



PAYNES FIND GOLD LIMITED

ABN 45 141 450 624

Annual Financial Report
For the Year Ended 30 June 2012

Paynes Find Project Location Map



Corporate Directory

DIRECTORS

Peter Landau	Non-Executive Chairman	(Appointed 11 January 2012)
Carl Popal	Executive Director	(Appointed 5 January 2012)
Doug Taylor	Executive Director	(Appointed 14 November 2011)
John Hatherley	Non-Executive Director	(Appointed 30 November 2011)
Malcolm Day	Non-Executive Director	(Appointed 2 July 2012)
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)
Adam Bennett	Non-Executive Director	(Resigned 23 April 2012)

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
Fax: + 61 (8) 9324 2400

PRINCIPAL PLACE OF BUSINESS

Level 2, 41-43 Ord Street
WEST PERTH, WA, AUSTRALIA, 6005
Ph: + 61 (8) 9429 8883
Fax: + 61 (8) 9429 8884

CONTACT DETAILS

Website: www.paynesfindgold.com
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

Computershare Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000
Ph: + 61 (8) 9323 2000
Fax: + 61 (8) 9323 2033

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Directors' Report

Your directors present their report on Paynes Find Gold Limited ("Company" or "PFGL") for the financial year ended 30 June 2012.

1. DIRECTORS

The names and details of the directors in office at any time during or since the end of financial year are:

Peter Landau	Non-Executive Chairman	(Appointed 11 January 2012)
Carl Popal	Executive Director	(Appointed 5 January 2012)
Doug Taylor	Executive Director	(Appointed 14 November 2011)
John Hatherley	Non-Executive Director	(Appointed 30 November 2011)
Malcolm Day	Non-Executive Director	(Appointed 2 July 2012)
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)
Adam Bennett	Non-Executive Director	(Resigned 23 April 2012)

2. COMPANY SECRETARY

The following person held the position of company secretary at the date of this report:

Ms Jane Flegg (Appointed 11 January 2012)

3. PRINCIPAL ACTIVITY

The principal activity of the Company during the financial year was the exploration for gold and investment in the minerals exploration and development sector. The current activity is in Western Australia.

There were no significant changes in the nature of the Company's principal activities during the financial year.

4. OPERATING RESULTS

The Company reported a net loss of \$3,674,706 for the financial year (2011 \$5,253,656 loss).

5. DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

6. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year there were no significant changes in the state of affairs of the Company other than disclosed in the Financial Report.

7. AFTER BALANCE DATE EVENTS

No other matters or circumstances have arisen since the end of the financial year which significantly altered or may significantly alter the operations of the Company, the results of those operations or the state of affairs of the Company in financial years subsequent to 30 June 2012.

8. ENVIRONMENTAL ISSUES

The Company's environmental obligations are regulated under both State and Federal Law. The Company has a policy of complying with its environmental performance obligations. No environmental breaches have been notified to the Company to the date of this report.

Directors' Report (cont'd)

9. REVIEW OF OPERATIONS

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.

In early 2012 the Company embarked upon a restructuring and recapitalising program to resolve issues surrounding the refinancing of existing convertible note agreements, move forward with its exploration activities and reinstatement to the ASX.

With a new Board in place replacement debt facilities of \$1.2m were obtained from the new Board members or nominees and 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.

An additional Debt Facility of \$900,000 from Delecta Limited was obtained in February 2012.

The Company successfully completed its Fully Underwritten Non-renounceable Rights Issue that raised \$4m before costs and debt conversion as approved by shareholders at its General Meeting on 15 June 2012. A total of 200,905,006 new ordinary fully paid shares and 100,452,503 new listed attaching options (\$0.03; 30 June 2015) were issued to eligible shareholders with the balance taken up by the Underwriters in accordance with the Rights Issue Document and Underwriting Agreement.

In conjunction with the Rights Issue, as approved by shareholders at its General Meeting on 15 June 2012, the Company successfully completed a Placement on the same terms as the Rights Issue that raised \$1m before costs. A total of 100,000,000 new ordinary fully paid shares and 50,000,000 new listed attaching options (\$0.03; 30 June 2015) were issued to sophisticated and professional investors.

This funding has ensured the stability of the Company's financial and operating position since it went into voluntary suspension after a trading halt on 11 October 2011.

The recapitalisation leaves the Company debt free with \$3.7m in cash at 30 June 2012 to proceed with its Phase II Drilling Program and Working Capital.

Following the successful completion of its restructure and recapitalisation the Company requested re-quotations of its securities and was re-instated to the ASX on 2 July 2012.

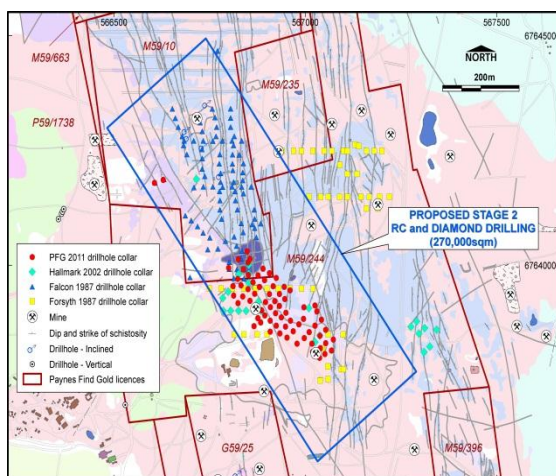
Exploration and Development Activities

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.

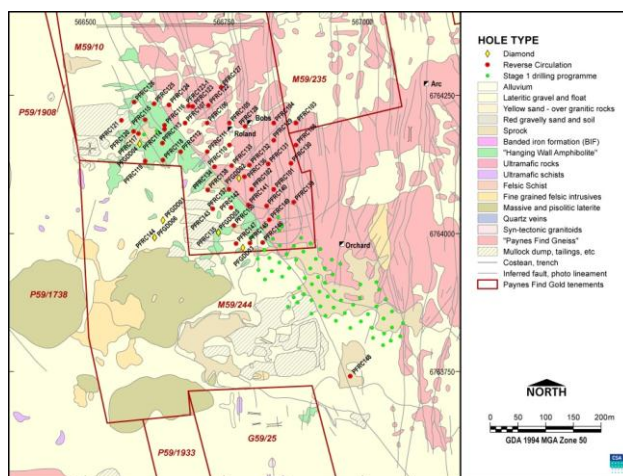
A Stage 2 RC drilling program starting at the north and east of the Stage 1 drilled area was planned to test open-ended known extensions of gold mineralisation.

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

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



Historic Drill Holes



Phase II Drill Holes

Directors' Report (cont'd)

9. REVIEW OF OPERATIONS (cont'd)

Exploration and Development Activities (cont'd)

The Company finalised the Diamond Core and RC Drilling Contracts for the Phase II Drilling Program and drilling commenced in July 2012.

The Phase II Drilling Program comprising 6 Diamond holes and 5,000m of RC Drilling (initial 64 holes) was carried out from July through to September.

Favourable results from the first stage drilling confirmed the presence of near-surface gold mineralisation over widths potentially amenable to bulk selective mining.

Geological mapping by the company has noted evidence of lower grade link structures between the main high-grade lodes. The bulk mining concept incorporates high-grade quartz lodes and low-grade mineralisation comprising country rock hosting thin auriferous veins and joints.



Diamond Core Drilling



Director Doug Taylor and Geological Consultant Rod Dale onsite

Directors' Report (cont'd)

9. INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Mr Peter Landau	Non-Executive Chairman												
Qualifications	Bachelor of Law, Bachelor of Commerce												
Experience	Mr Landau is the founding director of Okap Ventures Pty Ltd and Komodo Capital Pty Ltd, internationally focused project management, corporate advisory and venture capital firms based in Western Australia and London. Mr Landau is a former corporate lawyer and corporate advisor and has over 15 years' experience in providing general corporate, capital raising, transaction and strategic advice to numerous ASX and AIM listed and unlisted companies. Mr Landau has project managed a significant number of oil and gas and mining exploration and development transactions around the world including capital raisings, M & A, joint ventures and finance structures.												
Interest in shares and options in the Company	Okap Ventures Pty Ltd, a company which Mr Landau is a director, holds 6,784,383 ordinary fully paid shares, 3,142,192 listed options exercisable at 3 cents on or before 30 June 2015 and 125,000 listed options exercisable at 20 cents on or before 1 November 2012 Doull Holdings Pty Ltd, a company which Mr Landau is a director, holds 5,000,000 unlisted director options exercisable at 3 cents on or before 30 June 2015												
Directorships held in other listed entities	<table border="0"> <tbody> <tr> <td>Range Resources Limited</td> <td>From:</td> <td>8 November 2005</td> </tr> <tr> <td>Black Mountain Resources Limited</td> <td>From:</td> <td>23 August 2011</td> </tr> <tr> <td>Nkwe Platinum Limited</td> <td>From:</td> <td>14 September 2006</td> </tr> <tr> <td>Continental Coal Limited</td> <td>From:</td> <td>10 December 2002</td> </tr> </tbody> </table>	Range Resources Limited	From:	8 November 2005	Black Mountain Resources Limited	From:	23 August 2011	Nkwe Platinum Limited	From:	14 September 2006	Continental Coal Limited	From:	10 December 2002
Range Resources Limited	From:	8 November 2005											
Black Mountain Resources Limited	From:	23 August 2011											
Nkwe Platinum Limited	From:	14 September 2006											
Continental Coal Limited	From:	10 December 2002											
Mr Carl Popal	Executive Director												
Qualifications	Bachelor of Business												
Experience	Mr Popal has managed several entities conducting international trading. He has 12 years' experience in business and property development and has managed various commercial dealings within a network of companies in various countries around the world including India, China and Malaysia.												
Interest in shares and options in the Company	Popal Enterprises Pty Ltd, a company which Mr Popal is a director, holds 5,940,000 ordinary fully paid shares, 1,980,000 listed options exercisable at 3 cents on or before 30 June 2015, 75,000 listed options exercisable at 20 cents on or before 1 November 2012, 3,500,000 unlisted options exercisable at \$0.25 on or before 1 May 2015, and 1,500,000 unlisted options exercisable at 35 cents on or before 1 May 2016. Ghan Resources Pty Ltd, a company which Mr Popal is a director, holds 16,319,993 ordinary fully paid shares, 8,770,308 listed options exercisable at 3 cents on or before 30 June 2015 and 10,000,000 unlisted director options exercisable at 3 cents on or before 30 June 2015.												
Directorships held in other listed entities	During the past three years, Mr Popal has not served as a director of any other companies listed on the Australian Stock Exchange.												
Mr Doug Taylor	Executive Director												
Experience	Mr Taylor has been working in the underground and surface mining industry for more than 20 years. He is the fourth generation of Taylors' to live and work in the Paynes Find Goldfields and is one of the original vendors of tenements to the Company. Mr Taylor has worked for various mining contractors, which has given him a diverse knowledge of mining. Mr Taylor's skills range from practical knowledge (eg. shaft sinking, development, selective mining, refurbishing shafts), to identifying geological features of gold deposits and the ability to direct others in the development of these findings. Mr Taylor owns and operates Murchison Earthmoving, a company which provides the integral link between mining and rehabilitation in mine clean-ups, general earthmoving and machinery hire.												
Interest in shares and options in the Company	Mr Taylor holds 9,375,000 ordinary fully paid shares, 781,250 listed options exercisable at 20 cents on or before 1 November 2012, and 3,125,000 listed options exercisable at 3 cents on or before 30 June 2015. Murchison Earthmoving and Rehabilitation Pty Ltd, a company which Mr Taylor is a director, holds 6,634,383 ordinary fully paid shares, 3,092,192 listed options exercisable at 3 cents on or before 30 June 2015, 4,600,000 unlisted director options exercisable at 3 cents on or before 30 June 2015, and 166,666 listed options exercisable at 20 cents on or before 1 November 2012.												
Directorships held in other listed entities	During the past three years, Mr Taylor has not served as a director of any other companies listed on the Australian Stock Exchange.												

Directors' Report (cont'd)

10. INFORMATION ON DIRECTORS AND COMPANY SECRETARY (cont'd)

Mr John Hatherley	Non-Executive Director
Qualifications	LLB (Hons)
Experience	Mr Hatherley has been actively engaged in the resource sector for more than 20 years. He started his career in 1986 with BP and in 1992 became the head of BP's naphtha, LPG and Chemical Feedstock Trading. In 1993 he was approached by Glencore, through which he founded the naphtha and LPG trading business. Over the next few years he ran the company's worldwide "Light Ends" department, which included gasoline and natural gas. He was also responsible for the management of refining assets, restructuring the shipping business and joined the Energy Division General Management team. At the time of his departure in 2006, Glencore had grown exponentially and had overtaken Cargill as the largest private company in the world. In recent years Mr Hatherley has owned and managed various successful property and investment businesses in the UK, Singapore and Australia. He is currently the Chairman and CEO of Tadcaster Holdings in Singapore.
Interest in shares and options in the Company	GRS Energy Pty Ltd, a company which Mr Hatherley is a director, holds 3,750,000 ordinary fully paid shares, 1,250,000 listed options exercisable at 3 cents on or before 30 June 2015, and 312,500 listed options exercisable at 20 cents on or before 1 November 2012. Francis Xavier Pty Ltd, a company which Mr Hatherley is a director, holds 14,318,768 ordinary fully paid shares, 6,534,383 listed options exercisable at 3 cents on or before 30 June 2015, 4,600,000 unlisted director options exercisable at 3 cents on or before 30 June 2015, and 833,333 listed options exercisable at 20 cents on or before 1 November 2012.
Directorships held in other listed entities	During the past three years, Mr Hatherley has not served as a director of any other companies listed on the Australian Stock Exchange.
Mr Malcolm Day	Non-Executive Director
Qualifications	Degree (Bachelor of Applied Science) in Surveying and Mapping
Experience	Mr Day was the founder and inaugural Managing Director of Adultshop.com which listed on ASX in June 1999. In October 2010 Adultshop.com was privatized. Prior to founding Adultshop.com in 1996, Mr Day worked in the civil construction industry for ten years, 6 of which were spent in senior management as a Licensed Surveyor and then later as a Civil Engineer. Whilst working as a Surveyor Mr Day spent 3 years doing mining and exploration surveys in remote Western Australia. Mr Day is a Member of the Australian Institute of Company Directors.
Interest in shares and options in the Company	Goldshore Investments Pty Ltd ATF The Goldshore Trust and the M R Day Superfund, a company which Mr Day is a director, holds 3,310,098 ordinary fully paid shares, 1,103,366 listed options exercisable at 3 cents on or before 30 June 2015 and 1,150,000 listed options exercisable at 20 cents on or before 1 November 2012. Delecta Limited, a company which Mr Day is a director, holds 100,000,000 ordinary fully paid shares and 50,000,000 listed options exercisable at 3 cents on or before 30 June 2015.
Directorships held in other listed entities	Delecta Limited From: 15 June 1999
Ms Jane Flegg	Company Secretary & CFO
Experience	Ms Flegg has over 20 years of experience in finance and administration. During the past decade she has been a Corporate Advisor to several ASX and AIM listed mining and oil and gas exploration companies, specialising in corporate and financial management, compliance and company secretarial advice. Ms Flegg is currently Joint Company Secretary of Range Resources Limited and Continental Coal Limited and Joint Company Secretary & CFO of Kaboko Mining Limited.
Interest in shares and options in the Company	Ms Flegg holds 2,000,000 unlisted options exercisable at 3 cents on or before 30 June 2015.

Directors' Report (cont'd)

10. INFORMATION ON DIRECTORS AND COMPANY SECRETARY (cont'd)

Mr Paul Berresford

Experience

Chairman and Company Secretary (resigned 15 December 2011)

Mr Beresford has more than 25 years' experience as an accountant and the Financial Services Industry. He holds a Bachelor of Business and a Post Graduate Diploma in Business from Curtin University and is a Chartered Accountant, Registered Company Auditor, Fellow of the Taxation Institute of Australia, Fellow of the Financial Services Institute of Australasia (FINSIA), CA accredited Financial Planning Specialist and member of Self-Managed Super Fund Professionals Association of Australia.

Interest in shares and options in the Company at the date of resignation

Elanel Pty Ltd as Trustee for the Marvellous Property Trust, a company which Mr Beresford is a director, held 1,250,000 ordinary fully paid shares, 7,300,000 unlisted options exercisable at 25 cents on or before 1 May 2015, 370,000 unlisted options exercisable at 35 cents on or before 1 May 2016, and 50,000 listed options exercisable at 20 cents on or before 1 November 2012.

Directorships held in other listed entities

Directorships of other listed public companies over the past three years are Advance Energy Ltd – resigned 31 May 2010

Mr Brian Leedman

Experience

Executive Director, Managing Director (resigned 26 October 2011)

Mr Leedman has more than 15 years as a marketing and communications specialist. He holds a Bachelor of Economics and a Master of Business Administration from the University of Western Australia.

Interest in shares and options in the Company at the date of resignation

Mr Leedman held 2,800,001 ordinary shares, 6,250,000 unlisted options exercisable at 25 cents on or before 1 May 2015 and 2,950,000 unlisted options exercisable at 35 cents on or before 1 May 2016.

Directorships held in other listed entities

During the past three years, Mr Leedman has not served as a director of any other companies listed on the Australian Stock Exchange.

Mr Adam Bennett

Experience

Non-Executive Director (resigned 23 April 2012)

Mr Bennett has been involved in mining and exploration in Australia and overseas for a number of years acting as a consultant.

Interest in shares and options in the Company at the date of resignation

Venture Key Ltd, a company which Mr Bennett is a director, held 3,200,000 ordinary fully paid shares, 8,700,000 unlisted options exercisable at 25 cents on or before 1 May 2015 and 4,000,000 unlisted options exercisable at 35 cents on or before 1 May 2016.

Directorships held in other listed entities

During the past three years, Mr Bennett has not served as a director of any other companies listed on the Australian Stock Exchange.

Mr Paul Matich

Experience

Non-Executive Director (resigned 11 November 2011)

Mr Matich has been actively engaged in the resource sector for more than 20 years as a consultant to a number of resource projects in Western Australia including the Koolan Island High Grade Iron Ore Deposit and Radio Hill Nickel and Copper Deposits.

Interest in shares and options in the Company at the date of resignation

Mr Matich held 4,400,000 ordinary fully paid shares, 3,800,000 unlisted options exercisable at 25 cents on or before 1 May 2015 and 1,800,000 unlisted options exercisable at 35 cents on or before 1 May 2016

Directorships held in other listed entities

Paul Matich & Daniel Matich ATF the Paul Matich Superannuation Fund, a company which Mr Matich is a director, held 300,000 ordinary fully paid shares and 50,000 listed options exercisable at 20 cents on or before 1 November 2012.

During the past three years, Mr Matich has not served as a director of any other companies listed on the Australian Stock Exchange.

Mr Peter Salter

Experience

Non-Executive Director (resigned 11 November 2011)

Mr Salter has more than 25 years' experience in the mining industry from surveying to managing projects in the construction industry prior to becoming involved in exploration.

Interest in shares and options in the Company at the date of resignation

Alliance Mutual Ltd, a company which Mr Salter is a director, held 4,000,000 ordinary fully paid shares, 6,600,000 unlisted options exercisable at 25 cents on or before 1 May 2015 and 2,000,000 unlisted options exercisable at 35 cents on or before 1 May 2016.

Directorships held in other listed entities

During the past three years, Mr Salter has not served as a director of any other companies listed on the Australian Stock Exchange.

Directors' Report (continued)

Mr Andrew Caminschi

Experience

Non-Executive Director (resigned 11 November 2011)

Mr Caminschi has over 15 years of international business experience covering extensive assignments in US, Europe, Asia and Australia. He holds a Masters of Financial Mathematics from The University of Chicago, and a Masters of Business Administration and Bachelor of Computer and Mathematical Science from the University of Western Australia.

Interest in shares and options in the Company at the date of resignation

Mr Caminschi held no shares or options in the company at the date of his resignation, but was issued securities subsequent to resigning in lieu of cash director fees

Directorships held in other listed entities

Directorships of listed public companies over the past three years are Structural Monitoring Systems plc – resigned 30 April 2011

11. REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for each key management person of Paynes Find Gold Limited.

The information provided in this report has been audited as required by Section 308(3c) of the Corporations Act 2001.

The remuneration report is set out under the following main headings:

- A Remuneration Policy
- B Details of remuneration
- C Equity-based compensation
- D Employment contracts of directors and senior executives

A Remuneration Policy

The remuneration policy of Paynes Find Gold Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board of Paynes Find Gold Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Company is as follows:

- The remuneration policy, setting the terms and conditions for key management personnel, was developed and approved by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- Key management personnel can be employed by the Company on a consultancy basis, upon Board approval, with remuneration and terms stipulated in individual consultancy agreements.
- The board reviews key management personnel packages annually based on market practices, duties and accountability. Currently there is no link between remuneration and shareholder wealth or Company performance. The Board may, however, approve at its discretion, incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for their performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share and option arrangements.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by key management personnel. Unlisted options are valued using the Black-Scholes methodology.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

Remuneration Committee

During the year ended 30 June 2012, the Group did not have a separately established nomination or remuneration committee. Considering the size of the Company, the number of directors and the Company's early stages of its development, the Board is of the view that these functions could be efficiently performed with full Board participation.

Directors' Report (continued)

11. REMUNERATION REPORT (AUDITED) (cont'd)

Remuneration Policy (cont'd)

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate and distinct.

Key Management Personnel Remuneration Policy

The Board's policy for determining the nature and amount of remuneration of key management for the Company is as follows:

The remuneration structure for key management personnel is based on a number of factors, including length of service, and particular experience of the individual concerned. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration of non-executive directors is reviewed annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees for non-executive directors are not linked to the performance of the Company. However, to align director's interests with shareholders' interests, the directors are encouraged to hold shares in the Company. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. The maximum aggregate currently stands at \$300,000 per annum and was approved by shareholders at a General Meeting on 15 March 2010.

Non-executive directors may also be remunerated for additional specialised services performed at the request of the Board and reimbursed for reasonable expenses incurred by directors on Company business.

B Details of Remuneration

Executive Director Remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Reward executives for individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of executives with those shareholders; and
- Ensure total remuneration is competitive by market standards

Currently there is no link between remuneration and shareholder wealth or Group performance.

Structure

Executive directors are provided to the Company on a consultancy basis with remuneration and terms stipulated in individual consultancy agreements.

Directors' Report (continued)

11. REMUNERATION REPORT (AUDITED) (cont'd)

Details of Remuneration (cont'd)

Key Management Personnel Remuneration

The key management personnel of the Company are the directors and executives of Paynes Find Gold Limited being:

Peter Landau	Non-Executive Chairman	(Appointed 11 January 2012)
Carl Popal	Executive Director	(Appointed 5 January 2012)
Doug Taylor	Executive Director	(Appointed 14 November 2011)
John Hatherley	Non-Executive Director	(Appointed 30 November 2011)
Malcolm Day	Non-Executive Director	(Appointed 2 July 2012)
Jane Flegg	Company Secretary & Chief Financial Officer	(Appointed 11 January 2012)
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)
Adam Bennett	Non-Executive Director	(Resigned 23 April 2012)

Details of the nature and amount of emoluments of each director and executive officer during the financial year are:

		Short-term Benefits	Post Employment Benefits	Share Based Payments		Total	% of Remuneration Received in Equity
		Salary & Fees	Super annuation	Directors Fees Settled in Shares in Lieu of Cash	Unlisted ¹ Director Options Exercisable at 3 cents on or before 30 June 2015		
Directors		\$	\$	\$	\$	\$	\$
Peter Landau <i>from 11 January 2012</i>	2012	30,000	-	-	100,000	130,000	77%
Carl Popal <i>from 5 January 2012</i>	2012	48,000	-	-	200,000	248,000	81%
Doug Taylor (ii) <i>from 14 November 2011</i>	2012	37,000	-	-	92,000	129,000	71%
John Hatherley <i>from 30 November 2011</i>	2012	23,333	-	-	92,000	115,333	80%
Jane Flegg (i) <i>from 11 January 2012</i>	2012	-	-	-	-	-	Nil
Paul Berresford <i>to 15 December 2011</i>	2012	138,273	-	-	-	138,273	Nil
	2011	105,904	-	-	-	105,904	Nil
Peter Salter <i>to 11 November 2011</i>	2012	137,263	-	-	-	137,263	Nil
	2011	522,756	-	-	-	522,756	Nil
Adam Bennett <i>to 23 April 2012</i>	2012	60,255	-	-	112,000	172,255	65%
	2011	234,660	-	-	-	234,660	Nil
Brian Leedman (iv) <i>to 26 October 2011</i>	2012	28,075	-	31,613	-	59,688	53%
	2011	43,086	1,350	-	-	44,436	Nil
Paul Matich <i>to 11 November 2011</i>	2012	22,825	-	-	-	22,825	Nil
	2011	127,968	-	-	-	127,968	Nil
Andrew Caminschi (iii) <i>to 11 November 2011</i>	2012	-	-	58,638	-	58,638	100%
	2011	-	-	-	-	-	Nil
Total	2012	525,024	-	90,251	596,000	1,211,275	57%
	2011	1,034,374	1,350	-	-	1,035,724	Nil

(i) Ms Jane Flegg is an employee of Okap Ventures Pty Ltd and is paid a salary through Okap's consulting agreement with Paynes Find Gold Limited. Ms Flegg received 2,000,000 options having a total value of \$40,000 during the year end 30 June 2012.

Directors' Report (continued)

11. REMUNERATION REPORT (AUDITED) (cont'd)

(ii) Included within Mr Doug Taylor's 30 June 2012 salary & fees is \$3,400 in relation to equipment hired from Murchison Earthmoving & Rehabilitation Pty Ltd, a company of which Mr Doug Taylor is a director.

(iii) Mr Andrew Caminschi's 30 June 2012 salary & fees of \$58,638 were settled in shares instead of cash.

(iv) \$31,613 of Mr Brian Leedman's 30 June 2012 salary & fees was settled in shares instead of cash.

¹ On 27 June 2012 the Directors of the Company were issued unlisted director incentive options exercisable at 3 cents on or before 30 June 2015, as approved by Shareholders at a General meeting held on 15 June 2012. The options have been valued using a Black-Scholes option pricing model.

C Equity-based compensation

Options Granted as Part of Remuneration for Year Ended 30 June 2012

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of Paynes Find Gold Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders.

Options Granted As Remuneration								
Key Management Personnel	Vested No.	Granted No.	Date Granted	Date Vested & Exercisable	Last Exercisable Date	Exercise Price	Value per option at grant date \$	Total Value ¹ \$
Peter Landau	-	5,000,000	15/06/2012	15/06/2012	30/06/2015	3 cents	2 cents	100,000
Carl Popal	-	10,000,000	15/06/2012	15/06/2012	30/06/2015	3 cents	2 cents	200,000
Doug Taylor	-	4,600,000	15/06/2012	15/06/2012	30/06/2015	3 cents	2 cents	92,000
John Hatherley	-	4,600,000	15/06/2012	15/06/2012	30/06/2015	3 cents	2 cents	92,000
	-	24,200,000	-	-	-	-	-	484,000

All options were granted for nil consideration. 24,200,000 options vested during the year.

¹ The Director options were valued at their 15 June 2012 grant date.

Details of options over ordinary shares in the Company provided as remuneration to each director of Paynes Find Gold Limited are set out below. When exercisable, each option is convertible into one ordinary share of Paynes Find Gold Limited. Further information on the options is set out in note 23 of the financial statements.

Name	Number of options granted during the year	
	2012	2012
Peter Landau	5,000,000	5,000,000
Carl Popal	10,000,000	10,000,000
Doug Taylor	4,600,000	4,600,000
John Hatherley	4,600,000	4,600,000
	24,200,000	24,200,000

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

Directors' Report (continued)

11. REMUNERATION REPORT (AUDITED) (cont'd)

The model inputs for options granted during the year ended included:

	2012
(i) exercise price:	3 cents
(ii) grant date:	15 June 2012
(iii) expiry date:	30 June 2015
(iv) share price at grant date:	\$0.02
(v) expected volatility of the group's shares:	107%
(vi) expected dividend yield: nil	Nil
(vii) risk-free interest rate:	3.5 %

Options Granted as Part of Remuneration for Year Ended 30 June 2011

There were no options granted to the Directors or Officers of the Company during the Year Ended 30 June 2011.

Shares Issued on Exercise of Compensation Options

No options lapsed and no options were exercised during the year (2011: nil).

D Employment Contracts of Directors and Senior Executives

Remuneration and other terms of employment for Executive Directors are formalised in executive service agreements and Non-Executive Directors are formalised in consultancy agreements with the company.

Major provisions of the agreements relating to remuneration are set out below.

Non-Executive Chairman - Mr Peter Landau (from 11 January 2012)

- Term of Agreement – The agreement commenced on 11 January 2012, for a term of twelve months, renewable annually or until either party gives 3 months written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration \$60,000 per annum, payable monthly to Mr Peter Landau or nominee.
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.19.

Executive Director - Mr Carl Popal (from 5 January 2012)

- Term of Agreement – The agreement commenced on 5 January 2012, for a term of twelve months, renewable annually, or until either party gives 3 months written notice of termination or otherwise terminated in accordance with the executive services agreement.
- Remuneration \$96,000 per annum, payable monthly to Mr Carl Popal or nominee.
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.19.

Executive Director - Mr Doug Taylor (from 14 November 2011)

- Term of Agreement – The agreement commenced on 15 February 2012, for a term of twelve months, renewable annually, or until either party gives 3 months written notice of termination or otherwise terminated in accordance with the executive services agreement.
- Remuneration \$50,000 per annum, payable monthly to Mr Doug Taylor or nominee
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.19.

Non-Executive Director - Mr John Hatherley (from 30 November 2011)

- Term of Agreement – The agreement commenced on 30 November 2011 for a term of twelve months, renewable annually, or until either party gives 3 months written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration \$40,000 per annum, payable monthly to Mr John Hatherley or nominee
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.193

Non-Executive Director - Mr Malcolm Day (from 2 July 2012)

- Term of Agreement – The agreement commenced on 2 July 2012 for a term of twelve months, renewable annually, or until either party gives 3 months written notice of termination or otherwise terminated in accordance with the consultancy agreement.
- Remuneration \$40,000 per annum, payable monthly to Mr Malcolm Day or nominee
- Payment of termination of Agreement without cause – the balance of any part of the term remaining, subject to the requirements of ASX Listing Rule 10.193

Directors' Report (continued)

11. REMUNERATION REPORT (AUDITED) (cont'd)

Trading in the Group's securities by directors, officers and employees

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all directors and employees. Under the policy, the directors, officers and employees are prohibited from dealing in the Company's securities whilst in possession of price sensitive information and also prohibited from short term or "active" trading in the company's securities. The directors, officers and employees should also prevent dealing in the Company's securities during specific blackout periods. The Company Secretary or a director must be notified upon a trade occurring.

The policy is provided to all directors and employees. Compliance with it is reviewed on an ongoing basis in accordance with the Company's risk management systems.

There were no loans to directors during the financial year.

The Company has received claims from ex-directors of \$154,168 in relation to services rendered and termination payments which have been rejected by current management as not payable. These disputed claims have not been accrued for or reflected in the 30 June 2012 financial statements.

This is the end of the audited Remuneration Report.

10. OPTIONS

As at the date of this report the unissued ordinary shares of Paynes Find Gold Limited under option are as follows:

Date of Expiry		Exercise Price	Number Under Option
01/11/2012	listed	20 cents	14,685,000
17/12/2012	unlisted	25 cents	1,000,000
01/05/2015	unlisted	25 cents	56,000,000
30/06/2015	listed	3 cents	150,818,927
30/06/2015	unlisted	3 cents	31,800,000
01/05/2016	unlisted	35 cents	24,000,000
			<u>278,303,927</u>

No person entitled to exercise these options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Shares issued on exercise of options

There were no shares issued on the exercise of options during the year ended 30 June 2012.

Since the end of the financial year, no ordinary shares have been issued as a result of the exercise of options.

11. MEETINGS OF DIRECTORS

The number of directors' meetings held during the financial year and the numbers of meetings attended by each director were:

Director	Directors' Meetings	
	Number eligible to attend	Number attended
Peter Landau	3	3
Carl Popal	4	4
Doug Taylor	4	4
John Hatherley	4	4
Adam Bennett	3	3
Paul Berresford	2	2
Peter Salter	2	2
Brian Leedman	2	2
Paul Matich	2	2
Andrew Caminschi	-	-

12. INDEMNIFICATION OF AUDITORS AND OFFICERS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an office or auditor of the Company.

Directors' Report (continued)

13. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Auditor Independence

The auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 42.

Non-Audit Services

During the year ended 30 June 2012 there were no fees paid or payable for non-audit services provided by the entity's auditors, Stantons International.

14. PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a part for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the directors:

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

Peter Landau
Chairman
25 September 2012

Statement of Comprehensive Income

For the Year Ended 30 June 2012

	Notes	Company	
		2012	2011
		\$	\$
Continuing operations			
Revenue	4	5,175	53,897
Employee benefits expense	5	(614,192)	(974,825)
Premises expense	5	(26,811)	(137,474)
Administration expenses	5	(777,867)	(928,606)
Exploration expenses	5	(528,827)	(958,703)
Impairment of exploration costs	12	-	(729,293)
Loss on disposal of plant and equipment		(603,639)	-
Share based payments expenses	5	(726,251)	(1,232,000)
Other expenses		-	(204,937)
Loss from continuing operations before tax and finance costs		(3,272,412)	(5,111,941)
Finance costs	5	(149,595)	(1,012)
Depreciation expense	11	(252,699)	(140,703)
Loss before income tax attributable to members of the Company		(3,674,706)	(5,253,656)
Income tax expense	7	-	-
Loss after tax from continuing operations		(3,674,706)	(5,253,656)
Other comprehensive income, net of income tax		-	-
Total Comprehensive loss for the year attributable to members of the Company		(3,674,706)	(5,253,656)
Earnings per share (cents per share)			
Basic loss for the year	19	(3.54)	(7.03)
Diluted Loss for the year	19	(3.54)	(7.03)

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 30 June 2012

	Notes	Company 2012 \$	2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents	8	3,760,802	580,443
Trade and other receivables	9	105,844	129,548
Prepayments	10	559	-
Other financial asset		-	16,415
Total Current Assets		3,867,205	726,406
Non-Current Assets			
Plant and equipment	11	85,002	965,055
Interest in mining tenements	12	4,594,389	4,629,237
Other financial assets	13	30,000	18,563
Total Non-Current Assets		4,709,391	5,612,855
TOTAL ASSETS		8,576,596	6,339,261
LIABILITIES			
Current Liabilities			
Trade and other payables	14	467,296	1,050,359
Borrowings	15	30,561	28,191
Total Current Liabilities		497,857	1,078,550
Non-Current Liabilities			
Borrowings	15	25,842	54,034
Total Non-Current Liabilities		25,842	54,034
TOTAL LIABILITIES		523,699	1,132,584
NET ASSETS		8,052,897	5,206,677
EQUITY			
Contributed equity	16	15,083,107	9,198,181
Reserves	17	2,016,032	1,380,032
Accumulated losses	18	(9,046,242)	(5,371,536)
TOTAL EQUITY		8,052,897	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 Year Ended 30 June 2012

	Issued Capital	Attributable to equity holders		Total Equity
		Accumulated Losses	Share Based Payment Reserve	
	\$	\$	\$	\$
At 1 July 2011	9,198,181	(5,371,536)	1,380,032	5,206,677
Loss for the year	-	(3,674,706)	-	(3,674,706)
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss) for the year	-	(3,674,706)	-	(3,674,706)
Issue of share capital	6,209,167	-	-	6,209,167
Share capital costs	(324,241)	-	-	(324,241)
Share options	-	-	636,000	636,000
At 30 June 2012	15,083,107	(9,046,242)	2,016,032	8,052,897

	Issued Capital	Attributable to equity holders		Total Equity
		Accumulated Losses	Share Based Payment Reserve	
	\$	\$	\$	\$
At 1 July 2010	391	(117,880)	-	(117,489)
Loss for the year	-	(5,253,656)	-	(5,253,656)
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss) for the year	391	(5,371,536)	-	(5,371,145)
Issue of share capital	10,070,500	-	-	10,070,500
Share capital costs	(872,710)	-	-	(872,710)
Share options	-	-	1,380,032	1,380,032
At 30 June 2011	9,198,181	(5,371,536)	1,380,032	5,206,677

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 Year Ended 30 June 2012

	Notes	Company	
		2012	2011
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(1,920,328)	(2,505,773)
Payments for exploration		(600,439)	(897,042)
Interest received		4,652	53,897
Interest paid		(40,634)	(1,012)
Net cash used in operating activities	21	(2,556,749)	(3,349,930)
Cash flows from investing activities			
Payment for plant and equipment		(66,404)	(1,006,920)
Proceeds from sale of plant and equipment		73,507	-
Payment for tenement and prospect acquisition		-	(2,897,838)
Net cash provided by/(used in) investing activities		7,103	(3,904,758)
Cash flows from financing activities			
Proceeds from issue of equity securities		4,070,208	8,420,500
Payment for share issue costs		(271,381)	(657,446)
Proceeds from borrowings		2,965,000	-
Repayment of borrowings		(1,000,000)	-
Repayment of hire purchase facilities		(33,822)	-
Proceeds from financing of plant and equipment		-	71,500
Net cash provided by financing activities		5,730,005	7,834,554
Net increase in cash and cash equivalents		3,180,359	579,866
Cash and cash equivalents at beginning of year		580,443	577
Cash and cash equivalents at end of year	8	3,760,802	580,443

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

Notes to the Financial Statements

For the Year Ended 30 June 2012

1. CORPORATE INFORMATION

The financial report of Paynes Find Gold Limited (the "Company") for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 25 September 2012.

Paynes Find Gold Limited is a public company incorporated in Western Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company are described in the Directors Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

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

The financial report has also been prepared on the accruals basis and historical cost basis, except for available for sale investments, which are measured at fair value.

The accounting policies set out below have been applied consistently to all periods presented in the financial report except where stated.

b) Adoption of new and revised Accounting Standards

New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company.

At the date of the authorisation of the financial statements, the standards and Interpretations listed below were issued but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 200911 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 19 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'. 1 January 2013 30 June 2014

The Company has decided not to early adopt any of the new and amended pronouncements. Of the above new and amended Standards and Interpretations the Company's assessment of those new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

□ AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key 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
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially 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; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Company has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

□ AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurements.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value.

These Standards are not expected to significantly impact the Company.

□ AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to classify items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is not expected to significantly impact the Company.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

- (i) for an offer that may be withdrawn – when the employee accepts;
- (ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and
- (iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

This Standards is not expected to impact the Company.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following new and revised Accounting Standards and Interpretations have, where applicable, been adopted in the current year but have had no significant effect on the amounts reported or disclosures.

Standards affecting presentation and disclosure

Amendments to AASB 7 'Financial Instruments' Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards.
AASB 124 'Related Party Disclosures' (revised December 2009)	AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities.
AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement'	Interpretation 114 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119.
AASB 2009-12 'Amendments to Australian Accounting Standards'	The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009).
AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations.
AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'	The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets.

c) **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 \$3,674,706 and net operating cash outflows of \$2,556,749 the year ended 30 June 2012. The directors believe the going concern basis is appropriate as:

- The cash assets of the Company at 30 June 2012 were \$3,760,802.
- The Board can pursue further financing options for the Company, including equity and debt financing, if required.
- 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.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Significant accounting estimates and assumptions

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

Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes option pricing model.

The Company measures the cost of cash-settled share based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

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.

Impairment of non financial assets other than goodwill

The Company assesses impairment of all assets at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. These include economic and political environments and the future exploration and development expectations. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

Deferred taxation

Potential future income tax benefits have not been brought to account at 30 June 2012 because the Directors do not believe that it is appropriate to regard realisations of future income tax benefits.

e) Borrowing costs

Borrowing costs are recognised as an expense when incurred, except for borrowing cost relating to qualifying assets when the interest is capitalised to the qualifying assets.

f) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

g) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

h) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised in other comprehensive income and presented as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the Statement of Comprehensive Income.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the Statement of Financial Position date.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Investments (Continued)

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Company commits to purchase the asset.

i) Financial instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. Transaction costs on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

j) Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless that asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or group of assets. In which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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

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

k) Income tax

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

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

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

- When the deferred tax liability arises from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference arises from the initial recognition of goodwill; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which the deductible temporary differences or unused tax losses and tax offsets can be utilised, except:

- When the deductible temporary difference giving rise to the asset arises from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither accounting profit nor taxable income; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Income Tax (Continued)

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

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

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

l) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

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

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

m) Interest in joint venture operations

Where the Company has an interest in a joint venture operation, it is accounted for by recognising the Company's assets and liabilities from the joint venture, as well as expenses incurred by the Company and the Company's share of income earned from the joint venture, in the consolidated financial statements.

n) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the Company. All other leases are classified as operating leases.

Finance leases are capitalised, recording an asset and a liability equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a diminishing value basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

o) Property, plant and equipment

Each class of property, plant and equipment is stated at cost less, where applicable, any accumulated depreciation and impairment losses

Plant and equipment

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

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

- Computer equipment 3 years
- Plant and equipment 3 to 4 years
- Furniture and fittings 3 to 4 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Provisions and employee leave benefits

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying value is the present value of those cashflows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, for example under an insurance contract, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee leave benefits

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. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

q) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

r) Trades and other payables

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

s) Exploration and evaluation expenditure

Exploration and evaluation expenditure on areas of interest are expensed as incurred. Costs of acquisition will normally be expensed but will be assessed on a case by case basis and may be capitalised to areas of interest and carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future. Where projects have advanced to the stage that directors have made a decision to mine, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced.

t) Comparatives

Certain comparatives have been reclassified where necessary to be consistent with the current year's disclosures.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2012

3. SEGMENT INFORMATION

The Company predominantly operated in one geographical segment for the 2012 and 2011 financial years.

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.

	2012 \$	Company 2011 \$
4. REVENUE FROM CONTINUING OPERATIONS		
Other income		
Interest revenue	5,175	53,897
	<u>5,175</u>	<u>53,897</u>
Total Revenue	<u>5,175</u>	<u>53,897</u>
5. EXPENSES FROM CONTINUING OPERATIONS		
Employee benefits expenses		
Employees costs	(92,568)	(83,057)
Directors remuneration & consulting	(521,624)	(891,768)
	<u>(614,192)</u>	<u>(974,825)</u>
Premises expenses		
Rent expense	(26,811)	(137,474)
	<u>(26,811)</u>	<u>(137,474)</u>
Administration expenses		
Accounting and auditing fees	(77,833)	(45,404)
Australian listing fees	(31,125)	(56,325)
Share registry fees	(30,011)	(102,304)
Legal fees	(375,161)	(92,495)
Other expenses	(263,737)	(632,078)
	<u>(777,867)</u>	<u>(928,606)</u>
Exploration expenses		
Drilling	(12,943)	(235,386)
Mapping and sampling	(9,437)	(222,385)
Geological consultants	(132,479)	(202,484)
Tenement costs	(145,102)	(10,220)
Other exploration expenses	(228,866)	(288,228)
	<u>(528,827)</u>	<u>(958,703)</u>
Share based payments expenses		
Fair value of shares and options issued	(726,251)	(1,232,000)
	<u>(726,251)</u>	<u>(1,232,000)</u>
Finance costs		
Interest expenses	(149,595)	(1,012)
	<u>(149,595)</u>	<u>(1,012)</u>

Notes to the Financial Statements (continued)
For the Year Ended 30 June 2012

	2012 \$	Company 2011 \$
6. AUDITORS' REMUNERATION		
Remuneration of the auditor of the Company (Stantons International) for:		
Auditing services	34,037	36,784
Other services	-	11,085
Total	34,037	47,869

7. INCOME TAX

Numerical reconciliation of income tax expense to prima facie tax payable

Loss from ordinary activities before income tax expense	(3,674,706)	(5,253,656)
Prima facie tax benefit on loss from ordinary activities at 30% (2011: 30%)	(1,102,412)	(1,576,097)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Non-deductible expenses	1,904	3,640
- Share based payments	217,875	369,600
- Impairment expense	-	218,788
Movement in deferred tax not recognised	882,633	984,069

Unrecognised temporary differences

Deferred tax assets (at 30%)

On income tax account

Carry forward tax losses	1,982,766	1,017,729
Accrued expenses	42,432	52,376
Section 40-880 deduction	234,906	209,450
	2,260,104	1,279,555

Deferred tax liabilities (at 30%)

Exploration	1,378,317	1,388,771
Prepayments	168	-
	1,378,485	1,388,771

Potential future income tax benefits arising from tax losses have not been brought to account at 30 June 2012 because the directors do not believe it is appropriate to regard realisation of the future income tax benefits as possible. These benefits will only be obtained if:

- assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- the Company continues to comply with the conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

8. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	3,760,802	580,443
	3,760,802	580,443

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

9. TRADE AND OTHER RECEIVABLES

Current

Trade and other receivables	105,844	129,548
	105,844	129,548

These amounts arise from the usual operating activities of the Company and are non-interest bearing. The debtors do not contain any overdue or impaired receivables.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2012

	Company	
	2012	2011
	\$	\$
10. PREPAYMENTS		
Prepayments	559	-
	559	-
11. PROPERTY, PLANT AND EQUIPMENT		
Tenement Plant and Equipment		
At Cost	-	325,000
Accumulated depreciation	-	(75,342)
Total tenement plant and equipment	-	249,658
Building Improvements		
At Cost	-	340,450
Accumulated depreciation	-	(22,371)
Total building improvements	-	318,079
Motor Vehicles (Leased)		
At Cost	129,465	144,049
Accumulated depreciation	(44,463)	(12,008)
Total machinery and equipment	85,002	132,041
Office Furniture and Equipment		
At Cost	-	100,329
Accumulated depreciation	-	(12,991)
Total plant and equipment	-	87,338
Plant and equipment		
At cost	-	195,930
Accumulated depreciation	-	(17,991)
Total plant and equipment	-	177,939
Total Property, Plant and Equipment	85,002	965,055

Movements in carrying amounts

	Tenement Plant and Equipment	Building Improvements	Motor Vehicles	Office Furniture and Equipment	Plant and Equipment	Total
	\$	\$	\$	\$	\$	\$
Balance at 01/07/11	249,658	318,079	132,041	87,338	177,939	965,055
Additions	-	62,751	-	-	3,653	66,404
Disposals	(187,243)	(286,080)	(14,584)	(65,503)	(140,348)	(693,758)
Depreciation	(62,415)	(94,750)	(32,455)	(21,835)	(41,244)	(252,699)
Carrying amount at 30/06/12	-	-	85,002	-	-	85,002

	Tenement Plant and Equipment	Building Improvements	Motor Vehicles	Office Furniture and Equipment	Plant and Equipment	Total
	\$	\$	\$	\$	\$	\$
Balance at 01/07/10	-	-	-	-	-	-
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)
Carrying amount at 30/06/11	249,658	318,079	132,041	87,338	177,939	965,055

Notes to the Financial Statements (continued) For the Year Ended 30 June 2012

12. NON CURRENT EXPLORATION ASSETS

	Company	
	2012	2011
	\$	\$
Tenement acquisition at cost		
Balance as at the start of the financial year	4,629,237	-
Tenements purchased during financial year at cost	-	5,358,530
Adjustment to stamp duty payable	(34,848)	-
Less: Provision for impairment	-	(729,293)
Balance as at the end of the financial year	4,594,389	4,629,237

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.

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 was made to extend the option.

	Company	
	2012	2011
	\$	\$
13. OTHER NON CURRENT FINANCIAL ASSETS		
Security bond	30,000	18,563
	30,000	-
	-	18,563

14. TRADE AND OTHER PAYABLES

Trade payables	325,857	361,850
Payments due to the ATO	-	11,039
Sundry payables and accruals	141,439	677,470
	467,296	1,050,359

These amounts arise from the usual operating activities of the Company and do not contain any overdue amounts.

15. BORROWINGS

Current		
Finance lease liabilities	22,561	28,191
Unrelated, unsecured, non-interest bearing shareholder loans	8,000	-
	30,561	28,191
Non-Current		
Finance lease liabilities	25,842	54,034
	25,842	54,034

30 June 2012 present value of minimum lease payments:

	Future minimum lease payments	Interest	Gross value of minimum lease payments
Less than one year	22,561	4,234	26,795
Between one and five years	25,842	1,397	27,239
More than five years	-	-	-
	48,403	5,631	54,034

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2012

15. BORROWINGS (continued)

30 June 2011 present value of minimum lease payments:

	Future minimum lease payments	Interest	Gross value of minimum lease payments
Less than one year	28,191	6,773	34,964
Between one and five years	54,034	5,632	59,666
More than five years	-	-	-
	<u>82,225</u>	<u>12,405</u>	<u>94,630</u>

These have been secured over the motor vehicles of the Company.

16. CONTRIBUTED EQUITY

a) Ordinary shares

Balance at 1 July 2010	\$ 391
Issue of fully paid ordinary shares – cash	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	<u>(872,710)</u>
Balance at 30 June 2011	<u>9,198,181</u>
Issue of 2,700,000 fully paid ordinary shares - placement	162,000
Issue of 200,905,006 fully paid ordinary shares – rights issue	4,018,100
Issue of 45,047,534 fully paid ordinary shares – conversion of loans from directors	900,950
Issue of 47,281,015 fully paid ordinary shares – placement	924,780
Issue of 2,750,000 fully paid ordinary shares – director invoices converted to equity	90,251
Issue of 5,654,292 fully paid ordinary shares – conversion of loans	113,086
Capital raising costs	<u>(324,241)</u>
Balance at 30 June 2012	<u>15,083,107</u>

	2012 No of shares	2011 No of shares
Ordinary shares		
Balance at beginning of financial year	97,752,503	39,000,003
Issue of fully paid shares	304,337,847	58,750,000
Shares issued on exercise of 2,500 options	-	2,500
Balance at end of financial year	<u>402,090,350</u>	<u>97,752,503</u>

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

b) Options

At 30 June 2012, the unissued ordinary shares of Paynes Find Gold under option are as follows:

Date of Expiry		Exercise Price	Number Under Option
01/11/2012	listed	20 cents	14,685,000
17/12/2012	unlisted	25 cents	1,000,000
01/05/2015	unlisted	25 cents	56,000,000
30/06/2015	listed	3 cents	150,818,927
30/06/2015	unlisted	3 cents	31,800,000*
01/05/2016	unlisted	35 cents	24,000,000
			<u>278,303,927</u>

No person entitled to exercise these options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

*5,600,000 of these options were granted at the General Meeting of shareholders on 15 June 2012 but had not been issued at 30 June 2012 or at the date of this report. Their related expense has been reflected in the 30 June 2012 financial statements based on their grant date.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2012

16. CONTRIBUTED EQUITY (continued)

Shares issued on exercise of options

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

Since the end of the financial year, no ordinary shares have been issued as a result of the exercise of options.

During and since the end of the financial year, no options lapsed or were cancelled.

The number and weighted average exercise prices of share options are as follows:

	2012		2011	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	-	-	-	-
Granted	31,800,000	0.03	-	-
Outstanding at year end	31,800,000	0.03	-	-
Exercisable at year end	26,200,000	0.03	-	-

The difference between options outstanding at year end and options exercisable at year end relates to 5,600,000 options granted at a General Meeting on 15 June 2012. Although these options were granted on 15 June 2012, they had not been issued by 30 June 2012.

17. RESERVES

	Company	
	2012 \$	2011 \$
Share based payments reserve	2,016,032	1,380,032
Movements:		
<i>Share based payments reserve</i>		
Balance at beginning of year	1,380,032	-
Options issued	636,000	1,380,032
Balance at end of year	2,016,032	1,380,032

Nature and purpose of reserves

Share based payments reserve

The share based payments reserve is used to recognise the fair value of options issued.

18. ACCUMULATED LOSSES

Accumulated losses at beginning of financial year	(5,371,536)	(117,880)
Net loss attributable to members of the parent entity	(3,674,706)	(5,253,656)
Accumulated losses at end of financial year	(9,046,242)	(5,371,536)

	Company	
	2012 \$	2011 \$
19. EARNINGS PER SHARE		
a) Loss used in the calculation of basic and dilutive earnings per share	(3,674,706)	(5,253,656)
b) Earnings per share		
Basic loss per share (cents per share)	(3.54)	(7.03)
	(3.54)	(7.03)
c) Diluted loss per share (cents per share)		

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.

d) Weighted average number of shares:	103,714,147	74,732,407
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Notes to the Financial Statements (continued)

For the Year Ended 30 June 2012

20. COMMITMENTS AND CONTINGENCIES

a) Exploration commitments

In order to maintain current rights of tenure to mining tenements, the Company has the following exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and would be payable:

	2012 \$	2011 \$
Not later than one year	138,337	95,000
Later than one year, but not later than five years	620,215	-
Later than five years	838,662	-
	1,597,214	95,000

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

b) Operating lease and other funding commitments

Property lease

Not later than one year	-	67,500
Later than one year, but not later than five years	-	5,625
Later than five years	-	-
	-	73,125

Finance lease commitment

Motor vehicle finance lease

Not later than one year	22,561	28,191
Later than one year, but not later than five years	25,842	54,034
Later than five years	-	-
	48,403	82,225

c) Contingencies

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 30 June 2012 as the current directors dispute the amounts. No liability is foreseen at the date of this report.

21. CASH FLOW INFORMATION

Reconciliation from net loss after tax to the net cash flows from operations

Net profit (loss)	(3,674,706)	(5,253,656)
<i>Non cash flows included in operating loss:</i>		
Depreciation	252,699	140,671
Loss on disposal of plant and equipment	603,639	-
Finance costs settled in equity	108,961	-
Share based payments – shares	90,251	-
Share based payments - options	636,000	1,232,000
Payments for exploration	-	(264,903)
<i>Changes in assets and liabilities:</i>		
Decrease / (increase) in trade and other receivables	10,002	(153,487)
Decrease / (increase) in other financial assets	4,978	-
Decrease / (increase) in prepayments	(559)	10,500
(Decrease) / increase in trade and other payables	(588,014)	938,945
Net cash used in operating activities	(2,556,749)	(3,349,930)

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2012

22. FINANCIAL INSTRUMENTS

a) Significant accounting policies

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

b) Credit risk exposures

Credit risk represents the loss that would be recognised if the counterparties default on their contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis.

The Company does not have any significant credit risk to any single counterparty or any Company of counterparties having similar characteristics. The credit risk on financial assets, excluding investments, of the Company which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.

The Company minimises concentrations of credit risk by undertaking transactions with a large number of customers.

The credit quality of financial assets that are neither past, due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

c) Interest rate risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate for classes of financial assets and financial liabilities comprises:

2012	Weighted average	Floating interest rate \$	Fixed interest maturing in 1 year or less	Fixed interest maturing over 1 to 5 years	Non-interest bearing	Total \$
Financial Assets						
Cash and cash equivalents	4.15%	2,260,802	1,500,000	-	-	3,760,802
Trade and other receivables	-	-	-	-	105,844	105,844
Other financial assets	-	-	-	30,000	-	30,000
Total	-	2,260,802	1,500,000	30,000	105,844	3,896,646
Financial Liabilities						
Trade and other payables	-	-	-	-	467,296	467,296
Borrowings - Current	-	-	30,561	-	-	30,561
Borrowings - Non Current	-	-	-	25,842	-	25,842
Total	-	-	30,561	25,842	467,296	523,699
Net Financial Assets/(Liabilities)	-	2,260,802	1,469,439	4,158	(361,452)	3,372,947

2011	Weighted average	Floating interest rate \$	Fixed interest maturing in 1 year or less	Fixed interest maturing over 1 to 5 years	Non-interest bearing	Total \$
Financial Assets						
Cash and cash equivalents	4.77%	373,951	-	-	206,492	580,443
Trade and other receivables	-	-	-	-	145,963	145,963
Other financial assets	-	-	-	-	18,563	18,563
Total	-	373,951	-	-	371,018	744,969
Financial Liabilities						
Trade and other payables	-	-	-	-	1,050,359	1,050,359
Borrowings - Current	-	-	28,191	-	-	28,191
Borrowings - Non Current	-	-	-	54,034	-	54,034
Total	-	-	28,191	54,034	1,050,359	1,132,584
Net Financial Assets/(Liabilities)	-	373,951	(28,191)	(54,034)	(679,341)	(387,615)

The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate of return.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 201

22. FINANCIAL INSTRUMENTS (continued)

As at the reporting date, the Company had the following variable rate cash and cash equivalents outstanding:

	30 June 2012		30 June 2011	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Financial assets				
Cash at bank	4.15%	3,760,802	4.77	580,443
	4.15%	3,760,802	4.77	580,443

d) Liquidity risk

The Company manages liquidity risk by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in short term bank deposits.

e) Net fair value

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

f) Foreign currency risk

The Company is not materially exposed to foreign currency risk.

23. RELATED PARTY DISCLOSURE

a) Compensation of key management personnel (by category)

Information on remuneration of Directors and Key Management Personnel is contained in the Remuneration Report within the Director's Report.

b) Other related party transactions

Transactions with other related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

Optimus Private Pty Ltd, a company of which Mr Paul Berresford was a Director during the year, was paid Director's fees, consulting, company secretarial, accounting, taxation and bookkeeping fees in relation to the administration of the Company. BHK Financial Services Pty Ltd, a company which Paul Berresford is a Director, was paid rent and variable outgoings in relation to occupancy of office premises at 41-43 Ord Street, West Perth. A summary of the total payments to Optimus Private Pty Ltd and BHK Financial Services Pty Ltd during the year is as follows:

	Company	
	2012 \$	2011 \$
Director's, consulting & company secretarial fees	51,868	105,904
Capital raising fees	12,230	103,364
Accounting & tax, bookkeeping support fees	69,954	79,548
Rental and variable outgoings	17,164	65,362
	<u>151,216</u>	<u>354,178</u>

Superite (2010) Pty Ltd, a company of which Peter Salter is a Director, was paid or accrued Director's fees and Consultancy fees during the year totalling \$67,171 (2011: \$522,756).

Ocean Management Pty Ltd, a company of which Peter Salter is a Director, was paid or accrued Director's fees and Consultancy fees during the year totalling \$57,023.

Marble Beach Consulting Pty Ltd, a company of which Adam Bennett is a Director, was paid or accrued Director's fees and Consultancy fees during the year totalling \$60,255 (2011: \$140,097).

Brick Investments Pty Ltd, a company of which Paul Match is a Director, was paid or accrued Director's fees and Consultancy fees during the year totalling \$22,285 (2011: \$127,968).

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2012

23. RELATED PARTY DISCLOSURE (continued)

Tashtech Pty Ltd, a company of which Brian Leedman is a Director, was paid or accrued Director's fees and Consultancy fees during the year totalling \$59,688 (2011: \$10,900). Of the total 2012 amount, \$31,613 was settled through the issue of 1,500,000 fully paid ordinary shares.

Quanterra LLC, a company of which Adam Caminschi is a Director, was paid or accrued Director's fees and Consultancy fees during the year totalling \$58,638 (2011: nil). The total 2012 amount was settled through the issue of 1,250,000 fully paid ordinary shares.

Ghan Resources Pty Ltd, a company of which Carl Popal is a Director, was paid or accrued Director's and consultancy fees during the year totalling \$48,000 (2011: nil).

Doull Holdings Pty Ltd, a company of which Peter Landau is a Director, was paid or accrued Director's fees during the year totalling \$30,000 (2011: nil).

Murchison Earthmoving & Rehabilitation Pty Ltd, a company of which Doug Taylor is a Director, was paid or accrued \$37,000 (2011: nil) during the year for the provision of geological services and exploration equipment hired.

Okap Ventures Pty Ltd, a company of which Peter Landau is a Director, was paid or accrued \$140,000 (2011: nil) during the year for the provision of accounting, company secretarial, capital raising, and corporate management services.

On 27 June 2012, directors of the Company were issued incentive options as approved by shareholders at a General Meeting held 15 June 2012. Details of the options issued are as follows:

Director	Number of Options Issued	\$ Value
Carl Popal	10,000,000	200,000
Pete Landau	5,000,000	100,000
Doug Taylor	4,600,000	92,000
John Hatherley	4,600,000	92,000
	24,200,000	484,000

Options were valued using a black-scholes option pricing model with the following inputs:

Exercise price	\$0.03
Underlying share price	\$0.02
Expiry date	30 June 2015
Volatility	107%
Risk free interest rate	3.50%

As approved by shareholders at a General Meeting held 15 June 2012, 5,600,000 incentive options were granted to Marble Beach Consulting Pty Ltd, a company of which Adam Bennett is a Director. The total value of these options is \$112,000, which has been determined using a black-scholes option pricing model with the following inputs:

Exercise price	\$0.03
Underlying share price	\$0.02
Expiry date	30 June 2015
Volatility	107%
Risk free interest rate	3.50%

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2012

23. RELATED PARTY DISCLOSURE (continued)

During the year ended 30 June 2012, related parties loaned the Company a total of \$850,000 to enable the Company to repay the debt incurred before the appointment of the current Board. The \$850,000 principal balance plus accrued interest of \$50,951 was settled through the issue of 45,047,534 fully paid ordinary shares with 22,523,767 attaching options exercisable at \$0.03 on or before 30 June 2015 as approved by shareholders at a General Meeting held 15 June 2012. Specific details of amounts loaned, interest incurred, and shares and options issued is as follows:

Name of Director / Former Director	Name of Lender	Loan Principal \$	Interest to 30 June 2012 \$	Number of Shares Issued	Number of Attaching Options Issued
John Hatherley	Francis Xavier Pte Ltd Murchison Earthmoving &	200,000	11,375	10,568,768	5,284,383
Doug Taylor	Rehabilitation Pty Ltd	100,000	5,688	5,284,383	2,642,192
Adam Bennett	Kane Bennett	100,000	5,688	5,284,383	2,642,192
Peter Landau	Okap Ventures Pty Ltd	100,000	5,688	5,284,383	2,642,192
Carl Popal	Ghan Resources Pty Ltd	350,000	22,512	18,625,617	9,312,808
		850,000	50,951	45,047,534	22,523,767

During the year ended 30 June 2011 First Tech Energy Ltd ("First Tech"), a company associated with Mr Peter Salter assigned an agreement for the sale of mining tenements and equipment, plant and machinery between First Tech and DE and EF Taylor to Paynes Find Gold Ltd.

First Tech assigned an optioned agreement to purchasing mining tenements at Paynes Find with DK Cable to Paynes Find Gold Ltd during the year ended 30 June 2011.

24. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation

	Company	
	2012 \$	2011 \$
Short-term employee benefits	525,024	1,034,374
Post-employment benefits	-	1,350
Share-based payments	686,251	-
	<u>1,211,275</u>	<u>1,035,724</u>

(b) Equity instrument disclosures relating to key management personnel

i. Shareholdings

2012 Name	Balance at the start of the year	Rights issue take up	Conversion of loans	Balance at appointment/ (resignation) date	Balance at the end of the year
Peter Landau (apt 11 Jan 2012)	-	1,000,000	5,284,383	500,000	6,784,383
Carl Popal (apt 5 Jan 2012)	-	3,960,000	18,625,617	1,980,000	24,565,617
Doug Taylor (apt 14 Nov 2011)	-	7,150,000	5,284,383	3,575,000	16,009,383
John Hatherley (apt 30 Nov 2011)	-	5,000,000	10,568,768	2,500,000	18,068,768
Malcolm Day (apt 2 July 2012)	-	-	-	-	-
Paul Berresford (resig 15 Dec 2011)	1,250,000	-	-	(1,250,000)	-
Brian Leedman (resig 26 Oct 2011)	2,800,001	-	-	(2,800,001)	-
Paul Matich (resig 11 Nov 2011)	4,700,000	-	-	(4,700,000)	-
Peter Salter (resig 11 Nov 2011)	4,000,000	-	-	(4,000,000)	-
Andrew Caminschi (resig 11 Nov 2011)	-	-	-	-	-
Adam Bennett (resig 23 April 2012)	3,200,000	-	-	(3,200,000)	-
Jane Flegg (apt 11 Jan 2012)	-	-	-	-	-
	<u>15,950,001</u>	<u>17,110,000</u>	<u>39,763,151</u>	<u>(7,395,001)</u>	<u>65,428,151</u>

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2012

24. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

2011

	Balance at the start of the year	On market purchases	Other changes during the year	Balance at the end of the year
Paul Berresford	800,000	450,000	-	1,250,000
Brian Leedman	2,800,001	-	-	2,800,001
Paul Matich	4,000,000	700,000	-	4,700,000
Peter Salter	4,000,000	-	-	4,000,000
Andrew Caminschi	-	-	-	-
Adam Bennett	3,200,000	-	-	3,200,000
	<u>14,800,001</u>	<u>1,150,000</u>	<u>-</u>	<u>15,950,001</u>

(ii) Optionholdings

2012

Name	Balance at the start of the year	Rights Issue Take Up	Conversion of Loans	Incentive Options	Balance at appointment/ (resignation) date	Balance at the end of the year
Peter Landau (<i>apt 11 Jan 2012</i>)	-	500,000	2,642,192	5,000,000	125,000	8,267,192
Carl Popal (<i>apt 5 Jan 2012</i>)	-	1,980,000	9,312,808	10,000,000	5,075,000	26,367,808
Doug Taylor (<i>apt 14 Nov 2011</i>)	-	3,575,000	2,642,192	4,600,000	947,916	11,765,108
John Hatherley (<i>apt 30 Nov 2011</i>)	-	2,500,000	5,284,383	4,600,000	1,145,833	13,530,216
Malcolm Day (<i>apt 2 July 2012</i>)	-	-	-	-	-	-
Paul Berresford (<i>resig 15 Dec 2011</i>)	7,720,000	-	-	-	(7,720,000)	-
Brian Leedman (<i>resig 26 Oct 2011</i>)	9,200,000	-	-	-	(9,200,000)	-
Paul Matich (<i>resig 11 Nov 2011</i>)	5,650,000	-	-	-	(5,650,000)	-
Peter Salter (<i>resig 11 Nov 2011</i>)	8,600,000	-	-	-	(8,600,000)	-
Andrew Caminschi (<i>resig 11 Nov 2011</i>)	-	-	-	-	-	-
Adam Bennett (<i>resig 23 April 2012</i>)	12,700,000	-	-	-	(12,700,000)	-
Jane Flegg (<i>apt 11 Jan 2012</i>)	-	-	-	2,000,000	-	2,000,000
	<u>43,870,000</u>	<u>8,555,000</u>	<u>19,881,575</u>	<u>26,200,000</u>	<u>(36,576,251)</u>	<u>61,930,324</u>

2011

Name	Balance at the start of the year	Off market transfer	Other changes during the year	Balance at the end of the year
Paul Berresford	7,670,000	50,000	-	7,720,000
Brian Leedman	9,200,000	-	-	9,200,000
Paul Matich	5,600,000	50,000	-	5,650,000
Peter Salter	8,600,000	-	-	8,600,000
Andrew Caminschi	-	-	-	-
Adam Bennett	12,700,000	-	-	12,700,000
	<u>43,770,000</u>	<u>100,000</u>	<u>-</u>	<u>43,870,000</u>

25. SUBSEQUENT EVENTS

Subsequent to the end of the financial year, the following has occurred:

On 3 July 2012 the Company announced the appointment of Non-Executive Director Mr Malcolm Day.

On 13 July 2012 the Company was pleased to announce the commencement of its Phase II Drilling Program, comprising 6 Diamond holes and 5,000m of RC Drilling.

On 6 September 2012 the Company announced the completion of the Phase II Diamond and RC Drilling Program.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 16 to 38 and the disclosures in the Remuneration Report which are included in the Director's Report:

1.
 - (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
 - (b) give a true and fair view of the Company's financial position as at 30 June 2012 and of its performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date and
 - (c) comply with International Financial Reporting Standards as disclosed in Note 2.

2. The Managing Director has declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.

3. In the directors' opinion:
 - (a) the financial statements and notes are in accordance with the Corporations Act 2001; 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.

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

Dated this 25th day of September 2012.



Peter Landau
Chairman
Perth, Western Australia

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

Report on the Financial Report

We have audited the accompanying financial report of Paynes Find Gold Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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

Independence

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

Opinion

In our opinion:

- (a) the financial report of Paynes Find Gold Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 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 of the Company also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the Remuneration Report

We have audited the remuneration report included in pages 9 to 14 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


Basis of Qualified Auditor's Opinion

We were unable to obtain supporting documentation pertaining to directors' consultancy fees amounting to \$248,068 associated with some of the former directors of the Company. We were unable to satisfy ourselves as to the director's remuneration associated with these former directors by other audit procedures.

Qualified Auditor's Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the directors remuneration associated with these former directors, the remuneration report of Paynes Find Gold Limited for the year ended 30 June 2012 complies with section 300 A of the *Corporations Act 2001*.

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

Stantons International Audit and Consulting Pty Ltd


John P Van Dieren
Director

West Perth, Western Australia
25 September 2012

25 September 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 audit of the financial statements of Paynes Find Gold 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:

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

Yours Faithfully

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



John Van Dieren
Director

Corporate Governance Statement

The Board of Directors is responsible for the overall strategy, governance and performance of Paynes Find Gold Limited (“the Company”). The Company is an exploration company whose strategy is to add substantial shareholder value through the acquisition, exploration, development and commercialisation of gold projects in Western Australia. The Board has adopted a corporate governance framework which it considers to be suitable given the size, history and strategy of the Company.

Principles of Best Practice Recommendations

In accordance with ASX Listing Rule 4.10, Paynes Find Gold Limited is required to disclose the extent to which it has followed the Principles of Best Practice Recommendations during the financial year. Where Paynes Find Gold Limited has not followed a recommendation, this has been identified and an explanation for the departure has been given. Further details can be found on the Company’s website (www.paynesfindgold.com).

	BEST PRACTICE RECOMMENDATION	COMMENT
1.	<i>Lay solid foundations for management and oversight</i>	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Satisfied. Refer the Corporate Governance section on the Company website.
1.2	Companies should disclose the process for evaluation the performance of senior executives.	Not satisfied. The Company has not yet established formal performance review measures for key executives given the size and stage of the Company’s operations.
1.3	Provide the information indicated in <i>Guide to Reporting on Principle 1</i> .	Satisfied. Refer to Director’s report and the Corporate Governance section on the Company website.
2.	<i>Structure the board to add value</i>	
2.1	A majority of the board should be independent directors.	Satisfied. The Board consists of 5 members, 2 executive (Mr Popal and Mr Taylor) and 3 non-executive (Mr Landau, Mr Hatherly and Mr Day)
2.2	The chairperson should be an independent director.	Satisfied. The chairman of the Board is independent Non-executive Mr Landau.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Satisfied. The roles of the Chairman and the Chief Executive Officer are exercised by Mr Landau and Mr Popal respectively.
2.4	The board should establish a nomination committee.	Not satisfied. The Board considers that given the current size of the board, this function is efficiently achieved with full Board participation. Accordingly, the Board has resolved not to establish a nomination committee at this stage.
2.5	Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.	Not satisfied. The Group has not yet established formal performance review measures for key executives nor has it established a nomination committee given the size and stage of the Company’s operations. The full Board will review the performance of key executives.
2.6	Provide the information indicated in <i>Guide to Reporting on Principle 2</i> .	Satisfied. Refer to Director’s report and the Corporate Governance section on the Company website. In addition, The Board, Board Committees or individual Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairman. A copy of any such advice received is made available to all members of the Board.

CORPORATE GOVERNANCE STATEMENT

3.	<i>Promote ethical and responsible decision-making</i>	
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: (a) the practices necessary to maintain confidence in the group's integrity; and (b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders (c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Satisfied. Refer the Corporate Governance section on the Company website.
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	Not Satisfied. The Company recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Company's success is the quality, diversity and skills of its people. Under the Company's Code of Conduct, employees must not harass, discriminate or support others who harass and discriminate against colleagues or members of the public on the grounds of sex, pregnancy, marital status, age, race (including their colour, nationality, descent, ethnic or religious background), physical or intellectual impairment, homosexuality or transgender. Such harassment or discrimination may constitute an offence under legislation. Due to the current nature and scale of the Company's operations, the Company has not yet established a Diversity Policy. However, as the Company develops the Board will consider adopting such a policy.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.	Not Satisfied. Given the size of the Company, the Company has not yet set measurable objectives for achieving gender diversity. In addition, the Board will review progress against any objectives identified on an annual basis.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Satisfied. There is currently one woman in senior executive position within the Company, Ms Flegg as CFO and Company Secretary
3.5	Provide the information indicated in <i>Guide to Reporting on Principle 3</i> .	Satisfied. Refer the Corporate Governance section on the Company website.
4.	<i>Safeguard integrity in financial reporting</i>	
4.1	The board should establish an audit committee.	Not Satisfied. The Directors believe that it would not increase efficiency or effectiveness to have a separate audit committee, and that audit matters are of such significance that they should be considered by the full Board. The Board may call on outside consultants if it requires assistance in this area.
4.2	Structure the audit committee so that it consists of: (a) only non-executive directors; (b) a majority of independent directors; (c) an independent chairperson, who is not chairperson of the board; and (d) at least three members.	Not satisfied. Refer 4.1.

CORPORATE GOVERNANCE STATEMENT

4.3	The audit committee should have a formal charter.	Not satisfied. Refer 4.1.
4.4	Provide the information indicated in <i>Guide to Reporting on Principle 4</i> .	Satisfied. Refer to Director's report.
5.	<i>Make timely and balanced disclosure</i>	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Satisfied. Continuous disclosure policy is available in the Corporate Governance section on the Company website.
5.2	Provide the information indicated in <i>Guide to Reporting on Principle 5</i> .	Satisfied. Refer 5.1
6.	<i>Respect the rights of shareholders</i>	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	Satisfied. Communications with Shareholders policy is available in the Corporate Governance section on the Company website.
6.2	Provide the information indicated in <i>Guide to Reporting on Principle 6</i> .	Satisfied. Refer to the Company website.
7.	<i>Recognise and manage risk</i>	
7.1	The Group should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Satisfied. Risk management policy is available in the Corporate Governance section on the Company website.
7.2	The Board should design and implement the risk management and internal control system to manage the group's material business risks and report on whether those risks are being managed effectively. The Board should disclose that management has reported the effectiveness of the Group's management of its material business risks.	Satisfied. Refer 7.1 & 7.3
7.3	The board should disclose whether it has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Due to the size and scale of its operations, and the growth of the Company over the financial year the Board as a whole reviews these matters.
7.4	Provide the information indicated in <i>Guide to Reporting on Principle 7</i> .	Satisfied. Refer 7.1 Not currently applicable. Refer 7.3
8.	<i>Remunerate fairly and responsibly</i>	
8.1	The board should establish a remuneration committee.	Not satisfied. The Board considered this recommendation and formed the view that it would not increase efficiency or effectiveness to have a separate committee, and that remuneration matters are of such significance that they should be considered by the full Board. The Board may call on outside consultants if it requires assistance in this area.
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Details of executive and non-executive remuneration are outlined in the Directors' report.
8.3	Provide the information indicated in <i>Guide to Reporting on Principle 8</i> .	Satisfied. The Company has incorporated all information as required.

Additional Shareholder Information

Additional Information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report.

Ordinary Share Capital

402,590,350 issued ordinary shares held by 752 shareholders carry one vote per share.

Options

- a. 14,685,000 listed options on issue, exercisable at \$0.20 on or before 1 November 2012.
- b. 150,818,927 listed options on issue, exercisable at \$0.03 on or before 30 June 2015.
- c. 1,000,000 unlisted options on issue, exercisable at \$0.25 on or before 17 December 2012.
- d. 56,000,000 unlisted options on issue, exercisable at \$0.25 on or before 1 May 2015.
- e. 31,800,000 unlisted options on issue, exercisable at \$0.03 on or before 30 June 2015.
- f. 24,000,000 unlisted options on issue, exercisable at \$0.35 on or before 1 May 2016.

Options have no voting entitlements.

Distribution of shareholders (as at 4th September 2012)

(a) Analysis of numbers of shareholders by size of holding

Range of Units	Total number of Shareholders	Total number of Ordinary shares
1 - 1,000	7	12
1,001 - 5,000	31	119,917
5,001 - 10,000	82	749,971
10,001 - 100,000	357	16,127,872
100,001 - 9,999,999,999	275	385,592,578
	752	402,590,350

(b) There were 283 holders holding less than a marketable parcel of ordinary shares (4,575,098).

Twenty largest shareholders as at 04 September 2012

	No. of ordinary shares held	% Held
1 DELECTA LIMITED	100,000,000	24.84
2 GHAN RESOURCES PTY LTD	16,319,993	4.05
3 FRANCIS XAVIER PTE LTD	14,318,768	3.56
4 NEFCO NOMINEES PTY LTD	9,555,056	2.37
5 ELAINE FAYE TAYLOR	9,429,426	2.34
6 DOUGLAS ERNEST TAYLOR	9,375,000	2.33
7 KANE ANTHONY BENNETT	7,784,383	1.93
8 CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	6,990,000	1.74
9 MR JASON PETERSON + MRS LISA PETERSON <J & L PETERSON S/F A/C>	6,800,000	1.69
10 OKAP VENTURES PTY LTD	6,784,383	1.69
11 MAINVIEW HOLDINGS PTY LTD	5,500,000	1.37
12 MURCHISON EARTHMOVING & REHABILITATION PTY LTD <THE TAYLOR DISC FAMILY A/C>	5,284,383	1.31
13 MATTHEWS MANAGEMENT (1982) PTY LTD <PUT OPTIONS A/C>	5,000,000	1.24
14 MERIWA STREET PTY LTD	5,000,000	1.24
15 WORLDPOWER PTY LTD	4,432,528	1.10
16 MR KANE A BENNETT	4,414,668	1.10
17 PAUL NICHOLAS MATICH	4,400,000	1.09
18 POPAL ENTERPRISE PTY LTD	4,050,000	1.01
19 ALLIANCE MUTUAL LTD	4,000,000	0.99
20 GRS ENERGY PTE LTD <201021811R>	3,750,000	0.93
	233,188,588	57.92

Additional Shareholder Information

Substantial Shareholders as at 4th September 2012

	No. of Shares Held	% Held
DELECTA LIMITED	100,000,000	24.84
GHAN RESOURCES PTY LTD	16,319,993	4.05
FRANCIS XAVIER PTE LTD	14,318,768	3.56
NEFCO NOMINEES PTY LTD	9,555,056	2.37
ELAINE FAYE TAYLOR	9,429,426	2.34

Top 20 Option Holders (\$0.03, 30 June 2015) as at 04 September 2012

	No. of Options held	% Held
1 DELECTA LIMITED	50,000,000	33.15
2 GHAN RESOURCES PTY LTD	8,770,308	5.82
3 FRANCIS XAVIER PTE LTD	6,534,383	4.33
4 NEFCO NOMINEES PTY LTD	4,432,528	2.94
5 MR JASON PETERSON + MRS LISA PETERSON <J & L PETERSON S/F A/C>	3,400,000	2.25
6 ELAINE FAYE TAYLOR	3,143,142	2.08
7 OKAP VENTURES PTY LTD	3,142,192	2.08
8 DOUGLAS ERNEST TAYLOR	3,125,000	2.07
9 MR ROSS JEREMY TAYLOR <JAMANARO A/C>	3,000,000	1.99
10 KANE ANTHONY BENNETT	2,642,192	1.75
11 MURCHISON EARTHMOVING & REHABILITATION PTY LTD <THE TAYLOR DISC FAMILY A/C>	2,642,192	1.75
12 MAINVIEW HOLDINGS PTY LTD	2,500,000	1.66
13 MATTHEWS MANAGEMENT (1982) PTY LTD <PUT OPTIONS A/C>	2,500,000	1.66
14 MERIWA STREET PTY LTD	2,500,000	1.66
15 CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	2,330,000	1.54
16 WORLDPOWER PTY LTD	2,216,264	1.47
17 MR KANE A BENNETT	1,791,167	1.19
18 BILL BROOKS PTY LTD <BILL BROOKS SUPER FUND A/C>	1,757,528	1.17
19 POPAL ENTERPRISE PTY LTD	1,350,000	0.90
20 GRS ENERGY PTE LTD <201021811R>	1,250,000	0.83
	109,026,896	72.29

Schedule of Mineral Tenements

Paynes Find Gold Ltd	
Schedule of Mineral Tenements	
As at 30 June 2012	
Tenement	Ownership Interest
G59/25	100 %
G59/26	100 %
M59/2	100 %
M59/10	100 %
M59/235	100 %
M59/244	100 %
M59/396	100 %
M59/662	100 %
M59/663	100 %
M59/726	100 %
M59/738	100 %
P59/1709	100 %
P59/1738	100 %
P59/1907	100 %
P59/1908	100 %
P59/1909	100 %
P59/1924	100 %
P59/1933	100 %
P59/1941	100 %
P59/1942	100 %
P59/1956	100 %
P59/1957	100 %
P59/1958	100 %
P59/1959	100 %