



PAYNES FIND GOLD LIMITED

15 March 2012

The Manager
Company Announcements
Australian Securities Exchange Limited
Level 6, 20 Bridge Street
Sydney NSW 2000

By e-lodgement

Interim Financial Report

Please find attached the Paynes Find Gold Limited Interim Financial Report for the half year ended 31 December 2011.

For and on behalf of the Board.

Peter Landau
Chairman

For further information please contact:

Carl Popal
Director
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Jane Flegg
Company Secretary
T: +61 8 9488 5220

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Phone: (08) 9481 3992
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ABN: 45 141 450 624



PAYNES FIND GOLD LIMITED

ABN 45 141 450 624

Interim Financial Report

For the Half Year Ended 31 December 2011

Corporate Directory

DIRECTORS

Peter Landau	Non-Executive Chairman	(Appointed 11 January 2012)
Carl Popal	Executive Director	(Appointed 5 January 2012)
Doug Taylor	Non-Executive Director	(Appointed 14 November 2011)
Adam Bennett	Non-Executive Director	(Appointed 14 November 2011)
John Hatherley	Non-Executive Director	(Appointed 30 November 2011)
Paul Berresford	Non-Executive Chairman & Company Secretary	(Resigned 15 December 2011)
Brian Leedman	Executive Director, Interim Managing Director	(Resigned 26 October 2011)
Paul Matich	Non-Executive Director	(Resigned 11 November 2011)
Peter Salter	Non-Executive Director	(Resigned 11 November 2011)
Andrew Caminschi	Non-Executive Director	(Resigned 11 November 2011)

COMPANY SECRETARY

Jane Flegg (Appointed 11 January 2012)

REGISTERED OFFICE

Ground Floor, 1 Havelock Street
WEST PERTH, WA, AUSTRALIA, 6005
Ph: + 61 (8) 9488 5220
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PRINCIPAL PLACE OF BUSINESS

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Ph: + 61 (8) 9429 8883
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CONTACT DETAILS

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Email: info@paynesfindgold.com

SOLICITORS TO THE COMPANY

Bennett & Co
Level 10, BGC Centre
28 The Esplanade
Perth WA 6000

AUDITORS

Stantons International
Level 2, 1 Walker Ave
WEST PERTH 6005

STOCK EXCHANGE

Australian Securities Exchange
Exchange Plaza
2 The Esplanade
Perth WA 6000

ASX Code: **PNE**

SHARE REGISTRY

Advanced Share Registry
Unit 2, 150 Stirling Highway
NEDLANDS WA 6009

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Directors' Report

Your directors submit the financial report of the Company for the half year ended 31 December 2011.

DIRECTORS

The names of the Directors who held office during or since the end of the half-year:

Peter Landau	Non-Executive Chairman	(Appointed 11 January 2012)
Carl Popal	Executive Director	(Appointed 5 January 2012)
Doug Taylor	Non-Executive Director	(Appointed 14 November 2011)
Adam Bennett	Non-Executive Director	(Appointed 14 November 2011)
John Hatherley	Non-Executive Director	(Appointed 30 November 2011)
Paul Berresford	Non-Executive Chairman & Company Secretary	(Resigned 15 December 2011)
Brian Leedman	Executive Director, Interim Managing Director	(Resigned 26 October 2011)
Paul Matich	Non-Executive Director	(Resigned 11 November 2011)
Peter Salter	Non-Executive Director	(Resigned 11 November 2011)
Andrew Caminschi	Non-Executive Director	(Resigned 11 November 2011)

RESULTS

Financial Performance

The Company incurred an operating loss after tax of \$1,388,579 (31 December 2010: \$2,111,415)

Financial Position

The net assets of the Company have decreased by \$1,191,271 in the 6 month reporting period from \$5,206,677 at 30 June 2011 to \$4,015,406 as at 31 December 2011.

REVIEW OF OPERATIONS

Exploration and Development Activities

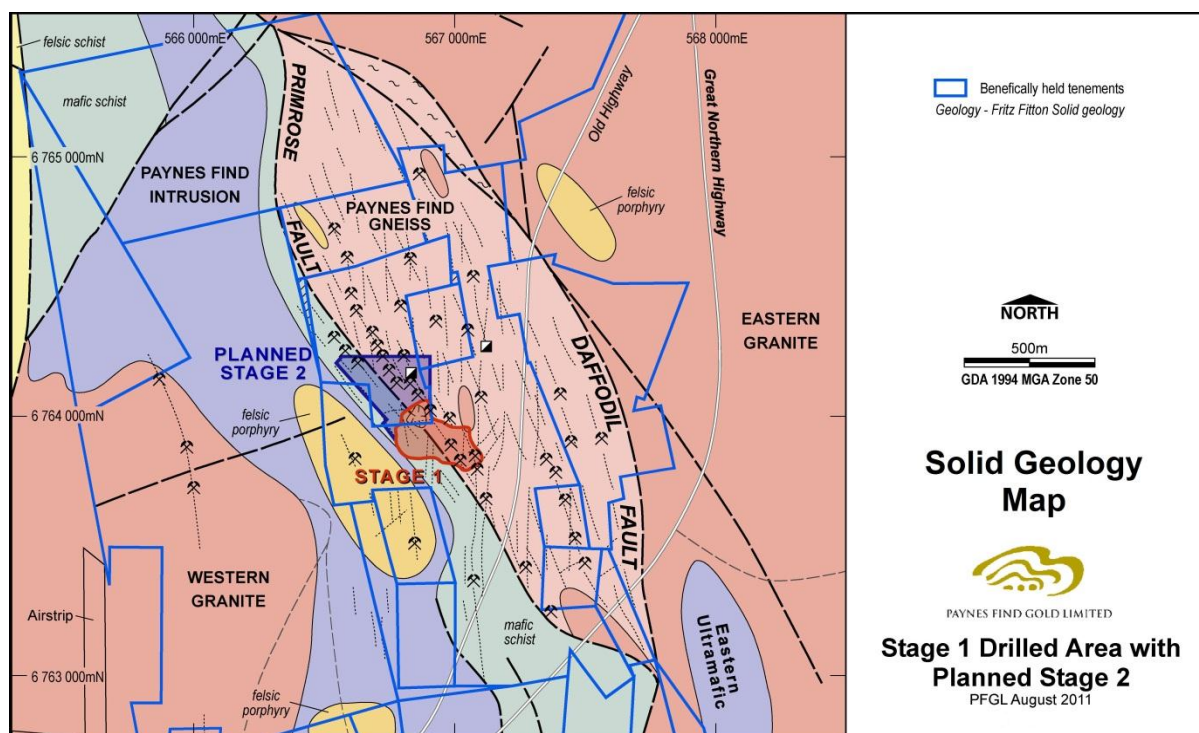
Following the success of the Stage 1 RC drilling program, the Company engaged CSA Global, Resource Industry Consultants, to prepare a comprehensive data-base to facilitate future exploration. This work will enable estimation of resource potential and will assist with planning of future drilling programs.

A Stage 2 RC drilling program to the north and east of the Stage 1 drilled area is planned to test open-ended known extensions of gold mineralisation.

All recent and historical drill-hole collars as well as significant old workings have now been accurately surveyed, results from which will be incorporated in the CSA Global data-base.

Follow-up collection of selected sample duplicates has commenced as a check for QA / QC procedures, results from which will be incorporated in the data-base.

Directors' Report (cont'd)



Corporate

The Company went into voluntary suspension after a trading halt on 11 October 2011, pending the release of an announcement in relation to convertible note funding.

The Company continues to be in suspension however after Board changes in the New Year the new Board has been working with the Australian Securities Exchange ("ASX") to resolve issues surrounding the refinancing of existing convertible note agreements and reinstatement to the ASX.

With replacement debt facilities of \$1.2m from existing Board members or nominees, repayment of the previous \$1.15 debt instruments and an Underwritten \$4m pro rata renounceable rights issue at 2 cents with one free attaching 3 year listed option for every 2 new shares held at an exercise price of 3 cents the Company can now focus on moving forward with its exploration activities.

AFTER BALANCE DATE EVENTS

No matter or circumstances have arisen since the end of the reporting date and the date of this report which significantly affects or may significantly affect the results of the operations of the Company except as follows:-

- The resignation of Chairman and Company Secretary Paul Berresford and the appointment of Peter Landau as Independent Non-executive Chairman, Carl Popal as Executive Director and Jane Flegg as Company Secretary.
- Replacement debt facilities of \$700,000 from existing Board Members. The new loans are unsecured, pay an interest rate of 12% per annum on maturity and mature on 1 May 2012. Subject to shareholder approval the loans may be converted to equity on the same terms as the rights issue or repaid as part of the rights issue capital raising. To 14 March 2012, \$515,000 has been received.
- Additional Debt Facility of \$900,000 from Delecta Limited as announced on 10 February 2012. The new loan is secured, pays an interest rate of 12% per annum on maturity and matures on 1 May 2012. Subject to shareholder approval the loan may be converted to equity on the same terms as the rights issue or repaid as part of the rights issue capital raising.
- The Company made settlement payments to the previous debt instrument holders totalling \$1,078,278 including interest and costs.
- The application to the court to discontinue winding up proceedings was granted.
- The Company announced an Underwritten \$4m pro rata renounceable rights issue at 2 cents with one free attaching 3 year listed option for every 2 new shares held at an exercise price of 3 cents.
- The Company entered into an underwriting mandate with Patersons Corporate Finance to Act as Lead Manager and underwriter for the Rights Issue.

Directors' Report (cont'd)

AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 19 for the half-year ended 31 December 2011.

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

A handwritten signature in black ink, consisting of several overlapping horizontal strokes, enclosed within a hand-drawn oval border.

Peter Landau
Chairman

Dated this 15th day of March 2012

Statement of Comprehensive Income
For the Half Year Ended 31 December 2011

	Notes	31 December 2011 \$	31 December 2010 \$
Continuing operations			
Revenue	3	2,980	29,289
Employee benefits expense	4	(62,387)	(297,453)
Exploration expenses	4	(279,500)	-
Other expenses	4	(762,475)	(1,837,091)
Loss from continuing operations before tax and finance costs		(1,101,382)	(2,105,255)
Finance costs	4	(37,211)	-
Depreciation expense	4	(249,986)	(6,160)
Loss before income tax		(1,388,579)	(2,111,415)
Income tax expense		-	-
Loss after tax from continuing operations		(1,388,579)	(2,111,415)
Other comprehensive income		-	-
Income tax on other comprehensive income		-	-
Total comprehensive loss for the period		(1,388,579)	(2,111,415)
Loss after tax attributable to members of the Company		(1,388,579)	(2,111,415)
Total Comprehensive loss attributable to members of the Company		(1,388,579)	(2,111,415)
Earnings per share (cents per share)			
Basic loss for the year		(1.39)	(0.02)
Diluted Loss for the year		(1.39)	(0.02)

The above Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements

Statement of Financial Position
As at 31 December 2011

	Notes	31 December 2011 \$	30 June 2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents		112,385	580,443
Trade and other receivables		30,956	129,548
Other financial asset		-	16,415
Total Current Assets		143,341	726,406
Non-Current Assets			
Plant and equipment	5	625,363	965,055
Interest in mining tenements	6	4,594,389	4,629,237
Other financial assets	7	42,563	18,563
Total Non-Current Assets		5,262,315	5,612,855
TOTAL ASSETS		5,405,656	6,339,261
LIABILITIES			
Current Liabilities			
Trade and other payables		148,397	1,050,359
Borrowings	8	1,201,915	28,191
Total Current Liabilities		1,350,312	1,078,550
Non-Current Liabilities			
Borrowings		39,938	54,034
Total Non-Current Liabilities		39,938	54,034
TOTAL LIABILITIES		1,390,250	1,132,584
NET ASSETS		4,015,406	5,206,677
EQUITY			
Contributed equity	9	9,395,489	9,198,181
Reserves		1,380,032	1,380,032
Accumulated losses		(6,760,115)	(5,371,536)
TOTAL EQUITY		4,015,406	5,206,677

The above Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements

Statement of Changes in Equity

For the Half Year Ended 31 December 2011

	Issued Capital	Accumulated Losses	Option Reserves	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2010	391	(117,880)	-	(117,489)
Loss for the period		(2,111,415)	-	(2,111,415)
Total comprehensive income/(loss) for the period	391	(2,111,415)	-	(2,111,415)
Shares issued during the period	8,870,002	-	-	8,870,002
Transaction costs	(737,646)	-	-	(737,646)
Options issued	-	-	1,380,032	1,380,032
Balance at 31 December 2010	8,132,747	(2,229,295)	1,380,032	7,283,484
Balance at 1 July 2011	9,198,181	(5,371,536)	1,380,032	5,206,677
Loss for the period	-	(1,388,579)	-	(1,388,579)
Total comprehensive income/(loss) for the period	-	(1,388,579)	-	(1,388,579)
Shares issued during the period	162,000	-	-	162,000
Transaction costs	35,308	-	-	35,308
At 31 December 2011	9,395,489	(6,760,115)	1,380,032	4,015,406

The above Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements

Statement of Cash Flow
For the Half Year Ended 31 December 2011

	31 December 2011	31 December 2010
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(1,548,791)	(743,126)
Payments for exploration	(244,652)	(223,235)
Interest received	2,457	29,289
Interest paid	(2,586)	(1,006)
Net cash used in operating activities	(1,793,572)	(938,078)
Cash flows from investing activities		
Payment for plant and equipment	(34,887)	(562,688)
Payment for tenement and prospect acquisition	-	(2,779,500)
Sale of non-current assets	59,091	
Net cash used in investing activities	24,204	(3,342,188)
Cash flows from financing activities		
Proceeds from issue of equity securities	162,000	7,220,002
Payment for share issue costs	(10,690)	(725,463)
Proceeds from borrowings	1,150,000	-
Net cash provided by financing activities	1,301,310	6,494,539
Net increase / (decrease) in cash and cash equivalents	(468,058)	2,214,273
Cash and cash equivalents at beginning of half year	580,443	577
Cash and cash equivalents at end of the half year	112,385	2,214,850

The above Statement of Cash Flow is to be read in conjunction with the Notes to the Financial Statements

Notes to the Financial Statements

For the Half Year Ended 31 December 2011

Note 1: Basis of Preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 134: Interim Financial Reporting.

The half year financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, it is recommended that these financial statements be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Paynes Find Gold Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

Reporting Basis and Conventions

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

Mineral Exploration and Evaluation

The Company has capitalised significant acquisition expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the Areas of Interest concerned or on the basis that it is not yet possible to assess whether it will be recouped.

a) **Going Concern**

The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

The Company has recorded a net accounting loss of \$1,388,579 and net operating cash outflows of \$1,793,572 the half year ended 31 December 2011. The Directors believe the going concern basis is appropriate as:

- The Board is pursuing further financing options for the Company, including equity and debt financing. As at the date of this report replacement debt facilities have been secured and an underwritten \$4m rights issue has been announced and an underwriting mandate entered into. Refer to Note 13 in relation to initiatives to refinance the Company.
- Based on the above and the capacity to reduce expenditure commitments (if required), the Board is confident that the Company will have sufficient funds to finance its operations for the next twelve months from the date of this report.

b) **New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Company follows;

- AASB 9: Financial Instruments and AASB 2010-11; Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 138, 139, 1023 & 1038 and Interpretations 10 & 121 (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Company has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
- reclassifying financial assets where there is a change in an entity's business model as they are initially classified
- based on;

Notes to the Financial Statements

For the Half Year Ended 31 December 2011

(b) New Accounting Standards for Application in Future Periods (continued)

- a. the objective of the entity's business model for managing the financial assets; and
- b. the characteristics of the contractual cash flows.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Company.

- AASB 2010-5; Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2011).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Company.

- AASB 2010-8; Amendments to Australian Accounting Standards - Company Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2011).

These amendments clarify the accounting for Company cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Company.

- AASB 2010-10: Amendments to Australian Accounting Standards - Classification of Rights Issues] AASB 132] applicable for annual reporting periods commencing on or after 1 February 2011).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Company.

- AASB 2010-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Company.

- AASB 2010-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2011).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Company.

- AASB 2010-14: Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This standard will not impact the Company.

- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2011).

This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Company.

The Company does not anticipate the early adoption of any of the above Australian Accounting Standards.

Notes to the Financial Statements

For the Half Year Ended 31 December 2011

2. SEGMENT INFORMATION

The Company operates in the mineral exploration industry in Australia. For management purposes, the Company is organised into one main operating segment which involves the exploration of minerals in Australia. All of the Company's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

3. REVENUE FROM CONTINUING OPERATIONS

Other income

	31 December 2011 \$	31 December 2010 \$
Interest revenue	2,457	29,289
Other income	523	-
	<u>2,980</u>	<u>29,289</u>

Total Revenue

2,980	29,289
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4. EXPENSES FROM CONTINUING OPERATIONS

Finance costs

	31 December 2011 \$	31 December 2010 \$
Interest expense	2,999	-
Borrowing costs	34,212	-
	<u>37,211</u>	<u>-</u>

Depreciation and amortisation costs

Depreciation	249,986	6,160
	<u>249,986</u>	<u>6,160</u>

Employee benefits expenses

Wages and salaries	62,387	297,453
	<u>62,387</u>	<u>297,453</u>

Exploration expenses

Exploration expenses	279,500	-
	<u>279,500</u>	<u>-</u>

Other expenses

Auditing fees	45,422	-
Key Management Personnel	349,819	-
Occupancy costs	45,602	-
Listing fees	16,303	-
Share registry fees	4,516	-
Legal fees	108,123	-
Other expenses	192,687	1,837,091
	<u>762,472</u>	<u>1,837,091</u>

Notes to the Financial Statements (continued)
For the Half Year Ended 31 December 2011

5. PROPERTY, PLANT AND EQUIPMENT

	31 December 2011	30 June 2011
	\$	\$
Tenement Plant and Equipment		
Opening net book value	249,658	325,000
Accumulated depreciation	(62,415)	(75,342)
Total tenement plant and equipment	<u>187,243</u>	<u>249,658</u>
Building Improvements		
Opening net book value	318,079	340,450
Additions	60,921	-
Disposals	(72,166)	-
Accumulated depreciation	(94,750)	(22,371)
Total building improvements	<u>212,084</u>	<u>318,079</u>
Motor Vehicles (Leased)		
Opening net book value	132,041	144,049
Accumulated depreciation	(29,741)	(12,008)
Total machinery and equipment	<u>102,300</u>	<u>132,041</u>
Office Furniture and Equipment		
Opening net book value	87,338	100,329
Disposals	(65,503)	-
Accumulated depreciation	(21,835)	(12,991)
Total plant and equipment	<u>-</u>	<u>87,338</u>
Plant and equipment		
Opening net book value	177,939	195,930
Disposals	(12,958)	-
Accumulated depreciation	(41,245)	(17,991)
Total plant and equipment	<u>123,736</u>	<u>177,939</u>
Total Property, Plant and Equipment	<u>625,363</u>	<u>965,055</u>

Movements in carrying amounts

	Tenement Plant and Equipment	Building Improvements	Motor Vehicles	Office Furniture and Equipment	Plant and Equipment	Total
	\$	\$	\$	\$	\$	\$
<i>Balance at 1 July 2010</i>	-	-	-	-	-	-
Additions	325,000	340,450	144,049	100,329	195,930	1,105,758
Disposals	-	-	-	-	-	-
Depreciation	(75,342)	(22,371)	(12,008)	(12,991)	(17,991)	(140,703)
<i>Balance at 30 June 2011</i>	<u>249,658</u>	<u>318,079</u>	<u>132,041</u>	<u>87,338</u>	<u>177,939</u>	<u>965,055</u>
Additions	-	60,921	-	-	-	60,921
Disposals	-	(72,166)	-	(65,503)	(12,958)	(150,627)
Depreciation	(62,415)	(94,750)	(29,741)	(21,835)	(41,245)	(249,986)
<i>Balance at 31 December 2011</i>	<u>187,243</u>	<u>212,084</u>	<u>102,300</u>	<u>-</u>	<u>123,736</u>	<u>625,363</u>

Notes to the Financial Statements (continued)
For the Half Year Ended 31 December 2011

6. NON CURRENT EXPLORATION ASSETS

	31 December 2011	30 June 2011
	\$	\$
Tenement acquisition at cost		
Balance as at the start of the half year	4,629,237	-
Tenements purchased during financial year at cost	-	5,358,530
Less: Reverse over provision in last period	(34,848)	
Less: Provision for impairment (i)	-	(729,293)
Balance as at the end of the half year	<u>4,594,389</u>	<u>4,629,237</u>

The Company's exploration properties may be subject to claim(s) under native title or contain sacred sites or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

(i) The costs associated with an option to acquire various tenements have been impaired as the option to exercise expired on 1 August 2011, and no payment has been made to extend the option to 1 August 2012 (as at 14 March 2012).

7. OTHER NON CURRENT FINANCIAL ASSETS

	31 December 2011	30 June 2011
	\$	\$
Security bond	42,563	18,563
	<u>42,563</u>	<u>18,563</u>

8. BORROWINGS

CURRENT

Unsecured loans other (i)	1,184,212	-
Finance lease	17,703	28,191
	<u>1,201,915</u>	<u>28,191</u>

(i) Loans are interest bearing at 10% per annum, \$750,000 was repayable on or before 19 February 2013 in AUD and \$400,000 was repayable on or before 3 April 2013. As part of the recapitalisation of the Company, all of the convertible notes (except for \$150,000 due in 3 months) have been subsequently repaid in February 2012. The remaining \$150,000 debt (plus interest) may be converted to shares in the Company on the same terms as the rights issue or repaid as part of the rights issue capital raising.

NON-CURRENT

Unsecured loans other		
Finance lease	39,938	54,034
	<u>39,938</u>	<u>54,034</u>

Notes to the Financial Statements (continued)
For the Half Year Ended 31 December 2011

9. CONTRIBUTED EQUITY

	31 December 2011 \$	30 June 2011 \$
a) Ordinary shares		
Balance at beginning of the period	9,198,181	391
Issue of fully paid ordinary shares – cash	162,000	8,420,000
Issue of fully paid ordinary shares – tenement acquisition	-	1,650,000
Issue of fully paid ordinary shares – on exercise of options at 20 cent each	-	500
Capital raising costs	(10,692)	(872,710)
Adjustment to prior period Capital raising costs	46,000	
Balance at end of the period	<u>9,395,489</u>	<u>9,198,181</u>
	31 December 2011 No of shares	30 June 2011 No of shares
Ordinary shares		
Balance at beginning of the period	97,752,503	39,000,003
Issue of fully paid ordinary shares pursuant to a placement	2,700,000	58,750,000
Shares issued on exercise of 2,500 options	-	2,500
Balance at end of the period	<u>100,452,503</u>	<u>97,752,503</u>

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

b) Options

Information relating to share options on hand at the half year are detailed below.

Date of Expiry	Exercise Price	Number Under Option
01/11/2012	20 cents	14,685,000
17/12/2012	25 cents	1,000,000
01/05/2015	25 cents	56,000,000
01/05/2016	35 cents	24,000,000
		<u>95,685,000</u>

10. EARNINGS PER SHARE

	31 December 2011 \$	31 December 2010 \$
a) Loss used in the calculation of basic and dilutive earnings per share	(1,388,579)	(2,111,415)
b) Earnings per share		
Basic loss per share (cents per share)	(1.39)	(0.30)
Diluted loss per share (cents per share)	(1.39)	(0.30)

Effect of dilutive securities

There was dilutive potential ordinary shares on issue at balance date. However given the Company has made a loss, there is no dilution of earnings hence the diluted loss per share is the same as for basic loss.

c) Weighted average number of shares:	99,630,764	91,750,003
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Notes to the Financial Statements (continued)

For the Half Year Ended 31 December 2011

11. COMMITMENTS AND CONTINGENCIES

The Company is not aware of any material change in the contingent liabilities or contingent assets from those reported in the annual report for the period ended 31 December 2011 other than for the following:-

The Company has received claims from ex-directors of the Company totalling approximately \$154,168 for the services rendered and termination payments which have been rejected by current management as not payable. The disputed claims have not been accrued for in the accounts at 31 December 2011 as the current directors dispute the amounts. No contingent liability is foreseen at the date of this report.

12. RELATED PARTY TRANSACTIONS

During the half year an amount of \$29,179 was paid to BHK Financial Services, a company that Paul Berresford is a Director, in relation to occupancy of the company's premises at Level 2, 41-43 Ord Street, West Perth.

During the half year non-current assets to the value of \$65,000 were sold to Murchison Earthmoving Pty Ltd a company that Doug Taylor is a director.

13. SUBSEQUENT EVENTS

No matter or circumstances have arisen since the end of the reporting date and the date of this report which significantly affects or may significantly affect the results of the operations of the Company except as follows:-

- The resignation of Chairman and Company Secretary Paul Berresford and the appointment of Peter Landau as Independent Non-executive Chairman, Carl Popal as Executive Director and Jane Flegg as Company Secretary.
- Replacement debt facilities of \$700,000 from existing Board Members. The new loans are unsecured, pay an interest rate of 12% per annum on maturity and mature on 1 May 2012. Subject to shareholder approval the loans may be converted to equity on the same terms as the rights issue or repaid as part of the rights issue capital raising. To 14 March 2012, \$515,000 has been received.
- Additional Debt Facility of \$900,000 from Delecta Limited as announced on 10 February 2012. The new loan is secured, pays an interest rate of 12% per annum on maturity and matures on 1 May 2012. Subject to shareholder approval the loan may be converted to equity on the same terms as the rights issue or repaid as part of the rights issue capital raising.
- The Company made settlement payments to the previous debt instrument holders totalling \$1,078,278 including interest and costs.
- The application to the court to discontinue winding up proceedings was granted.
- The Company announced an Underwritten \$4m pro rata renounceable rights issue at 2 cents with one free attaching 3 year listed option for every 2 new shares held at an exercise price of 3 cents.
- The Company entered into an underwriting mandate with Patersons Corporate Finance to Act as Lead Manager and underwriter for the Rights Issue.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date.

2. In the Director's opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Peter Landau
Chairman

Dated this 15th day of March 2012

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
PAYNES FIND GOLD LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Paynes Find Gold Limited, which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Paynes Find Gold Limited (the entity).

Directors' Responsibility for the Half-Year Financial Report

The directors of Paynes Find Gold Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Paynes Find Gold Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Paynes Find Gold Limited on 15 March 2012.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Paynes Find Gold Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.


Inherent Uncertainty Regarding Going Concern

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

As referred to in note 1 to the financial statements, the financial statements have been prepared on a going concern basis. At 31 December 2011 the Company had cash and cash equivalents of \$112,385, net working capital deficiency of \$1,206,971. The Company also incurred a loss for the half year ended 31 December 2011 of \$1,388,579.

The ability of the Company to continue as a going concern and to ensure the realisation of assets and the extinguishment of liabilities is dependent upon the Company raising further working capital. In the event that the Company cannot raise further equity or loan capital, the Company may not be able to meet its liabilities as they fall due and the realisable value of the Company's assets may be significantly less than book values.

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

Stantons International Audit and Consulting Pty Ltd


John P Van Dieren
Director

West Perth, Western Australia
15 March 2012

15 March 2012

Board of Directors
Paynes Find Gold Limited
Ground Floor, 1 Havelock Street
WEST PERTH WA 6005

Dear Sirs

RE: PAYNES FIND GOLD LIMITED

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

As Audit Director for the review of the financial statements of Paynes Find Gold Limited for the period ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours Faithfully

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



John Van Dieren
Director