

# *Merah Resources Limited*

(ACN 146 035 127)

## *Annual Report*

---

*For the Financial Year Ended 30 June 2012*

---

## **CONTENTS**

<i>Corporate Directory</i>	3
<i>Directors' Report</i>	4
<i>Corporate Governance Statement</i>	13
<i>Auditor's Independence Declaration</i>	21
<i>Statement of Comprehensive Income</i>	22
<i>Statement of Financial Position</i>	23
<i>Statement of Changes in Equity</i>	24
<i>Statement of Cash Flows</i>	25
<i>Notes to the Financial Statements</i>	26
<i>Directors' Declaration</i>	45
<i>Independent Auditor's Report to the Members of Merah Resources Limited</i>	46
<i>Additional Shareholder Information</i>	48
<i>Tenement Schedule</i>	50

---

## **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: + 61(8) 9200 4436

Facsimile: + 61(8) 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: + 61 (8) 9315 2333

Facsimile: + 61 (8) 9315 2233

### **BANKERS**

Commonwealth Bank of Australia

150 St Georges Terrace

PERTH WA 6000

### **STOCK EXCHANGE LISTING**

Australian Securities Exchange

(Home Exchange: Perth, Western Australia)

Codes: MEH

## DIRECTORS' REPORT

The Directors submit the financial report for Merah Resources Limited (“Merah” or the “Company”) for the financial year ended 30 June 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### DIRECTORS

The names and details of the Company’s directors in office from the start of the financial year until the date of this report are as follows:

#### Names, qualifications, experience and special responsibilities

##### **Richard Homsany LL.B (Hons), B. Com, Grad. Dip. Fin & Inv - Non-Executive Chairman**

Mr Homsany has significant experience in the resources industry, including working for North Ltd, which was acquired by Rio Tinto Ltd in 2001, and board experience with publicly listed resource companies in Australia and Canada. In his recent role as a Corporate Partner at an international law firm, Mr Homsany focused on the energy and resources sector including advising clients on capital raisings, mergers & acquisitions, finance, joint ventures, divestments and corporate matters. Mr Homsany is the Executive Vice President, Australia of the Toronto Stock Exchange listed Mega Uranium Ltd and is a Certified Practising Accountant. He is the chairman of the ASX listed copper and nickel explorer Redstone Resources Limited and the Toronto Stock Exchange (Venture Exchange) listed gold and iron ore explorer Central Iron Ore Limited. Mr Homsany is a director of the Health Insurance Fund of Australia Limited and is chairman of its Audit and Risk Committee. He is the principal of Cardinals Lawyers and Consultants and has been admitted as a solicitor for over 18 years.

##### **David Deloub B.Ec (Hons), BA, Grad. Dip. Bus, Grad. Dip. FINSIA - Managing Director (Appointed 5 September 2011)**

Mr Deloub has 22 years of experience in the finance and corporate sectors and holds a degree in economics and post graduate qualifications in banking and finance.

Prior to joining Merah, Mr Deloub was the Chief Financial Officer at the ASX listed Company, Neptune Marine Services Limited. He was also a director of Patersons Capital Partners, a boutique advisory firm focused on providing strategic and financial advice to ASX listed small cap companies. Mr Deloub also has considerable finance and business development experience both in Australia and abroad where he has held senior finance positions at Alinta Limited domestically and at Alcoa Inc, based in New York.

##### **Ian Prentice Grad. B.Sc (Geol), Grad. Dip. SIA, M.AusIMM - Non-Executive Director**

Mr Prentice is a geologist with over 20 years of mining industry experience including management of an ASX listed exploration and mining company. He has experience in all facets of exploration and mining across a range of commodities with a number of mid to large cap mining companies. He has also gained an insight into a broad range of commercial aspects of publicly listed exploration and mining companies, from capital raisings through to investor communication.

##### **Suzie Foreman B.Bus (Hons), CA - Non-Executive Director and Company Secretary**

Ms Foreman is a chartered accountant with over 15 years of experience within the UK and Australia. Ms Foreman has 9 years’ combined experience with KPMG and a boutique accounting firm specialising in the provision of audit and corporate services and also has extensive skills in the areas of financial and management reporting, due diligence, ASX and ASIC corporate and regulatory compliance. Ms Foreman had been involved in the listing of ten exploration companies on the ASX and AIM markets in the last six years with capital raisings exceeding \$50 million. Ms Foreman is also company secretary to three ASX listed companies.

**DIRECTORS' REPORT (Continued)****Directorships of other listed companies**

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

<b>Name</b>	<b>Company</b>	<b>Period of directorship</b>
Richard Homsany	Redstone Resources Limited	29 November 2007 to date
	Central Iron Ore Limited (TSX-V)	14 February 2011 to date
David Deloub	-	-
Ian Prentice	Killara Resources Limited	14 July 2010 to date
Suzie Foreman	-	-

**Company Secretary**

Ms Suzie Foreman held the position of company secretary during and at the end of the financial year. Details of Ms Foreman's credentials are set out in Directors' profile above.

**CORPORATE INFORMATION****Nature of operations and principal activities**

Merah Resources Limited is a resources and energy company whose primary purpose is to define further mineralisation on its existing projects and review potential new resources and energy based projects in Australia and overseas.

**Review of Operations**

During the year ended 30 June 2012, the Company's activities have been focused on the appointment of a Managing Director, finalisation of the asset agreements, the completion of a successful Initial Public Offering ("IPO"), and the planning and commencement of an exploration program on the Company's tenements located in the North Eastern Goldfields of Western Australia.

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 an agreement with Murchison Resources Pty Ltd for an option to earn an 80% interest in the Bounty and McAuley Projects ("Farm-In Agreement"). These tenements are located in the North Eastern Goldfields of Western Australia and in conjunction with the Mount Adamson tenements purchased earlier in 2011, are prospective for gold and base metal mineralisation.

The listing of the Company on the Australian Securities Exchange (ASX: MEH) was successfully completed on 1 May 2012.

The focus since listing has been on development and execution of a drilling program on the Bounty and McAuley tenements as outlined in the Company's IPO prospectus. This work has included: reviewing existing geological and survey data; identifying the optimal exploration target areas; incurring the necessary approvals from the various government departments including the Department of Indigenous Affairs; Department of Regional Development and the Department of Mines and Petroleum, and the engagement of a contract driller and the required field personnel. It is anticipated that this drilling program will commence in the third 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.

**DIRECTORS' REPORT (Continued)**

*Drilling at Bounty and McAuley tenements*

**Future Strategy**

The Company is working to define further mineralisation on its current projects and review potential new resources and energy based projects in Australia and overseas. In the short to medium term, the Company intends to implement a detailed work program on the granted tenements acquired by the Company and to consider and evaluate potential new projects.

**Financial position**

The Company has cash funds on hand of \$2,320,744 (2011: \$182,743) at reporting period end.

**FINANCIAL RESULT**

The loss for the financial year ended 30 June 2012 for the Company was \$405,639 (2011: \$40,877).

**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.

**SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

The following summary of events marks significant milestones in the state of affairs of the Company during the financial year:

On 1 May 2012, the Company was officially listed on the Australian Securities Exchange.

## **DIRECTORS' REPORT (Continued)**

### **POST BALANCE DATE EVENTS**

The Directors are not aware of any other matter or circumstance that has arisen since 30 June 2012 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.

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The Company will continue its mineral exploration activity at and around its exploration projects with the object of identifying commercial resources.

The Company intends to offer investors further exposure to the energy and resources sector in Australia and overseas. The Company aims to achieve this goal through a combination of:

- \* Advancing exploration on its current Australian interests;
- \* Aggressive pursuit of further prospective exploration in Australia and overseas;
- \* Reviewing and potentially acquiring other interests in Australia and overseas; and
- \* Utilising the Board and management's collective experience and skills to progress any discoveries to commercial production.

### **ENVIRONMENTAL REGULATIONS AND PROCEEDINGS**

The Company is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work. The Directors of the Company are not aware of any breach of environmental regulations for the year under review.

The Directors have considered the National Greenhouse and Energy Reporting Act 2007 (the "NGER Act") which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the Directors have determined that the NGER Act will have no effect on the Company for the current or subsequent financial year. The Directors will reassess this position as and when the need arises.

### **REMUNERATION REPORT (AUDITED)**

#### **Remuneration Policy**

The remuneration policy of Merah Resources Limited has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The Board of Merah Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the Company, as well as create goal congruence between directors and shareholders.

The Board's policy for determining the nature and amount of remuneration for board members is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior staff members, was developed and approved by the Board.

In determining competitive remuneration rates, the Board considers local and international trends among comparative companies and the industry generally so that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and fringe benefits.

#### **Performance based remuneration**

The Company is currently an exploration entity and is therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions within the same industry. Options and performance incentives have been and may be further issued to provide a performance-linked incentive component in the remuneration package for the

**REMUNERATION REPORT (AUDITED) (Continued)****Remuneration Policy (Continued)**

Directors and for the future performance by the Directors in managing the operations and strategic direction of the Company. All remuneration paid to directors is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology For details of Directors' and executives' interests in options and performance rights at year end, refer note 13 of the financial statements.

**Company performance, shareholder wealth and Director's and executive's remuneration**

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and executives. Currently, this is facilitated through the issue of options to the majority of Directors and performance rights to executives to encourage the alignment of personal and shareholder interests. The Company believes the policy will be effective in increasing shareholder wealth. For details of Directors' and executives' interests in options and performance rights at year end, refer note 13 of the financial statements.

**Performance income as a proportion of total compensation**

No performance based bonuses have been paid to key management personnel during the financial year.

**Remuneration policy of key management personnel**

The objective of the Company's executive reward framework is set to attract and retain the most qualified and experienced Directors and senior executives. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness
- Acceptability to shareholders
- Performance linkage
- Capital management

**Non-Executive Directors**

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually based on market practice, duties and accountability. 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 and is currently set at \$250,000. Fees for non-executive directors are not linked to the performance of the Company; However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

**Directors' fees**

A Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their Directorship or any special duties.

**Service agreements**

On 5 September 2011 the Company entered into an Employment Agreement ("Agreement") with Mr David Deloub pursuant to which Mr Deloub was appointed Managing Director of the Company. The terms of the Agreement are, Mr Deloub will be paid an amount of \$200,000 per annum plus statutory superannuation to be reviewed annually. The Agreement is for a term of 2 years, where either Mr Deloub or the Company may terminate at any time on the giving of not less than three (3) months' notice in writing.

**Retirement benefits**

Other retirement benefits may be provided directly by the Company if approved by shareholders.

**DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS****(a) Details of Key Management Personnel***(i) Directors*

Richard Homsany – Non-Executive Chairman

Ian Prentice – Non-Executive Director

Suzie Foreman – Non-Executive Director

*(ii) Executives*

David Deloub – Managing Director

Directors' remuneration and other terms of employment are reviewed annually by the non-executive directors having regard to performance against goals set at the start of the period, and relative comparative information.

Except as detailed in Notes (a) – (d) to the remuneration report, no director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest.

**(b) Compensation of Key Management Personnel***Remuneration Policy*

The Board of Directors, comprising predominantly of non-executive directors, is responsible for determining and reviewing compensation arrangements for the executive team. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. Remuneration of Directors is set out below.

The value of remuneration received, or receivable, by key management personnel for the financial year to 30 June 2012 is as follows:

2012	Primary		Equity Compensation		Post-employment	Total	Performance related %
	Base Salary and Fees (ii, iii, iv)	Bonus and Non Monetary Benefits \$	Value of Options \$	Performance Rights(d) \$	Superannuation Contributions \$		
Directors	\$					\$	
Richard Homsany	21,000	-	-	-	1,890	22,890	-
David Deloub <sup>1</sup>	120,740	-	-	4,447	10,867	136,054	3.3
Ian Prentice	25,000	-	-	-	2,250	27,250	-
Suzie Foreman	25,000	-	-	-	2,250	27,250	-
<b>Total</b>	<b>191,740</b>	<b>-</b>	<b>-</b>	<b>4,447</b>	<b>17,257</b>	<b>213,444</b>	

<sup>1</sup> appointed 5 September 2011

2011	Primary		Equity Compensation		Post-employment	Total	Performance related %
	Base Salary and Fees \$	Bonus and Non Monetary Benefits \$	Value of Options(i) \$	Performance Rights \$	Superannuation Contributions \$		
Directors	\$					\$	
Richard Homsany	6,666	-	1,539	-	-	8,205	18.8
Ian Prentice	3,334	-	1,539	-	-	4,873	31.6
Suzie Foreman	3,334	-	1,539	-	-	4,873	31.6
<b>Total</b>	<b>13,334</b>	<b>-</b>	<b>4,617</b>	<b>-</b>	<b>-</b>	<b>17,951</b>	

The comparatives for 2011 are for the period from registration being 27 August 2010 until 30 June 2011.

**DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS (Continued)**

- (i) In accordance with AASB 2, options issued to Directors have been valued using a Black-Scholes option pricing model, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option. Although a value is ascribed and included in total Directors Remuneration, it should be noted that the Directors have not received this amount and the option may have no actual financial value unless the options achieve their exercise price. Refer note 13.
- (ii) During the year ended 30 June 2012, Cardinals Corporate Pty Ltd, an entity related to Mr Richard Homsany, received \$115,691 exclusive of GST for the provision of legal services in relation to the Company's IPO and other legal matters.
- (iii) During the year ended 30 June 2012, Athena Corporate Pty Ltd, an entity related to Ms Suzie Foreman, received \$42,847 exclusive of GST for the provision of company secretarial and corporate work to the Company. Athena has been engaged to provide ongoing corporate services to the Company.
- (iv) During the year ended 30 June 2012, Zephyr Consulting Group Pty Ltd, an entity in which Mr Ian Prentice is a major shareholder, received \$58,159 exclusive of GST for the provision of office administration to the Company. Zephyr has been engaged to provide ongoing administrative services to the Company.

All transactions (ii)-(iv) were provided outside of director duties performed and entered into on normal commercial terms and have not been included as part of directors' remuneration.

**(e) Compensation Options**

During and since the financial year ended 30 June 2012, no options were granted by the Company to Directors. In the prior year 1,500,000 were granted, expiring 31 August 2015, exercisable at \$0.20 (refer note (e) for individual share and option holdings)

The options were issued for nil consideration, and were valued at grant date using the Black-Scholes valuation model. The calculation of each option valuation included the share price at grant date of \$0.02, a volatility factor of approximately 70% and an annual risk-free rate of 4.82%. These options have vested immediately.

The following table discloses the value of options granted, exercised or lapsed:

**2011**

Director	Options Granted	Options Exercised	Options Lapsed	Total value of options granted, exercised and lapsed	Value of options included in remuneration for the period	Percentage of total remuneration for the period that consists of options %
	Value at grant date	Value at exercise date	Value at time of lapse			
	\$	\$	\$	\$	\$	%
Richard Homsany	1,539	-	-	1,539	1,539	18.8
Ian Prentice	1,539	-	-	1,539	1,539	31.6
Suzie Foreman	1,539	-	-	1,539	1,539	31.6
Total	4,617	-	-	4,617	4,617	

**(d) Performance Rights Issued**

During the year ended 30 June 2012, 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 13.

**DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS (Continued)****(e) Share and Option holdings**

All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the Company would have adopted if dealing at arm's length. The relevant interests of each director in the Company's share capital at the date of this report are as follows:

Directors	Number of Shares <sup>(ii,iii)</sup>	Number of Options <sup>(i, ii)</sup>
Richard Homsany	-	500,000
David Deloub	875,000	-
Ian Prentice <sup>(ii)</sup>	1,300,000	1,000,000
Suzie Foreman	200,000	500,000
	2,375,000	2,000,000

Notes:

- (i) Refer to note (c) for terms of options granted to directors.
- (ii) 800,000 shares and 500,000 options are held beneficially by Zephyr Consulting Group Pty Ltd, an entity of which Mr Prentice is a major shareholder.
- (iii) The shares are subscribed for by each director at \$0.02 per share, on the same terms as offered to seed capital investors.

There are no unpaid amounts on shares issued.

**Options issued as Part of Remuneration**

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 all directors of Merah Resources Limited to increase goal congruence between executives, directors and shareholders. No options issued were issued or exercised during the year.

**MEETINGS OF DIRECTORS**

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

Director	Directors Meetings	
	Meetings Attended	Number Eligible to Attend
Richard Homsany	2	2
David Deloub	1	1
Ian Prentice	2	2
Suzie Foreman	2	2

The Company does not currently have any sub-committees in place.

**OPTIONS**

At the date of this report the following options over new ordinary shares in the Company were on issue.

Type	Date of Expiry	Exercise Price	Number under Option
Unlisted Options	31 August 2015	\$0.20	7,000,000

No ordinary shares were issued as a result of the exercise of options during or since the financial year ended 30 June 2012.

Directors' holdings of shares and share options have been disclosed in the Remuneration Report.

## INDEMNIFYING OFFICERS OR AUDITOR

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every officer, or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

The Company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a willful breach of duty in relation to the Company. The amount of the premium was \$6,572. No indemnity has been paid to auditors.

## PROCEEDINGS ON BEHALF OF THE 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 party 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 period.

## AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended 30 June 2012 has been received and can be found on page 21 and forms part of the directors' report.

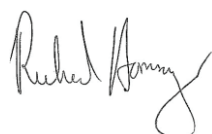
## NON-AUDIT SERVICES

The board of directors is satisfied that the provision of non-audit services performed during the year by the Company's auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reason:

- The nature of the services provided do not compromise the general principles relating to auditors independence as set out in the APES 110 (*Code of Ethics for Professional Accountants*)
- \$11,500, exclusive of GST, were paid to the auditors for non-audit services performed during the year ended 30 June 2012. These services related to the provision of an investigating accountant's report for the purposes of the Company's IPO.

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



**Richard Homsany**  
Chairman

**12 September 2012**

## CORPORATE GOVERNANCE STATEMENT

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting year, we have identified such policies or committees.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations. A checklist summarising the Company's compliance with the Recommendations is also set out at the end of this statement.

Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at <http://www.asx.com.au/supervision/governance/index.htm>.

### **PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT**

#### *Board Charter*

The Board is accountable to shareholders for the performance of the Company. The Board operates under the Board Charter that details its functions, responsibilities and powers and those delegated to management.

On appointment, non-executive directors receive formal letters of appointment setting out the terms and conditions of appointment. The formal letter of appointment covers the matters referred to in the guidance and commentary for Recommendation 1.1. Executive directors are employed pursuant to employment agreements.

To assist the Board to carry out its functions, it has developed a Code of Conduct to guide the Directors, the Chief Executive Officer, the Chief Financial Officer and other key executives, where applicable in the performance of their roles.

### **PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

#### *Composition of the Board*

The Board does not have a majority of independent Directors. The Board consists of one independent Director, Mr Ian Prentice and three non-independent Directors, Mr David Deloub, who is the Managing Director, Mr Richard Homsany, who also provides legal services to the Company and Ms Suzie Foreman, who also provides accounting, corporate and company secretarial services to the Company through Athena Corporate Pty Ltd.

The Board considers that the composition of the Board is adequate for the Company's current size and scale of operations, and includes an appropriate mix of skills and expertise relevant to the Company's business.

While the Company does not presently comply with Recommendation 2.1, the Company may consider appointing further independent Directors in the future. The Company believes that given the current size and scope of its operations, non-compliance by the Company with this Recommendation 2.1 will not be detrimental to the Company.

Independence is measured having regard to the relationships listed in Box 2.1 of the Corporate Governance Principles and Recommendations and the Company's materiality thresholds.

The roles of Chairman and the Managing Director are not exercised by the same individual. The role of Managing Director is carried out by Executive Director, Mr Deloub. The Board Charter summarises the roles and responsibilities of the Chairman, Mr Homsany and the Managing Director, Mr Deloub.

#### *Independence of non-executive directors and the Chairman of the Board*

The non-independent chair of the Board is Mr Richard Homsany, who also provides legal services to the Company. The Company is of the view that the size and scale of its current operations do not warrant the appointment of an independent chairperson and that non-compliance with this Recommendation 2.2 will not be detrimental to the Company.

**CORPORATE GOVERNANCE STATEMENT (Continued)****PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE (Continued)***Nomination and Remuneration Committee*

There is no nomination committee separate to the full Board. The role of the nomination committee is undertaken by the full Board. The Board considers that, given the Board is comprised of four (4) Directors and given the current size and scope of the Company's operations, no efficiencies or other benefits would be gained by establishing a separate nomination committee.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate nomination committee.

*Board renewal and succession planning*

The appointment of directors is governed by the Company's Constitution and the Appointment and Selection of New Directors policy. In accordance with the Constitution of the Company, no director except a Managing Director shall hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election. The Company has not adopted a policy in relation to the retirement or tenure of directors.

The appointment of the Company Secretary is a matter for the Board. Information on the skills, experience and qualifications of the Company Secretary can be found in the Directors' Report.

*Evaluation of the performance of the Board, its committees and individual directors*

The performance of the Board and individual directors are evaluated in accordance with the Performance Evaluation Policies introduced via Board Charter. The objective of this evaluation will be to provide best practice corporate governance to the Company. Board Performance Evaluation Policy is available at the Company's website.

*Induction and education*

When appointed to the Board, a new director will receive an induction appropriate to their experience. Directors may participate in continuing education to update and enhance their skills and knowledge from time to time, as considered appropriate.

*Access to information and advice*

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. The Board also has a policy under which individual directors and Board committees may obtain independent professional advice at the Company's expense in relation to the execution of their duties, after consultation with the Chairman.

*Trading in company shares*

The share trading policy sets out the Company's policy regarding the trading in Company securities, which includes shares, options, warrants, debentures and any other security on issue from time to time. This policy is separate from and additional to the legal constraints imposed by the common law, the Corporations Act and ASX Listing Rules.

This policy applies to all Directors and employees of the Company and their associates (including spouses, children, family trusts and family companies) as well as contractors, consultants, advisers and auditors of the Company ("designated officers").

The Share Trading Policy is available on Merah Resource's website.

**PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING***Code of Conduct*

The Board has adopted a Code of Conduct which applies to all directors and officers of the Company. It sets out Merah Resources' commitment to successfully conducting the business in accordance with all applicable laws and regulations while demonstrating and promoting the highest ethical standards. The Code of Conduct reflects the matters set out in the commentary and guidance for Recommendation 3.1.

The Code of Conduct is available on Merah Resources' website.

*Diversity Policy*

The board has adopted a diversity policy which applies to all directors and officers of the Company. The Company is committed to gender diversity across the organisation. Diversity includes, but is not limited to, gender, age, experience, ethnicity and cultural background.

**CORPORATE GOVERNANCE STATEMENT (Continued)****PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING (Continued)**

To the extent practicable and appropriate, the Company will address the recommendations and guidance provided in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

The Board is responsible for developing measurable objectives and strategies to meet the Diversity Objectives and monitoring the progress of the Measurable Objectives through the monitoring, evaluation and reporting mechanisms as set by the board. The Board may also set Measurable Objectives for achieving gender diversity and monitor their achievement.

The Board will conduct all Board appointment processes in a manner that promotes gender diversity, including establishing a structured approach for identifying a pool of candidates, using external experts where necessary. As at the date of this report, the Company has the following proportion of women appointed:

- to the Board – 25%
- to senior management – 25%
- to the organisation as a whole – 25%

The complete Diversity Policy is available on Merah Resources' website.

**PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING***Audit Committee*

Due to the size and scale of operations of the Company the full Board undertakes the role of the Audit Committee. The Board considers that, given the Board is comprised of four (4) Directors and given the current size and scope of the Company's operations, no efficiencies or other benefits would be gained by establishing a separate audit committee.

Below is a summary of the role and responsibilities of an Audit Committee.

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

In the absence of an audit committee, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

The Audit Committee or, as at the date of this report the full Board of the Company, reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the members.

The Audit Committee or as at the date of this report the full Board of the Company is also responsible for establishing policies on risk oversight and management.

The Board has received assurance from the Chair and the Managing Director 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.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate audit committee.

*External auditor*

The Audit and Risk Committee or as at the date of this report the full Board of the Company reviews the external auditor's terms of engagement and audit plan, and assesses the independence of the external auditor. The current practice, subject to amendment in the event of legislative change, is for the rotation of the engagement partner to occur every five years.

The Company's independent external auditor is HLB Mann Judd (WA Partnership) ("HLB"). The appointment of HLB was ratified by members at the Annual General Meeting held on 29 November 2011.

**CORPORATE GOVERNANCE STATEMENT (Continued)****PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

The Continuous Disclosure Policy sets out the key obligations of the directors and employees in relation to continuous disclosure as well as the Company's obligations under the Listing Rules and the Corporations Act. The Policy also provides procedures for internal notification and external disclosure, as well as procedures for promoting understanding of compliance with the disclosure requirements for monitoring compliance. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 5.1.

The Continuous Disclosure Policy is available on Merah Resources' website.

**PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS**

The Shareholder Communications Policy sets out the Company's aims and practices in respect of communicating with both current and prospective shareholders. The Policy reinforces the Company's commitment to promoting investor confidence by requiring:

- (a) compliance with the continuous disclosure obligations;
- (b) compliance with insider trading laws;
- (c) compliance with financial reporting obligations;
- (d) compliance with shareholder meeting requirements, including the provision of an opportunity for shareholders and other stakeholders to hear from and put questions to the Board, management and auditor of the Company;
- (e) communication with shareholders in a clear, regular, timely and transparent manner; and
- (f) response to shareholder queries in a prompt and courteous manner.

The Policy reflects the matters set out in the commentary and guidance for Recommendation 6.1.

The Shareholder Communications Policy is available on Merah Resources' website.

**PRINCIPLE 7: RECOGNISE AND MANAGE RISK***Risk Management Policy*

Merah Resources recognises that risk is inherent to any business activity and that managing risk effectively is critical to the immediate and future success of the Company. As a result, the Board has adopted a Risk Management Policy which sets out the Company's system of risk oversight, management of material business risks and internal control.

*Risk oversight*

The Board's Charter clearly establishes that it is responsible for ensuring there is a sound system for overseeing and managing risk. As the whole Board only consists of four (4) members, the Company does not have a Risk Management Committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues. At the date of this report the full Board of the Company is responsible for establishing policies on risk oversight and management. However, in accordance with the ASX Listing Rules, the Company is moving towards establishing an audit committee consisting primarily of Independent Directors.

*Risk Management Committee*

Due to the size and scale of operations of the Company the full Board undertakes the role of the Risk Management Committee. Below is a summary of the Risk management Policy which the Company has adopted:

- identify risks to the Company;
- balance risk to reward;
- ensure regulatory compliance is achieved; and
- ensure senior executives, the Board and investors understand the risk profile of the Company.

The Board monitors risk through various arrangements including:

- regular Board meetings;
- share price monitoring;
- market monitoring; and
- regular review of financial position and operations.

**CORPORATE GOVERNANCE STATEMENT (Continued)****PRINCIPLE 7: RECOGNISE AND MANAGE RISK (Continued)***7.2 Attestations by CEO and CFO*

It is the Board's policy, that the CEO (or Managing Director) and the CFO make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. The Managing Director and CFO (Company Secretary) have declared to the Board that the Company's management of its material business risks is effective.

In the absence of an audit committee, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

The Risk Management Policy is available on the Merah Resources website.

**PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY***Nomination and Remuneration Committee*

The Nomination and Remuneration Committee has delegated responsibilities in relation to the Company's remuneration policies as set out in the Nomination and Remuneration Committee Charter. The Charter reflects the matters set out in the commentary and guidance for Recommendation 8.1.

There is currently however no remuneration committee. The role of the remuneration committee is undertaken by the full Board. The Board considers that, given the Board is comprised of four (4) Directors and given the current size and scope of the Company's operations, no efficiencies or other benefits would be gained by establishing a separate remuneration committee. No Directors participate in any deliberations regarding their own remuneration or related issues.

As the Company's operations grow and evolve, the Board will reconsider the appropriateness of forming a separate remuneration committee.

*Non-Executive directors' remuneration policy*

The structure of non-executive directors' remuneration is not currently clearly distinguished from that of executives.

Remuneration for non-executive directors is fixed. Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors also receive long term incentives in the form of shares or options in the Company. Non-Executive Directors are also entitled to but not necessarily paid statutory superannuation.

The Performance Rights Plan and Employee Share Option Plan will be used by the Company as part of the remuneration planning for both executive and non-executive Directors and employees. The Corporate Governance Guidelines and Recommendations recommend that non-executive directors should not receive options or participate in schemes designed for the remuneration of executives. Although the use of the Performance Rights Plan and Employee Share Option Plan as part of the remuneration planning for non-executive Directors is not in accordance with Recommendation 8.3, the Company considers that it is appropriate for non-executive Directors to be granted Performance Rights and Options having regard to the Company's current circumstances including its size and stage of operations.

*Executive directors' remuneration policy*

As noted previously, executive directors are employed pursuant to employment agreements. Summaries of these employment agreements are set out in the Remuneration Report.

Further details regarding the remuneration arrangements of the Company are set out in the Remuneration Report.

**CORPORATE GOVERNANCE STATEMENT (Continued)**

The checklist below summarises the Company's compliance with the Recommendations.

<b>Principles</b>	<b>Recommendations</b>	<b>Compliance Yes/No</b>	<b>Reference/ Explanation</b>
<b>Pr 1</b>	<b>Lay solid foundations for management and oversight</b>		
Rec 1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose the functions.	Yes	Website and Page 13
Rec 1.2	Companies should disclose the process for evaluation the performance of senior executives.	Yes	Website and Page 13
Rec 1.3	Companies should provide the information indicated in the Guide to reporting to Principle 1.	Yes	Website and Page 13
<b>Pr 2</b>	<b>Structure the board to add value</b>		
Rec 2.1	A majority of the board should be independent directors.	No	Website and Page 13
Rec 2.2	The Chairman should be an independent director.	No	Website and Page 13
Rec 2.3	The roles of chairman and chief executive officer should not be exercised by the same individual.	Yes	Website and Page 13
Rec 2.4	The board should establish a nomination committee	No	Website and Page 14
Rec 2.5	Companies should disclose the process of evaluating the performance of the board, its committees and individual directors.	Yes	Website and Page 14
Rec 2.6	Companies should provide the information indicated in the Guide to reporting to Principle 2	Yes	Website and Page 14
<b>Pr 3</b>	<b>Promote ethical and responsible decision making</b>		
Rec 3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>- the practices necessary to maintain confidence in the company's integrity</li> <li>- the practices necessary to take account of their legal obligations and reasonable expectations of their stakeholders; and</li> <li>- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	Yes	Website and Page 14
Rec 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.	Yes	Page 14
Rec 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 towards achieving them.	Yes	Page 14
Rec 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	Yes	Page 14
Rec 3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	Website and Page 15

**CORPORATE GOVERNANCE STATEMENT (Continued)**

<b>Principles</b>	<b>Recommendations</b>	<b>Compliance Yes/No</b>	<b>Reference/ Explanation</b>
<b>Pr 4</b>	<b>Safeguard integrity in financial reporting</b>		
Rec 4.1	The board should establish an audit committee.	No	Website and Page 15
Rec 4.2	The audit committee, in this case the Board, should be structured so that it: - consists only of non-executive directors; - consists of a majority of independent directors; - is chaired by an independent chair, who is not the chair of the board; and - has at least three members.	No	Website and Page 15
Rec 4.3	The audit committee should have a formal charter.	Yes	Website and Page 15
Rec 4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	Website and Page 15
<b>Pr 5</b>	<b>Make timely and balanced disclosure</b>		
Rec 5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior level for that compliance and disclose those policies or a summary of those policies.	Yes	Website and Page 16
Rec 5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Website and Page 16
<b>Pr 6</b>	<b>Respect the rights of shareholders</b>		
Rec 6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website and Page 16
Rec 6.2	Company should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Website and Page 16
<b>Pr 7</b>	<b>Recognise and manage risk</b>		
Rec 7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Website and Page 16
Rec 7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Website and Page 16
Rec 7.3	The board should disclose whether it has received assurance 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.	Yes	Website and Page 16
Rec 7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Website and Page 17

**CORPORATE GOVERNANCE STATEMENT (Continued)**

<b>Principles</b>	<b>Recommendations</b>	<b>Compliance Yes/No</b>	<b>Reference/ Explanation</b>
<b>Pr 8</b>	<b>Remunerate fairly and responsibly</b>		
Rec 8.1	The board should establish a remuneration committee.	No	Website and Page 17
Rec 8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>- consists of a majority of independent directors</li> <li>- is chaired by an independent director</li> <li>- has at least three members</li> </ul>	No	Website and Page 17
Rec 8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	No	Website and Page 17
Rec 8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Website and Page 17



Accountants | Business and Financial Advisers

## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Merah Resources 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:

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

This declaration is in respect of Merah Resources Limited.

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

Perth, Western Australia  
12 September 2012

M R W OHM  
Partner, HLB Mann Judd

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 30 June 2012**

	Note	Year Ended 30 June 2012 \$	Period 27 August 2010 to 30 June 2011 \$
Other revenue	2	19,332	603
Consultancy expenses		(84,845)	(9,947)
Administration expenses		(37,129)	(1,561)
Legal and compliance		(66,136)	(1,499)
Employee benefits expense		(206,132)	(23,856)
Depreciation		(703)	-
Exploration expenses		(3,529)	-
Occupancy expenses		(22,050)	-
Equity based payments	2	(4,447)	(4,617)
Loss before income tax expense		(405,639)	(40,877)
Income tax benefit / (expense)	3	-	-
Loss for the period	10	(405,639)	(40,877)
Other comprehensive income		-	-
Total comprehensive income for the year		(405,639)	(40,877)
Basic loss per share (cents)	15	(2.8)	(2.6)

*The accompanying notes form part of these financial statements.*

**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2012**

	Note	2012 \$	2011 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	2,320,744	182,743
Trade and other receivables	5	33,088	14,452
<b>TOTAL CURRENT ASSETS</b>		2,353,832	197,195
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	6	1,374	-
Exploration and evaluation expenditure	7	69,920	25,300
<b>TOTAL NON-CURRENT ASSETS</b>		71,294	25,300
<b>TOTAL ASSETS</b>		2,425,126	222,495
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	36,773	58,254
<b>TOTAL CURRENT LIABILITIES</b>		36,773	58,254
<b>TOTAL LIABILITIES</b>		36,773	58,254
<b>NET ASSETS</b>		2,388,353	164,241
<b>EQUITY</b>			
Issued capital	9	2,825,255	200,001
Reserves	11	9,614	5,117
Accumulated losses	10	(446,516)	(40,877)
<b>TOTAL EQUITY</b>		2,388,353	164,241

*The accompanying notes form part of these financial statements.*

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2012**

	Issued Capital	Reserves	Accumulated Losses	Total
	\$	\$	\$	\$
<b>On registration</b>	1	-	-	1
Loss for the year	-	-	(40,877)	(40,877)
Shares issued during the period	200,000	-	-	200,000
Options issued during the period	-	5,117	-	5,117
<b>Balance at 30 June 2011</b>	200,001	5,117	(40,877)	164,241
Loss for the year	-	-	(405,639)	(405,639)
Shares issued during the period	75,000	-	-	75,000
Initial Public Offering May 2012	2,819,000	-	-	2,819,000
Options issued during the period	-	50	-	50
Performance rights issued during the period	-	4,447	-	4,447
Costs of issues	(268,746)	-	-	(268,746)
<b>Balance at 30 June 2012</b>	2,825,255	9,614	(446,516)	2,388,353

*The accompanying notes form part of these financial statements*

**STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2012**

	<b>Year Ended 30 June 2012 \$</b>	<b>Period 27 August 2010 to 30 June 2011 \$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers	(445,911)	(2,861)
Payments for exploration activities	(14,450)	-
Interest received	15,184	603
<b>NET CASH FLOWS USED IN OPERATING ACTIVITIES</b>	<b>12(a) (445,177)</b>	<b>(2,258)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of project	-	(15,000)
Payments for plant and equipment	(2,076)	-
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>(2,076)</b>	<b>(15,000)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares and options	2,854,000	200,001
Transaction costs on issue of shares	(268,746)	-
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>2,585,254</b>	<b>200,001</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>2,138,001</b>	<b>182,743</b>
Cash and cash equivalents at beginning of the year	182,743	-
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>12(b) 2,320,744</b>	<b>182,743</b>

*The accompanying notes form part of these financial statements.*

**NOTES TO THE FINANCIAL STATEMENTS****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of preparation**

Merah Resources Limited (the “Company”) is a listed public company, incorporated and domiciled in Australia. The Company was registered on 27 August 2010 and the comparatives are presented for the period from registration until 30 June 2011.

The financial report is a general-purpose financial report, which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report is presented in Australian dollars.

The financial information has been prepared on the accruals basis and is based on historical costs and does not take into account changing money values. Cost is based on the fair values of the consideration given in exchange for assets.

*Statement of Compliance*

The financial report was authorised for issue on 12 September 2012.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (“AIFRS”). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (“IFRS”).

*Adoption of New and Revised Standards*

In the period ended 30 June 2012, the Company has adopted all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. Details of the impact of the adoption of these new accounting standards are set out in the individual accounting policy notes set out below.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2012. 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’s accounting policies.

The following is a summary of the accounting policies adopted by the Company in the preparation of the financial information. The accounting policies have been consistently applied unless otherwise stated.

**(b) 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 date.

Deferred income tax is provided on all temporary differences at the balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; 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 income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(b) Income Tax (Continued)**

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; 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 income tax assets is reviewed at each balance 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 income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance 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 income 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 date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

**(c) Exploration and Evaluation Expenditure**

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

- (i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- (ii) exploration and evaluation activities in the area have not, at balance date, resulted in booking economically recoverable reserves, and active operations in, or relating to, this area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against income statement in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

**(d) Cash and Cash Equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

For the purpose of the Statement of Cash Flows, cash includes on hand and other funds held at call net of bank overdrafts.

**(e) Trade 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. Amounts are unsecured and are usually paid within 30 to 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(f) Trade and Other Receivables**

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 15 days to 30 days.

Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that the company will not be able to collect all amounts due according to the original contractual terms. Factors considered by the company in making this determination include known significant financial difficulties of the debtor, review of financial information and significant delinquency in making contractual payments to the company. The impairment allowance is set equal to the difference between the carrying amount of the receivable and the present value of estimated future cash flows, discounted at the original effective interest rate. Where receivables are short-term discounting is not applied in determining the allowance.

The amount of the impairment loss is recognised in the income statement within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

**(g) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

**(h) Earnings Per Share**

Basic earnings per share is calculated as net result attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for a bonus element.

Diluted EPS is calculated as net result attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that would have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(i) Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Merah Resources Limited.

**(j) Issued Capital**

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(k) Revenue**

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

The following specific recognition criteria must also be met before revenue is recognised:

*Interest*

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

**(l) Impairment of Assets**

The Company assesses at each balance date whether there is an indication that an asset may be impaired.

If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(m) Share-based payment transactions***Equity settled transactions:*

The Company provides benefits to employees (including senior executives) of the Company in the form of share-based payments in the form of options and performance rights, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently an Employee Share Option Plan (ESOP) in place, which provides benefits to directors and employees. A Performance Rights Plan (PRP) has also been implemented to provide incentive benefits for senior executives and employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black Scholes option pricing model, further details of which are given in notes 13 and 20.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Merah Resources Limited.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****(m) Share-based payment transactions (Continued)**

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**(n) Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

The preparation of the financial statements requires the Company's management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and reporting period. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions. Actual results could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are no estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

	Note	Year Ended 30 June 2012 \$	Period from 27 August 2010 to 30 June 2011 \$
<b>2. REVENUES AND EXPENSES</b>			
Interest income		19,332	603
<b>Equity based payments expense</b>			
Options issued to directors		-	4,617
Performance rights issued to Managing Director	13	4,447	-
		<u>4,447</u>	<u>4,617</u>
<b>3. INCOME TAX</b>			
<b>(a) The components of tax expense comprise:</b>			
Current tax		-	-
Deferred tax		-	-
		<u>-</u>	<u>-</u>
<b>(b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:</b>			
Prima facie tax benefit on loss from ordinary activities before income tax at 30%		(121,692)	(12,263)
Add tax effect of:			
- Revenue losses not recognised		112,815	8,478
- Equity Based Payments		1,334	1,385
- Other deferred tax balances not recognised		5,363	2,400
- Non-allowable items		2,180	-
Income tax		<u>-</u>	<u>-</u>
<b>(c) Deferred tax recognised:</b>			
<b>Deferred tax liabilities:</b>			
Exploration expenditure		(20,976)	(7,590)
Other		(1,306)	(467)
<b>Deferred tax assets:</b>			
Carry forward revenue losses		22,282	8,057
<b>Net deferred tax</b>		<u>-</u>	<u>-</u>
<b>(d) Unrecognised deferred tax assets:</b>			
Carry forward revenue losses		121,293	8,478
Capital raising costs		80,624	-
Provision and accruals		6,263	2,400
Other		1,500	-
		<u>209,680</u>	<u>10,878</u>

The tax benefits of the above deferred tax assets will only be obtained if:

- (a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- (b) the company continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in income tax legislation adversely affect the company in utilising the benefits.

	Year Ended 30 June 2012 \$	Period from 27 August 2010 to 30 June 2011 \$
<b>4. CASH AND CASH EQUIVALENTS</b>		
Cash at bank	2,320,744	182,743
	<u>2,320,744</u>	<u>182,743</u>

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

#### 5. TRADE & OTHER RECEIVABLES

##### Current

Prepayment	8,171	-
GST paid	20,769	4,452
Interest receivable	4,148	-
Prepaid initial public offering expenses (i)	-	10,000
	<u>33,088</u>	<u>14,452</u>

(i) The above costs were offset against the proceeds of equity raising upon successful completion in the IPO.

There are no impaired or past due trade debtors as at 30 June 2012. Due to the nature of the above assets (primarily GST paid) an aging is not presented.

Terms and conditions relating to the above financial instruments:

- a) Other debtors are non-interest bearing

#### 6. PLANT AND EQUIPMENT

Plant and Equipment at cost	2,077	-
Accumulated Depreciation	(703)	-
Net carrying amount	<u>1,374</u>	<u>-</u>

##### (a) Movements in Carrying Amounts

##### *Plant and Equipment*

At beginning of period	-	-
Additions	2,077	-
Depreciation	(703)	-
At end of period	<u>1,374</u>	<u>-</u>

#### 7. EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of exploration and evaluation phase:

Balance at beginning of period	25,300	-
Exploration capitalised during the year	<sup>(ii)</sup> 44,620	<sup>(i)</sup> 25,300
Balance at end of reporting period	<u>69,920</u>	<u>25,300</u>

## 7. EXPLORATION AND EVALUATION EXPENDITURE (Continued)

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective areas.

- i. As per the terms of the Tenement Acquisition Agreement (“Agreement”) dated 20 May 2011 between United Mining Resources Ltd, Rio Resources Pty Ltd and the Company, consideration for the tenement the comprises:
- A non-refundable cash payment of \$15,000 upon signing of the Agreement; and
  - The issue and allotment of 500,000 shares at an issue price of \$0.02 each on the settlement date.

The Company paid \$15,000 during the period ended 30 June 2011. The equity component was settled on 25 August 2011. The title to tenement E36/675 was transferred by the vendor on 12 August 2011.

- ii. As per the terms of the Farm-in JV Agreement (“JV”) dated 12 September 2011 between Murchison Resources Ltd and the Company, consideration for acquiring an interest in the tenements comprises:
- A non-refundable cash payment of \$11,000 as an option fee upon signing of the agreement; and
  - The issue and allotment of 150,000 shares at an issue price of \$0.20 each upon the Company exercising the option of the JV on the date on which the Company is admitted to the official list of the market operated by ASX. The Company exercised the option on 17 April 2012.

## 8. TRADE & OTHER PAYABLES

### Current

	Year Ended 30 June 2012 \$	Period from 27 August 2010 to 30 June 2011 \$
Trade and other creditors (i)	8,232	16,920
Other creditors and accruals (ii)	28,541	41,334 <sup>(i)</sup>
	<u>36,773</u>	<u>58,254</u>

- (i) *Terms and conditions*

Trade creditors are non-interest bearing and are normally settled on 60 day terms.

- (ii) Includes \$10,000, being the fair value of the unissued equity component of the fully paid ordinary securities to be issued pursuant to the Agreement detailed in Note 6 above.

## 9. ISSUED CAPITAL

### Issued and paid up capital

26,495,001 (2011: 10,000,001) Ordinary shares issued and fully paid.

a) Movements in shares on issue	As at 30 June 2012 \$	As at 30 June 2012 Number of Shares	As at 30 June 2011 \$	As at 30 June 2011 Number of Shares
<b>At the beginning of the reporting period</b>	200,001	10,000,001	-	-
<b>Shares issued during the period:</b>				
- On registration	-	-	1	1
- Seed capital at \$0.02 each	35,000	1,750,000	200,000	10,000,000
- Vendor Shares - E36/675	10,000	500,000	-	-
- Vendor Shares – Murchison JV	30,000	150,000	-	-
- Initial Public Offering - \$0.20 each	2,819,000	14,095,000	-	-
- Capital raising costs	(268,746)	-	-	-
<b>At the end of the reporting period</b>	<u>2,825,255</u>	<u>26,495,001</u>	<u>200,001</u>	<u>10,000,001</u>

**9. ISSUED CAPITAL (Continued)****(b) 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

During the financial year ended 30 June 2012, no ordinary shares were issued as a result of the exercise of options.

The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in share options issued during the period:

	2012 Number of Options	Weighted Average Exercise Price \$	2011 Number of Options	Weighted Average Exercise Price \$
Outstanding at beginning of the period	7,000,000	\$0.20	-	-
Granted during the period	-		7,000,000	\$0.20
<b>Outstanding at the end of the period</b>	<u>7,000,000</u>		<u>7,000,000</u>	
<b>Exercisable at the end of the period</b>	<u>7,000,000</u>		<u>7,000,000</u>	

- (i) The options outstanding at 30 June 2012 had a weighted average exercise price of \$0.20.
- (ii) Options outstanding at 30 June 2012 had a weighted average remaining life of 3.17 years.
- (iii) The weighted average fair value of all options granted during the period was \$4,900.
- (iv) Included under share-based payments in the statement of comprehensive income is \$4,617, and relates, in full, to equity-settled share-based payment transactions.

**Terms and conditions of issued capital***Ordinary shares*

Ordinary shares have the right to receive dividends as declared and, in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Ordinary shares have no par value and the company does not have a limited amount of authorized capital.

*Options over ordinary shares*

During the financial year ended 30 June 2012, nil (2011: 7,000,000) options have been issued over ordinary shares, exercisable at \$0.20 on or before 31 August 2015.

The expense recognised in the statement of comprehensive income in relation to share-based payments is disclosed in Note 2(b).

**10. ACCUMULATED LOSSES**

	Year Ended 30 June 2012 \$	Period from 27 August 2010 to 30 June 2011 \$
Balance at the beginning of reporting period	40,877	-
Net loss for the period	405,639	40,877
Balance at the end of the reporting period	<u>446,516</u>	<u>40,877</u>

	<b>Year Ended 30 June 2012 \$</b>	<b>Period from 27 August 2010 to 30 June 2011 \$</b>
<b>11. RESERVES</b>		
<b>Reserves</b>		
Share-based payment reserve	9,614	5,117
<b>(a) Share-based payment reserve<sup>(i)</sup></b>		
At beginning of reporting period	5,117	-
Options issued	50	5,117
Performance rights issued to Director <sup>(ii)</sup>	4,447	-
Balance at end of reporting period	9,614	5,117

- (i) The share-based payment reserve is used to record the value of equity benefits provided to the individuals as part of their remuneration.
- (ii) During the financial year, shareholders approved the issue of 3,000,000 performance rights to Mr 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 Rights. 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:

- (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; and
- (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; and
- (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.

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, the probability of the relevant market conditions being met and the expected length of the vesting period.

**12. CASH FLOW INFORMATION****(a) Reconciliation of cash flows from operating activities with loss after income tax:**

	<b>Year Ended 30 June 2012</b>	<b>Period from 27 August 2010 to 30 June 2011</b>
	\$	\$
Net loss for the period	(405,639)	(40,877)
<b>Non-cash flows in operating activities</b>		
Depreciation	703	-
Share-based payments	4,447	4,617
<b>Cash flows not included in loss after income tax for the year</b>		
Exploration expensed	3,529	-
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in receivables	(14,489)	(13,952)
Increase/(decrease) in payables and accruals	(33,728)	47,954
<b>Net cash flows (used in) / from operating activities</b>	<u>(445,177)</u>	<u>(2,258)</u>

**(b) Reconciliation of cash and cash equivalent:**

Cash balances comprises		
- Cash at bank	<u>2,320,744</u>	<u>182,743</u>

There were no non-cash financing and investing activities during the year (2011: nil).

**13. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS****(a) Details of Key Management Personnel***(i) Directors*

Richard Homsany– Non-Executive Chairman  
Ian Prentice – Non-Executive Director  
Suzie Foreman – Non-Executive Director

*(ii) Executives*

David Deloub – Managing Director (*appointed 5 September 2011*)

Directors' remuneration and other terms of employment are reviewed annually by the non-executive directors having regard to performance against goals set at the start of the period, relative comparative information and independent expert advice.

Except as detailed in Note 13 (a) – (e) no director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the Company or a related body corporate with a director, a firm of which a director is a member or an entity in which a director has a substantial financial interest.

**(b) Compensation of Key Management Personnel***Remuneration Policy*

The Board of Directors, comprising predominantly of non-executive directors, is responsible for determining and reviewing compensation arrangements for the executive team. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team. The remuneration of Directors is set out below.

### 13. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS (Continued)

#### (b) Compensation of Key Management Personnel (Continued)

2012	Primary		Equity Compensation		Post-employment	Total
	Base Salary and Fees (ii, iii, iv)	Bonus and Non Monetary Benefits	Value of Options	Performance Rights(e)	Superannuation Contributions	
	\$	\$	\$	\$	\$	\$
<b>Directors</b>						
Richard Homsany	21,000	-	-	-	1,890	22,890
David Deloub <sup>1</sup>	120,740	-	-	4,447	10,867	136,054
Ian Prentice	25,000	-	-	-	2,250	27,250
Suzie Foreman	25,000	-	-	-	2,250	27,250
<b>Total</b>	<b>191,740</b>	<b>-</b>	<b>-</b>	<b>4,447</b>	<b>17,257</b>	<b>213,444</b>

<sup>1</sup> Appointed 5 September 2011

2011	Primary		Equity Compensation	Post-employment	Total
	Base Salary and Fees	Bonus and Non Monetary Benefits	Value of Options(i)	Superannuation Contributions	
	\$	\$	\$	\$	\$
<b>Directors</b>					
Richard Homsany	6,666	-	1,539	-	8,205
Ian Prentice	3,334	-	1,539	-	4,873
Suzie Foreman	3,334	-	1,539	-	4,873
<b>Total</b>	<b>13,334</b>	<b>-</b>	<b>4,617</b>	<b>-</b>	<b>17,951</b>

- (i) In accordance with AASB 2, options issued to Directors have been valued using a Black-Scholes option pricing model, which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option. Although a value is ascribed and included in total Directors Remuneration, it should be noted that the Directors have not received this amount and the option may have no actual financial value unless the options achieve their exercise price. The calculation of the option valuation included the share price at grant date of \$0.02, a volatility factor of approximately 70% and an annual risk-free rate of 4.82%. No discount factor was applied for lack of marketability. The fair value at grant date was \$0.00308 per option.
- (ii) During the year ended 30 June 2012, Cardinals Corporate Pty Ltd, an entity related to Mr Richard Homsany, received \$115,691 exclusive of GST for the provision of legal services in relation to the Company's IPO and other legal matters. Cardinals Corporate Pty Ltd has been engaged to provide ongoing legal services to the Company.
- (iii) During the year ended 30 June 2012, Athena Corporate Pty Ltd, an entity related to Ms Suzie Foreman, received \$42,847 exclusive of GST for the provision of company secretarial and corporate work to the Company.
- (iv) During the year ended 30 June 2012, Zephyr Consulting Group Pty Ltd, an entity in which Mr Ian Prentice is a major shareholder, received \$58,159 exclusive of GST for the provision of office administration to the Company.

All transactions (ii)-(iv) were provided outside of director duties performed and entered into on normal commercial terms and have not been included as part of directors' remuneration.

**13. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS (Continued)****(c) Remuneration Options: granted and vested during the period**

During the year ended 30 June 2012, no options were granted to Directors by the Company. In the prior year 1,500,000 options were granted as disclosed below:

- (i) 1,500,000 options expiring 31 August 2015 exercisable at \$0.20

The options were issued for nil consideration, and were valued at grant date using the Black & Scholes valuation model. The calculation of each option valuation included the share price at grant date of \$0.02, a volatility factor of approximately 70% and an annual risk-free rate of 4.82%. These options have vested immediately.

	Granted Number	Vested & Exercisable Number	Grant Date	Value per Option at Grant Date \$	Exercise Price \$	First Exercise Date	Last Exercise Date
<b>Directors</b>							
Richard Homsany	500,000	500,000	14 Sept 10	0.00308	\$0.20	14 Sept 10	31 Aug 15
Ian Prentice	500,000	500,000	14 Sept 10	0.00308	\$0.20	14 Sept 10	31 Aug 15
Suzie Foreman	500,000	500,000	14 Sept 10	0.00308	\$0.20	14 Sept 10	31 Aug 15
	<u>1,500,000</u>	<u>1,500,000</u>					

**(d) Shares Issued on Exercise of Compensation Options**

No shares were issued on the exercise of compensation options during the financial year.

**(e) Share and Option holdings**

All equity dealings with directors have been entered into with terms and conditions no more favourable than those that the entity would have adopted if dealing at arm's length.

**Shares held by Key Management Personnel**

2012	Balance at 01.07.11	Bought & (Sold)	Options Exercised	Balance at 30.06.12
<b>Directors</b>				
Richard Homsany	-	-	-	-
David Deloub	-	875,000	-	875,000
Ian Prentice <sup>1</sup>	1,300,000	-	-	1,300,000
Suzie Foreman	200,000	-	-	200,000
	<u>1,500,000</u>	<u>875,000</u>	<u>-</u>	<u>2,375,000</u>

<sup>1</sup>800,000 Shares are held beneficially by Zephyr Consulting Group Pty Ltd, an entity Mr Prentice is a major shareholder.

2011	Balance at incorporation	Bought & (Sold)	Options Exercised	Balance at 30.06.11
<b>Directors</b>				
Richard Homsany	-	-	-	-
Ian Prentice <sup>1</sup>	-	1,300,000	-	1,300,000
Suzie Foreman	-	200,000	-	200,000
	<u>-</u>	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>

<sup>1</sup>800,000 Shares are held beneficially by Zephyr Consulting Group Pty Ltd, an entity Mr Prentice is a major shareholder.

**13. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS (Continued)****Options Held By Key Management Personnel****2012**

	Balance at 01.07.11	Received as Remuneration (i)	Exercise of Options	Bought &(Sold) (ii)	Balance at 30.06.12	Total Vested	Total Exercisable
<b>Directors</b>							
Richard Homsany	500,000	-	-	-	500,000	500,000	500,000
David Deloub	-	-	-	-	-	-	-
Ian Prentice	1,000,000	-	-	-	1,000,000	1,000,000	1,000,000
Suzie Foreman	500,000	-	-	-	500,000	500,000	500,000
	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000

**2011**

	Balance at incorporation	Received as Remuneration (i)	Exercise of Options	Bought &(Sold) (ii)	Balance at 30.06.11	Total Vested	Total Exercisable
<b>Directors</b>							
Richard Homsany	-	500,000	-	-	500,000	500,000	500,000
Ian Prentice	-	500,000	-	500,000	1,000,000	1,000,000	1,000,000
Suzie Foreman	-	500,000	-	-	500,000	500,000	500,000
	-	1,500,000	-	500,000	2,000,000	2,000,000	2,000,000

- (i) Terms and conditions of options received as compensation by Directors up to 30 June 2012 are as described in Note (c) above.
- (ii) Options were acquired by Zephyr Consulting Group Pty Ltd, an entity in which Mr Prentice has a relevant interest.

**Options issued as Part of Remuneration for the period 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 all directors of Merah Resources Limited to increase goal congruence between executives, directors and shareholders.

**Performance Rights Held By Key Management Personnel**

	Balance at 01.07.11	Received as Remuneration (i)	Exercise of Options	Bought &(Sold)	Balance at 30.06.12	Total Vested	Total Exercisable
<b>Directors</b>							
Richard Homsany	-	-	-	-	-	-	-
David Deloub	-	3,000,000	-	-	3,000,000	-	-
Ian Prentice	-	-	-	-	-	-	-
Suzie Foreman	-	-	-	-	-	-	-
	-	3,000,000	-	-	3,000,000	-	-

**Performance Rights issued as Part of Remuneration for the period ended 30 June 2012**

- (i) During the year ended 30 June 2012, shareholders 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.

**13. DIRECTORS' AND EXECUTIVE OFFICERS' EMOLUMENTS (Continued)****Performance Rights issued as Part of Remuneration for the period ended 30 June 2012 (Continued)**

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 Rights. 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) 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; and

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; and

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, the probability of the relevant market conditions being met and the expected length of the vesting period.

**14. 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 Resources Limited (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 in predominantly in one business and one geographical segment being the resources sector in Western Australia. Accordingly, under the "management approach" outlined above, only one operating segment has been identified and no further disclosure is required in the notes to the financial statements.

**15. LOSS PER SHARE**

The following reflects the income and share data used in the calculation of basic and diluted loss per share:

	<b>As at 30 June 2012 \$</b>	<b>As at 30 June 2011 \$</b>
Earnings used in calculation of basic and diluted earnings per share	<u>(405,639)</u>	<u>(40,877)</u>
Weighted average number of ordinary shares on issue used in the calculation of basic EPS	(i) <u>14,511,315</u>	<u>1,561,644</u>

- (i) Share options are not considered dilutive, as their impact would be to decrease the net loss per share.

**16. RELATED PARTY DISCLOSURE*****Key management personnel***

Disclosures relating to key management personnel are set out in the note 13 and the Directors' Report.

**17. AUDITORS REMUNERATION**

	<b>Year ended 30 June 2012</b>	<b>Period to 30 June 2011</b>
	<b>\$</b>	<b>\$</b>
Amounts received or due and receivable by :		
- HLB Mann Judd an audit or review of the financial report of the Company at the financial year end	20,500	8,000
- HLB Mann Judd for preparation of Investigating Accountants Report in respect of the Company's IPO	11,500	-
	<u>32,000</u>	<u>8,000</u>

**18. FINANCIAL INSTRUMENTS****(i) Financial risk management objectives and policies**

The Company's principal financial instruments comprise cash and short term deposits. The main purpose of the financial instruments is to earn the maximum amount of interest at a low risk to the Company. The Company also has other financial instruments such as trade debtors and creditors which arise directly from its operations. For the period under review, it has been the Company's policy not to trade in financial instruments.

The Directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements

***Financial Risk Exposures and Management***

The main risks arising from the Company's financial instruments are interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

**(a) Foreign Currency Risk**

The Company is not exposed to fluctuations in foreign currencies.

**(b) Interest Rate Risk**

The Company is exposed to movements in market interest rates on short term deposits. 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 return. The Company does not have short or long-term debt, and therefore this risk is minimal.

**(c) Credit Risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Company does not have any significant credit risk exposure due to the nature of its operation. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk.

**(d) Liquidity Risk**

The Company manages liquidity risk by monitoring forecast cash flows. The Company does not have any significant liquidity risk as the Company does not have any collateral debts.

**18. FINANCIAL INSTRUMENTS (Continued)****(e) Market Risk**

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

**(ii) Financial instrument composition and maturity analysis**

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts might not reconcile to the balance sheet.

2012	Floating interest rate \$	Fixed interest maturing in			Non-Interest bearing \$	Total \$
		1 year or less \$	over 1 year less than 5 \$	more than 5 years \$		
<b>Financial Assets</b>						
Cash at bank	2,320,744	-	-	-	-	2,320,744
Trade & other receivables	-	-	-	-	28,940	28,940
	2,320,744	-	-	-	28,940	2,349,684
Weighted Average Interest Rate	2.25%					
<b>Financial Liabilities</b>						
Trade & other creditors	-	-	-	-	(36,773)	(36,773)
	-	-	-	-	(36,773)	(36,773)

2011	Floating interest rate \$	Fixed interest maturing in			Non-Interest bearing \$	Total \$
		1 year or less \$	over 1 year less than 5 \$	more than 5 years \$		
<b>Financial Assets</b>						
Cash at bank	182,743	-	-	-	-	182,743
Trade & other receivables	-	-	-	-	4,452	4,452
	182,743	-	-	-	4,452	187,195
Weighted Average Interest Rate	1.95%					
<b>Financial Liabilities</b>						
Trade & other creditors	-	-	-	-	(58,254)	(58,254)
	-	-	-	-	(58,254)	(58,254)

Trade and other payables are expected to be paid as follows:

	2012 \$	2011 \$
Less than 6 months	36,773	58,254
	<u>36,773</u>	<u>58,254</u>

**(iii) Net fair value of financial assets and liabilities**

The carrying amount of cash and cash equivalents approximates fair value because of their short-term maturity.

**18. FINANCIAL INSTRUMENTS (Continued)****(iv) Interest rate sensitivity analysis**

At 30 June 2012, the effect on loss and equity as a result of changes in the interest rate, with all other variable remaining constant would be as follows:

	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>CHANGE IN PROFIT/(LOSS) AND EQUITY</b>		
Increase in interest rate by 2%	46,415	817
Decrease in interest rate by 2%	46,415	817

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

**19. CONTINGENT ASSETS AND LIABILITIES**

There are no contingent liabilities or contingent assets as at the reporting date.

**20. EMPLOYEE BENEFITS**

During the financial year ended 30 June 2012, 3,000,000 Performance Rights were issued to Mr David Deloub. See Note 13 for details.

**21. SHARE BASED PAYMENT PLANS**

During the period there were nil (2011: 1,500,000) options issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to all directors of Merah Resources Limited to increase goal congruence between executives, directors and shareholders.

The following table illustrates the number and weighted average exercise prices (WAEP) of and movements in share options issued during the financial year:

<b>2011</b>	<b>Number of Options</b>	<b>Weighted Average Exercise Price \$</b>
<b>Outstanding at the beginning of the period</b>	1,500,000	\$0.20
Granted during the year	-	-
<b>Outstanding at the end of the period</b>	<u>1,500,000</u>	
<b>Exercisable at the end of the period</b>	<u>1,500,000</u>	

- (i) The options outstanding at 30 June 2012 had a weighted average exercise price of \$0.20.
- (ii) Options outstanding at 30 June 2012 had a weighted average remaining life of 3.17 years.
- (iii) The weighted average fair value of options granted during the period as share based payments was \$0.00308.
- (iv) In the prior period, included under share based payments in the statement of comprehensive income \$4,617, and relates, in full, to equity-settled share-based payment transactions.

**22. SUBSEQUENT EVENTS**

The Directors are not aware of any other matter or circumstances that have arisen since 30 June 2012 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.

**23. COMMITMENTS FOR EXPENDITURE****(a) Exploration commitments**

The Company will have minimum obligations pursuant to the terms and conditions of prospective tenement licenses in the forthcoming year of exploration and rental commitments as detailed below. These obligations are capable of being varied from time to time, in order to maintain current rights to tenure to mining tenements.

	<u>Exploration Commitment</u>	<u>Rental Commitment</u>
Within 1 year	\$30,000	\$2,824
1 – 5 years	-	\$5,648
5+ years	-	-

On 12 September 2011, the Company entered into an Option, Farm-in and Joint Venture Agreement to earn an 80% interest in the prospecting licences P36/1730 and P36/1742 (Bounty and McAuley Projects). As a condition of the Farm-in, the Company must within 12 months of the Exercise Date, being 1 May 2012, incur a minimum of \$50,000 expenditure on reverse circulation drilling on the Tenements. At the date of this report the Company has incurred \$35,084 of expenditure on the tenements.

**(b) Lease expenditure commitments**

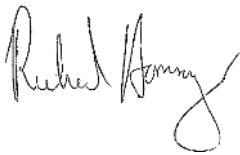
There is one operating lease being a rental lease on the Company's premises. The rental lease amounts to \$7,920 inclusive of GST per month.

The directors are not aware of any further commitments for expenditure for the financial year ended 30 June 2012.

***DIRECTORS' DECLARATION***

1. The directors of the Company declare that:
  - a. the accompanying financial statements and notes are 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 then ended; and
    - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements.
  - b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
  - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
  
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

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



**Mr Richard Homsany**  
**Chairman**

12 September 2012



Accountants | Business and Financial Advisers

## INDEPENDENT AUDITOR'S REPORT

To the members of Merah Resources Limited

### Report on the Financial Report

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

#### *Directors’ responsibility for the financial report*

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

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies 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 entity’s preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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*.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714  
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.  
Email: [hlb@hlbwa.com.au](mailto:hlb@hlbwa.com.au). Website: <http://www.hlb.com.au>  
Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of  HLB International, a worldwide organisation of accounting firms and business advisers.



***Matters relating to the electronic presentation of the audited financial report and remuneration report***

This auditor's report relates to the financial report and remuneration report of Merah Resources Limited for the financial year ended 30 June 2012 published in the annual report and 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 auditor's report refers only to the financial report and remuneration report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report and remuneration report. If users of the financial report and remuneration report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report and remuneration report.

***Auditor's opinion***

In our opinion:

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

**Report on the Remuneration Report**

We have audited the remuneration report included in 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.

***Auditor's opinion***

In our opinion the remuneration report of Merah Resources Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 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**  
**12 September 2012**



**ADDITIONAL SHAREHOLDER INFORMATION (Continued)****4. Twenty Largest Shareholders in each class of equity security as at 23 October 2012.**

The names of the twenty largest ordinary fully paid shareholders as at 23 October 2012 are as follows:

<b>Name</b>	<b>Number of Ordinary Fully Paid Shares Held</b>	<b>Held of Issued Ordinary Capital (%)</b>
Taylor Partners Nom	1,250,000	4.72%
Prospect Custodian Ltd	1,250,000	4.72%
Jesser B W + Aikman E K	1,180,000	4.45%
Karakoram No2 Pl	1,120,000	4.23%
Maria Scodella & Associates Pty Ltd	1,095,000	4.13%
Absolute Pitt Street	1,010,000	3.81%
Citicorp Nom Pl	1,000,000	3.77%
Batagol Brandon Armon	1,000,000	3.77%
Shippen Malcolm	885,000	3.34%
Hawthorn Grove Inv	875,000	3.30%
Glennfield Pl	875,000	3.30%
Pitt Street Absolute Return Fund Pty Ltd	875,000	3.30%
Deloub David	875,000	3.30%
Hixon Pl	807,500	3.05%
Eveleigh Jason	787,500	2.97%
Sedy Peter	787,500	2.97%
Hynes Michael John	787,500	2.97%
Zephyr Cons Grp	720,000	2.72%
Jeff Bennett Super	620,000	2.34%
Pjs Marketing Pl	610,000	2.30%
<b>TOTAL</b>	<b>18,410,000</b>	<b>69.46%</b>

Names of persons holding greater than 20% of a class of unquoted securities at 23 October 2012 are as follows:

<b>Class of Security</b>	<b>Number</b>	<b>Holder</b>
Performance Rights A expiring on 31 October 2013	1,000,000	David Deloub
Performance Rights B expiring on 31 October 2015	1,000,000	David Deloub
Performance Rights C expiring on 31 October 2016	1,000,000	David Deloub
<b>TOTAL</b>	<b>3,000,000</b>	

**5. Restricted Securities**

The Company issued the following restricted securities:

<b>Class of Security</b>	<b>Number</b>	<b>Date Ceasing To Be Restricted Securities</b>
Fully paid ordinary shares	150,000	17 April 2013
Fully paid ordinary shares	9,225,000	1 May 2014
\$0.20 unlisted options expiring 31 August 2015	7,000,000	1 May 2014
Performance Rights A expiring on 31 October 2013	1,000,000	1 May 2014
Performance Rights B expiring on 31 October 2015	1,000,000	1 May 2014
Performance Rights C expiring on 31 October 2016	1,000,000	1 May 2014

**6. Consistency with business objectives**

The Company has used its cash and assets in a form readily convertible to cash that it had at the time of listing in a way consistent with its stated business objectives.

**SCHEDULE OF TENEMENTS**

<b>Project</b>	<b>Tenement</b>	<b>Equity</b>
Mt Adamson	E36/675	100%
Bounty/McAuley	P36/1730	80%
Bounty/McAuley	P36/1742	80%