

Merah Resources Limited

(formerly Minerva Resources Limited)
(ACN 146 035 127)

Half-Year Financial Report *31 December 2011*

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CORPORATE DIRECTORY

NON-EXECUTIVE CHAIRMAN

Richard Homsany

MANAGING DIRECTOR

David Deloub

NON-EXECUTIVE DIRECTORS

Ian Prentice

Suzie Foreman

COMPANY SECRETARY

Suzie Foreman

REGISTERED OFFICE

Level 2

79 Hay Street

SUBIACO WA 6008

Telephone: (08) 9200 4436

Facsimile: (08) 9200 4437

AUDITORS

HLB Mann Judd

(WA Partnership)

Level 4/130 Stirling Street

PERTH WA 6000

SHARE REGISTRY

Security Transfer Registrars Pty Ltd

Alexandria House Suite 1

770 Canning Highway

APPLECROSS WA 6153

Telephone: (08) 9315 2333

Facsimile: (08) 9315 2233

BANKERS

Commonwealth Bank of Australia

150 St Georges Terrace

PERTH WA 6000

DIRECTORS' REPORT

The Directors submit their report for Merah Resources Limited (“Merah” or the “Company”) for the half year ended 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, the directors’ report is as follows:

DIRECTORS

The names of Directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Richard Homsany
David Deloub (*Appointed 25 September 2011*)
Ian Prentice
Suzie Foreman

REVIEW OF OPERATIONS

During the half year ended December 2011, the Company’s activities have been focused on the appointment of an Managing Director, finalisation of the asset agreements and progressing toward completion of a successful Initial Public Offer (IPO).

The Company appointed Mr David Deloub as Managing Director in September 2011. Mr Deloub brings significant capability to the Company having had 22 years of experience in both the finance and corporate sectors.

In September 2011 the Company entered into the Farm In Agreement for an option to earn an 80% interest in the Bounty and McAuley Projects. These tenements are located in the North Eastern Goldfields of Western Australia and as well as the Mount Adamson tenements purchased earlier in 2011, are prospective for gold and base metal mineralisation.

Preparation to list the Company on the Australian Securities Exchange (ASX) (IPO) has progressed during the half year ending December 2011 to the extent that the draft prospectus and supporting documents (including the Independent Geologists, Accountants and Solicitors Reports) are substantially complete with prospectus lodgement expected to occur in first quarter of 2012.

Finally, in line with the Company’s overall strategy, Merah continues to identify and evaluate additional resource opportunities to acquire or invest in both in Australia and overseas.

FINANCIAL RESULT

The operating loss for the financial period ended 31 December 2011 for the Company was \$114,526.

AFTER BALANCE DATE EVENTS

The Directors are not aware of other matter or circumstances that has arisen since 31 December 2011 which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

AUDITOR’S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 6 and forms part of this directors’ report for the half-year ended 31 December 2011.

DIRECTORS' REPORT (cont)

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.

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

David Deloub
Managing Director

31 January 2012



Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Merah Resources Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

Perth, Western Australia
31 January 2012

A handwritten signature in blue ink, appearing to read 'M R W OHM'.

M R W OHM
Partner, HLB Mann Judd

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the Half Year ended 31 December 2011

	Note	Half year 1 July 2011 to 31 December 2011 \$	Period 27 August 2010 to 31 December 2010 \$
Other revenue		1,565	-
Accounting fees		(17,887)	-
Administration expenses		(15,957)	-
Legal and compliance		(1,639)	(995)
Remuneration of directors and consultants		(79,067)	-
Exploration		(430)	-
Share based payments	4(b)	(1,111)	(4,617)
Loss before income tax		(114,526)	(5,612)
Income tax benefit / (expense)		-	-
Net loss for the Period		(114,526)	(5,612)
Other comprehensive income		-	-
Total comprehensive income for the year		(114,526)	(5,612)
Basic loss per share (cents)		(0.0001)	(56.12)

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

	Note	31 December 2011 \$	30 June 2011 \$
CURRENT ASSETS			
Cash and cash equivalents		133,410	182,743
Trade and other receivables		32,190	14,452
TOTAL CURRENT ASSETS		165,600	197,195
NON-CURRENT ASSETS			
Other assets		37,052	25,300
TOTAL NON-CURRENT ASSETS		37,052	25,300
TOTAL ASSETS		202,652	222,495
CURRENT LIABILITIES			
Trade and other payables		103,732	58,254
Provisions		3,044	-
TOTAL CURRENT LIABILITIES		106,776	58,254
NET ASSETS		95,876	164,241
EQUITY			
Issued capital	3	245,001	200,001
Reserves		6,278	5,117
Accumulated losses		(155,403)	(40,877)
TOTAL EQUITY		95,876	164,241

The accompanying notes form part of these financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY
For the Half Year ended 31 December 2011

	Reserves	Issued Capital	Accumulated Losses	Total
Note	\$	\$	\$	\$
1 July 2011	5,117	200,001	(40,877)	164,241
Loss for the period	-	-	(114,526)	(114,526)
Shares issued during the period	-	45,000	-	45,000
Options funds received	50	-	-	50
Performance Rights Issued	4(b) 1,111	-	-	1,111
Balance at 31 December 2011	6,278	245,001	(155,403)	95,876
At 27 August 2010	-	1	-	1
Loss for the period	-	-	-	-
Shares issued during the period	-	-	-	-
Options issued during the period	-	-	-	-
Balance at 31 December 2010	-	1	-	1

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
For the Half Year ended 31 December 2011

	Note	Half Year 1 July 2011 to 31 December 2011 \$	Period 27 August 2010 to 31 December 2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers		(74,516)	-
Interest received		1,565	-
NET CASH FLOWS FROM OPERATING ACTIVITIES		(72,951)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of projects		(11,000)	-
Payments for exploration activities		(432)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(11,432)	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options	3	35,050	-
Transaction costs on issue of shares		-	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		35,050	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		(49,333)	-
Cash and cash equivalents at beginning of the period		182,743	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD		133,410	-

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that this financial report be read in conjunction with the financial report for the period ended 30 June 2011.

The Accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Basis of preparation

The half-year report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

Going concern

As disclosed in the financial statements, the Company recorded an operating loss of \$114,526 for the half year ended 31 December 2011. The directors are of the opinion that the Company is a going concern for the following reason:

Subsequent to balance date, the Company anticipates to raise a minimum of \$2,400,000 via the issue of fully paid ordinary shares at \$0.20 per share through an initial public offering on the Australian Securities Exchange. The funds raised will be used to progress the Company's exploration projects and commitments and to meet the ongoing working capital requirements of the Company. Should this equity raising not be completed, there are further options available to the Directors including raising further seed capital and deferring certain expenditures to the extent considered necessary. Accordingly, the Directors are of the opinion that the going concern basis of preparation remains appropriate.

Significant accounting judgements and key estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the period ended 30 June 2011 except for the following:

Share-based payment transactions

During the half-year ended 31 December 2011, the company issued 3,000,000 performance rights to the Managing Director, Mr David Deloub. The fair value of these performance rights was estimated in accordance with AASB2 Share-based Payments using the assumptions detailed in Note 4(b).

Adoption of new and revised Accounting Standards

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new and revised Accounting Standards (Continued)

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Company accounting policies.

	<u>31 December 2011</u> \$	<u>31 December 2010</u> \$
2. LOSSES BEFORE INCOME TAX	114,526	5,612
3. ISSUED CAPITAL		
	<u>Number of Shares</u>	<u>\$</u>
<i>Movements in shares on issue</i>		
At the beginning of the reporting period	10,000,001	200,001
Shares issued during the period:		
- Vendor shares – E36/675	500,000	10,000
- Seed capital at \$0.02 each	1,750,000	35,000
At end of reporting period	<u>12,250,001</u>	<u>245,001</u>

4. RESERVES

(a) Options

At the end of the reporting period, there are 7,000,000 options over unissued shares as follows:

Type	Number under Option	Grant Date	Date of Expiry	Exercise Price
Unlisted Options	7,000,000	14 Sept 2010	31 Aug 2015	\$0.20

There have been no options issued during the current period.

(b) Performance Rights

	<u>Number of Performance Rights</u>	<u>\$</u>
Movements in Performance Rights		
As at 1 July 2011	-	-
Granted during the period	3,000,000	1,111
Exercised during the period	-	-
Lapsed during the period	-	-
Balance at the end of the period	<u>3,000,000</u>	<u>1,111</u>

NOTES TO THE FINANCIAL STATEMENTS**4. RESERVES (Continued)****(b) Performance Rights (Continued)**

During the half year period shareholder approved the issue of 3,000,000 performance rights to David Deloub, the Company's Managing Director, comprising:

- (a) 1,000,000 Performance Rights A;
- (b) 1,000,000 Performance Rights B; and
- (c) 1,000,000 Performance Rights C.

The rights were issued for nil cash consideration, to provide a performance-linked incentive component in the remuneration package for Mr Deloub and for the future performance by the Director in managing the operations and strategic direction of the Company.

Each Performance Right will be exercisable into one fully paid ordinary share subject to the satisfaction of certain performance criteria (**Exercise Conditions**). In the event that the Exercise Conditions are not met, the Performance Rights will not become exercisable and as a result, no new Shares will be issued pursuant to the Performance Right. There is nil consideration payable upon the exercise of a Performance Right. In order for the Performance Rights to become exercisable, the following Exercise Conditions must be achieved:

- (a) (i) Each Performance Right A will convert into one (1) Share upon the Company achieving a market capitalisation equal to or greater than \$10 million based on a volume weighted average price on or before 31 October 2013 for a period of no less than 30 consecutive trading days;
- (ii) Each Performance Right B will convert into one (1) Share upon the Company achieving a market capitalisation equal to or greater than \$20 million based on a volume weighted average price on or before 31 October 2015 for a period of no less than 30 consecutive trading days;
- (iii) Each Performance Right C will convert into one (1) Share upon the Company achieving a market capitalisation equal to or greater than \$40 million based on a volume weighted average price on or before 31 October 2016 for a period of no less than 30 consecutive trading days;
- (b) Mr Deloub must remain as an employee of the Company until the date that is three (3) months from the completion of each of the Exercise Conditions set out in paragraphs (a)(i), (ii) and (iii) above in order for the corresponding Performance Rights to be exercisable.

Tranches (A) and (B) have a fair value per right of 0.74 cents and Tranche (C) has a fair value per right of 0.56 cents. The total value of \$20,400 will be allocated across the vesting period. The fair value of the performance rights granted was estimated as at the date of grant using the market value at that date and a discount to reflect the Company's assessment of the probability of the relevant market conditions being met. The length of the expected vesting period is consistent with the assumptions used in valuing the fair value of the rights granted.

5. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components the Company that are reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance. The chief operating decision maker of Merah (being the Board of Directors) reviews internal reports prepared on financial statements and strategic decisions of the Company are determined upon analysis of these internal reports. During the period, the Company operated predominantly on the business and geographical segment being the resources and energy sector in Western Australia. Accordingly, under the "management approach" outlined, only one operating segment has been identified and no further disclosure is required in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS**6. CONTINGENCIES AND COMMITMENTS**

The Company has an option to farm in to an 80% interest in two granted prospecting licences, which may be exercised upon the Company's admission to the official list of the ASX on a conditional basis. The Company paid the registered holder of those tenements, Murchison Resources Pty Ltd ('Murchison'), consideration of \$11,000 upon entering into an agreement (the 'Murchison Agreement') and, upon exercising its option under the Murchison Agreement (the 'Exercise Date'), the Company will issue 150,000 fully paid ordinary shares at 20 cents per share to Murchison and/or its nominee(s).

The key terms of the Murchison Agreement are as follows:

- i) Within 12 months of the Exercise Date, the Company must spend \$50,000 on RC drilling ('Year One');
- ii) The Company cannot withdraw from the Murchison Agreement until it has incurred the \$50,000 or paid the unspent portion of that expenditure to Murchison;
- iii) Within 30 days of the conclusion of Year One, the Company may elect to withdraw or continue;
- iv) If continuing, the Company must issue and allot 500,000 fully paid ordinary shares to Murchison;
- v) After electing to continue, the Company must sole fund \$250,000 of exploration exclusive of minimum expenditure from the end of Year One until 24 months from the Exercise Date ('Initial Farm-in Period');
- vi) The Company may withdraw during the Initial Farm-in Period by not paying the above sole funding, in which case it will not earn any interest in the tenements the subject of the Murchison Agreement;
- vii) Within 30 days of the conclusion of the Initial Farm-in Period, the Company may elect to continue to earn an interest by sole funding expenditure in connection with the tenements until a decision to mine based on a bankable feasibility study is made within 48 months from the Exercise Date;
- viii) Upon a decision to mine based on a bankable feasibility study, an 80% interest will be deemed to have been earned by the Company; and
- ix) Upon an 80% interest being obtained, an unincorporated joint venture between Murchison and the Company will be formed with a 20:80 respective interest.

The Directors are not aware of any potential contingencies.

Other than as stated above, there has been no change in contingent liabilities since the last annual reporting date.

7. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affects the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

DIRECTORS' DECLARATION

In the opinion of the directors of Merah Resources Limited (“the Company”):

1. the attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii. giving true and fair view of the entity’s financial position as at 31 December 2011 and of its performance for the half-year then ended; and
2. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.

David Deloub
Managing Director

31 January 2012



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Merah Resources Limited

Report on the Condensed Half-Year Financial Report

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

Directors’ Responsibility for the Half-Year Financial Report

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

Auditor’s Responsibility

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

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



Accountants | Business and Financial Advisers

Independence

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

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the company for the half-year ended 31 December 2011 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

Conclusion

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

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

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

A handwritten signature in blue ink, appearing to read 'M R W OHM'.

M R W OHM
Partner

Perth, Western Australia
31 January 2012