

Eagle Nickel Limited

ABN 61 125 368 658

Annual Financial Report - 30 June 2012

Eagle Nickel Limited
Corporate directory
30 June 2012

Directors	Xuefeng Mei David Alan Zohar Hui Guo Benjamin Jarvis Robert Sebek
Company secretary	Andrew Bursill
Registered office	Suite 4, Level 9 341 George Street Sydney NSW 2000 T: 02 9299 9690 F: 02 9299 9629
Principal place of business	Level 7 231 Adelaide terrace Perth WA 6000 T: 08 9225 4718
Share register	Computershare Investor Services Pty Limited 2/45 St Georges Terrace Perth WA 6000
Auditor	Rothsay 12 O'Connell Street Sydney NSW 2000 T: 02 8815 5400
Solicitors	Lawton Gillon Level 11, 161 St Georges Terrace Perth WA 6000
Stock exchange listing	Eagle Nickel Limited shares are listed on the Australian Securities Exchange (ASX code: ENL)
Website address	www.eaglenickel.com.au

Eagle Nickel Limited
Directors' report
30 June 2012

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2012.

Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Xuefeng Mei (appointed 10 May 2012)
Zhukov Pervan (resigned 10 May 2012)
David Zohar
Hui Guo (appointed 10 May 2012)
Benjamin Jarvis (appointed 10 May 2012)
Robert Sebek

Principal activities

The principal activity of the company during the course of the financial year was mineral exploration.

Dividends

There were no dividends paid or declared during the current or previous financial year.

Review of operations

The loss for the company after providing for income tax amounted to \$239,330 (30 June 2011: \$1,086,293).

During the year, there were a number of transitional events occurred as Eagle Nickel Limited ("ENL" or "company") reviews its future opportunities.

- No exploration activity or fieldwork was undertaken on the company's three remaining tenements: Phosphate (EL08/2120) and Guano (ELA04/2007 & ELA04/2008).
- Surrender of tenements: Northampton (E66/57, E66/77-78 & E70/3267), Mary Springs (E66/66 & E66/75), and Phosphate (E70/3847, EL04/2022, ELA09/1756 & ELA04/2111-5).
- Appointment of three new non-executive directors were appointed – Xuefeng Mei (Chairman), Benjamin Jarvis and Hui Guo in May 2012.
- Relocation of registered office from Perth to Sydney, which resulted in a reduction of overhead expenses.
- New company secretary and financial controller appointed.
- Share and option placement equivalent to 51% of the total issued capital of the Company to Darshing International Holdings Ltd ("Darshing") (a company associated with Shanghai Sky Chem Industrial Co. Ltd of China), raising a total of \$1.2m executed in two tranches.

The Company is now well placed to review farm-in scenarios, joint ventures and project acquisitions. The Company continues to review a number of opportunities with Darshing committed to funding its future growth.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year

On 1 July 2012, 84,725,522 listed options exercisable at \$0.30 each ("ENLO Options") lapsed.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the company.

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Environmental regulation

So far as the directors' are aware there have been no significant breaches of environmental conditions of the company's exploration licenses.

Information on directors

Name: Xuefeng Mei
Title: Chairman and Non-Executive Director
Qualifications: MBA
Experience and expertise: Mr Xuefeng Mei established and acted as the Managing Director of Shanghai Sky Chemical Co. Limited, Wuxi Sky Chemical Co. Limited and Hangzhou Sky Chemical Co. Limited. Mr Mei is currently a director of Shanghai Sky Chem Industrial Co. Ltd and is the controlling shareholder (either directly or indirectly) of Darshing International Holdings Limited and each of the associated companies.

Other current directorships: None
Former directorships (in the last 3 years): None
Special responsibilities: None
Interests in shares: 61,942,657
Interests in options: 70,595,841

Name: Zhukov (Zeke) Pervan
Title: Chairman and Non-Executive Director (resigned 10 May 2012)
Qualifications: MB BS (WA), FRACGP, FAICD
Experience and expertise: Dr Pervan is a Doctor of Medicine with over 35 years experience in various capacities in Western Australia. He has consulted to several university and government bodies in many areas. He has conducted original research in collaboration with the University of Western Australia Departments of Microbiology and Human Movement. This research has been published in international journals. In the past Dr Pervan has served as a Director of several public companies involved in exploration and in the general commercial world, including Agforce Ltd, Gold Lake Mining Ltd, Innovative Coatings Ltd and Visionglow Global Ltd.

Other current directorships: None
Former directorships (in the last 3 years): Actinogen Ltd, United Orogen Ltd, Iron Mountain Mining Ltd
Special responsibilities: None
Interests in shares: None
Interests in options: 2,000,000

Name: David Zohar
Title: Non Executive Director
Qualifications: BSc DipEd
Experience and expertise: Mr Zohar has undertaken undergraduate studies in Geology and post graduate studies in Accountancy and Commercial Law. He has been active in the exploration industry for over 20 years. He has been a director and/or CEO of a number of exploration companies and has also negotiated numerous agreements with various companies and other participants within the mining industry. He has been involved in the formation and/or listing on the ASX of several public mining companies.

Other current directorships: None
Former directorships (in the last 3 years): Red River Resources Limited, Iron Mountain Mining Ltd, Actinogen Ltd, United Orogen Ltd, Terrain Minerals Ltd
Special responsibilities: None
Interests in shares: 22,618,793
Interests in options: 36,648,500

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Name:	Hui Guo
Title:	Non-Executive Director
Qualifications:	M.Fin
Experience and expertise:	Ms Hui (Annie) Guo was a senior executive with more than 9 years' experience working with one of the world's leading consulting firms in finance and resources sectors. On behalf of some of China's largest private and state-owned corporations, she has facilitated a number of significant transactions involving large-scale Australian mining assets specifically in the coal, iron ore, manganese and precious metals markets. Ms Guo has worked with leading Chinese corporations including Yanzhou Coal, China Sinochem Group, China Yunnan Tin Group, Reignwood Group, Guangdong Asset Rising Management Group, China State Development and Investment Corporation, Hainan Airlines, Bank of China and Bank of Communications Ltd. Ms Guo is experienced in deal structuring, M&A and has a solid understanding of important cultural, technical, operational and business practices in both Australia and China.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	2,000,000
Name:	Benjamin Jarvis
Title:	Executive Director
Qualifications:	Politics
Experience and expertise:	Mr Jarvis is the managing director and co-founder of Six Degrees Investor Relations, an Australian advisory firm that provides investor relations and investor communication services to a wide range of resources, technology, healthcare and industrial services companies listed on the Australian Securities Exchange. Mr Jarvis is also a non-executive director of Austral Gold Limited, which has gold mining operations in Chile, South American Tin Limited, a company focused on tin exploration and development in Bolivia, and Columbus Minerals Pty Ltd, a private company with a portfolio of precious metals projects in Latin America.
Other current directorships:	Austral Gold Limited and South American Tin Limited
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in options:	2,000,000
Name:	Robert Sebek
Title:	Non-Executive Director
Qualifications:	B.App Sc, B.Sc (Hons), MBA, MAusIMM
Experience and expertise:	Mr Sebek is a geologist with over 19 years experience in the resources sector including exposure to import/export analysis and negotiations. He has held senior mining and exploration positions as well as consulting roles in the fields of metals refining and tenement management. Prior to his appointment, Mr Sebek was employed as an analyst with CommSec (Commonwealth Bank of Australia) providing technical input on mining and exploration projects. Mr Sebek is also a Director of Iron Mounting Mining Ltd.
Other current directorships:	Iron Mountain Mining Ltd
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	1,500,000
Interests in options:	None

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'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships in all other types of entities, unless otherwise stated.

Company secretary

Mr Bursill holds a Bachelor of Agricultural Economics from the University of Sydney, is a Chartered Accountant qualifying with PricewaterhouseCoopers (formerly Price Waterhouse) and has been with Franks & Associates for over 14 years.

Since commencing his career as an outsourced CFO and Company Secretary in 1998, Andrew has been CFO, Company Secretary and/or Director for numerous ASX listed, unlisted public and private companies, in a range of industries covering mineral exploration, oil and gas exploration, biotechnology, technology, medical devices, retail, venture capital and wine manufacture and distribution.

Mr Bursill is also the Company Secretary of Australia Oriental Minerals NL, Argonaut Resources NL, Agua Resources Limited, Kibaran Resources Limited, Site Group International Limited, MOKO.mobi Limited and Elk Petroleum Limited and several other unlisted public and private companies.

Mr Bursill replaced Mr Sanghani who resigned from the position of company secretary on 29 May 2012.

Meetings of directors

The number of meetings of the company's Board of Directors held during the year ended 30 June 2012, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Dr Zhukov Pervan	2	2
David Zohar	2	2
Robert Sebek	2	2

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and executive remuneration arrangements for the consolidated entity and the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

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

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation

A Principles used to determine the nature and amount of remuneration

The company's remuneration policy for executive directors is designed to promote superior performance and long term commitment to the company. Executives receive a base salary which is market related. Overall remuneration policies are subject to the discretion of the Board of Directors ('the Board') and can be changed to reflect competitive market and business conditions where it is in the best interests of the company and its shareholders to do so. The Board's reward policy reflects its obligation to align executive's remuneration with shareholders' interests and retain appropriately qualified executive talent for the benefit of the company. The main principles of the policy are:

- reward reflects the competitive market in which the company operates
- individual reward should be linked to performance criteria; and
- executives should be rewarded for both financial and non-financial performance.

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations are separate.

Non-executive directors remuneration

Shareholders approve the maximum aggregate remuneration for non-executive directors. The Board recommends the actual payments to directors. The maximum aggregate remuneration approved for non-executive directors is currently \$150,000. All directors are entitled to have any indemnity insurance paid by the company (currently nil). Currently each non-executive director is entitled to receive \$45,000 per annum (plus statutory superannuation)

The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using either the Black Scholes or binomial methodologies.

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. Independent external advice is sought when required. 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. 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 and are able to participate in an employee option plan (none adopted to date)

Performance based remuneration

The company currently has no performance based remuneration component built into director and executive remuneration packages.

The Board believes that as the company is in its start up phase of development, it is not feasible to establish Key Performance Indicators from which to base director and executive remuneration packages. Once the company is more fully established the Board will reconsider this policy.

Voting and comments made at the company's last Annual General Meeting ('AGM')

The company received more than 75% of 'for' votes in relation to its remuneration report for the year ended 30 June 2011. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

B Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, other key management personnel (defined as those who have the authority and responsibility for planning, directing and controlling the major activities of the company) and specified executives of the company are set out in the following tables.

The key management personnel of the company consisted of the following directors of the company:

- Xuefeng Mei (appointed 10 May 2012)
- Zhukov Pervan (resigned 10 May 2012)
- David Zohar
- Hui Guo (appointed 10 May 2012)
- Benjamin Jarvis (appointed 10 May 2012)
- Robert Sebek

And the following executives:

- Suraj Sanghani (resigned 29 May 2012)
- Andrew Bursill (appointed 29 May 2012)

2012	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
Name	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive</i>							
<i>Directors:</i>							
Zhukov Pervan *	38,804	-	-	-	-	-	38,804
David Zohar	45,000	-	-	4,050	-	-	49,050
<i>Executive</i>							
<i>Directors:</i>							
Robert Sebek **	45,000	-	-	4,050	-	-	49,050
	<u>128,804</u>	<u>-</u>	<u>-</u>	<u>8,100</u>	<u>-</u>	<u>-</u>	<u>136,904</u>

* Resigned 10 May 2012

** Robert Sebek became a non-executive director from 10 May 2012. Benjamin Jarvis replaced him as executive director.

Xuefeng Mei, Hui Guo and the current executive director, Benjamin Jarvis did not receive any remuneration during the year.

The company secretary, Suraj Sanghani's salary and superannuation entitlements are paid by Iron Mountain Mining Ltd, a company in which he is joint Chief Financial Officer. Suraj Sanghani resigned on 29 May 2012.

The current company secretary, Andrew Bursill's fees are paid to Franks & Associates Pty Ltd, a company in which he is a principal. Andrew Bursill was appointed on 29 May 2012.

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2011	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Name	Cash salary and fees \$	Bonus \$	Non-monetary \$	Super-annuation \$	Long service leave \$	Equity-settled \$	Total \$
<i>Non-Executive Directors:</i>							
Zhukov Pervan	45,000	-	-	-	-	-	45,000
David Zohar	45,000	-	-	4,050	-	-	49,050
<i>Executive Directors:</i>							
Robert Sebek	45,000	-	-	4,050	-	-	49,050
	<u>135,000</u>	<u>-</u>	<u>-</u>	<u>8,100</u>	<u>-</u>	<u>-</u>	<u>143,100</u>

Suraj Sanghani's salary and superannuation entitlements are paid by Iron Mountain Mining Ltd, a company of which he is a joint Chief Financial Officer. Suraj Sanghani was appointed company secretary on 13 May 2011.

C Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Robert Sebek
Title:	Managing director
Agreement commenced:	1 January 2009
Term of agreement:	Open ended expiry
Details:	Can be terminated upon 4 weeks notice from either party

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

D Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2012.

Options

The terms and conditions of each grant of options affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
1 July 2007	1 July 2007	1 July 2012	\$0.300	\$0.0634

Options granted carry no dividend or voting rights.

Mr Mei interest's in the options of the company are through Darshing International Holdings Limited, a company in which he has a 20% voting power. These options are not related to his remuneration.

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There were no options granted to or exercised by directors and other key management personnel as part of compensation during the year ended 30 June 2012.

This concludes the remuneration report, which has been audited.

Shares under option

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

Grant date	Expiry date	Exercise price	Number under option
1 July 2007	1 July 2012	\$0.300	37,000,000
4 March 2008	1 July 2012	\$0.300	250,000
12 March 2008	1 July 2012	\$0.300	4,274,326
17 December 2010	31 December 2015	\$0.200	7,651,718
16 March 2011	31 December 2015	\$0.200	2,651,333
13 May 2011	1 May 2016	\$0.200	7,000,000
9 May 2012	1 July 2012	\$0.300	43,219,196
9 May 2012	31 December 2015	\$0.200	10,723,584
9 May 2012	1 May 2016	\$0.200	7,285,714
9 May 2012	30 January 2015	\$0.030	18,367,347
			<u>138,423,218</u>

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

Shares issued on the exercise of options

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

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

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

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former audit partners of Rothsay

There are no officers of the company who are former audit partners of Rothsay.

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Auditor's independence declaration

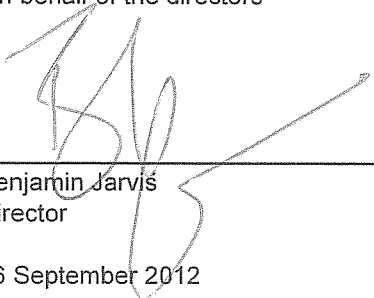
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

Rothsay continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors


A handwritten signature in dark ink, appearing to be 'B. Jarvis', is written over a horizontal line.

Benjamin Jarvis
Director

26 September 2012

ROTHSAY

Level 1, 12 O'Connell Street, Sydney NSW 2000 G.P.O. Box 2759, Sydney NSW 2001
Phone 8815 5400 Facsimile 8815 5401 E-mail swan2000@bigpond.com

The Directors
Eagle Nickel Ltd
Suite 4, Level 9
341 George St
Sydney NSW 2000

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2012 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Graham R Swan (Lead auditor)

Rothsay Chartered Accountants

Dated 26 September 2012



Chartered Accountants

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).

Introduction

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board of directors ("Board") is committed to administering the policies and procedures with openness and integrity and pursuing the true spirit of corporate governance commensurate with the Company's needs. To the extent they are applicable; the Company has adopted the *Eight Essential Corporate Governance Principles and Best Practice Recommendations* ("Recommendations") as published by ASX Corporate Governance Council. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance structures will be given further consideration.

Board Composition

The skills, experience and expertise relevant to the position of each director who is in office at the date of the financial report and their term of office are detailed in the directors' report. There is no formal policy or procedure regarding the taking of professional advice by the independent directors; however no restrictions are placed on the independent directors to take advice on matters arising from their roles as independent directors of the company, or the reimbursement of the costs incurred by the company.

Ms Hui Guo and Mr Benjamin Jarvis are considered by the Board to be independent directors. The determination by the Board as to whether individual directors are independent is a matter of judgement. In making this determination the Board has followed the guidance in Box 2.1 of the Recommendations and the *Guide to Reporting on Principle 2*. The Board considers the relationships the independent directors have with the company do not materially impact on their independence. In determining the materiality of these relationships, the Board has considered both quantitative and qualitative factors. In determining the quantitative factors the Board considers that a relationship is immaterial where it is equal to or less than 5% of the base amount. In applying this level of materiality to the relationship of the independent directors in the case of shareholders and suppliers, the Board considers that the independent directors' interest is less than 5% of the base amount. In respect to the qualitative measures the Board has considered the factors affecting the independent directors' relationship with the company and consider these qualitative factors to be immaterial in the assessment of their independence.

Disclosure as to the nature and amount of remuneration paid to the directors of the Company is included in the directors' report and notes to the financial statements in the company's annual report each year. The structure and objectives of the remuneration policy and its links to the Company's performance is disclosed in the annual directors' report.

Trading Policy

The company's policy regarding directors and employees trading in its securities is set by the board of directors. The policy restricts directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices. Each member of senior management is responsible for ensuring that their associates, being immediate family, include spouse, children, parents, brothers and sisters, comply with the trading restrictions set out in the policy.

In addition to the provision in this policy regarding trading while in possession of inside information senior management and their associates are restricted from trading by this policy at the following times during the year.

- Two weeks prior to the release to the ASX of the preliminary financial report for the year end;
- Two weeks prior to the release to the ASX of the half year financial report;
- One week prior to the release to the ASX of the quarterly reports;
- Two weeks prior to any general meeting of shareholders held by the Company and at no time after such meeting until the results of the meeting have been released to the ASX; and

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- A period of two business days following the release to the ASX of any announcement deemed by the ASX to be price sensitive.

The Board has the absolute discretion to place a trading restriction on the senior management and their associates of the company at any time during the year they deem necessary. Reasons for any trading restriction where this discretion is exercised should be included in the minutes of the meeting at which it occurs.

The Board may in exceptional circumstances only, approve trading in a restricted period by a member of senior management or their associated parties. An exemption may be granted in periods of financial hardship or pressing financial commitments which cannot be satisfied by other means. An application to the Board for an exemption, detailing the reasons for the application, should be included in the minutes of the meeting at which it is made. Approval or rejection of the application should be also included in the minutes detailing reasons for acceptance or rejection. Exemptions will not be granted by the Board if it considers there is information not generally available which, if it were likely to have a significantly material effect on the price of the Company's securities. Each application will be assessed on a case by case basis.

Senior management and their associates are required to notify the Chairman no more than one day after any dealings in the Company's securities in writing by providing the following information;

- Name of security holder
- Date of trade
- Type of transaction; and
- Number of securities involved
- Price per security

The chairman will then instruct the Company Secretary to complete the required disclosure to the ASX.

Remuneration Policy

The company's remuneration policy was developed by and approved by the Board. All executives receive a salary and statutory superannuation.

The Company does not participate in share based remuneration for its executives but can issue share options to Directors, employees and consultants. The terms of the share options to directors, employees and consultants are based on what similar sized companies in the mining industry are offering. All share options to be issued to directors require shareholder approval before being issued.

The amounts of remuneration for all directors, including monetary and non-monetary components, are detailed in the directors' report. All remuneration paid to executives is valued at the cost to the Company and expenses. Shares given to executives are valued as the difference in the market value of those shares and the amount paid by the executive. Options given to executives are valued using the Black-Scholes methodology.

Corporate reporting

The managing director and financial controller have made the following certifications to the board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and are in accordance with relevant accounting standards.
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

Code of Conduct

The company has developed a Code of Conduct (the Code) which has been fully endorsed by the board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

In summary, the Code requires that at all times all company personnel act with the utmost integrity, objectivity, in the best interests of the company and in compliance with the letter and the spirit of the law and company policies.

Any breaches of the Code are reported to the chairman in the first instance for notification to the board.

The directors are satisfied that the Company has complied with its policies on ethical standards, including trading in securities.

Continuous disclosure and shareholder communication

The Company has a policy that information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities is continuously disclosed as required under the Australian Stock Exchange (ASX) listing rules.

The Company encourages communication with shareholders and the attendance and effective participation by shareholders at general meetings.

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX.

Annual and half yearly reports are made available on the Company's website and mailed to those shareholders who request a hard copy.

Explanations for Departures from Best Practice Recommendations

Principle 1 recommendation 1.1, 1.2, 1.3

Notification of Departure:

The Company has not: (1) formally disclosed the functions reserved to the Board and those delegated to management; (2) the process for evaluating the performance of senior executives, and; (3) whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process which is to be disclosed.

Explanation for Departure:

The Board recognises the importance of distinguishing between the respective roles and responsibilities of the Board and management, and evaluating the performance of senior executives. The Board has established a framework for the management of the Company and the roles and responsibilities of the Board and management. Previously, due to the small size of the Board and of the Company, the Board did not think that it was necessary to formally document the roles of the Board and management as these roles were clearly understood by all members of the Board and management. The Board is responsible for the strategic direction of the Company, establishing goals for management and monitoring the achievement of these goals, monitoring the overall corporate governance of the Company and ensuring that shareholder value is increased.

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Principle 2 Recommendation 2.2

Notification of Departure:

The Board recognises that the Chair should be an independent director. The current Chair, Mr Zuefeng Mei, is considered a major shareholder through his indirect interests and can be argued does not meet the definition of independence.

Explanation for Departure:

The Board believes Mr Mei is the most appropriate person to lead the Board and he is able to bring quality judgement to all relevant issues falling within the scope of the role of Chairman to the benefit of the entity as a whole.

Principle 2 Recommendation 2.4

Notification of Departure:

The full Board carries out the role of a nomination committee, and therefore a charter relevant to the specific functions of a nomination committee have not been adopted.

Explanation for Departure:

The Board considers that no efficiencies or other benefits would be gained by establishing a separate nomination committee, in particular at this early stage of the Company's operations, where the Company's focus is on the retention of directors and senior executives. In the future, as the company grows and increases in size and level of activity, the Board will reconsider the establishment of a separate nomination committee.

Principle 2 Recommendation 2.5

Notification of Departure:

The Company has not disclosed the process for evaluating the performance of the Board, and individual directors.

Explanation for Departure:

The Board considers that at this time no efficiencies or other benefits would be gained by introducing formal evaluations. In the future, as the company grows and increases in size and activity, the Board will consider the establishment of formal Board and individual director evaluation processes.

Principle 2 Recommendation 2.6

Notification of Departure:

The Company has not disclosed whether a performance evaluation for the Board, and directors has taken place in the reporting period and whether it was in accordance with a disclosed process.

Explanation for Departure:

The Board considers that at this time no efficiencies or other benefits would be gained by introducing formal evaluations. In the future, as the company grows and increases in size and activity, the Board will consider the establishment of formal Board and individual director evaluation processes.

Principle 3 Recommendation 3.2, 3.3, 3.5

Notification of Departure:

The Company has not established a policy concerning diversity.

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Explanation for Departure:

The Company considers that at this time that it does not have adequate resources to introduce a formal diversity policy. In the future, as the Company grows and increases in size and activity, the Board will consider the establishment and disclosure of formal diversity policy.

The Company currently employs Hui Guo as a non-executive director. There are no other females employed by the organisation in senior executive or Board positions.

Principle 4 Recommendation 4.1, 4.2, 4.3, 4.4
Notification of Departure:

There is no separate Audit Committee.

Explanation for Departure:

The Company's financial statements are prepared by the company secretary and reviewed in detail by the full Board. The Board also relies on the functions and capabilities of its external auditors to ensure proper audit of financial statements. While the Board considers this process sufficient to ensure integrity in financial reporting in the current circumstances, it will continue to monitor whether any further safeguards are required and make changes as appropriate.

Principle 6 Recommendation 6.1, 6.2
Notification of Departure:

The Company does not have a formal documented Shareholder communication policy.

Explanation for Departure:

The Company strongly encourages more communication between the shareholders and the Company and Board. All general meetings include briefings by board members to provide a deeper insight into the Company, opportunities for the shareholders to have their questions answered, and following all general meetings, the directors encourage shareholders to chat informally with them. As the Company grows in size, the Board is very keen to develop more formal and expansive communications with shareholders.

Principle 7 Recommendation 7.1, 7.2, 7.4
Notification of Departure:

The Company has not established policies for the oversight and management of business risks, or disclosed its risk management policies and assessment framework.

Explanation for Departure:

The Board is aware of the various risks that affect the Company and its particular business and has implemented a number of controls to mitigate or limit the effects of these risks. As the Company grows and increases in size and activity, the Board will develop formal policies to deal with risk oversight and management and internal compliance.

Principle 8 Recommendation 8.1, 8.2, 8.4
Notification of Departure:

The Company has not established a separate remuneration committee.

Explanation for Departure:

Due to the early stage of development and small size of the Company, a separate remuneration committee was not considered to add any efficiency to the process of determining the levels of remuneration for the directors and key executives. The Board considers that it is more appropriate to

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set aside time at 2 Board meetings each year to specifically address matters that would ordinarily fall to a remuneration committee. In addition, all matters of remuneration will continue to be in accordance with Corporations Act requirements, especially in respect of related party transactions. That is, none of the directors participate in any deliberations regarding their own remuneration or related issues.

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Financial report
30 June 2012

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General information

The financial report covers Eagle Nickel Limited as an individual entity. The financial report is presented in Australian dollars, which is Eagle Nickel Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 26 September 2012.

Eagle Nickel Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

Eagle Nickel Limited
Statement of comprehensive income
For the year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue	4	130,756	47,224
Other income	5	-	29,028
Expenses			
Depreciation and amortisation expense	6	(837)	(1,375)
Impairment of available for sale financial assets		(33,200)	(38,883)
Administration expenses		(165,050)	(173,225)
Exploration costs		(63,564)	(585,369)
Employment costs		<u>(107,435)</u>	<u>(363,693)</u>
Loss before income tax expense		(239,330)	(1,086,293)
Income tax expense	7	<u>-</u>	<u>-</u>
Loss after income tax expense for the year attributable to the owners of Eagle Nickel Limited	16	(239,330)	(1,086,293)
Other comprehensive income			
Changes in the fair value of available for sale financial assets		<u>(25,370)</u>	<u>25,370</u>
Other comprehensive income for the year, net of tax		<u>(25,370)</u>	<u>25,370</u>
Total comprehensive income for the year attributable to the owners of Eagle Nickel Limited		<u><u>(264,700)</u></u>	<u><u>(1,060,923)</u></u>
		Cents	Cents
Basic earnings per share	26	(0.344)	(2.264)
Diluted earnings per share	26	(0.344)	(2.264)

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

Eagle Nickel Limited
Statement of financial position
As at 30 June 2012

	Note	2012	2011
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	8	1,349,936	309,595
Trade and other receivables	9	6,817	12,015
Other	10	11,625	9,313
Total current assets		<u>1,368,378</u>	<u>330,923</u>
Non-current assets			
Available-for-sale financial assets	11	55,866	114,436
Property, plant and equipment	12	1,679	2,516
Total non-current assets		<u>57,545</u>	<u>116,952</u>
Total assets		<u>1,425,923</u>	<u>447,875</u>
Liabilities			
Current liabilities			
Trade and other payables	13	105,421	78,895
Total current liabilities		<u>105,421</u>	<u>78,895</u>
Total liabilities		<u>105,421</u>	<u>78,895</u>
Net assets		<u>1,320,502</u>	<u>368,980</u>
Equity			
Issued capital	14	4,911,661	3,695,439
Reserves	15	2,467,753	2,493,123
Accumulated losses	16	(6,058,912)	(5,819,582)
Total equity		<u>1,320,502</u>	<u>368,980</u>

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

Eagle Nickel Limited
Statement of changes in equity
For the year ended 30 June 2012

	Contributed equity \$	Accumulated losses \$	Option reserve \$	Asset revaluation reserve \$	Total equity \$
Balance at 1 July 2010	2,816,958	(4,733,289)	2,391,453	-	475,122
Loss after income tax expense for the year		(1,086,293)	-		(1,086,293)
Other comprehensive income for the year, net of tax	-	-	-	25,370	25,370
Total comprehensive income for the year	-	(1,086,293)	-	25,370	(1,060,923)
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued during the year	973,883	-	-	-	973,883
Capital raising costs	(95,402)	-	-	-	(95,402)
Options issued during the		-	76,300	-	76,300
Balance at 30 June 2011	<u>3,695,439</u>	<u>(5,819,582)</u>	<u>2,467,753</u>	<u>25,370</u>	<u>368,980</u>
	Contributed Equity \$	Accumulated Losses \$	Option Reserve \$	Asset Revaluation Reserve \$	Total equity \$
Balance at 1 July 2011	3,695,439	(5,819,582)	2,467,753	25,370	368,980
Loss after income tax expense for the year		(239,330)	-	-	(239,330)
Other comprehensive income for the year, net of tax	-	-	-	(25,370)	(25,370)
Total comprehensive income for the year	-	(239,330)	-	(25,370)	(264,700)
<i>Transactions with owners in their capacity as owners:</i>					
Shares issued during the year	1,240,954	-	-	-	1,240,954
Capital raising costs	(24,732)	-	-	-	(24,732)
Balance at 30 June 2012	<u>4,911,661</u>	<u>(6,058,912)</u>	<u>2,467,753</u>	<u>-</u>	<u>1,320,502</u>

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

Eagle Nickel Limited
Statement of cash flows
For the year ended 30 June 2012

	Note	2012 \$	2011 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		57,728	49,587
Payments to suppliers and employees (inclusive of GST)		<u>(263,188)</u>	<u>(562,215)</u>
		(205,460)	(512,628)
Interest received		9,464	11,377
Payments for exploration and evaluation		<u>-</u>	<u>(159,069)</u>
Net cash used in operating activities	25	<u>(195,996)</u>	<u>(660,320)</u>
Cash flows from investing activities			
Payments for acquisition of financial assets		-	(107,366)
Proceeds for sale of financial assets		<u>-</u>	<u>40,272</u>
Net cash used in investing activities		<u>-</u>	<u>(67,094)</u>
Cash flows from financing activities			
Proceeds from issue of shares	14	1,240,954	623,883
Share issue transaction costs		<u>(4,617)</u>	<u>(95,402)</u>
Net cash from financing activities		<u>1,236,337</u>	<u>528,481</u>
Net increase/(decrease) in cash and cash equivalents		1,040,341	(198,933)
Cash and cash equivalents at the beginning of the financial year		<u>309,595</u>	<u>508,528</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>1,349,936</u></u>	<u><u>309,595</u></u>

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the company from the adoption of these Accounting Standards and Interpretations are disclosed in the relevant accounting policy. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

The following Accounting Standards and Interpretations are most relevant to the company:

AASB 2010-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project

The company has applied AASB 2010-4 amendments from 1 July 2011. The amendments made numerous non-urgent but necessary amendments to a range of Australian Accounting Standards and Interpretations. The amendments provided clarification of disclosures in AASB 7 'Financial Instruments: Disclosures', in particular emphasis of the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments; clarified that an entity can present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes in accordance with AASB 101 'Presentation of Financial Instruments'; and provided guidance on the disclosure of significant events and transactions in AASB 134 'Interim Financial Reporting'.

AASB 2010-5 Amendments to Australian Accounting Standards

The company has applied AASB 2010-5 amendments from 1 July 2011. The amendments made numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board.

AASB 124 Related Party Disclosures (December 2009)

The company has applied AASB 124 (revised) from 1 July 2011. The revised standard simplified the definition of a related party by clarifying its intended meaning and eliminating inconsistencies from the definition. A subsidiary and an associate with the same investor are related parties of each other; entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.

AASB 1054 Australian Additional Disclosures

The company has applied AASB 1054 from 1 July 2011. The standard sets out the Australian-specific disclosures as a result of Phase I of the Trans-Tasman Convergence Project, which are in addition to International Financial Reporting Standards, for entities that have adopted Australian Accounting Standards.

AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project

The company has applied AASB 2011-1 amendments from 1 July 2011. These amendments made changes to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to International Financial Reporting Standards ('IFRSs') and harmonisation between Australian and New Zealand Standards. The amendments removed certain guidance and definitions from Australian Accounting Standards for conformity of drafting with IFRSs but without any intention to change requirements.

Note 1. Significant accounting policies (continued)

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, and certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Operating segments

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.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

Sales revenue services is recognised when an invoice is issued.

Interest

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Note 1. Significant accounting policies (continued)

Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the end of the reporting period.

Deferred income tax is accounted for using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax from the initial recognition of an asset or liability, in a transaction other than a business combination is not accounted for if it arises that at the time of the transaction affects neither accounting or taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effect interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised in the statement of comprehensive income 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 statement of comprehensive income.

Note 1. Significant accounting policies (continued)

Investments and other financial assets

Investments and other financial assets are measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the company establishes fair value by using valuation techniques. These include the use of recent arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets initially recognised at fair value with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Subsequent measurement

Available for sale financial assets are subsequently measured at fair value. Changes in the fair value of available for sale financial assets are recognised in the statement of comprehensive income. Loans and receivables are carried at amortised cost using the effective interest rate method.

Impairment of financial assets

The company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised directly in the available-for-sale reserve.

Note 1. Significant accounting policies (continued)

Property, plant and equipment

Each asset of property, plant and equipment is carried at cost less where applicable, any accumulated depreciation and impairment losses.

Plant & equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Depreciation

Items of property, plant and equipment are depreciated using the diminishing value method over their estimated useful lives to the company. The depreciation rates used for each class of asset for the current period are as follows:

Plant and equipment	7.5% to 37.5%
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the assets continual use or subsequent disposal.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Impairment of non-financial assets

At each reporting date, the company reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Exploration and evaluation expenditure

Acquisition, exploration and evaluation expenditure incurred is written off as incurred.

When production commences, the accumulated development costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. Any costs of site restoration are provided for during the relevant production stages, (where the liabilities exist) and included in the costs of that stage.

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.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Note 1. Significant accounting policies (continued)

Share-based payments

The company provides benefits to employees (including directors) of the company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

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

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 number of awards that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at reporting date. 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.

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

Where 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.

Wages and salaries, annual leave and sick leave

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

Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Issued capital

Ordinary shares are classified as equity.

Ordinary issued share capital is recognised at the fair value of the consideration received by the company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction in share proceeds received.

Note 1. Significant accounting policies (continued)

Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Eagle Nickel Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

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. 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.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2012. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, are set out below.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2013 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The company will adopt this standard from 1 July 2013 but the impact of its adoption is yet to be assessed by the company.

Note 1. Significant accounting policies (continued)

AASB 11 Joint Arrangements

This standard is applicable to annual reporting periods beginning on or after 1 January 2013. The standard defines which entities qualify as joint ventures and removes the option to account for joint ventures using proportional consolidation. Joint ventures, where the parties to the agreement have the rights to the net assets will use equity accounting. Joint operations, where the parties to the agreements have the rights to the assets and obligations for the liabilities will account for the assets, liabilities, revenues and expenses separately, using proportionate consolidation. The adoption of this standard from 1 July 2013 will not have a material impact on the company.

AASB 119 Employee Benefits (September 2011)

This revised standard is applicable to annual reporting periods beginning on or after 1 January 2013. The amendments eliminate the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The adoption of the revised standard from 1 July 2013 will require increased disclosures by the company.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

These amendments are applicable to annual reporting periods beginning on or after 1 July 2013, with early adoption not permitted. They amend AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). The adoption of these amendments from 1 July 2013 will remove the duplication of information relating to individual KMP in the notes to the financial statements and the directors report. As the aggregate disclosures are still required by AASB 124 and during the transitional period the requirements may be included in the Corporations Act or other legislation, it is expected that the amendments will not have a material impact on the company.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

These amendments are applicable to annual reporting periods beginning on or after 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The adoption of the revised standard from 1 July 2012 will impact the company's presentation of its statement of comprehensive income.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share-based payment transactions

The company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Fair value and hierarchy of financial instruments

The company is required to classify financial instruments, measured at fair value, using a three level hierarchy, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgement is required to determine what is significant to fair value and therefore which category the financial instrument is placed in can be subjective.

The fair value of financial instruments classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The company is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax audit issues based on the company's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Note 3. Operating segments

Identification of reportable operating segments

The company operates in the mineral exploration industry in Australia only.

Given the nature of the company, its size and current operations, management does not treat any part of the company as a separate operating segment. Internal financial information used by the company's decision makers is presented on a "whole of entity" manner without dissemination to any separately identifiable segments.

The company's management operate the business as a whole without any special responsibilities for any separately identifiable segments of the business.

Accordingly the financial information reported elsewhere in this financial report is representative of the nature and financial effects of the business activities in which it engages and the economic environments in which it operates.

Eagle Nickel Limited
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Note 4. Revenue

	2012 \$	2011 \$
<i>Sales revenue</i>		
Services provided	121,292	35,847
<i>Other revenue</i>		
Interest	9,464	11,377
Revenue	130,756	47,224

Note 5. Other income

	2012 \$	2011 \$
Net gain on disposal of available for sale financial assets	-	29,028

Note 6. Expenses

	2012 \$	2011 \$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	837	1,375

Note 7. Income tax expense

	2012 \$	2011 \$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(239,330)	(1,086,293)
Tax at the statutory tax rate of 30%	(71,799)	(325,888)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Profit on sale of available for sale financial assets	-	(8,782)
Non deductible expenses	9,960	11,728
Future income tax benefit not brought to account	61,839	322,942
Income tax expense	-	-

Eagle Nickel Limited
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Note 7. Income tax expense (continued)

	2012 \$	2011 \$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	4,190,862	3,759,070
Potential tax benefit @ 30%	1,257,259	1,127,721

The benefit for tax losses will only be obtained if:

- (i) the company derives future assessable income of a nature and amount sufficient to enable the benefit from the tax losses to be realised;
- (ii) the company continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the company realising the benefit from the deductions for the losses.

	2012 \$	2011 \$
<i>Deferred tax assets not recognised</i>		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Provisions and accruals	4,800	11,694
Capital raising costs	23,108	76,494
Total deferred tax assets not recognised	27,908	88,188

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

There is no income tax expense/(income) in relation to other comprehensive income for the year (2011: Nil).

Note 8. Current assets - cash and cash equivalents

	2012 \$	2011 \$
Cash on hand	1,349,936	309,595

The maximum exposure to credit risk of the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

Note 9. Current assets - trade and other receivables

	2012 \$	2011 \$
Goods and services tax receivable	6,817	12,015

Impairment of receivables

There are no past due but not impaired receivables.

Eagle Nickel Limited
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Note 10. Current assets - other

	2012 \$	2011 \$
Prepayments	<u>11,625</u>	<u>9,313</u>

Note 11. Non-current assets - available-for-sale financial assets

	2012 \$	2011 \$
Ordinary shares	<u>55,866</u>	<u>114,436</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out

Opening fair value	114,436	31,828
Additions	-	107,366
Disposals	-	(11,244)
Revaluation increments		25,370
Revaluation decrements	(25,370)	-
Impairment of assets	<u>(33,200)</u>	<u>(38,884)</u>
Closing fair value	<u>55,866</u>	<u>114,436</u>

Refer to note 18 for further information on financial instruments.

Fair value of investments in listed corporations is assessed as the last bid price on the Australian Securities Exchange prior to close of business on reporting date.

Listed investments are held in United Orogen Ltd, Actinogen Ltd and Iron Mountain Mining Ltd, all being director related entities.

Note 12. Non-current assets - property, plant and equipment

	2012 \$	2011 \$
Plant and equipment - at cost	5,009	5,009
Less: Accumulated depreciation	<u>(3,330)</u>	<u>(2,493)</u>
	<u>1,679</u>	<u>2,516</u>
	<u>1,679</u>	<u>2,516</u>

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Note 12. Non-current assets - property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Plant & equipment \$	Total \$
Balance at 1 July 2010	3,890	3,890
Depreciation expense	(1,374)	(1,374)
Balance at 30 June 2011	2,516	2,516
Depreciation expense	(837)	(837)
Balance at 30 June 2012	1,679	1,679

Note 13. Current liabilities - trade and other payables

	2012 \$	2011 \$
Trade payables	105,421	78,895

Refer to note 18 for further information on financial instruments.

Note 14. Equity - issued capital

	2012 Shares	2011 Shares	2012 \$	2011 \$
Ordinary shares - fully paid	121,463,190	59,513,533	4,911,661	3,695,439

Movements in ordinary share capital

Details	Date	No of shares	Issue price	\$
Balance	1 July 2010	42,182,982		2,816,958
Share issue	17 December 2010	7,659,218	\$0.060	459,553
Capital raising costs	17 December 2010	-		(95,402)
Exercise of options	17 December 2010	12,500	\$0.300	3,750
Exercise of options	31 January 2011	3,500	\$0.200	700
Exercise of options	10 March 2011	4,000	\$0.200	800
Share issue	15 March 2011	2,651,333	\$0.060	159,080
Share issue	13 May 2011	7,000,000	\$0.050	350,000
Balance	30 June 2011	59,513,533		3,695,439
Share issue	26 March 2012	8,927,030	\$0.020	178,541
Share issue	9 May 2012	53,015,627	\$0.020	1,060,313
Exercise of options	29 June 2012	7,000	\$0.300	2,100
Capital raising costs				(24,732)
Balance	30 June 2012	121,463,190		4,911,661

Note 14. Equity - issued capital (continued)

Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands. Ordinary shares have no par value.

Transaction costs includes \$20,115 accrued and unpaid at year end.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The company's objectives when managing capital are to safeguard its ability to continue as a going concern so that the company can provide returns to shareholders and benefits for other stakeholders whilst maintaining an optimal capital structure to reduce the cost of capital. The company considers capital to consist of cash reserves on hand and available for sale financial assets.

The company monitors its working capital position against expenditure requirements to undertake its planned exploration program and maintain its ongoing operations. Where required the company will sell assets, issue new securities, raise debt or modify its exploration program to ensure the company's working capital requirements are met.

The capital risk management policy remains unchanged from the 30 June 2011 Annual Report.

Note 15. Equity - reserves

	2012 \$	2011 \$
Available-for-sale reserve	-	25,370
Options reserve	2,467,753	2,467,753
	<u>2,467,753</u>	<u>2,493,123</u>
	Available- for-sale \$	Options \$
Balance at 1 July 2010	-	2,391,453
Change in fair value	25,370	-
Option based payments	-	76,300
	<u>25,370</u>	<u>2,467,753</u>
Balance at 30 June 2011	25,370	2,467,753
Change in fair value	(25,370)	-
	<u>-</u>	<u>2,467,753</u>
Balance at 30 June 2012	-	2,467,753

Note 15. Equity - reserves (continued)

Reserves

Reserves are made up of the options reserve and the movement in the fair value of available for sale investments reserve.

The option reserve records items recognised as expenses on valuation of employee and director share options. The available for sale investments revaluation reserve records the movement in the fair value of available for sale investments

Note 16. Equity - accumulated losses

	2012 \$	2011 \$
Accumulated losses at the beginning of the financial year	(5,819,582)	(4,733,289)
Loss after income tax expense for the year	<u>(239,330)</u>	<u>(1,086,293)</u>
Accumulated losses at the end of the financial year	<u><u>(6,058,912)</u></u>	<u><u>(5,819,582)</u></u>

Note 17. Equity - dividends

There were no dividends paid or declared during the current or previous financial year.

Note 18. Financial instruments

Financial risk management objectives

The company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk.

Risk management is carried out by the Chief Financial Officer in conjunction with the Board in their day to day function as the overseers of the business. Where necessary the Board provides principles for overall risk areas, as well as defined policies for specific risks such as foreign exchange and credit risk. Currently the Board has not deemed it necessary to issue written principals to cover financial risks.

Market risk

Foreign currency risk

The company's operations are limited to domestic activities within Australia. The company's profit would not be materially different due to changes in exchange rates.

Price risk

The company is exposed to equity securities price risk. This arises from investments held by the company and classified in the statement of financial position as available-for-sale. The company is not exposed to commodity price risk.

The majority of the company's listed equity investments are publicly traded and listed on the Australian Securities Exchange.

The company manages equity securities price risk by only investing in companies where the Board has a detailed understanding of its financial and operating position.

Note 18. Financial instruments (continued)

Interest rate risk

The company's main interest rate risk arises from funds on interest bearing deposits. Interest bearing deposits at variable rates expose the company to cash flow interest rate risk. During 2012 and 2011, the company's funds on deposit at variable rate were denominated in Australian Dollars only.

As at the reporting date, the company had the following cash and cash equivalents subject to interest rate risks:

	2012		2011	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Cash and cash equivalents	4.69	<u>1,349,936</u>	4.69	<u>309,595</u>
Net exposure to cash flow interest rate risk		<u>1,349,936</u>		<u>309,595</u>

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

2012	Basis points increase Effect on			Basis points decrease Effect on		
	Basis point change	profit before tax	Effect on equity	Basis point change	profit before tax	Effect on equity
Cash and cash equivalents	70	<u>7,218</u>	<u>7,218</u>	100	<u>(10,312)</u>	<u>(10,312)</u>

2011	Basis points increase Effect on			Basis points decrease Effect on		
	Basis point change	post tax profit	Effect on equity	Basis point change	profit before tax	Effect on equity
Cash and cash equivalents	70	<u>1,698</u>	<u>1,698</u>	100	<u>(2,426)</u>	<u>(2,426)</u>

Credit risk

Credit risk is managed on a company basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and receivables from Joint Venture and Farm-In operations.

The directors believe that there is negligible credit risk with the cash and cash equivalents, as funds are held at call with a reputable Australian banking institution.

Other receivables relate to amounts due from the Australian Taxation Office and accordingly the directors believe there to be negligible credit risk with these receivables

	2012 \$	2011 \$
Credit Risk		
Financial Assets:		
Cash and cash equivalents	1,349,936	309,595
Trade and other receivables	<u>6,817</u>	<u>12,015</u>
Total	<u>1,356,753</u>	<u>321,610</u>

Note 18. Financial instruments (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested at call interest bearing deposit or in bank bills that are highly liquid and with maturities of less than six months.

Financing arrangements

The company does not have any financing arrangements.

Maturities of financial liabilities

The company's only debt is with external parties and associated entities relating to trade payables where payments are generally within 30 days and therefore all due for settlement within six months.

Fair value of financial instruments

The following tables detail the company's fair values of financial instruments categorised by the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

2012	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Equity securities	55,866	-	-	55,866
Total assets	55,866	-	-	55,866
2011	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Assets</i>				
Equity securities	114,436	-	-	114,436
Total assets	114,436	-	-	114,436

There were no transfers between levels during the financial year.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the company is the current bid prices at the end of the financial year. These instruments are included in Level 1.

The carrying value of trade receivables and trade payables are assumed to approximate their fair value due to their short-term nature.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

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Note 19. Key management personnel disclosures

Directors

The following persons were directors of Eagle Nickel Limited during the financial year:

Xuefeng Mei (appointed 10 May 2012)
Zhukov Pervan (resigned 10 May 2012)
David Alan Zohar
Hui Guo (appointed 10 May 2012)
Benjamin Jarvis (appointed 10 May 2012)
Robert Sebek

Other key management personnel

The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the company, directly or indirectly, during the financial year:

Suraj Sanghani (resigned 29 May 2012)
Andrew Bursill (appointed 29 May 2012)

Compensation

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	2012 \$	2011 \$
Short-term employee benefits	128,804	135,000
Post-employment benefits	8,100	8,100
	<u>136,904</u>	<u>143,100</u>

The company holds shares in director related entities of David Zohar:

	2012 \$	2011 \$
Fair value of investments held		
Actinogen Ltd	18,029	18,630
Iron Mountain Mining Ltd	22,603	63,434
United Orogen Ltd	15,234	32,372
	<u>55,866</u>	<u>114,436</u>

Note 19. Key management personnel disclosures (continued)

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the company, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
2012					
<i>Ordinary shares</i>					
David Zohar	26,602,003	-	-	(4,500,000)	22,102,003
Robert Sebek	-	-	1,500,000	-	1,500,000
Xuefeng Mei	-	-	61,942,657	-	61,942,657
	<u>26,602,003</u>	<u>-</u>	<u>63,442,657</u>	<u>(4,500,000)</u>	<u>85,544,660</u>

Additions in shares relate to shares acquired on market, except for Xuefeng Mei interest's in the shares of the company which are through Darshing International Holdings Limited, a company in which he has a 20% voting power. These shares are not related to his remuneration.

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
2011					
<i>Ordinary shares</i>					
David Zohar	15,426,003	-	7,000,000	4,176,000	26,602,003
	<u>15,426,003</u>	<u>-</u>	<u>7,000,000</u>	<u>4,176,000</u>	<u>26,602,003</u>

The company issued 7,000,000 shares to Golden Century Mining Limited, a director related entity of David Zohar as consideration for tenement exploration costs.

Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the company, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2012					
<i>Options over ordinary shares</i>					
David Zohar	34,148,500	-	-	-	34,148,500
Zhukov Pervan*	2,000,000	-	-	(2,000,000)	-
Xuefeng Mei**	-	70,595,841	-	-	70,595,841
Hui Guo **	-	2,000,000	-	-	2,000,000
Benjamin Jarvis**	-	2,000,000	-	-	2,000,000
	<u>36,148,500</u>	<u>74,595,841</u>	<u>-</u>	<u>(2,000,000)</u>	<u>108,744,341</u>

* Resigned 10 May 2012

** Appointed 10 May 2012. The options granted were transferred from TianShan who were issued 9,000,000 options exercisable at \$0.03, expiring 30 January 2015 in lieu of placement fee.

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Note 19. Key management personnel disclosures (continued)

	Vested and exercisable	Vested and unexercisable	Vested at the end of the year
2012			
<i>Options over ordinary shares</i>			
Xuefeng Mei	70,595,841	-	70,595,841
Hui Guo	2,000,000	-	2,000,000
Benjamin Jarvis	2,000,000	-	2,000,000
	<u>74,595,841</u>	<u>-</u>	<u>74,595,841</u>

Xuefeng Mei interest's in the options of the company were granted through Darshing International Holdings Limited, a company in which he has a 20% voting power. These options are not related to his remuneration.

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
2011					
<i>Options over ordinary shares</i>					
David Zohar	26,569,500	7,000,000	-	579,000	34,148,500
Zhukov Pervan	2,000,000	-	-	-	2,000,000
	<u>28,569,500</u>	<u>7,000,000</u>	<u>-</u>	<u>579,000</u>	<u>36,148,500</u>

	Vested and exercisable	Vested and unexercisable	Vested at the end of the year
2011			
<i>Options over ordinary shares</i>			
David Zohar	7,000,000	-	7,000,000
	<u>7,000,000</u>	<u>-</u>	<u>7,000,000</u>

The company issued 7,000,000 options to Golden Century Mining Limited, a director related entity of David Zohar as consideration for tenement exploration costs.

Related party transactions

Related party transactions are set out in note 22.

Note 20. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Rothsay, the auditor of the company:

	2012 \$	2011 \$
<i>Audit services - Rothsay</i>		
Audit or review of the financial statements	<u>20,000</u>	<u>24,128</u>

Note 21. Contingent liabilities

The directors are not aware of any contingent liabilities or assets as at 30 June 2012.

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Note 22. Related party transactions

Parent entity

Eagle Nickel Limited is the parent entity.

Joint ventures

Interests in joint ventures are set out in note 23.

Key management personnel

Disclosures relating to key management personnel are set out in note 19 and the remuneration report in the directors' report.

Transactions with related parties

The following transactions occurred with related parties:

	2012 \$	2011 \$
Sale of goods and services:		
Sale of services to Red River Resources Limited	-	35,847
Sale of services to Iron Mountain Mining Limited	-	1,395
Sale of services to United Orogen Limited	-	30
Payment for goods and services:		
Payment for services from Actinogen Limited	-	932
Payment for services from Iron Mountain Mining Limited	13,555	81,756
Payment for services from United Orogen Limited	-	10,145
Payment for services from Red River Resources Limited	-	12,452
Payment for services from Golden Century Mining Limited	28,000	-
Payment for services from Franks & Associates Pty Ltd	3,812	-

The above table details the company; total services provided and expenses recharged (excl GST) and total services provided and expenses paid (excl GST) for the year.

Eagle Nickel Limited neither provided employment services to related parties, nor paying for numerous expenses on their behalf, which are recharged to that company throughout the year.

Director related entities provide employment services, office and accommodation facilities to Eagle Nickel Limited throughout the year. Company secretary services are paid to Franks & Associates, a company in which Andrew Bursill is a principal.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2012 \$	2011 \$
Current payables:		
Trade payables to Iron Mounting Mining Limited	99	30,542
Trade payables to United Orogen Limited	-	302
Trade payables to Franks & Associates Pty Ltd	3,812	-

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

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Note 22. Related party transactions (continued)

Terms and conditions

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

Note 23. Interests in joint ventures

Guano (WA) and Phosphate (WA)

On 27 May 2010, Eagle Nickel Limited entered into a Heads of Agreement with Golden Century Mining Limited whereby Eagle Nickel can acquire 2 offshore exploration tenements, E04/2007 (White Island) and E04/2008 (Brunswick Bay) regarded as being prospective for accumulations of the highly prized organic fertilizer and 4 exploration tenements regarded as prospective for phosphate, E09/1756 (Wandagee), E08/2120 (Winning), E04/2022 (Langey Crossing) and E70/3847 (Pillawarra Hill).

Shareholders agreed to the acquisition of the above mentioned tenements at a General Meeting held on 10 May 2011. The final consideration of 7,000,000 shares in Eagle Nickel Limited and 7,000,000 options exercisable at 20 cents on or before 1 May 2016 was transferred to Golden Century Mining Limited on 13 May 2011, giving Eagle Nickel Limited a 100% interest in the Guano and Phosphate licences.

E09/1756 was withdrawn on 11 August 2011.

Note 24. Events after the reporting period

On 1 July 2012, 84,725,522 listed options exercisable at \$0.30 each ("ENLO Options") lapsed.

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 25. Reconciliation of loss after income tax to net cash used in operating activities

	2012 \$	2011 \$
Loss after income tax expense for the year	(239,330)	(1,086,293)
Adjustments for:		
Depreciation and amortisation	837	1,375
Net (gain)/loss on sale of available for sale financial assets	-	(29,028)
Impairment of available for sale financial assets	33,200	38,884
Issue of shares for exploration costs	-	426,300
Change in operating assets and liabilities:		
Decrease in trade and other receivables	2,886	893
Increase/(decrease) in trade and other payables	6,411	(8,049)
Decrease in other provisions	-	(4,402)
Net cash used in operating activities	<u>(195,996)</u>	<u>(660,320)</u>

As at 30 June 2012 the company had no financing facilities available.

In the prior year, share were issued to Golden Century Mining Limited for consideration of exploration costs.

Eagle Nickel Limited
Notes to the financial statements
30 June 2012

Note 26. Earnings per share

	2012 \$	2011 \$
Loss after income tax attributable to the owners of Eagle Nickel Limited	<u>(239,330)</u>	<u>(1,086,293)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>69,556,585</u>	<u>47,974,761</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>69,556,585</u>	<u>47,974,761</u>
	Cents	Cents
Basic earnings per share	(0.344)	(2.264)
Diluted earnings per share	(0.344)	(2.264)

Note 27. Share-based payments

The following share based payments existed at 30 June 2012.

At a general meeting held on 30 March 2012, the shareholders approved a resolution to grant options to Tianshan Investment Holdings Ltd as a placement fee for facilitating the placement of shares and grant of options to Darshing International Holdings Limited and to the directors, Hui Guo and Benjamin Jarvis. The options issued of the directors are not part of their remuneration. The options were issued on 9 May 2012.

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

2012

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/07/07	01/07/12	\$0.300	37,000,000	-	-	-	37,000,000
04/03/08	01/07/12	\$0.300	250,000	-	-	-	250,000
13/05/11	01/05/16	\$0.200	7,000,000	-	-	-	7,000,000
09/05/12	30/01/15	\$0.030	-	9,000,000	-	-	9,000,000
			<u>44,250,000</u>	<u>9,000,000</u>	<u>-</u>	<u>-</u>	<u>53,250,000</u>

Weighted average exercise price \$0.24

2011

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
01/07/07	01/07/12	\$0.300	37,000,000	-	-	-	37,000,000
04/03/08	01/07/12	\$0.300	250,000	-	-	-	250,000
13/05/11	01/05/16	\$0.200	-	7,000,000	-	-	7,000,000
			<u>37,250,000</u>	<u>7,000,000</u>	<u>-</u>	<u>-</u>	<u>44,250,000</u>

Weighted average exercise price \$0.28

Eagle Nickel Limited
Notes to the financial statements
30 June 2012

Note 27. Share-based payments (continued)

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2012 Number	2011 Number
01/07/07	01/07/12	37,000,000	37,000,000
04/03/08	01/07/12	250,000	250,000
13/05/11	01/05/16	7,000,000	7,000,000
09/05/12	30/01/15	9,000,000	-
Total exercisable		<u>53,250,000</u>	<u>44,250,000</u>

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.94 years (2011: 1.61 years).

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
09/05/12	30/01/15	\$0.020	\$0.030	70.00%	0.00%	3.75%	\$0.0800

Eagle Nickel Limited
Directors' declaration

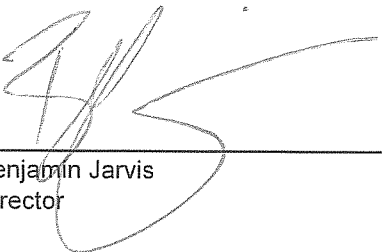
In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the directors


A handwritten signature in black ink, appearing to be 'B. Jarvis', is written over a horizontal line.

Benjamin Jarvis
Director

26 September 2012



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Phone 8815 5400 Facsimile 8815 5401 E-mail swan2000@bigpond.com

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF EAGLE NICKEL LIMITED

Report on the financial report

We have audited the accompanying financial report of Eagle Nickel Limited (the Company") which comprises the statement of financial position as at 30 June 2012 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of 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 our 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, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used in and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report.

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

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.



Chartered Accountants

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).

**Audit opinion**

In our opinion the financial report of Eagle Nickel Limited is in accordance with the *Corporations Act 2001*, including:

- a) (i) giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- b) the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board

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.

Audit opinion

In our opinion the remuneration report of Eagle Nickel Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Graham Swan
Partner

Dated 26 September 2012