-
B. Faulkner	-	-	-	-

DIRECTORS' REPORT

REMUNERATION REPORT (Audited) (continued)

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

(e) *Options and rights granted as remuneration*

There were no options granted during the year ended 30 June 2012.

(f) *Equity instruments issued on exercise of remuneration options*

No equity instruments were issued during the period to key management personnel as a result of options exercised that had previously been granted as compensation.

END OF REMUNERATION REPORT (Audited)

DIRECTORS' REPORT

LOANS TO DIRECTORS AND EXECUTIVES

No loans have been made to Directors of Coppermoly Ltd or the executives of the consolidated entity, including their personally-related entities.

SHARE OPTIONS GRANTED TO DIRECTORS

No options over unissued ordinary shares of Coppermoly Ltd were granted during or since the end of the financial year to any of the Directors of the Company and consolidated entity as part of their remuneration.

SHARES UNDER OPTION

Unissued ordinary shares of Coppermoly Ltd under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
5 October 2009	5 October 2012	\$0.10	1,325,000
1 December 2009	1 December 2012	\$0.19	3,500,000
1 December 2009	1 December 2012	\$0.23	3,500,000
22 November 2010	1 December 2012	\$0.19	6,500,000
			14,825,000

No optionholder has any right under the options to participate in any other share issue of the Company or of any other entity.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

383,875 ordinary shares of Coppermoly Ltd were issued during the year ended 30 June 2012 on the exercise of options. The amount paid per share was 7 cents. No shares have been issued from the exercise of options since that date. No amounts are unpaid on any of the shares.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year the consolidated entity paid insurance premiums in respect of Directors' and Officers' legal expenses and liability insurance. The policies prohibit disclosure of details of the policies or the premiums paid. The consolidated entity has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an Officer of the Company or any of its controlled entities against a liability incurred as such an Officer.

The Company has not indemnified or insured the auditor.

DIRECTORS' REPORT

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Consolidated Entity are important.

Details of the amounts paid or payable to the auditors (BDO Audit Pty Ltd and Sinton Spence Chartered Accountants) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditors;
- None of the services undermine the general principles relating to the auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

	2012 \$	2011 \$
During the year the following fees were paid or payable for services provided by the auditors, their related practices and non-related audit firms.		

Assurance services

1. Audit Services – audit or review of financial statements

BDO Audit Pty Ltd Australian firm:	46,908	39,982
Sinton Spence Chartered Accountants PNG Firm:	8,584	3,549
Total remuneration for audit services	55,492	43,531

2. Other Assurance Services

BDO Audit Pty Ltd Australian firm:	-	-
Sinton Spence Chartered Accountants PNG firm:	374	180
Total remuneration for other assurance services	374	180
Total remuneration for assurance services	55,866	43,711

Taxation Compliance Services

BDO (QLD) Pty Ltd Australian firm:	9,539	7,985
Sinton Spence Chartered Accountants PNG firm:	862	438
Total remuneration for taxation services	10,401	8,423

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

DIRECTORS' REPORT

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

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



P. Swiridiuk
Managing Director

Bundall, Queensland
24 September 2012

AUDITOR'S INDEPENDENCE DECLARATION



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Brisbane QLD 4000,
GPO Box 457 Brisbane QLD 4001
Australia

DECLARATION OF INDEPENDENCE BY C J SKELTON TO THE DIRECTORS OF COPPERMOLY LIMITED

As lead auditor of Coppermoly Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Coppermoly Limited and the entity it controlled during the period.

C J Skelton

Director

A handwritten signature in black ink, appearing to read 'C J Skelton', with a long horizontal flourish extending to the right.

BDO Audit Pty Ltd

Brisbane: 24 September 2012

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

CORPORATE GOVERNANCE STATEMENT

For the year ended 30 June 2012

In accordance with the Australian Securities Exchange Corporate Governance Council's recommendations the Corporate Governance Statement must contain certain specific information and also report on the Company's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the Company, together with the reasons why they have not been adopted. The Corporate Governance Council's best practice recommendations are as follows:

1. Lay solid foundations for Management and oversight.
2. Structure the Board to add value.
3. Promote ethical and responsible decision-making.
4. Safeguard integrity in financial reporting.
5. Make timely and balanced disclosure.
6. Respect the rights of shareholders.
7. Recognise and manage risk.
8. Remunerate fairly and responsibly.

This statement outlines the main Corporate Governance practices that were in place throughout the period, unless otherwise stated.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board of Directors is accountable to shareholders for the performance of Coppermoly Ltd.

In carrying out its responsibilities the Board undertakes to serve the interests of shareholders, employees and the broader community honestly, fairly, diligently and in accordance with applicable laws.

The respective roles of the Board and Senior Executives are clearly defined.

The Board's responsibilities encompass the following:

1. set the strategic direction of the Group and monitor Management's implementation of that strategy;
2. select and appoint and, if appropriate, remove from office, the Company Secretary and Chief Executive Officer. Determine his/her conditions of service and monitor his/her performance against established objectives;
3. ratify the appointment and, if appropriate, the removal from office of the Chief Financial Officer;
4. monitor financial outcomes and the integrity of reporting; in particular approve annual budgets and longer-term strategic and business plans;
5. set specific limits of authority for Management to commit to new expenditure, enter contracts or acquire businesses without prior Board approval;
6. ensure that effective audit, risk management and compliance systems are in place to protect the Company's assets and to minimise the possibility of the Company operating beyond legal requirements or beyond acceptable risk parameters;
7. monitor compliance with regulatory requirements, including continuous disclosure, and ethical standards;
8. review, on a regular basis, Senior Management succession planning and development; and
9. ensure effective and timely reporting to Shareholders.

The Board delegates to the Chief Executive Officer responsibility for implementing the strategic direction and for managing the day-to-day operations of the Group. The Chief Executive Officer consults with the Chairman, in the first place, on matters which are sensitive, extraordinary or of a strategic nature.

The Board acknowledges that it is responsible for the overall internal control framework. The system is based upon procedures, policies and guidelines, organisation structures that seek to provide an appropriate division of responsibility and the careful selection and training of qualified personnel.

The Board, particularly through the Planning and Operations Committee, sets the strategic direction of the Company with Management and monitors Management's implementation of strategy.

CORPORATE GOVERNANCE STATEMENT

The Planning and Operations Committee consists of the Managing Director, a Non-Executive Director and an Executive Director/Company Secretary. It meets prior to each Board Meeting (generally at least once every three months). The Committee evaluates past and proposed exploration activities, strategies and results, administration and capital expenditures.

Minutes of the Planning and Operations Committee meetings are copied to the Board.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Composition of the Board

The full Board determines the Board size and composition, subject to limits imposed by the Company's Constitution. The Constitution provides for a minimum of three Directors and a maximum of ten. Given the Company's background, nature and size of its business and the current stage of its development, the Board is comprised of five Directors, three of whom are Non-Executive. The Board believes that this is both appropriate and acceptable at this stage for the Company's development.

The positions of Chairman and Managing Director are held by separate persons.

Succession planning for the Board is reviewed regularly by the full Board. In considering potential new Directors to commend to shareholders, the Board seeks to identify candidates with appropriate skills and experience to contribute to effective direction of the Company, who can exercise an independent and informed judgement on matters which come to the Board, and who are free of any business or other relationship that may interfere materially with the exercise of that independent judgement.

The Chairman and Deputy Chairman, if applicable, are elected by the full Board.

Role of Chairman

The Chairman presides over Board and General Meetings of the Company. He has the task of making sure the Board is well informed and effective; that the members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary for the proper operation of the Board and the Company.

The Chairman is responsible for ensuring that the meetings are conducted competently and ethically and is expected to provide effective leadership in formulating the strategic direction for the Group.

He must ensure that General Meetings, too, are conducted efficiently and that shareholders have adequate opportunity to air their views and obtain answers to their queries.

Among the Chairman's other responsibilities are:

1. To see that new Board members are well briefed and have access to information on all aspects of the Company's operations;
2. To be the Board's representative in dealings with Management ensuring that its views are communicated clearly and accurately;
3. To act as the primary counsellor to the Chief Executive Officer; and
4. To represent the views of the Board to the public, governments, etc on appropriate occasions.

Board Meetings

The Board meets formally at least 4 times a year (in addition to General Meetings of shareholders) and whenever necessary to deal with urgent matters which might arise between scheduled meetings.

Senior members of Management may be requested to attend Board Meetings to present reports on, or seek approvals within, their areas of responsibility. In certain circumstances, Board members may (a) request that aspects of a meeting be held 'in camera' and non directors will be requested to leave the meeting or (b) agree to hold a separate meeting involving Directors only or Non-Executive Directors only. Non-Executive Directors may meet without the Managing Director when discussing matters pertaining to his performance, salary review, CEO succession planning or other personal matters.

Directors' Independence

None of the Company's Directors are independent.

The Board reviews annually the independence of Directors having regard to ASX Corporate Governance Council Recommendation 2.1.

CORPORATE GOVERNANCE STATEMENT

Independent Professional Advice

Each Director has the right to seek independent professional advice at the consolidated entity's expense.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

All Directors, senior executives and other employees are expected to act lawfully, in a professional manner and with the utmost integrity and objectivity in their dealings with shareholders, customers, suppliers, advisors and regulators, competitors, the community and each other in each country where the consolidated entity operates.

The Company has established a Corporate Code of Conduct which is available at www.coppermoly.com.au or by contacting the registered office.

Diversity Policy

The Company has established a Diversity Policy which is available at www.coppermoly.com.au or by contacting the registered office.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Company's CEO and Chief Financial Officer report in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entities for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Audit Committee

An Audit Committee has been established and is documented in a Charter which is approved by the Board of Directors and is available at www.coppermoly.com.au or by contacting the registered office. In accordance with this Charter, all members of the Committee must be Directors, executives of the Company or qualified consultants. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity.

The members of the Audit Committee during the year were Messrs P. Swiridiuk (Chairman), D. Brynelsen (Director) and M. Gannon, (Director and Company Secretary). Information on the qualifications of the Directors on the Audit Committee and attendance at Audit Committee meetings are contained in the Directors' Report.

The Audit Committee meets at least twice a year with the Company's External Auditor required to be in attendance.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Continuous Disclosure to ASX

The Company's Continuous Disclosure Policy is available at www.coppermoly.com.au or by contacting the registered office.

The Continuous Disclosure Policy requires all executives and Directors to inform the Managing Director or in his absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Company's policy regarding Communication with Shareholders is available at www.coppermoly.com.au or by contacting the registered office.

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the consolidated entity's state of affairs.

CORPORATE GOVERNANCE STATEMENT

All announcements and reports submitted to ASX are posted on the Company's website www.coppermoly.com.au.

The Company maintains an investor database to distribute significant announcements by email.

The Company's practice is to invite the auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

A Risk Management Committee has been established. The members of the Committee during the year were P. Swiridiuk, R.D. McNeil (from 1 July 2011 to 16 November 2011) and M. Gannon. The Committee meets (at least four times a year) at the same time as the Planning & Operations Committee.

The Company has a Risk Management Policy which is available at www.coppermoly.com.au or by contacting the registered office.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

The Board considers that the Company is not currently of a size to justify the formation of a separate Remuneration Committee, therefore the Board as a whole, serves as a Remuneration Committee. The Company's Remuneration Policy is available at www.coppermoly.com.au or by contacting the registered office.

The broad Remuneration Policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide Executive Directors and executives with a remuneration package consisting of fixed components and incentives that reflect the person's responsibilities, duties and personal performance.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the industry.

The aggregate amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount approved by the Company's shareholders.

Details of the Company's remuneration policies are contained in the Directors' Report.

CORPORATE GOVERNANCE STATEMENT

ADOPTION OF ASX CORPORATE GOVERNANCE RECOMMENDATIONS

The Company has adopted the ASX Corporate Governance Principles and Recommendations for the whole period, as outlined in the Corporate Governance Statement, with the following exceptions:

Composition of the Board

Council Principle 2: Structure the Board to add value

Council Recommendation 2.1: A majority of the Board should be Independent Directors.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of a majority of Independent Non-Executive Directors.

Four Directors are Non-Executive Directors. These Non-Executive Directors are not Independent Directors in accordance with the Best Practice Recommendations.

The Board is of the opinion that each Director on the Board holds sufficient experience to make quality and independent judgments and decisions in their role as Director in the best interests of the Company on all relevant issues.

Further Independent Directors may be appointed depending upon the future acquisitions and growth of the Company.

Council Recommendation 2.2: The chair should be an Independent Director.

The Chairperson, Mr D. Brynelsen, is not considered independent under ASX guidelines. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of an Independent Non-Executive Chairman.

Council Recommendation 2.4: The Board should establish a nomination committee.

The Board considers that the Company is not currently of a size to justify the formation of a separate Nomination Committee, therefore the Board as a whole, serves as a Nomination Committee. The Company's Policy and Procedure for Nomination and Appointment of Directors is available at www.coppermoly.com.au or by contacting the registered office.

Where necessary, the Nomination Committee seeks advice of external advisors in connection with the suitability of applicants for Board membership.

Integrity of Financial Reporting

Council Principle 4: Safeguard integrity in financial reporting.

Council Recommendation 4.2: Structure the audit committee so that it consists of:

- only Non-Executive Directors;
- a majority of Independent Directors;
- an independent chairperson, who is not chairperson of the Board;
- at least three members.

The Audit Committee consists of two Executive Directors and one Non-Executive Director, but does not have a majority of Independent Directors. The Board considers the mix of two Executive Directors and the Non-Executive Director appropriate for the Company given the current size of the Company and the Board and role of the Committee.

Remuneration

Council Principle 8: Remunerate fairly and responsible

Council Recommendation 8.3: Clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and Senior Executives.

The Non-Executive Directors should not receive options or bonus payments.

Non-Executive Directors have been issued options on the same terms and conditions as Executive Directors. The Non-Executive Directors were also issued options on 1 December 2009 and 22 November 2010, in accordance with the Directors & Officers Option Plan as approved by shareholders at the 2009 and 2010 Annual General Meetings.

The Directors' & Officers' Option Plan is designed to require the achievement of substantial share price "hurdles" for the options to be of value. Directors' & Officers' options are, therefore, incentive based and will only attain a value in the context of generation of significant benefits to all shareholders.

The Board is of the view that all Directors have the potential to influence strategic direction and achievements of the Company for the benefit of shareholders and believe that the granting of options to Non-Executives is an appropriate method to potentially supplement Non-Executive Directors' cash remuneration, which is kept relatively low (currently \$20,000 p.a.) and to provide incentive without further use of cash while the Company is reliant upon shareholder funds to operate.

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This financial report covers the consolidated entity consisting of Coppermoly Ltd and subsidiaries. The financial report is presented in the Australian currency.

Coppermoly Ltd is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange and Port Moresby Stock Exchange. Its registered office and principal place of business is:

Coppermoly Ltd
Level 1
94 Bundall Road
Bundall Qld 4217

A description of the nature of the consolidated entity's operations and its principal activities is included in the Managing Director's review of operations and activities on pages 2 to 7 and in the Directors' Report on pages 8 to 20, both of which are not part of the financial report.

The financial report was authorised for issue by the Directors on 24 September 2012. The Directors have the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available on our website: www.coppermoly.com.au.

For queries in relation to our reporting please call +61 7 5592 1001 or e-mail mgannon@coppermoly.com.au.

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$	Restated* 2011 \$
Revenue	5	85,676	236,594
		<u>85,676</u>	<u>236,594</u>
Depreciation		(73,930)	(86,290)
Employee benefits expense		(345,593)	(825,409)
Exploration expenditure written-off	6, 12	(657,110)	-
Insurances		(46,662)	(40,255)
Corporate compliance and shareholder relations		(118,622)	(105,342)
Office rental, communication and consumables		(56,273)	(70,815)
Other expenses		<u>(264,087)</u>	<u>(400,135)</u>
Profit / (Loss) before income tax		(1,476,601)	(1,291,652)
Income tax (expense)/benefit	7	-	-
Net Profit / (Loss) for the year		<u>(1,476,601)</u>	<u>(1,291,652)</u>
Other comprehensive income			
Exchange differences on translation of foreign operations		1,175,969	(130,583)
Income tax on items of other comprehensive income		-	-
Other comprehensive income for the year		<u>1,175,969</u>	<u>(130,583)</u>
Total comprehensive income for the year		<u>(300,632)</u>	<u>(1,422,235)</u>
		Cents	Cents
Basic and diluted earnings / (loss) per share	25	(0.99)	(0.93)

* Refer to Note 1(r) and Note 30.

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

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Notes	2012 \$	Restated * 2011 \$	Restated * 2010 \$
ASSETS				
Current Assets				
Cash and cash equivalents	8	759,259	1,610,846	2,167,437
Trade and other receivables	9	58,164	85,788	63,210
Total Current Assets		817,423	1,696,634	2,230,647
Non-Current Assets				
Receivables	10	13,265	13,470	13,803
Property, plant and equipment	11	216,410	271,894	349,692
Mineral exploration and evaluation assets	12	8,308,716	6,666,817	6,624,772
Total Non-Current Assets		8,538,391	6,952,181	6,988,267
Total Assets		9,355,814	8,648,815	9,218,914
LIABILITIES				
Current Liabilities				
Trade and other payables	13	141,908	70,378	75,780
Provisions	14	23,357	24,773	18,140
Total Current Liabilities		165,265	95,151	93,920
Non-Current Liabilities				
Provisions	15	10,646	6,350	2,519
Total Non-Current Liabilities		10,646	6,350	2,519
Total Liabilities		175,911	101,501	96,439
Net Assets		9,179,903	8,547,314	9,122,475
EQUITY				
Contributed equity	16	11,812,576	10,866,559	10,624,369
Reserves	17	3,184,284	2,021,111	1,546,810
Accumulated losses	17	(5,816,957)	(4,340,356)	(3,048,704)
Total Equity		9,179,903	8,547,314	9,122,475

* Refer to Note 1(r) and Note 30

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

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Contributed Equity	Accumulated Losses	Share- Based Payments Reserve	Share Option Reserve	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$	\$
Balance at 30 June 2011	10,866,559	(4,340,356)	1,370,856	1,409,605	(759,350)	8,547,314
Comprehensive income for the year						
Loss for the year	-	(1,476,601)	-	-	-	(1,476,601)
Foreign currency translation difference	-	-	-	-	1,175,969	1,175,969
Total Comprehensive Income	-	(1,476,601)	-	-	1,175,969	(300,632)
Transactions with owners in their capacity as owners						
Contributions of equity	1,039,667	-	-	-	-	1,039,667
Costs of share issue	(93,650)	-	-	-	-	(93,650)
Share-based payments	-	-	-	-	-	-
Share option exercised	-	-	-	(12,796)	-	(12,796)
Share option expired	-	-	(21,445)	21,445	-	-
Total transactions with owners in their capacity as owners	946,017	-	(21,445)	8,649	-	933,221
Balance at 30 June 2012	11,812,576	(5,816,957)	1,349,411	1,418,254	416,619	9,179,903
Balance at 30 June 2010	10,624,369	(8,577,343)	1,187,713	987,864	(252,691)	3,969,912
Effect of change in accounting policy (refer to note 30)	-	5,528,639	-	-	(376,076)	5,152,563
Restated balance at 30 June 2010	10,624,369	(3,048,704)	1,187,713	987,864	(628,767)	9,122,475
Loss for the year as reported	-	(1,451,824)	-	-	-	(1,451,824)
Effect of change in accounting policy (refer to Note 30)	-	160,172	-	-	-	160,172
Restated loss for the year	-	(1,291,652)	-	-	-	(1,291,652)
Other comprehensive income						
Foreign currency translation difference as reported	-	-	-	-	(40,322)	(40,322)
Effect of change in accounting policy (refer to Note 30)	-	-	-	-	(90,261)	(90,261)
Restated Foreign currency translation difference	-	-	-	-	(130,583)	(130,583)
Total Comprehensive Income as reported	-	(1,451,824)	-	-	(40,322)	(1,492,146)
Effect of change in accounting policy (refer to Note 30)	-	160,172	-	-	(90,261)	69,911
Restated Total Comprehensive Income	-	(1,291,652)	-	-	(130,583)	(1,422,235)
Transactions with owners in their capacity as owners						
Contributions of equity	251,721	-	-	-	-	251,721
Costs of share issue	(9,531)	-	-	-	-	(9,531)
Share-based payments	-	-	606,450	-	-	606,450
Share option exercised	-	-	-	(1,566)	-	(1,566)
Share option expired	-	-	(423,307)	423,307	-	-
Total transactions with owners in their capacity as owners	242,190	-	183,143	421,741	-	847,074
Balance at 30 June 2011	10,866,559	(4,340,356)	1,370,856	1,409,605	(759,350)	8,547,314

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

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$	Restated * 2011 \$
Cash Flows from Operating Activities			
Cash receipts in the course of operations (incl. GST)		137,278	199,381
Interest received		62,994	92,304
Payments to suppliers and employees (incl. GST)		(888,542)	(902,620)
Payments for exploration and evaluation activities		(599,732)	-
Net cash inflow (outflow) from operating activities	27	(1,288,002)	(610,935)
Cash Flows From Investing Activities			
Payments for exploration and evaluation activities		(517,389)	(168,749)
Security deposits recovered		1,895	119
Payments for property, plant and equipment		(42,431)	(18,537)
Proceeds from sale of property, plant and equipment		44,602	251
Net cash inflow (outflow) from investing activities		(513,323)	(186,916)
Cash Flows From Financing Activities			
Proceeds from issues of shares and options		1,026,871	250,155
Cost of share and option issues		(93,650)	(9,531)
Net cash inflow (outflow) from financing activities		933,221	240,624
Net increase/(decrease) in cash and cash equivalents		(868,104)	(557,227)
Cash and cash equivalents at the beginning of the financial year		1,610,846	2,167,437
Exchange difference on cash		16,517	636
Cash and cash equivalents at the end of the financial year	8	759,259	1,610,846

* Refer to Note 1(r) and Note 30

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

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied throughout the period, unless otherwise stated.

The ultimate parent entity Coppermoly Ltd, is a public, listed company, incorporated and domiciled in Australia and having its registered address and principal place of business at Level 1, 94 Bundall Rd, Bundall, Queensland.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Corporations Act 2001*. The consolidated entity is a for-profit entity for the purposes of preparing these financial statements.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Coppermoly Ltd comply with International Financial Reporting Standards (IFRS).

This financial report comprises the consolidated financial statements and notes of Coppermoly Ltd and controlled entities.

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern

The financial statements have been prepared on the going concern basis. As at 30 June 2012 the Group had net assets of \$9,179,903 (2011: \$8,547,314) and continues to incur expenditure on its exploration tenements drawing on its cash balances. As at 30 June 2012 the Group had \$759,259 (2011: \$1,610,846) in cash and cash equivalents. The Directors are confident that adequate cash resources can be accessed via equity raisings in the future. Should adequate cash resources not be raised from capital raisings in the future, this may create a material uncertainty about the consolidated entity's ability to continue as a going concern and realise its assets and discharge its liabilities in the ordinary course of business. No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the exploitation of areas of interest not be successful or the Group not be able to continue as a going concern. The Directors are of the view that the Group will continue as a going concern.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Historical cost convention

The financial report has been prepared on an accruals basis under the historical cost convention.

Change in Accounting Policy

Refer to Notes 1(r) and 30 for details of the change in accounting policy for Exploration and Evaluation assets.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Coppermoly Ltd ("company" or "parent entity") as at 30 June 2012 and the results of all subsidiaries for the period then ended. Coppermoly Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board which makes strategic decisions.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Coppermoly Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Group companies

The results and financial position of Copper Quest PNG Ltd which has a functional currency of PNG Kina are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are reclassified to profit or loss as part of the gain or loss on sale, where applicable.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(f) Income tax

Current income tax expense is based on the profit before income tax adjusted for any non tax deductible, or non assessable items between accounting profit and taxable income. Deferred tax assets and liabilities are recognised using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements and unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, with certain limited exceptions, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 30%.

Deferred tax assets are only brought to account if it is probable that future taxable amounts will be available to utilise those temporary differences and unused tax losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(g) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written-off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit or loss as part of other expenses.

(j) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition and re-evaluates this designation at each reporting date.

Financial assets are initially stated at fair value plus any directly attributable transaction costs (except for assets at fair value through the profit or loss for which transaction costs are expensed). Purchases and sales are recognised on trade date which is the date on which the Group commits to purchase or sell the asset. Accounting policies for each relevant category of financial assets subsequent to initial recognition are set out below.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Loans and receivables are measured at amortised cost using effective interest method less any impairment losses.

(ii) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

(k) Fair value

The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values. Where applicable, the fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The carrying values of financial assets and liabilities are assumed to approximate their fair values due to their short-term nature.

(l) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Items of property, plant and equipment are depreciated over their estimated useful lives. The diminishing balance method is used. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Estimates of useful lives are made at the time of acquisition and varied as required. Expected useful lives are: Plant and Equipment between 4 years and 7 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(o) Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for employee benefits relating to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

(iii) Share-based payments

Share-based compensation benefits are provided to directors and employees. Information relating to share-based payments is set out in note 22.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At the end of each reporting period, the entity revises its estimate of the number of options that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

(p) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period.

(ii) Diluted earnings per share

Potential ordinary shares as a result of options outstanding at the end of the period are not dilutive and therefore have not been included in the calculation of diluted earnings per share.

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Mineral exploration and evaluation assets

The financial statements have been prepared on the basis of a retrospective application of a voluntary change in accounting policy relating to exploration and evaluation expenditure.

Revised Policy (refer also to Note 30)

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

Former Policy

The Group had adopted a policy of writing off exploration and evaluation expenditure other than cost incurred in business combination and third party acquisitions of the tenements, at the end of the period in which it was incurred, unless a mineral resource has been estimated for the area of interest.

Costs arising from exploration and evaluation activities were written-off where these activities had not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

Refer to Note 30 for further information.

(s) Accounting standards issued not yet effective

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for the financial year ended 30 June 2012. They have not been adopted in preparing the financial statements for the year ended 30 June 2012 and are expected to impact the entity in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated in the table below.

Reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 9	Financial Instruments	AASB 9 <i>Financial Instruments</i> addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It simplifies the approach for classification and measurement of financial assets compared with the requirements of AASB 139. Financial assets are to be classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139.	Periods beginning on or after 1 January 2015	It is anticipated that none of the entity's financial assets or liabilities will be affected.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Accounting standards issued not yet effective (continued)

Reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 10	Consolidated Financial Statements	Fundamental aspects of AASB 10 include: - Introduces the concept of 'de facto' control for entities with less than a 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated. - A single 'control model' for all entities, including special purpose entities (SPEs); - The requirement that three elements of control must be present in order to conclude that an investor controls an investee; - Power over investee (regardless of whether that power is used in practice); - Exposure, or rights, to variable returns from the investee; - Ability to use power over investee to affect the investor's returns from the investee; - Guidance about when an entity is acting as agent or principal, with principals being required to consolidate, and agents, not.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will likely be no impact on transactions and balances recognised in the financial statements because the entity does not have any special purpose entities.

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Accounting standards issued not yet effective (continued)

Reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 11	Joint Arrangements	Joint arrangements structured as separate vehicles will generally be accounted for using the equity method, but judgement must be applied to determine whether the terms of the contract, or other facts and circumstances, change the rights of parties to the joint arrangement from having rights to the net assets, to having rights to assets and obligations for liabilities of the arrangement. In such cases, the arrangement is treated as a joint operation, rather than as a joint venture, and the joint operator will recognise their share of assets and liabilities, revenues and expenses in accordance with applicable Accounting Standards, rather than applying the equity method.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will likely be no impact on transactions and balances recognised in the financial statements because the entity has not entered into any joint arrangements.
AASB 12	Disclosure of Interests in Other Entities	Contains all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests	Annual reporting periods commencing on or after 1 January 2013	Adoption of AASB 12 will not result in any changes to the reported financial position and performance of the group, and at present, no additional disclosures about investments held or significant judgements and assumptions made during the control assessments for the group composition.
AASB 13	Fair Value Measurement	Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements.	Annual reporting periods commencing on or after 1 January 2013	No items are carried at fair value however there may be an impact on future disclosures.

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Accounting standards issued not yet effective (continued)

Reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.	Annual reporting periods commencing on or after 1 January 2013	The adoption of this standard will not change the reported financial position and performance of the entity, however the classification of annual leave into current and non-current liabilities in the statement of financial position may change. The impact of this change has not yet been quantified.
AASB 2011-9 (issued September 2011)	Presentation of Items of Other Comprehensive Income	Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP. Various name changes as follows: 1 statement of comprehensive income – to be referred to as ‘statement of profit or loss and other comprehensive income’ 2 statements – to be referred to as ‘statement of profit or loss’ and ‘statement of comprehensive income’. OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.	Annual reporting periods commencing on or after 1 July 2012	When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives). However, the statement of comprehensive income will include name changes and include subtotals for items of OCI that can subsequently be reclassified to profit or loss in future (e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses).

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Accounting standards issued not yet effective (continued)

Reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 2012-2 & 2012-3 (issued June 2012)	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 7 & AASB 132]	This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard. This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	Annual reporting periods commencing on or after 1 January 2013	Adoption this standard for the first time for the year ended 30 June 2014, will have no impact on the financial statements because there are no offsetting arrangements currently in place.

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(u) New and amended standards and interpretations

The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning 1 July 2011:

- AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project;
- Revised AASB 124 Related Party Disclosures;
- AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement;
- AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets; and
- AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project.

The adoption of these standards and interpretations did not have any material impact on the current or any prior period and is not likely to materially affect future periods.

NOTE 2 FINANCIAL RISK MANAGEMENT

Risk management has focused on limiting debt to a level which could be extinguished by sale of assets or issue of securities if necessary.

The Group's activities expose it to a variety of financial risks; market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the entity'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.

The entity does not have any material exposure to market risk.

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposure in the PNG Kina.

The Group currently has no material foreign exchange risk, however such risk may arise in future when mine production begins and product may be sold internationally. The policy of the Group for managing foreign exchange risk is to continuously monitor exchange risk. It is the Group's policy not to use hedging. As at reporting date the Group has not started production activity and accordingly has minimal exposure to this risk.

(ii) Interest rate risk

Refer to (d) below.

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 2 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

Credit risk is the risk of financial loss to the entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations to the entity.

The objective of the entity is to minimise risk of loss from credit risk exposure.

Credit risk arises principally from cash and cash equivalents.

The entity's maximum exposure to credit risk, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset at reporting date is the carrying amount of those assets as indicated in the statement of financial position.

The Group has no significant concentrations of credit risk other than cash at bank and short-term deposits. No amounts owing to the Group are past due and none are impaired. The Group has all cash deposits with reputable banks such as Westpac and Bankwest.

(c) Liquidity risk

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due.

The objective of managing liquidity risk 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.

The entity has established a number of policies and processes for managing liquidity risk. These include:

- Continuously monitoring:
 - actual and daily cashflows and longer-term forecasted cashflows
 - the maturity profiles of financial assets and liabilities in order to match inflows and outflows
- Maintaining adequate reserves
- Monitoring liquidity ratios (working capital)

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Due to the lack of material revenue, the Group aims to maintain adequate reserves of liquidity. The Group's objective is to obtain maximum investment returns whilst maintaining maximum security.

The Group's practice is to maintain funds, other than those required for working capital, on term deposits with major financial institutions.

Other cash is held in an interest bearing bank account and funds are transferred to operating cheque accounts on the basis of forecast operating requirements.

Liquidity risk is measured using liquidity ratios such as working capital.

Summary quantitative data

	2012 \$	2011 \$
Current assets	817,423	1,696,634
Current liabilities	165,265	95,151
Surplus / (deficit)	652,158	1,601,483

Maturity analysis

Financial liabilities have differing maturity profiles depending on the contractual term. The table shows the period in which recognised financial liabilities balance will be paid based on the remaining period to repayment date assuming contractual repayments are maintained. Contractual cashflows are at undiscounted values (including future interest expected to be paid). Accordingly these values may not agree to carrying amount.

	Carrying amount \$	Contractual cashflow \$	Within 1 year \$	1-2 years \$
2012				
Trade and other payables	141,908	141,908	141,908	-
2011				
Trade and other payables	70,378	70,378	70,378	-

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 2 FINANCIAL RISK MANAGEMENT (continued)

(d) Interest rate risk

At the end of the reporting period the Group had the following financial assets and liabilities exposed to interest rate risk:

	2012	2011
	\$	\$
Financial Assets		
Cash and cash equivalents	759,259	1,610,846
Trade and other receivables	-	-
	<u>759,259</u>	<u>1,610,846</u>
Financial Liabilities		
Trade and other payables	-	-
	<u>-</u>	<u>-</u>
Net exposure	<u>759,259</u>	<u>1,610,846</u>

Sensitivity Analysis
June 2012

		Interest Rate Risk - 1%		Interest Rate Risk + 1%	
	Carrying amount	Profit	Equity	Profit	Equity
	\$	\$	\$	\$	\$
Financial Assets					
Cash and cash equivalents	759,259	(7,593)	(7,593)	7,593	7,593
Total increase / decrease	-	(7,593)	(7,593)	7,593	7,593

Cash and cash equivalents include deposits at call at floating and short-term interest rates.

Sensitivity Analysis
June 2011

		Interest Rate Risk - 1%		Interest Rate Risk + 1%	
	Carrying amount	Profit	Equity	Profit	Equity
	\$	\$	\$	\$	\$
Financial Assets					
Cash and cash equivalents	1,610,846	(16,108)	(16,108)	16,108	16,108
Total increase / decrease	-	(16,108)	(16,108)	16,108	16,108

Cash and cash equivalents include deposits at call at floating and short-term interest rates.

Interest rate risk arises principally for cash and cash equivalents.

From time to time the Group has significant interest bearing assets, but they are as a result of the timing of equity raising and capital expenditure rather than a reliance on interest income. The Group's income and operating cash flows are not expected to be materially exposed to changes in market interest rates in the future. The policy of the Group is to continuously monitor interest rate risk exposures during the period balances are held and to alter the balance of fixed and floating rate deposits as considered appropriate.

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 2 FINANCIAL RISK MANAGEMENT (continued)

(e) Foreign exchange risk

At the end of the reporting period the Group had the following exposure to foreign currencies:

	2012	2011
	Kina	Kina
Financial Assets		
Cash and cash equivalents	57,287	343,234
Trade and other receivables	42,098	97,173
	99,385	440,407
Financial Liabilities		
Trade and other payables	38,124	43,632
	38,124	43,632
Net exposure	61,261	396,775

(f) Commodity price risk

As the Group is not currently engaged in mining and sale of commodities there is no exposure to this risk.

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future when preparing the financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. Information about key estimates, assumptions and judgements are described in the following notes:

Note 1(a) - going concern assessment

Note 12 - the assessment of the existence of facts and circumstances that may indicate an impairment of exploration and evaluation assets

Note 22 - the measurement of share based payments

Estimates and assumptions are reviewed on an ongoing basis.

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 4 PARENT ENTITY INFORMATION

	2012	2011
	\$	\$
ASSETS		
Current Assets	780,907	1,528,160
Non-Current Assets	8,766,536	1,877,001
Total Assets	9,547,443	3,405,161
LIABILITIES		
Current Liabilities	146,317	74,437
Non-Current Liabilities	10,594	5,883
Total Liabilities	156,911	80,320
Net Assets	9,390,532	3,324,841
EQUITY		
Contributed equity	11,812,576	10,866,559
Reserves		
- Listed options	-	781,260
- Share-based payments reserve	1,349,410	1,370,855
- Share option reserve	1,418,255	628,346
Accumulated losses	(5,189,709)	(10,322,179)
Total Equity	9,390,532	3,324,841
Net Profit (Loss) for the year	5,132,471	(1,492,146)
Total comprehensive income for the year	5,132,471	(1,492,146)

The Company has committed to provide continued financial support to its subsidiary, Copper Quest PNG Ltd, and will not call loans owed by its subsidiary within the next 12 months. The Company has no other guarantees, commitments and contingencies as at 30 June 2012 and 2011.

NOTE 5 REVENUE

Interest income – unrelated parties	61,261	91,325
Other – rental income	24,415	145,269
	85,676	236,594

NOTE 6 EXPENSES

Loss before income tax includes the following specific expenses:

Depreciation	73,930	86,290
Exploration expenditure written-off	657,110	-
Refer to note 19 for details of related party transactions.		
Net loss on disposal of property, plant and equipment	15,586	157
Rental expenses on operating leases – minimum lease payments	31,150	31,150
Defined contribution superannuation expense	36,945	28,560

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 7	INCOME TAX	2012	Restated 2011
		\$	\$
(a)	The prima facie tax on loss before income tax is reconciled to the income tax as follows:		
	Loss before income tax expense	(1,476,601)	(1,291,652)
	Tax at the Australian (and PNG) tax rate of 30%	(442,980)	(387,496)
	Add tax effect of:		
	Deferred tax assets not recognised	542,035	(43,826)
	Share based payments	-	194,032
	Temporary differences related to deferred tax assets	-	2,239
	Less tax effect of:		
	Temporary differences on deferred tax assets recognised in equity	(99,055)	(99,055)
	Prior year over/under provision	-	(246,454)
	Income tax expense / (benefit)	-	-

(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in the Statement of Financial Position for the following items:

Unused tax losses for which no deferred tax asset has been recognised	11,512,310	8,333,909
Deductible temporary differences	167,547	478,851
Potential benefit at gross	11,679,857	8,812,760
Potential benefit at 30% (2011: 30%)	3,503,957	2,643,828

There is no expiry date on the future deductibility of unused tax losses. The Company has no franking credits.

NOTE 8

CURRENT ASSETS: CASH & CASH EQUIVALENTS

Cash at bank and on hand	189,821	264,409
Cash on short-term deposit	569,438	1,346,437
	759,259	1,610,846

The cash at bank earns floating interest at between 1.7% and 4.25% (2011: 2.5% - 3.6%).

The cash on deposit is earning between 4.2 % and 4.9% per annum (2011: 5.45% - 5.75%).

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 9	CURRENT ASSETS: TRADE AND OTHER RECEIVABLES	2012 \$	2011 \$
Related party receivables (Note 19)		15,664	25,297
Other receivables		5,089	11,077
Prepayments		37,411	49,414
		<u>58,164</u>	<u>85,788</u>

NOTE 10 **NON-CURRENT ASSETS: RECEIVABLES**

Deposits – tenements and premises	13,265	13,470
	<u>13,265</u>	<u>13,470</u>

NOTE 11 **NON-CURRENT ASSETS: PROPERTY, PLANT AND EQUIPMENT**

Plant and Equipment

Plant and equipment at cost	585,966	624,465
Less accumulated depreciation	<u>(369,556)</u>	<u>(352,571)</u>
	<u>216,410</u>	<u>271,894</u>

Reconciliation

Reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the financial year is set out below:

Carrying amount at the beginning of the financial year	271,894	349,692
Additions	42,498	18,993
Disposals	(63,219)	(391)
Depreciation expense	(73,930)	(86,290)
Foreign currency exchange differences	39,167	(10,110)
Carrying amount at the end of the financial year	<u>216,410</u>	<u>271,894</u>

NOTE 12 **MINERAL EXPLORATION AND EVALUATION ASSETS**

	2012 \$	Restated 2011 \$
Papua New Guinea		
Balance at the beginning of the financial year	6,666,817	6,624,772
Expenditure during the year	541,778	167,436
Foreign currency exchange differences	1,100,121	(125,391)
Balance at the end of the financial year	<u>8,308,716</u>	<u>6,666,817</u>

The ultimate recoupment of costs carried forward for exploration and evaluation is dependent upon the successful development and commercial exploitation or sale of the respective areas of interest.

The term of the Mt Nakru Exploration Licence (EL 1043) has been extended for two years to 7 December 2012. The term of the Simuku Exploration Licence (EL1077) expired on 28 November 2011 and is currently subject to an application for renewal (lodged 5 August 2011). A Warden's Hearing was held on 28 February 2012. The term of the Talelumas Exploration Licence (EL 1445) expired on 28 May 2012 and is currently subject to an application for renewal. A Warden's Hearing was held on 10 May 2012. The Group has fully complied with all licence requirements and has exceeded expenditure requirements. It therefore expects that the licences will be renewed in the near future.

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 12 MINERAL EXPLORATION AND EVALUATION ASSETS (continued)

In October 2009 the Group signed a Letter Agreement with Barrick (PNG Exploration) Limited to sole fund AUD\$20 million to earn up to 72% interest in Coppermoly Limited's projects (Mt Nakru, Simuku and Talelumas) on the island of New Britain in Papua New Guinea. Barrick earned 72% equity in January 2012 and Coppermoly elected that the payment of its share (28%) of ongoing costs incurred up to the production of a feasibility study will be delayed until that stage and will be repaid from 50% of its share of the revenue. Total expenditure by Barrick (PNG Exploration) Limited to 30 June 2012 is AUD\$21,681,880 (2011: \$13,833,813). Barrick has notified Coppermoly Limited that it has met the AUD\$20 million expenditure commitment under the Letter Agreement. Therefore under the terms of the Letter Agreement a joint venture for the further exploration and, if warranted, the development of the tenements can now be formed. Coppermoly Limited does not have to contribute funds until a feasibility study has been finalised. Coppermoly Limited will retain a 28% interest in the three tenements and its cash contribution up to the completion of a feasibility study will be delayed until the commencement of production and will be repaid from Coppermoly Limited's share of any future production revenue. In May 2012 Barrick notified Coppermoly of its intention to divest its 72% equity. The divestment process is currently ongoing. Coppermoly has a right of first refusal under the terms of the Letter Agreement.

The Barrick divestment is not of concern in terms of impairment because it is fundamentally a strategic decision by Barrick rather than one which is based upon the exploration and development potential of the tenements. Coppermoly also has a right of first refusal under the Letter Agreement.

Therefore the divestment process is likely to result in the reacquisition by Coppermoly of Barrick's 72% equity.

Furthermore, since the commencement of the divestment process Coppermoly has announced an Inferred Resource for part of the Nakru Exploration Licence and has also announced a Conceptual Mining Study which confirms potential for a mine development with very positive financial parameters.

During 2010 the Group applied for an additional two tenements:

- ELA 1782 Powell was applied for on 10 February 2010. A Warden's Hearing was satisfactorily held on 23 June 2010.
- ELA 1813 Fulleborn was applied for on 13 April 2010.

The applications are pending approval.

The Makmak Exploration Licence (EL 2014), which was applied for on 24 May 2011, has been granted. The term is for two years to 14 May 2014.

Australia	2012	2011
	\$	\$
Balance at the beginning of the financial year	-	-
Expenditure during the year	657,110	-
Expenditure written off	(657,110)	-
Balance at the end of the financial year	-	-

In October 2011 Coppermoly Limited signed a farm-in agreement (the Esk Trough Farm-In Agreement) with ActivEX Limited. The Esk Trough Project area, which is located in South East Queensland, includes EPM's 14476 Boobyjan, 14979 Dadamarine, 16327 Ban Ban, 18717 Stockhaven and part of 16265 Blairmore. Coppermoly can elect to earn 51% by sole funding AUD\$3 million over three years and can then elect to earn up to 70% by spending an additional AUD\$3 million within six years from the commencement date of the agreement. ActivEX may then elect to claw-back 10% (i.e. to 40%) by sole funding AUD\$6 million within three years from the date of its election. Coppermoly's minimum expenditure commitment is AUD\$0.5 million in the first year, which is included in the AUD \$3 million should Coppermoly elect to proceed. The minimum Expenditure Commitment was completed in July 2012.

Exploration expenditure for Esk Trough has been written-off because having met the minimum expenditure requirements of the agreement with ActivEX Limited, Coppermoly resolved not to proceed with the farm-in to the Esk Trough Project.

NOTE 13 CURRENT LIABILITIES: TRADE AND OTHER PAYABLES

Unsecured:

Trade creditors	77,956	29,910
Other creditors	63,952	40,468
	<u>141,908</u>	<u>70,378</u>

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 14 CURRENT LIABILITIES: PROVISIONS

Annual leave and field break

2012	2011
\$	\$
23,357	24,773
23,357	24,773

NOTE 15 NON-CURRENT LIABILITIES: PROVISIONS

Long Service Leave

10,646	6,350
10,646	6,350

NOTE 16 CONTRIBUTED EQUITY

(a) Paid Up Capital

Ordinary shares – fully paid – no par value

2012	2011	2012	2011
Shares	Shares	\$	\$
159,499,525	139,115,650	11,812,576	10,866,559

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and in a poll each share is entitled to one vote.

The Company does not have any authorised capital limit.

(b) Movements in ordinary share capital:

Date	Details	Number of Shares	Issue Price \$	\$
30 Jun 2010	Balance	137,197,051		10,624,369
19 Aug 2010	Exercise of listed options for shares (COYOA)			
	Proceeds received	22,000	0.07	1,540
	Transfer from listed options reserve	-	-	733
08 Sep 2010	Shares issued to BSP Capital for PGK0.3386 per share	1,871,599	0.1319	246,864
31 Jan 2011	Exercise of listed options for shares (COYOA)			
	Proceeds received	12,500	0.07	875
	Transfer from listed options reserve	-	-	417
02 Mar 2011	Exercise of listed options for shares (COYOA)			
	Proceeds received	12,500	0.07	875
	Transfer from listed options reserve	-	-	417
	Less costs of raising capital			(9,531)
30 Jun 2011	Balance	139,115,650		10,866,559
2 Nov 2011	Private Placement	10,460,000	0.05	523,000
14 Nov 2011	Exercise of listed options for shares (COYOA)			
	Proceeds received	100,000	0.07	7,000
	Transfer from listed options reserve	-	-	3,333
6 Dec 2011	Exercise of listed options for shares (COYOA)			
	Proceeds received	283,875	0.07	19,871
	Transfer from listed options reserve	-	-	9,463
26 Apr 2012	Private Placement	9,540,000	0.05	477,000
	Less costs of raising capital			(93,650)
30 June 2012	Balance	159,499,525		11,812,576

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 16 CONTRIBUTED EQUITY (continued)

(c) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern. The capital structure of the Group consists of equity attributable to equity holders of the Parent comprising issued capital, reserves and retained earnings as disclosed in the statement of financial position.

The Group reviews the capital structure on an on-going basis with consideration to the cost of capital and the risks associated with each class of capital. The Group is not exposed to externally imposed capital requirements.

(d) Options	No. of Options 2012	No. of Options 2011
The number of unissued ordinary shares relating to options not exercised at year end:		
Over shares in the Parent Entity:		
Listed Options exercisable at 7 cents, expiry 1 December 2011	-	23,626,257
Employee Options exercisable at 10 cents, expiry 5 October 2012	1,325,000	1,325,000
Directors' Options exercisable at 19 cents, expiry 1 December 2012	10,000,000	10,000,000
Directors' Options exercisable at 23 cents, expiry 1 December 2012	3,500,000	3,500,000
	<u>14,825,000</u>	<u>38,451,257</u>

(e) Option Issues

Date	Details	Number of Options	Exercise Price	Expiry Date
2012	No Options issued	-	-	-
2011				
22 Nov 2010	Directors' Options	6,500,000	\$0.19	01 Dec 2012

(f) Option Exercise

383,875 listed options at 7 cents were exercised during the financial year (2011: 47,000).

(g) Option Expiry

23,242,382 options expired during the financial year (2011: 27,204,777).

Date	Details	Number of Options
1 Dec 2011	Listed Options exercisable at 7 cents	23,242,382

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
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NOTE 17 RESERVES

Refer to Statement of Changes in Equity for amounts in Reserves

Nature and purpose of reserves

(i) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options granted as part of remuneration but not exercised. Refer note 22.

(ii) Share Option Reserve

The share option reserve represents accumulation of option premium paid on issuing listed options and the value of expired options.

During the financial year:

- 383,875 listed options (COYOA) at \$0.033 per option were exercised.
- 21,613,476 listed options (COYOA) at \$0.033 per option expired.
- 1,200,000 listed options (COYOA) at \$0.04 per option expired.
- 428,906 listed options (COYOA) at \$0.05 per option expired.

(iii) Foreign Currency Translation Reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve. The reserve is recognised in profit and loss when the net investment is disposed of.

NOTE 18 COMMITMENTS

Under the Letter Agreement between the Company and Barrick (PNG Exploration) Limited, Barrick is committed to a minimum expenditure of AUD\$3 million within the first two years (to October 2011) and must fund the minimum expenditure of AUD\$20 million within 8 years (to October 2017). Barrick has notified Coppermoly, in January 2012, that the AUD\$20 million expenditure has been met.

Under the Farm-In Agreement with ActivEX Limited Coppermoly Limited is committed to a minimum expenditure of AUD\$0.5 million within the first year (to October 2012). Coppermoly completed the minimum expenditure in July 2012.

In August 2012, Coppermoly Limited elected not to proceed with the farm-in to the Esk Trough Project.

	2012	2011
	\$	\$
(a) Exploration Expenditure Commitments		
In order to maintain rights of tenure to exploration tenements the Group is required to perform exploration work to meet the minimum expenditure requirements as specified by various governments.		
Commitments are not provided for in the accounts and are payable:		
Not later than 1 year	221,328	69,077
Later than 1 year but not later than 5 years	83,005	-
	<u>304,333</u>	<u>69,077</u>
(b) Other Operating Lease Commitments		
Future property rental agreements are not provided for in the financial statements and are payable:		
Not later than 1 year	-	41,487
Later than 1 year but not later than 5 years	-	24,632
	<u>-</u>	<u>66,119</u>

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
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NOTE 19 RELATED PARTY TRANSACTIONS

- (i) Coppermoly Ltd shared its Head Office facilities and services with New Guinea Gold Ltd until January 2012. The two companies shared accounting, administration and geological services. Some personnel costs were intercharged between the two companies on a cost-recovery basis and generally on an as needed project specific basis. During the financial year the Group has provided logistic and consulting services amounting to \$31 (2011: \$89,677) to New Guinea Gold Limited and New Guinea Gold Limited has provided administrative, logistic and geological services amounting to \$29,763 (2011: \$106,239) to the Group.

As at 30 June 2012 there is nothing payable to New Guinea Gold Limited (30 June 2011 \$3,766). New Guinea Gold Ltd's parent company, New Guinea Gold Corporation, held 13.15% of the ordinary shares of Coppermoly Ltd as at 30 June 2012 (6.759% as at 14 September 2012) and has one Director in common with Coppermoly Ltd (Ces lewago).

- (ii) Copper Quest PNG Ltd has paid a retainer to Celestial Equity Investments Ltd for Ces lewago to attend to its activities in Papua New Guinea. Ces lewago is the Sole Director of Celestial Equity Investments Ltd. The Group paid Celestial Equity Investments Ltd a total of \$4,056 in the current financial year (\$3,792 in financial year 2011).

The consolidated entity consists of Coppermoly Ltd and its wholly-owned subsidiary, Copper Quest PNG Ltd. Copper Quest PNG Ltd is incorporated in and operates in Papua New Guinea. The ultimate parent entity in the wholly-owned group and the consolidated entity is Coppermoly Ltd. Coppermoly Ltd funds the exploration activities of its wholly-owned subsidiary, Copper Quest PNG Ltd.

During the financial year the Group has provided administrative, logistic and geological services amounting to approximately \$29,526 (2011: \$296,118) to Vangold (PNG) Ltd in relation to Mt. Penck, Mt. Allemata and Fergusson. As a result, as at 30 June 2012, an amount of \$10,500 (30 June 2011 \$14,929) was receivable from Vangold (PNG) Ltd. Dal Brynelsen and Ces lewago are directors of Vangold (PNG) Limited.

During the financial year the Group has provided administrative, logistic and geological services amounting to approximately \$29,063 (2011: \$87,478) to Normanby Mining PNG Ltd in relation to Normanby and Sehulea. As at 30 June 2012 an amount of \$5,164 (30 June 2011: \$14,133) was receivable from Normanby Mining PNG Ltd. Ces lewago was a director of Normanby Mining PNG Ltd until May 2012.

These receivables are not secured and are expected to be settled in cash.

Coppermoly Limited, Copper Quest PNG Ltd, Vangold Resources Ltd, Vangold (PNG) Ltd and Normanby Mining PNG Ltd share / have shared some common directors.

The above transactions were made on normal commercial terms and conditions and at market rates.

NOTE 20 SUBSEQUENT EVENTS

- A Maiden Inferred Resource of 38.4 million tonnes grading 0.82% copper equivalent on the company's Nakru Exploration License was announced.
- Mr Shawn Uldridge was appointed as a Director on 30 July 2012.
- The Makmak Exploration License (EL 2014) in West New Britain (PNG) was granted for 2 years in July 2012 (effective 15 May 2012).
- In August 2012, Coppermoly Limited elected not to proceed with the farm-in to the Esk Trough Project.

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 21 KEY MANAGEMENT PERSONNEL DISCLOSURES

Key management personnel compensation:

	2012 \$	2011 \$
Short-term employee benefits	361,608	258,417
Post-employment benefits	15,415	8,157
Share-based payments	-	606,450
	377,023	873,024

(a) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options over ordinary shares in the Company provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on pages 12 to 17 and in note 22 on pages 56 to 60.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by key management personnel of the consolidated entity, including their personally-related entities, are set out below.

2012 Name	Balance at the start of the year Number	Granted during the year as compensation Number	Exercised during the year Number	Expired during the year ¹ Number	Other changes during the year Number	Balance at the end of the year Number	Vested and exercisable at the end of the year Number
Directors of Coppermoly Ltd							
P. Swiridiuk	3,060,000	-	-	(60,000)	-	3,000,000	3,000,000
M. Gannon	2,100,000	-	(100,000)	-	-	2,000,000	2,000,000
R.D. McNeil* [#]	5,325,000	-	-	(325,000)	-	5,000,000	5,000,000
D. Brynelsen	2,275,000	-	-	(275,000)	-	2,000,000	2,000,000
C. Iewago	1,500,000	-	-	-	-	1,500,000	1,500,000
B. Faulkner	-	-	-	-	-	-	-

¹Expired options are Listed (COYOA) 7 cent options that expired on 1 December 2011

* includes 2,500,000 share options held by related parties

[#]Ceased as director/key management personnel

2011 Name	Balance at the start of the year Number	Granted during the year as compensation Number	Exercised during the year Number	Expired during the year ² Number	Other changes during the year ³ Number	Balance at the end of the year Number	Vested and exercisable at the end of the year Number
Directors of Coppermoly Ltd							
P. Swiridiuk	2,610,000	1,500,000	-	(1,050,000)	-	3,060,000	3,060,000
M. Gannon	1,325,000	1,000,000	-	(225,000)	-	2,100,000	2,100,000
R.D. McNeil*	2,541,500	1,500,000	-	1,219,000	2,502,500	5,325,000	5,325,000
D. Brynelsen**	2,348,750	1,000,000	-	(1,073,750)	-	2,275,000	2,275,000
C. Iewago	1,130,000	500,000	-	(65,000)	(65,000)	1,500,000	1,500,000
P.A. McNeil [#]	2,469,250	1,000,000	-	(966,750)	-	2,502,000	2,502,000

²Expired options include Directors' 30 cents options that expired on 22 October 2010 and Listed (COYO) 30 cent options that expired on 30 April 2011. M. Gannon also held 25 cent employee options that expired on 13 March 2011.

³Other changes during the year were the addition of P.A. McNeil as a related party to R.D. McNeil after he ceased to be a Director and the sale of 65,000 COYOA listed options by C. Iewago.

* includes 2,622,500 share options held by related parties

** includes 50,000 share options held by related parties

[#]Ceased as director/key management personnel

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 21 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(a) Equity Instrument disclosures relating to key management personnel (continued)

(iii) Share holdings

The numbers of shares in the Company held during the financial year by key management personnel of the consolidated entity, including their personally-related entities, are set out below.

2012 Name	Balance at the start of the year Number	Received during the year on the exercise of options Number	Other changes during the year ⁴ Number	Balance at the end of the year Number
Directors of Coppermoly Ltd				
P. Swiridiuk	320,000	-	-	320,000
M. Gannon	550,000	100,000	51,250	701,250
R.D. McNeil [#]	1,396,000	-	(961,000)	435,000
D. Brynelsen ^{**}	1,750,000	-	-	1,750,000
C. Iewago	-	-	-	-
B. Faulkner	-	-	1,360,000	1,360,000

⁴Other changes during the year were:

- M. Gannon – purchase of shares
- R.D. McNeil – sale of shares held by related parties
- B. Faulkner – purchase of shares

* includes 115,000 shares held by related parties

** includes 300,000 shares held by related parties

[#]Ceased as director/key management personnel

2011 Name	Balance at the start of the year Number	Received during the year on the exercise of options Number	Other changes during the year ⁵ Number	Balance at the end of the year Number
Directors of Coppermoly Ltd				
P. Swiridiuk	320,000	-	-	320,000
M. Gannon	500,000	-	50,000	550,000
R.D. McNeil [*]	1,401,000	-	(5,000)	1,396,000
D. Brynelsen ^{**}	1,750,000	-	-	1,750,000
C. Iewago	390,000	-	(390,000)	-
P.A. McNeil [#]	1,802,000	-	(1,687,000)	115,000

⁵Other changes during the year were:

- M. Gannon – purchase of shares
- R.D. McNeil: The addition of P.A. McNeil as a related party after he ceased to be a Director and the sale of 120,000 shares by a related party
- C. Iewago – sale of shares
- P.A. McNeil – purchase and sale of shares by related party

* includes 215,000 shares held by related parties

** includes 300,000 shares held by related parties

[#]Ceased as director/key management personnel

No other key management personnel held shares.

No shares were granted as compensation in 2012 and 2011.

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES
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NOTE 21 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(b) Loans to Directors and executives

No loans were made to Directors of Coppermoly Ltd or the executives of the consolidated entity, including their personally-related entities.

(c) Other transactions with Directors and executives

Refer to Note 19.

NOTE 22 SHARE-BASED PAYMENTS

(a) Coppermoly Ltd Employee Incentive Option Plan

The Directors of the Company ("Directors") may issue options to subscribe for shares in the Company to current part time or full time employees of the Company or of an Associated Body Corporate. However, no options are to be issued to Directors of the Company pursuant to the Plan.

Each option entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company.

The options are exercisable from one year after the date of issue until the expiry date. The options shall expire at 5.00 p.m. eastern standard time, on the first business day three (3) years after the date of issue of the options or such earlier date as the Directors determine at the time of issue ("expiry date"). Options may only be exercised in multiples of 5,000, unless exercising all the holder's remaining options. Any options not exercised by the expiry date shall lapse.

The exercise price of each option will be 110% of the average of the market closing price for Company ordinary shares over the 5 business days prior to the day on which options are issued (rounded up to the nearest full cent) or a greater price determined by the Directors. The amount calculated by that average is to be advised to employees at the time of issue of the options.

Exercise of the options is effected by delivery of a Notice of Exercise to the registered office of the Company together with payment of the exercise price of the options. Shares will be issued pursuant to the exercise of the options not more than 14 days after receipt by the Company from the option holder of the Notice and the exercise price in respect of the options.

Options may not be exercised if the effect of such exercise and subsequent allotment of shares would be to create a holding of less than a marketable parcel of ordinary shares unless the allottee is already a shareholder of the Company at the time of exercise.

Options are not transferable. Application will not be made to Australian Securities Exchange Limited ("ASX") for their Official Quotation.

All shares issued upon exercise of the options and payment of the exercise price will rank pari passu in all respects with the Company's then existing ordinary fully paid shares. The Company will apply for Official Quotation by ASX Limited of all shares issued upon exercise of the options.

There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the books closing date will be at least 7 business days after the issue is announced.

This will give optionholders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.

In the event of any reconstruction, including a consolidation, sub-division, reduction or return of the issued capital of the Company prior to the expiry date, the number of options to which each holder is entitled or the exercise price of the options or both will be reconstructed as appropriate in a manner which is in accordance with the Listing Rules then applying and which will not result in any benefits being conferred on optionholders which are not conferred on shareholders, subject to such provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of shareholders approving the reconstruction of capital, but in all other respects the terms of exercise of the options will remain unchanged.

If an optionholder under this Plan ceases to be substantially involved with the Company, the Directors, at their discretion may cancel all or part of the holder's options obtained under this plan after giving the holder 60 days notice of their intention to do so.

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
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NOTE 22 SHARE-BASED PAYMENTS (continued)

(a) Coppermoly Ltd Employee Incentive Option Plan (continued)

Set out below are summaries of options granted under the plan:

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
2012									
05 Oct 2009	05 Oct 2012	\$0.10	1,025,000	-	-	(550,000)	-	475,000	475,000
		Total	1,025,000	-	-	(550,000)	-	475,000	475,000
Weighted average exercise price			\$0.10	-	-	\$0.10	-	\$0.10	\$0.10
2011									
13 Mar 2008	13 Mar 2011	\$0.25	1,200,000	-	-	-	(1,200,000)	-	-
05 Oct 2009	05 Oct 2012	\$0.10	1,075,000	-	-	(50,000)	-	1,025,000	1,025,000
		Total	2,275,000	-	-	(50,000)	(1,200,000)	1,025,000	1,025,000
Weighted average exercise price			\$0.179	-	-	\$0.10	\$0.25	\$0.10	\$0.10

Weighted average remaining contractual life: 3 months from 1 July 2012 (1 year 3 months from 1 July 2011).

All options granted to employees on 5 October 2009 vested on 5 October 2010.

No shares were issued as a result of the exercise of options by employees during the year ended 30 June 2012.

(b) Coppermoly Ltd Directors' & Officers' Options

Each Option entitles a Holder to subscribe for one Share at the Exercise Price.

The options are exercisable at any time during the Exercise Period.

Options may be exercised by the Holder delivering to the registered office of the Company:

- (i) a Notice of Exercise signed by the Holder;
- (ii) the Certificate for those Options; and
- (iii) a cheque payable to the Company (or another form of payment acceptable to the Company) in the amount of the product of the number of Options then being exercised by the Holder and the Exercise Price.

A Holder may only exercise Options in multiples of 50,000 Options, unless the Holder exercises all Options covered by a Certificate able to be exercised by him or her at that time.

The exercise by a Holder of only some of the Options held by the Holder does not affect the Holder's right to exercise at a later date other Options held by the Holder.

Within 10 Business Days of receiving a Notice of Exercise, the Company must issue the Exercised Option Shares to the Holder and do or cause to be done any other act or thing that is necessary to issue the Exercised Option Shares to the Holder.

The Company is not obliged to issue Exercised Option Shares on exercise of Options until any cheque received in payment of the Exercise Price has been honoured on presentation.

If a Holder submits a Notice of Exercise in respect of only part of the Options covered by a Certificate, the Company must issue a Certificate stating the remaining number of Options held by the Holder.

The Shares issued on the exercise of the Option will rank equally in all respects as from the date of issue of those Shares with all existing ordinary shares in the capital of the Company.

If a Holder fails to exercise any Options registered in the Holder's name before 5.00 pm on the Expiry Date, those Options that the Holder has not exercised lapse and all rights of the Holder in respect of those Options cease.

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
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NOTE 22 SHARE-BASED PAYMENTS (continued)

(b) Coppermoly Ltd Directors' & Officers' Options (continued)

If the Shares are listed on ASX, the Company will apply for quotation of the Exercised Option Shares in accordance with the Listing Rules.

There are no participating rights or entitlements inherent in the Options and Holders will not be entitled to participate in any new issue to shareholders of the Company during the currency of the Options.

If a Holder ceases to hold office as a Director of the Company, the Directors, at their discretion may cancel all or part of the Holder's Options by giving the Holder 30 days in writing of the cancellation. Any unexercised Options will be cancelled at the expiry of that 30 days notice.

If there is any reorganisation of the capital of the Company including, without limitation, a consolidation or subdivision of any of the issued capital of the Company, or a pro rata bonus issue of Shares the Options must be reorganised in the way required under the Listing Rules.

The rights of the Holder may be changed to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

Set out below are summaries of options granted to Directors and Officers:

Coppermoly Ltd Directors' & Officers' Options

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of year Number
2012									
01 Dec 2009	01 Dec 2012	\$0.19	3,500,000	-	-	-	-	3,500,000	3,500,000
01 Dec 2009	01 Dec 2012	\$0.23	3,500,000	-	-	-	-	3,500,000	3,500,000
22 Nov 2010	01 Dec 2012	\$0.19	6,500,000	-	-	-	-	6,500,000	6,500,000
		Total	13,500,000	-	-	-	-	13,500,000	13,500,000
Weighted average exercise price			\$0.20	-	-	-	-	\$0.20	\$0.20
2011									
22 Oct 2007	22 Oct 2010	\$0.30	3,000,000	-	-	-	(3,000,000)	-	-
01 Dec 2009	01 Dec 2012	\$0.19	3,500,000	-	-	-	-	3,500,000	3,500,000
01 Dec 2009	01 Dec 2012	\$0.23	3,500,000	-	-	-	-	3,500,000	3,500,000
22 Nov 2010	01 Dec 2012	\$0.19	-	6,500,000	-	-	-	6,500,000	6,500,000
		Total	10,000,000	6,500,000	-	-	(3,000,000)	13,500,000	13,500,000
Weighted average exercise price			\$0.237	\$0.19	-	-	\$0.30	\$0.20	\$0.20

Weighted average remaining contractual life: 5 months from 1 July 2012 (1 year 5 months from 1 July 2011).

All options granted to Directors and officers as at 30 June 2012 vested at the grant date.

No shares were issued as a result of the exercise of options by Directors during the year ended 30 June 2012.

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
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NOTE 22 SHARE-BASED PAYMENTS (continued)

(c) Brokers' options

In accordance with the Company's Prospectus dated 25 October 2007, 2,000,955 options were issued to Novus Capital Limited as payment (in part) for its services in procurement of applications to the Company's IPO.

During the financial year ended 30 June 2010 428,906 listed options were issued to Novus Capital Limited as part payment of brokerage fees in relation to the Non-renounceable Rights Issue.

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Issued during the year Number	Exercised during the year Number	Forfeited during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of year Number
2012									
28 Sep 2009	01 Dec 2011	\$0.07	428,906	-	-	-	(428,906)	-	-
			428,906	-	-	-	(428,906)	-	-
Weighted average exercise price			\$0.07				\$0.07		
2011									
22 Jan 2008	30 Apr 2011	\$0.30	2,000,955	-	-	-	(2,000,955)	-	-
28 Sep 2009	01 Dec 2011	\$0.07	428,906	-	-	-	-	428,906	428,906
			2,429,861	-	-	-	(2,000,955)	428,906	428,906
Weighted average exercise price			\$0.259	-	-	-	\$0.30	\$0.07	\$0.07

The Brokers' options granted on 22 January 2008 were restricted until 31 January 2010. Therefore, on 1 February 2010, they were converted to listed options (COYO). The Broker's Options: expired on 1 Dec 2011 (Weighted average remaining contractual life: 5 months from 1 July 2011).

No shares were issued as a result of the exercise of options by brokers during the year ending 30 June 2012.

(d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period in profit or loss or capital raising costs, were as follows:

	2012 \$	2011 \$
Options issued to Directors and officers	-	606,450

Total of \$606,450 was recognised in profit or loss in 2011.

(e) Fair value

Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The weighted average fair value of options granted in 2011 at measurement date was \$0.09. This assumes that options will be exercised at the date of expiry. Volatility was calculated on the basis of the historical share price movements from the date of the Company's listing to the date of grant of the options.

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NOTE 22 SHARE-BASED PAYMENTS (continued)

(e) Fair value (continued)

The model inputs for options granted to employees and Directors included:

	Exercise Price \$	Grant Date	Expiry Date	Share Price at Grant Date \$	Expected Price Volatility of the Company's Shares %	Expected Dividend Yield %	Risk Free Rate of Return %
2012							
Directors Options	-	-	-	-	-	-	-
2011							
Directors Options	0.19	22 Nov 2010	01 Dec 2012	0.155	123.54	-	6.13

NOTE 23 SEGMENT INFORMATION

(a) Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. Operating segments are determined on the basis of financial information reported to the Board which is at the consolidated entity level. Accordingly, the consolidated entity is treated as one operating segment.

Therefore, management identifies the Group as having only one reportable segment. The financial results from this reportable segment are equivalent to the financial statements of the consolidated entity as a whole. There have been no changes in the operating segments during the year.

(b) Entity-wide disclosures

The Group's geographical information is as follows:

		Australia \$	Papua New Guinea \$
Non-current assets	2012	39,115	8,499,276
	2011 (Restated)	11,269	6,940,912

The Group operates primarily in mineral exploration locations in Papua New Guinea (New Britain Island) and Australia (South East Queensland). The Group's headquarter office is in Australia.

The Group does not have any products/services it derives material revenue from except interest which is mainly from Australia.

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 24 AUDITORS' REMUNERATION

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and the auditor of the subsidiary entity, their related practices and non-related audit firms.

Assurance services

1. Audit Services – audit or review of financial statements

BDO Audit Pty Ltd Australian firm:	46,908	39,982
Sinton Spence Chartered Accountants PNG firm:	8,584	3,549
Total remuneration for audit services	55,492	43,531

2. Other Assurance Services

BDO Audit Pty Ltd Australian firm:	-	-
Sinton Spence Chartered Accountants PNG firm:	374	180
Total remuneration for other assurance services	374	180
Total remuneration for assurance services	55,866	43,711

Taxation Services

BDO (QLD) Pty Ltd Australian firm:	9,539	7,985
Sinton Spence Chartered Accountant PNG firm:	862	438
Total remuneration for taxation services	10,401	8,423

NOTE 25 EARNINGS PER SHARE ("EPS")

	2012	Restated 2011
Basic and diluted earnings (losses) per share (cents per share)	(0.99)	(0.93)
Loss used in calculating basic and diluted earnings per share is the net loss for the year.	\$1,476,601	\$1,291,652
	No.	No.
Weighted average number of shares used in the calculation of the basic and diluted EPS	147,980,200	138,691,926
The number of potential ordinary shares relating to options not exercised at year end. These potential ordinary shares are not dilutive and, accordingly, were not used in calculating diluted EPS.	14,825,000	38,451,257

NOTE 26 CONTINGENCIES

(i) The Macmin Royalty

By an agreement dated 12 June 2002 between Macmin NL, Macmin (PNG) Limited and New Guinea Gold Corporation (NGG Canada), NGG Canada indirectly acquired all rights, title and interests held by Macmin NL in respect of EL1043 (Nakru) and EL1077 (Simuku) through the purchase of all of the issued capital of Macmin (PNG) Limited (being a wholly owned subsidiary of Macmin NL).

Under the terms of the agreement NGG Canada granted a 1% net smelter return royalty (NSRR) in favour of Macmin NL payable in respect of all mineral products produced from the tenements upon being brought into production. The royalty may remain attached to the tenements and may become payable by the Group upon the tenements being brought into production. This would be subject to legal opinions and negotiations should such circumstances come to bear.

In November 2008, Macmin Silver Ltd (formerly Macmin NL) had been placed into administration. In October 2009, Macmin Silver Ltd emerged from voluntary administration, however the rights to the 1% net smelter royalty are now attributable to the Creditors' Trust of Macmin Silver Ltd.

(ii) Termination benefits

In circumstances where the employment of an Executive Director is terminated without cause, between three and six months' salary may be payable in lieu of notice.

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 27 RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2012 \$	Restated 2011 \$
Reconciliation of loss after income tax to the net cash flow from operations:		
Profit / (loss) after income tax	(1,476,601)	(1,291,652)
Adjustment for non cash items:		
- Loss/(gain) on disposal of fixed assets	15,586	157
- Depreciation expense	73,930	86,290
- Non-cash employee benefits expense – share based payments	-	606,450
- Net exchange differences	(131)	1,630
Change in operating assets and liabilities:		
- Payables and provisions	65,206	9,912
- Trade and other receivables	17,958	(16,806)
- Prepayments	16,050	(6,916)
Net cash inflow / (outflow) from operating activities	(1,288,002)	(610,935)

NOTE 28 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1(b):

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2012 %	Equity Holding 2011 %
Copper Quest PNG Ltd	PNG	Ordinary	100	100

NOTE 29 NON-CASH FINANCING AND INVESTING ACTIVITIES

There were no such activities during the 2012 and 2011 financial years.

NOTE 30 CHANGE IN ACCOUNTING POLICY

The Group changed its accounting policy relating to the capitalisation of exploration and evaluation expenditure for the financial year ending 30 June 2012. Exploration and evaluation expenditure on initial acquisition was capitalised and subsequent expenditure was previously expensed by the Group. The Group has now elected to voluntarily change the accounting policy as detailed in Note 1 (r) as permitted under AASB 6: Exploration for and Evaluation of Mineral Resources. The Directors believe the change in accounting policy will provide more relevant information and no less reliable information. This change has been implemented as the Board is of the opinion that the financial information presented in relation to the Group's assets will be more reliable (having considered the progress made with discovery of resources) with the consistent treatment of the expenditure. The aggregate effect of the change in accounting policy on the annual financial reports line items for 30 June 2011 and the beginning of the corresponding period are:-

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

NOTE 30 CHANGE IN ACCOUNTING POLICY (continued)

Consolidated Statement of Financial Position (extract)

	30 June 2012			30 June 2011			30 June 2010		
	Previous Policy	Adjustment	Restated	Previous Policy	Adjustment	Restated	Previous Policy	Adjustment	Restated
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Exploration & evaluation assets	2,224,458	6,084,258	8,308,716	1,444,343	5,222,474	6,666,817	1,472,209	5,152,563	6,624,772
Total non-current assets	2,454,133	6,084,258	8,538,391	1,729,707	5,222,474	6,952,181	1,835,704	5,152,563	6,988,267
Total assets	3,271,556	6,084,258	9,355,814	3,426,341	5,222,474	8,648,815	4,066,351	5,152,563	9,218,914
Net assets	3,095,645	6,084,258	9,179,903	3,324,840	5,222,474	8,547,314	3,969,912	5,152,563	9,122,475
Accumulated losses	(11,505,768)	5,688,811	(5,816,957)	(10,029,167)	5,688,811	(4,340,356)	(8,577,343)	5,528,639	(3,048,704)
Foreign Exchange Reserve	21,172	395,447	416,619	(293,013)	(466,337)	(759,350)	(252,691)	(376,076)	(628,767)

Statement of Comprehensive Income (extract)

	30 June 2012			30 June 2011		
	Previous Policy	Adjustment	Restated	Previous Policy	Adjustment	Restated
	\$	\$	\$	\$	\$	\$
Exploration expenditure written off	1,198,888	(541,778)	657,110	160,172	(160,172)	-
Loss before income tax	(2,018,379)	541,778	(1,476,601)	(1,451,824)	160,172	(1,291,652)
Loss for the year	(2,018,379)	541,778	(1,476,601)	(1,451,824)	160,172	(1,291,652)
Foreign currency translation difference	314,186	861,783	1,175,969	(40,322)	(90,261)	(130,583)
Total Comprehensive Income	(1,704,193)	1,403,561	(300,632)	(1,492,146)	69,911	(1,422,235)
Basic & diluted loss per share	(1.36) cents	0.37 cents	(0.99) Cents	(1.05) Cents	0.12 Cents	(0.93) Cents

COPPERMOLY LTD & ITS CONTROLLED ENTITIES
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FOR THE YEAR ENDED 30 JUNE 2012

NOTE 30 CHANGE IN ACCOUNTING POLICY (continued)

Statement of Cash Flows (extract)

	30 June 2012			30 June 2011		
	Previous Policy	Adjustment	Restated	Previous Policy	Adjustment	Restated
	\$	\$	\$	\$	\$	\$
Payments for exploration and evaluation expenditure	(1,117,121)	517,389	(599,732)	(168,749)	168,749	-
Net cash outflow from operating activities	(1,805,391)	517,389	(1,288,002)	(779,684)	168,749	(610,935)
Payments for exploration and evaluation expenditure capitalised	-	(517,389)	(517,389)	-	(168,749)	(168,749)
Net cash used in investing activities	4,066	(517,389)	(513,323)	(18,167)	(168,749)	(186,916)

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 27 to 64 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and
 - (iii) complying with International Financial Reporting Standards as disclosed in note 1; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) the audited Remuneration Report set out on pages 12 to 17 of the Directors' Report complies with section 300A of the *Corporations Act 2001*.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



P. Swiridiuk
Managing Director

Bundall, Queensland
24 September 2012

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the members of Coppermoly Limited

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Coppermoly Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

INDEPENDENT AUDITOR'S REPORT



Opinion

In our opinion:

- (a) the financial report of Coppermoly Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) *giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and*
 - (ii) *complying with Australian Accounting Standards and the Corporations Regulations 2001; and*
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Material Uncertainty Regarding Going Concern

Without modification to the opinion expressed above, attention is drawn to the matters detailed in Note 1(a) of the Financial Statements. The ability of the consolidated entity to maintain continuity of normal business activities and to pay its debts as and when they fall due is dependent on its ability to successfully raise additional capital. Should adequate cash resources not be raised from capital raisings in the future, this may create a material uncertainty regarding the consolidated entity's ability to continue as a going concern and realise its assets and discharge its liabilities in the ordinary course of business.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the capital raisings not occur and the company not continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 17 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Coppermoly Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

BDO Audit Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'C J Skelton', with a long horizontal flourish extending to the right.

C J Skelton
Director

Brisbane, 24 September 2012

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

SHAREHOLDER INFORMATION

Information required by Australian Securities Exchange Limited and not shown elsewhere in this report is as follows:-

STATEMENT OF QUOTED SECURITIES AS AT 14 SEPTEMBER 2012

a) Distribution of Shareholders

Size of Holding	Number of Shareholders
1 – 1,000	23
1,001 – 5,000	73
5,001 – 10,000	193
10,001 – 100,000	547
100,001 and over	195
	1,031
b) Number of holders of less than marketable parcels	20
c) Percentage holding of 20 largest holders	50,674%

d) There are three substantial shareholders listed in the Company's register as at 14 September 2012.

e) Twenty largest shareholders (as at 14 September 2012).

COY Shareholders		
Name	Quantity	% of Total Holding
VANGOLD RESOURCES LTD	13,959,366	8.752
NEW GUINEA GOLD CORPORATION	10,780,000	6.759
NATIONAL NOMINEES LIMITED	8,559,804	5.367
AURIONGOLD LIMITED	6,309,647	3.956
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,261,305	3.299
MR WILLIAM STANLEY YEAMAN	5,124,600	3.213
SCINTILLA STRATEGIC INVESTMENTS LIMITED	4,150,000	2.602
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	3,827,646	2.400
MR HARDIP SINGH <HARDIP SUBSCRIPTION ACCOUNT>	3,135,000	1.966
MR JOHN DOUGLAS BENSEMAN	2,608,930	1.636
RISING BIRD INVESTMENTS PTY LT D	2,500,000	1.567
FAULKNER CAPITAL GROUP PTY LTD <FAULKNER INVESTMENT A/C>	2,463,000	1.544
MR SHAWN ULDRIDGE & MRS KIMBERLY LOWERY <INVESTMENT A/C>	2,200,000	1.379
JUNDE PTY LTD <O'NEILL HALL SUPER FUND A/C>	1,850,000	1.160
RYLET PTY LTD	1,844,367	1.156
CONDOR CAPITAL PTY LTD <THE MASSON FAMILY A/C>	1,500,000	0.940
HILDAVID PTY LTD	1,300,000	0.815
MR MARK ANDREW LINNEY	1,200,000	0.752
MRS YAN LING	1,150,000	0.721
MR SIMON WILLIAM TRITTON	1,100,000	0.690
TOTAL	80,823,665	50.674

SHAREHOLDER INFORMATION

f) Voting Rights

Registered holders of ordinary shares in the capital of the Company may attend and vote at general meetings of the Company in person or by proxy and may exercise one vote for each share held. Every person present at a general meeting as an ordinary shareholder shall have one vote on a show of hands.

STATEMENT OF UNQUOTED SECURITIES (OPTIONS) AS AT 14 SEPTEMBER 2012

There are on issue the following unquoted securities:-

Quantity

Non transferable options issued under the Coppermoly Employee Incentive Option Plan exercisable at 10 cents per share on or before 5 October 2012	1,325,000
Directors options exercisable at 19 cents per share on or before 1 December 2012	10,000,000
Directors options exercisable at 23 cents per share on or before 1 December 2012	3,500,000

CORPORATE DIRECTORY & SCHEDULE OF TENEMENTS

DIRECTORS

P. (Peter) Swiridiuk
M. (Maurice) Gannon
D. (Dal) Brynelsen (Non-Executive Chairman)
C.E. (Ces) Iewago
B. (Ben) Faulkner
S. (Shawn) Uldridge

COMPANY SECRETARY

M. (Maurice) Gannon

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SHARE REGISTRY

Boardroom Pty Limited
Level 7
207 Kent Street
Sydney NSW 2000

AUDITORS

BDO Audit Pty Ltd
Level 18
300 Queen Street
Brisbane Qld 4000

BANKERS

Westpac Bank

STOCK EXCHANGE

Coppermoly Ltd is listed on the Australian Stock Exchange (the home branch is Brisbane) and the Port Moresby Stock Exchange, Papua New Guinea.

SCHEDULE OF TENEMENTS

PROJECT	OWNERSHIP
EL 1043 Mt Nakru (47km ²)	100% Copper Quest PNG Ltd
EL 1077 Simuku (47km ²)	100% Copper Quest PNG Ltd
EL 1445 Talelumas (75km ²)	100% Copper Quest PNG Ltd
EL 2014 Makmak (280.1km ²)	100% Copper Quest PNG Ltd
ELA 1782 Powell (758km ²)	100% Copper Quest PNG Ltd
ELA 1813 Fulleborn (737.8km ²)	100% Copper Quest PNG Ltd

• *Copper Quest PNG Ltd is a 100% owned subsidiary of Coppermoly Ltd*

