

BLACK RIDGE MINING NL

ABN 48 083 274 024

STATUTORY REPORT

FOR THE YEAR ENDED 30 JUNE 2013

CORPORATE DIRECTORY

FINANCIAL REPORT FOR THE YEAR

1 July 2012 to 30 June 2013

Board of Directors

Thomas Gilfillan – Non- executive Director
(Appointed 15 May 2013)
Malcolm Carson – Non-executive Director
(Appointed 26 July 2013)
Vladimir Nikolaenko – Non-executive
Director
Alan Winduss – Non-executive Chairman
(Resigned 15 May 2013)
Robert Molkenthin – Executive Director
(Resigned 15 May 2013)
Stuart Third - Non-executive Director
(Appointed 24 May 2013, Resigned 26 July
2013)

Company Secretary

Mr Stuart Third (Appointed 12 September
2012)
Mr David Semmens (Resigned 12 September
2012)

Registered Office

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WEST PERTH WA 6005
Phone: +61 8 9322 7822
Fax: + 61 8 9322 7823
Email: info@blackridgeminig.com
www.blackridgeminig.com

Banker

National Australia Bank Limited
226 Main Street
OSBORNE PARK WA 6017

Auditors

Rothsay
Chartered Accountants
Level 1,
4 Ventnor Street
WEST PERTH WA 6000
Phone: + 61 8 9486 7094

Solicitors

Steinepreis Paganin
Level 4 The Read Buildings
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Share Registry

Advanced Share Registry
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Stock Exchange Listing

Australian Securities Exchange
Black Ridge Mining NL
ASX Code: BRD

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REVIEW OF OPERATIONS

Unaly Hill (E57/420), Western Australia –Vanadium- Magnetite-Titanium

The Unaly Hill project area is located approximately 48 km south of Sandstone in Western Australia, south and along strike from the Victory Bore deposit held by Quest Minerals Limited (ASX:QNL).

Aeromagnetic data interpretation of the Unaly Hill Project and the Victory Bore deposit to the north indicated that the vanadiferous titanomagnetite horizons persisted throughout most of the layered intrusive gabbro complex, referred to as the Atley Igneous Complex. The presence of these horizons was confirmed by BRD's exploration drilling in 2010/11 which resulted in the reporting of a maiden JORC Inferred Resource in November 2011.

Highlights of the Unaly Hill discovery are:

- Vanadium Inferred Resource with over 86 million tonnes of 0.42% V_2O_5 , 24.8% Fe_2O_3 and 4.5% TiO_2 at a 0.30% V_2O_5 cut-off grade.
- Confirmation of similar mineralization type to QNL's 150Mt Inferred Resource at Victory Bore
- Victory Bore is located north and along strike from Unaly Hill.
- There are two main magnetite horizons over ~6km strike and widths ranging from 25 to 40m.
- The Unaly Hill Deposit has two high grade zones and remains open along strike and depth.

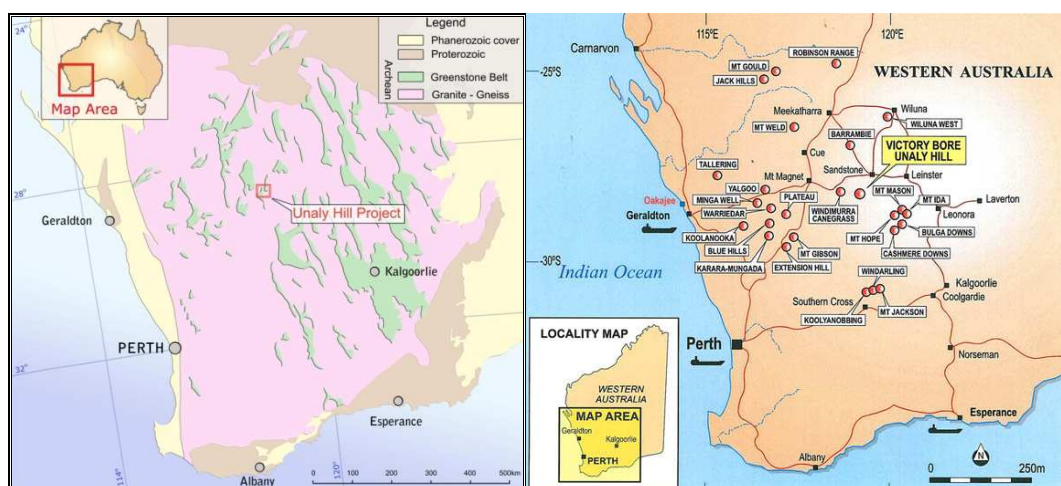


Figure 1 Location and geological setting of the Unaly Hill Project

Upon further review of the RC drilling program carried out in 2010 and the results obtained, the Company concluded that no further drilling was required to prepare an Inferred Mineral Resource estimate. Drilling completed in 2010 targeted titaniferous magnetite mineralisation and a Maiden Inferred Mineral Resource, announced on 21 November 2011, revealed significant high grade vanadium mineralisation in association with magnetite iron mineralisation.

Following the announcement of the Maiden Inferred Mineral Resource in 2011, (see the table below), the Company has been investigating the scope to optimise the deposit before committing to further exploration.

Inferred Mineral Resource for V_2O_5 %						
Million tonnes	V_2O_5 %	Content (Kt) V_2O_5	Fe_2O_3 %	Fe %	TiO_2 %	SiO_2 %
86.2	0.42	36,533	24.79	23.57	4.51	30.1

Table 1 Unaly Hill vanadium Inferred Mineral Resource tonnage and grade report

REVIEW OF OPERATIONS

The Company planned studies designed to establish scope for beneficiation to a marketable product of the transitional oxide zone as well as the primary banded iron formation was not completed during the reporting period due to financial constraints.

This test-work was to comprise the processing of fine crushing involving jig and spirals, or heavy-media (referred to as by densimetric beneficiation) rather than conventional fine-grind and magnetic concentration.

Subject to the availability of funds, the above test-work will be advanced and the company will conduct further drilling to collect samples suitable for metallurgical testing. The processing and metallurgical test-work would provide supporting information for mining scoping studies including preliminary pit designs and financial parameters required to determine commercial viability. The aim this work would position the project for development or joint venture, to maximise returns to shareholders.

In addition, subject to availability of funds, the company will undertake exploration, comprising mapping, rock and soil sampling to establish the potential for gold and other metal mineralisation on the tenements.

Mutnovskaya Gold-Silver Project, Far Eastern Russia

The Company has previously announced it had secured the rights to and had commenced due diligence studies into the Mutnovskaya epithermal gold-silver project in southern Kamchatka (see ASX announcement 18 December 2012). The prospective features of the project include excellent infrastructure with access to the port city of Petropavlovsk-Kamchatsky, just 90 km away by all-weather road, and 2 km from an underutilised geothermal power station.

The geology of Kamchatka is dominated by subduction zone volcanism with the peninsula being formed by a number of superimposed volcanic arcs, some of which are still active. The active geological environment is highly conducive to the formation of large epithermal mineralised systems which are known to host hydrothermal Au-Ag deposits.

Whilst the project remains of interest, the Company has decided due to the current economic circumstances, that it is in the best interests for shareholders to focus on other priorities in the immediate term and in this regard has discontinued further activity on this project for the time being.

Avdrant Project, Mongolia – Rare Earths

On 2 March 2012, the Company announced that it had signed a Heads of Agreement to develop a licenced Rare Earths project located in the Tuv Province, 80 kms east of Ulaanbaatar, the capital of Mongolia. The Heads of Agreement allowed for a 120 day due diligence period, during which time the Company would seek to finalise a definitive agreement to jointly develop the project.

Samples assayed in mid-2011 and presented to the Company had confirmed encouraging concentrations of lanthanum, scandium, yttrium, cerium and other Rare Earth Elements (REE).

The Company initiated its 120 day due diligence process with Company personnel, accompanied by their consultant geologist, visiting Mongolia during which time a site visit was conducted and various meetings were held to establish a network of key professional service providers.

On 5 July 2012, the Company announced that the results of the due diligence conducted on the Avdrant Rare Earths project in Mongolia did not support continued development of this project and, as the Company had been unable to replicate and verify the results and grades as presented to it when the project was introduced, the Company would not be proceeding.

REVIEW OF OPERATIONS

Durminskoe Gold and Silver project, Far Eastern Russia

In April 2011, the Company announced that a Heads of Agreement had been entered into to carry out due diligence on the Durminskoe gold and silver project located in Khabarovski Krai in Far East Russia. The project has had substantial exploration and 'technical' assessment carried out to date, and environmental, hydrological and financial studies completed.

The Company was working towards assessing previous samples taken from the project and to explore ways in which the returns from this project could be optimized

Whilst the project remains of interest, the Company has decided due to the current economic circumstances, that it is in the best interests for shareholders that the Company focus on other priorities in the immediate term and in this regard has discontinued further activity on this project for the time being.

Corporate

Mr Stuart Third was appointed the Company Secretary on 12 September 2012 following the resignation of Mr David Semmens.

150,806,883 listed options (ASX: BRDOA) expired on 31 December 2012. 87,707 options were exercised and shares issued.

On 15 May 2013, the Company announced the appointment of Mr Thomas Gilfillan as a Non-executive Director from 15 May 2013 and resignation of Mr Alan Winduss as a Non-executive Chairman and Mr Robert Molkenhain as an Executive Director of the Company effective from 15 May 2013.

On 24 May 2013, the Company announced the appointment of Mr Stuart Third as a Non-executive Director from 24 May 2013. Mr Third was appointed whilst the Company was in discussion with suitable persons to be appointed to the Board.

Post year end, on 26 July 2013, the Company announced the appointment of Mr Malcolm Carson as Non-executive Director and the resignation of Mr Stuart Third from that position.

Mr Malcolm Carson has compiled the information in this report from exploration results supplied to Black Ridge Mining Ltd. Malcolm Carson has sufficient experience that is relevant to the style of mineralisation, the types of deposits under consideration and to the activity that he is undertaking and qualifies as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results ("JORC Code"). Mr Carson is a Member of the AusIMM and AIG and a Director of Black Ridge Mining Ltd. Mr Carson consents to the inclusion in the report the matters based on the information in which it appears.

The information in this report that relates to the drilling data and geological interpretations is based on information compiled by Mr V Trashliev who is a member of the South African Council for Natural Scientific Professions ("SACNASP"). Mr Trashliev is responsible for the Mineral Resource modelling and reporting and is an employee of Gemcom Pty Ltd. The Competent Person responsible for the Independent Audit of the Mineral Resource is Mr Andrew Bewsher from BM Geological Services Pty Ltd and is a member of the Australian Institute of Geoscientists (AIG). Both persons have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and do consent to the inclusion in the report of the matters based on information in the form and context in which it appears

DIRECTORS' REPORT

Your directors submit their report for the Company and its controlled entities ("the Consolidated Entity" or "Group") for the year ended 30 June 2013.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Mr Vladimir Nikolaenko Non-executive Director

Experience Appointed director 4 February 2011

Mr Nikolaenko has over 30 years of commercial experience in exploration, project evaluation, development and operations, predominantly focused in the base metals, gold and diamond sectors. He has a depth of management and corporate expertise in the operation of public companies and has held the position of managing director of four public companies over a period of more than 20 years involved in exploration and production, property development and technology.

Interest in Shares & Options 76,069,511 ordinary shares, nil options

Special Responsibilities Mr Nikolaenko is a Non-executive Director of the Company.

Directorships held in other listed entities Magna Mining Limited (ASX: MAN) (since April 2012).

Mr Nikolaenko has not held any directorships in other listed entities in the past 3 years.

Mr Thomas Gilfillan Non-executive Director

Experience Appointed director 15 May 2013

Mr Gilfillan has over 35 years of commercial experience in financial service, corporate management and property development. He has a depth of management and corporate expertise, and was a founding partner in a licensed financial planning company retiring in 2005 with over 20 years' service. Through Mr Gilfillan's leadership in that company, it grew over the years from a life and general insurance based firm to one of the leading self managed superannuation fund advisers and administrators in Western Australia.

Mr Gilfillan has been involved in the raising of capital in the equities market, including IPOs and share placements. Over the past 15 years, he has managed a number of residential and commercial property developments, and continues to be actively involved in the property sector.

Interest in Shares & Options 4,009,684 ordinary shares, nil options.

Special Responsibilities Mr Gilfillan is the Non-executive director of the Company.

DIRECTORS' REPORT

Directorships held in other listed entities

Magna Mining Limited (ASX: MAN) (since May 2013).

Mr Malcolm Carson

Non-executive Director

Qualifications

BSc (Geol) MSc (Nat. Res. Mgt)

Experience

Appointed director 26 July 2013

Mr Carson is an Australian geologist and geoscientist and member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists and has more than 30 years' experience in the mineral resources sector. Mr Carson is an exploration geologist who has worked as a director of a number of publicly listed companies, as a senior executive in financial institutions and the State Government of Western Australia.

Mr Carson is currently a director on several listed and unlisted public company boards and works as consultant to the natural resources industry in the areas of his expertise as the Managing Director of Mineral Resource Consultants in Australia.

Interest in Shares & Options

Nil ordinary shares, nil options.

Special Responsibilities

Mr Carson is the Non-executive director of the Company.

Directorships held in other listed entities

Mr Carson is a director of Compass Gold Corporation (V:CVB) (since 2009)

Mr Alan Winduss

Non-executive Chairman (Resigned 15 May 2013)

Qualifications

CPA, FTIA, FAICD, AFAIM

Experience

Appointed director on 4 February 2011, resigned on 15 May 2013

Mr Winduss is a director of Winduss & Associates Pty Ltd, Chartered Accountants, and has been involved in professional accounting in public practice for over 25 years, specialising in corporate management, finance, capital raising, restructuring and corporate governance matters including ASX and ASIC compliance.

Mr Winduss is a Fellow of the Australian Institute of Company Directors, a Fellow of the Taxation Institute of Australia, an Associate Fellow of the Australian Institute of Management and a registered company auditor.

Mr Winduss has extensive experience in advising companies operating in the mining exploration sector.

Interest in Shares & Options

Nil ordinary shares, nil options.

Special Responsibilities

Mr Winduss is the Non-executive Chairman of the Company.

DIRECTORS' REPORT

Directorships held in other listed entities

United Overseas Australia Limited ASX and SGX Listed (ASX: UOS) (since November 1995), UOA REIT BHD Bursa Malaysia Listed (since October 2008), UOA Development Bursa Malaysia Listed (since January 2011) and Advanced Share Registry Limited (ASX: ASW) (since August 2008).

Former directorships in other listed entities in past 3 years are: IFS Construction Services Limitd (ASX: AFS) (20 July 2012 to 27 August 2012) Quest Minerals Limited (ASX: QNL) (11 August 2008 to 22 April 2013) and Magna Mining Limited (ASX: MAN) (24 September 2009 to 15 May 2013).

Mr Robert Molkenthin

Executive Director (Resigned 15 May 2013)

Qualifications

BA, ACA

Experience

Appointed as Chief Operating Officer on 5 July 2011 and as Executive Director on 11 April 2012, resigned on 15 May 2013

Mr Molkenthin has over 25 years' experience in Australia and internationally in a wide range of business environments at all levels in corporate finance and business operations. Previous experience encompasses capital raising, IPOs and corporate restructuring in the engineering, mining, property and retail sectors.

Interest in Shares & Options

Nil ordinary shares, nil options.

Special Responsibilities

Mr Molkenthin is the Executive Director of the Company.

Directorships held in other listed entities

Mr Molkenthin does not currently hold any directorships in other listed entities.

Former directorships in other listed entities in past 3 years are: Quest Minerals Limited (ASX: QNL) (20 December 2012 to 22 April 2013).

Mr Stuart Third

Non-executive Director (Appointed 24 May 2013, resigned 26 July 2013) and Company Secretary (Appointed 12 September 2012)

Qualifications

BBus, MTax, FCA, CTA

Experience

Mr Third is a Chartered Accountant and a Chartered Tax Advisor, and holds a Bachelor of Business and Master of Taxation. He is a director of a Western Australian Chartered Accounting practice and has been involved in professional accounting in public practice for over 15 years, undertaking roles in corporate management, finance and corporate governance matters including ASX and ASIC compliance. He has extensive experience in advising companies both listed and in the private sector.

DIRECTORS' REPORT

Interest in Shares & Options	Nil ordinary shares, nil options.
Special Responsibilities	Mr Third is the Company Secretary of the Company.
Directorships held in other listed entities	Mr Third does not currently hold, and has not held in the past 3 years, any directorships in other listed entities.

OTHER OFFICERS

Mr David Semmens **Company Secretary (Resigned 12 September 2012)**

PRINCIPAL ACTIVITIES

The principal activity during the financial year was mineral exploration including the exploration and evaluation of opportunities located domestically and internationally.

OPERATING RESULTS

The Consolidated Entity's operating loss after tax for the year ended 30 June 2013 was \$931,270 (2012: loss of \$1,124,934).

REVIEW OF OPERATIONS

Progress of the Group's activities, and future emphasis, in relation to projects and negotiations thereon located in Western Australia and overseas are detailed in the Review of Operations which precedes the Directors' Report.

FINANCIAL POSITION

At the end of the financial year, the Consolidated Entity had \$32,122 (2012: \$580,810) in cash and on deposit.

DIVIDENDS

The directors do not recommend the payment of a dividend for this financial year. No dividends have been paid or declared by the Company since the end of the previous financial year (2012: Nil).

LIKELY DEVELOPMENTS AND FUTURE RESULTS

Other than as referred to in the Review of Operations, further information as to likely developments in the operations of the Consolidated Entity would, in the opinion of the directors, be speculative and may hinder the Consolidated Entity in the achievement of its commercial objectives.

SIGNIFICANT CHANGE IN STATE OF AFFAIRS

On 6 September 2012, the Company advised that a Conversion of Creditor Deed had been executed between Magna Mining NL ("Magna") and the Company in respect of an amount owing to the Company by Magna of \$178,715 ("Outstanding Amount") arising from trading accounts payable.

DIRECTORS' REPORT

Magna and the Company have agreed terms for the repayment of the Outstanding Amount by the issue of the following Settlement Securities to the Company:

- a) 178,715,000 fully paid ordinary shares in Magna at a deemed issue price of \$0.001 per share; and
- b) 178,715,000 unlisted options in Magna exercisable at \$0.001 on or before 31 August 2017.

The obligation of Magna to issue the Settlement Securities and the conversion of the Outstanding Amount, is conditional upon the shareholders of Magna approving the issue of the Settlement Securities to the Company in general meeting in compliance with the Listing Rules of ASX.

Mr Stuart Third was appointed the Company Secretary on 12 September 2012 following the resignation of Mr David Semmens.

The Company's Annual General Meeting was held on 7 November 2012.

150,806,883 listed options (ASX: BRDOA) expired on 31 December 2012. 87,707 options were exercised and shares issued.

On 15 May 2013, the Company announced the appointment of Mr Thomas Gilfillan as a Non-executive Director from 15 May 2013 and resignation of Mr Alan Winduss as a Non-executive Chairman and Mr Robert Molkenhain as an Executive Director of the Company effective from 15 May 2013.

On 24 May 2013, the Company announced the appointment of Mr Stuart Third as a Non-executive Director from 24 May 2013. Mr Third was appointed whilst the Company was in discussion with suitable persons to be appointed to the Board.

In the opinion of Directors there were no other significant changes in the state of affairs of the group that occurred during the financial year under review not otherwise disclosed in this report or the consolidated financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

On 26 July 2013, the Company announced the appointment of Mr Malcolm Carson as an Executive Director and resignation of Mr Stuart Third as a Non-executive Director of the Company effective from 26 July 2013.

On 4 October 2013, the Company entered into an unsecured short term funding arrangement with Fiji Holdings Pty Ltd, a company related to Mr Nikolaenko, in order for it to finance its operations until the Company is able to undertake a share placement or another form of capital raising. The arrangement allows the Company to access \$100,000 for a period of up to 6 months, and will attract interest on the balance drawn down at 10% per annum.

Other than the above matter, there has not arisen in the interval between the end of the financial year and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect substantially the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years.

DIRECTORS' REPORT

OPTIONS

Share options

As at 30 June 2013, there are nil (2012: 150,894,590) unissued ordinary shares in respect of which options were outstanding.

During the year, nil (2012: 150,894,590) options were issued and listed on ASX, and at the date of this report the Company had nil (2012: nil) unlisted options on issue.

During the year ended 30 June 2013, the following options exercised:

- 87,707 unlisted options exercisable at 1.5 cents exercised on 7 November 2012

During the year ended 30 June 2013, the following options expired:

- 150,806,883 unlisted options exercisable at 1.5 cents expired on 31 December 2012

During, and since the end of the financial year, no fully paid ordinary shares were issued by the virtue of the exercise of options (2012: Nil).

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

REMUNERATION REPORT (AUDITED)

This remuneration report outlines the remuneration arrangements for the Company's directors.

Remuneration policy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract competent and experienced directors and executives.

To ensure this the Company has put in place a remuneration structure:

- That provides a balance of base compensation long term incentive plans;
- That provides market-based director fees for its non executive directors.

Remuneration committee

The Board elected that the Company was of the size that a Remuneration Committee was not warranted and that these issues would be continually considered by the Board.

The full Board is responsible for establishing the Company's remuneration policies and practices and to ensure they match the group's objectives. The Company's Board proposed the Managing Director's total remuneration package and is responsible for reviewing the non executive remuneration.

Non-executive director and executive remuneration

The remuneration of non-executive directors may not exceed in aggregate in any financial year the amount fixed by the Company. Currently the non-executive directors are remunerated by way of directors' fees which

DIRECTORS' REPORT

have been set at \$40,000 p.a. for the non-executive Chairman and \$30,000 for the non-executive directors, amounts considered reasonable for a company of its size and operational activity.

Details of executives - employment contracts

Mr Robert Molkenthin, Chief Operating Officer was employed under contract and was the only executive of the Company. He was appointed as Chief Operating Officer of the Company on 5 July 2011 and Executive Director on 11 April 2012, and resigned on 15 May 2013.

The engagement pursuant to the terms of the service agreement commences from the commencement date, and continues for a term of 2 years unless terminated by the Company. During the engagement, the Company will pay Mr Molkenthin an annual fee of \$256,100 plus GST payable in 52 equal weekly instalments of \$4,925 plus GST.

Reward for performance

During the year there was no reward for the performance component of any remuneration package.

Key management personnel positions

T Gilfillan	Non-executive Director: appointed 15 May 2013.
M Carson	Non-executive Director: appointed 26 July 2013.
A Winduss	Non-executive Chairman: appointed 4 February 2011, resigned 15 May 2013.
V Nikolaenko	Non-executive Director: appointed 4 February 2011.
R Molkenthin	Executive Director: appointed as Chief Operating Officer on 5 July 2011, appointed as Executive Director on 11 April 2012, resigned 15 May 2013.
S. Third	Non-executive Director: appointed 24 May 2013, resigned 26 July 2013.

BLACK RIDGE MINING NL AND ITS CONTROLLED ENTITIES
ABN 48 083 274 024

DIRECTORS' REPORT

Remuneration report (cont'd)

Remuneration of directors and named executives

	Short-term employee benefits			Post-employment benefits	Share-based payment				
	Salary & Fees \$	Profit Share & Bonus \$	Non-monetary \$	Superannuation \$	Equity-settled		Total \$	Proportion of remuneration – performance related (%)	Value of options as proportion of remuneration (%)
					Shares \$	Options \$			
2013									
Thomas Gilfillan	\$3,781	-	-	-	-	-	\$3,781	-	-
Alan Winduss	\$31,709	-	-	-	-	-	\$31,709	-	-
Vladimir Nikolaenko	\$30,000	-	-	-	-	-	\$30,000	-	-
Robert Molkenthin	\$277,384	-	-	-	-	-	\$277,384	-	-
Stuart Third	\$3,041	-	-	-	-	-	\$3,041	-	-
Total 2013	\$345,915	-	-	-	-	-	\$345,915	-	-
2012									
Alan Winduss	\$55,939	-	-	-	-	-	\$55,939	-	-
Vladimir Nikolaenko	\$30,000	-	-	-	-	-	\$30,000	-	-
Angus Middleton	\$30,000	-	-	\$135	-	-	\$30,135	-	-
Robert Molkenthin	\$194,073	-	-	-	-	-	\$194,073	-	-
Roger Smith	-	-	-	\$810	-	-	\$810	-	-
Gordon Hatch	-	-	-	\$1,090	-	-	\$1,090	-	-
Total 2012	\$310,012	-	-	\$2,035	-	-	\$312,047	-	-

DIRECTORS' REPORT

Options granted as part of remuneration

During the year, no options were granted as part of remuneration.

DIRECTORS' INTERESTS

As at the date of this report, the interests of the directors in the shares and options of the Company were:

	DIRECT		INDIRECT	
	Ordinary shares Number	Options Number	Ordinary shares Number	Options Number
T Gilfillan	-	-	4,009,684	-
M Carson	-	-	-	-
A Winduss	-	-	-	-
V Nikolaenko	-	-	76,069,511	-
R Molkenthin	-	-	-	-
S Third	-	-	-	-

Note: Direct holdings are those held in the individual's name, indirect holdings are all other holdings controlled by the individual.

END OF REMUNERATION REPORT (AUDITED)

DIRECTORS' MEETINGS

During the year, 5 directors' meetings were held. The number of meetings in which directors were in attendance is as follows:

	Directors' Meetings	
	No. of meetings held while in office	Meetings attended
T Gilfillan	2	2
A Winduss	3	3
V Nikolaenko	5	5
R Molkenthin	3	3
S Third	1	1

As at the date of this report, the Consolidated Entity did not have an audit committee, as the directors believe the size of the Consolidated Entity and the size of the Board do not currently warrant its existence.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Consolidated Entity paid premiums totalling \$8,505 (2012: \$9,976) in respect of a contract insuring all the directors of the Company against a liability incurred in their role as directors of the consolidated entity, except where:

- the liability arises out of conduct involving a wilful breach of duty;

DIRECTORS' REPORT

- there has been a contravention of the relevant sections of the Corporations Act;
- the conduct involves trading whilst insolvent;
- the conduct involves an operation carried on outside Australia.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Company support and have adhered to the principles of Corporate Governance.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company's exploration operations are subject to environmental regulations under Commonwealth and State legislation. The directors believe that the Company has adequate systems in place for the management of the requirements under those regulations, and are not aware of any breach of such requirements as they apply to the Company.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

AUDITOR INDEPENDENCE

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.

NON-AUDIT SERVICES

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

SIGNED in accordance with a resolution of the directors



Vladimir Nikolaenko
Director

Perth, 8 October 2013



Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA
6005 P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
Black Ridge Mining NL
47 Ord Street
West Perth WA 6005

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 2013 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan (Lead auditor)

Rothsay Chartered Accountants

Dated 8 October 2013



Chartered Accountants

BLACK RIDGE MINING NL AND ITS CONTROLLED ENTITIES
ABN 48 083 274 024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
Continuing operations			
Revenue from ordinary activities			
Gross revenue	3	105,665	197,967
Total revenue		<u>105,665</u>	<u>197,967</u>
Expenses from ordinary activities			
Depreciation	4	(3,703)	(5,468)
Finance expenses		-	-
Impairments		(233,995)	-
Employee benefit expenses	6	(128,625)	(100,006)
Lease rental payment	4	(69,461)	(91,264)
Professional fees	4, 7	(408,116)	(698,445)
Insurance		(13,679)	(13,257)
Exploration and evaluation expenses	13	(164,509)	(357,725)
Other expense from ordinary activities		(14,796)	(29,088)
Foreign exchange loss		(51)	(27,648)
Loss from ordinary activities before income tax expense		<u>(1,036,935)</u>	<u>(1,322,901)</u>
Income tax expense	5	-	-
Loss from continuing operations		<u>(931,270)</u>	<u>(1,124,934)</u>
Total comprehensive loss for the year		<u>(931,270)</u>	<u>(1,124,934)</u>
Earnings per share			
Basic loss per share (cents per share)	8	0.12	0.15
The company did not have any potential ordinary shares on issue at 30 June 2013. The company's potential ordinary shares on issue at 30 June 2012 were not considered dilutive and accordingly basic loss per share is the same as diluted loss per share.			
Diluted loss per share (cents per share)	8	0.12	0.15

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

BLACK RIDGE MINING NL AND ITS CONTROLLED ENTITIES
ABN 48 083 274 024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	2013 \$	2012 \$
ASSETS			
Current assets			
Cash and cash equivalents	9	32,122	580,810
Trade and other receivable	10	6,580	203,298
Financial assets	11	5,555	-
Other asset	12	9,467	15,385
Total current assets		<u>53,724</u>	<u>799,493</u>
Non-current assets			
Property, plant and equipment	15	7,257	10,960
Exploration expenditure	13	1,871,068	147,068
Total non-current assets		<u>1,878,325</u>	<u>158,028</u>
TOTAL ASSETS		<u>1,932,049</u>	<u>957,521</u>
LIABILITIES			
Current liabilities			
Trade and other payables	16	2,011,242	106,760
Total current liabilities		<u>2,011,242</u>	<u>106,760</u>
Non-current liabilities			
Total non-current liabilities		<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u>2,011,242</u>	<u>106,760</u>
NET ASSETS		<u>(79,193)</u>	<u>850,761</u>
EQUITY			
Contributed equity	18(a)	20,340,385	20,339,069
Reserves	18(d)	223,350	223,350
Accumulated losses		(20,642,928)	(19,711,658)
TOTAL EQUITY		<u>(79,193)</u>	<u>850,761</u>

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

BLACK RIDGE MINING NL AND ITS CONTROLLED ENTITIES
ABN 48 083 274 024

CONSOLIDATED STATEMENT OF CHANGE OF EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Note	Contributed Equity	Accumulated Losses	Reserves	Total Equity
		\$	\$	\$	\$
Balance at 1 July 2011		20,435,606	(18,586,724)	223,350	2,072,232
Shares issued during the year		-	-	-	-
Share based payments		(6,000)	-	-	(6,000)
Net loss recognised directly in equity		-	(1,124,934)	-	(1,124,934)
Share issue costs		(90,537)	-	-	(90,537)
Movement in reserves		-	-	-	-
Balance at 30 June 2012		20,339,069	(19,711,658)	223,350	850,761
Balance at 1 July 2012		20,339,069	(19,711,658)	223,350	850,761
Shares issued during the year		1,316	-	-	1,316
Share based payments		-	-	-	-
Net loss recognised directly in equity		-	(931,270)	-	(931,270)
Share issue costs		-	-	-	-
Movement in reserves		-	-	-	-
Balance at 30 June 2013		20,340,385	(20,642,928)	223,350	(79,193)

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

BLACK RIDGE MINING NL AND ITS CONTROLLED ENTITIES
ABN 48 083 274 024

CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		5,902	43,305
Other revenue		98,910	154,662
Finance expenses		(176)	-
Foreign exchange losses		(51)	-
Payment to suppliers and employees		(604,589)	(1,533,830)
Net cash used in operating activities	22	(500,004)	(1,335,863)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15	-	(3,476)
Acquisition of investments		(50,000)	-
Net cash provided by investing activities		(50,000)	(3,476)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of ordinary shares		1,316	-
Share issue expenses		-	(90,537)
Net cash provided by financing activities		1,316	(90,537)
Net increase in cash held		(548,688)	(1,429,876)
Cash and cash equivalents at the beginning of financial year		580,810	2,010,686
Cash and cash equivalents at the end of financial year	9	32,122	580,810

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the financial statements and notes of Black Ridge Mining NL and its Controlled Entities.

Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Black Ridge Mining NL at the end of the reporting period. A controlled entity is any entity over which Black Ridge Mining NL has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 14 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

b. Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

c. Plant and equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(g) for details of impairment).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land and leasehold improvements, is depreciated on a diminishing value basis over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated on a straight line basis over the estimated useful lives of the improvements.

The depreciation rates used for the depreciable assets are:

Class of fixed asset	Depreciation rate
Plant and Equipment	15%-37.5%
Computer Equipment	37.5%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

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.

d. Exploration, evaluation and development expenditure

Exploration, evaluation and development expenditures incurred are capitalised in respect of each identifiable area of interest. These costs are only capitalised to the extent that they are expected to be recovered through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Costs of site restoration are provided over the life of the project from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with local laws and regulations and clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

e. Lease

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

f. Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

(v) *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Fair values

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm's length transactions, reference similar to instruments and option pricing models.

Impairment

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial instrument has been impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Company recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Financial guarantees

Where material, financial guarantees issued that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due are recognised as a financial liability at fair value on initial recognition.

The fair value of financial guarantee contracts has been assessed using a probability-weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting during the next reporting period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposure if the guaranteed party were to default.

Financial guarantees are subsequently measured at the higher of the best estimate of the obligation in accordance with AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

g. Impairment of non-financial assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: *Property, Plant and Equipment*). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

h. Investments in associates

Associates are companies in which the Group has significant influence through holding, directly or indirectly, 20% or more of the voting power of the associate company. Investments in associates are accounted for in the financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associate company. In addition, the Group's share of the profit or loss of the associate company is included in the Group's profit or loss.

Details of the Group's investments in associates are provided in Note 14.

i. Intangibles

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

j. Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows:

- assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed of.

k. Contributed equity

Issued and paid-up 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 of the share proceeds received.

l. Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

Equity-settled compensation

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, 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 of the equity instruments at the date at which they are granted. The fair value is determined by using a pricing model which incorporates all market vesting conditions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

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

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

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

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

If any 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 awards are treated as if they were a modification of the original award, as described in the previous paragraph.

m. Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

n. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

o. Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts and rebates allowed. Any consideration deferred is treated as the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest rate method.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax (GST).

p. Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

q. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

r. Comparative information

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

s. Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Key estimates

(i) Impairment – general

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions. No impairment has been recognised for the year ended 30 June 2013.

(ii) Impairment – carbon price

There is presently uncertainty in relation to the impacts of the carbon pricing mechanism recently introduced by the Australian Government. This carbon pricing system could potentially affect the assumptions underlying value-in-use calculations used for asset impairment testing purposes. The Company has not incorporated the effect of any carbon price implementation in its impairment testing at 30 June 2013.

t. Earnings per share

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

Diluted earnings per share is calculated as net loss attributable to members of the Company, adjusted for:

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

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

u. Share-based payments

Equity Settled Transactions:

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

v. New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Group. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below:

- AASB 9: *Financial Instruments* (December 2010) and AASB 2010-7: *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*.

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

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

- AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes and incorporates Interpretation 121: Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments are not expected to significantly impact the Company.

These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012-6: *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015. In light of this change to the mandatory effective date, the Group is expected to adopt AASB 9 and AASB 2010-7 for the annual reporting period ending 31 December 2015. Although the directors anticipate that the adoption of AASB 9 and AASB 2010-7 may have a significant impact on the Group's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 10: *Consolidated Financial Statements*, AASB 11: *Joint Arrangements*, AASB 12: *Disclosure of Interests in Other Entities*, AASB 127: *Separate Financial Statements* (August 2011) and AASB 128: *Investments in Associates and Joint Ventures* (August 2011) (as amended by AASB 2012-10: *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments*), and AASB 2011-7: *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: *Consolidated and Separate Financial Statements* (March 2008, as amended) and Interpretation 112: *Consolidation – Special Purpose Entities*. AASB 10 provides a revised definition of “control” and additional application guidance so that a single control model will apply to all investees. This Standard is not expected to significantly impact the Group's financial statements.

AASB 11 replaces AASB 131: *Interests in Joint Ventures* (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either “joint operations” (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or “joint ventures” (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

concept of a “structured entity”, replacing the “special purpose entity” concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will affect disclosures only and is not expected to significantly impact the Group’s financial statements.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. The revisions made to AASB 127 and AASB 128 are not expected to significantly impact the Group’s financial statements.

- AASB 13: *Fair Value Measurement* and AASB 2011–8: *Amendments to Australian Accounting Standards arising from AASB 13* (applicable for annual reporting periods commencing on or after 1 January 2013).

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

AASB 13 requires:

The key changes made to accounting requirements include:

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

These Standards are not expected to significantly impact the Group.

- AASB 2011– 4: *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (applicable for annual reporting periods beginning on or after 1 July 2013).

This Standard makes amendments to AASB 124: *Related Party Disclosures* to remove the individual key management personnel disclosure requirements (including paras Aus29.1 to Aus29.9.3). These amendments serve a number of purposes, including furthering trans-Tasman convergence, removing differences from IFRSs, and avoiding any potential confusion with the equivalent *Corporations Act 2001* disclosure requirements.

This Standard is not expected to significantly impact the Group’s financial report as a whole because:

- some of the disclosures removed from AASB 124 will continue to be required under s 300A of the Corporations Act, which is applicable to the Group; and
- AASB 2011–4 does not affect the related party disclosure requirements in AASB 124 applicable to all reporting entities, and some of these requirements require similar disclosures to those removed by AASB 2011–4.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

- AASB 119: *Employee Benefits* (September 2011) and AASB 2011–10: *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards introduce a number of changes to accounting and presentation of defined benefit plans. The Group does not have any defined benefit plans and so is not impacted by the amendment.

AASB 119 (September 2011) also includes changes to the presentation and disclosure of defined benefit plans, including:

- removal of the “corridor” approach from AASB 119, thereby requiring entities to recognise all changes in a net defined benefit liability/(asset) when they occur; and
- disaggregation of changes in a net defined benefit liability/(asset) into service cost, net interest expense and remeasurements and recognition of:

- (i) service cost and net interest expense in profit or loss; and
- (ii) remeasurements in other comprehensive income.

AASB 119 (September 2011) also includes changes to the criteria for determining when termination benefits should be recognised as an obligation.

The Company has not yet been able to reasonably estimate the impact of these changes to AASB 119.

- AASB 2012–2: *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 2012–2 principally amends AASB 7: *Financial Instruments: Disclosures* to require entities to include information that will enable users of their financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity’s recognised financial assets and recognised financial liabilities, on the entity’s financial position.

This Standard is not expected to significantly impact the Group’s financial statements.

- AASB 2012–3: *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

This Standard adds application guidance to AASB 132: *Financial Instruments: Presentation* to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.

This Standard is not expected to significantly impact the Group’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

- AASB 2012-5: *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle* (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard amends a number of Australian Accounting Standards as a consequence of the issuance of *Annual Improvements to IFRSs 2009-2011 Cycle* by the International Accounting Standards Board, including:

- AASB 1: *First-time Adoption of Australian Accounting Standards* to clarify the requirements in respect of the application of AASB 1 when an entity discontinues and then resumes applying Australian Accounting Standards;
- AASB 101: *Presentation of Financial Statements* and AASB 134: *Interim Financial Reporting* to clarify the requirements for presenting comparative information;
- AASB 116: *Property, Plant and Equipment* to clarify the accounting treatment of spare parts, stand-by equipment and servicing equipment;
- AASB 132 and Interpretation 2: *Members' Shares in Co-operative Entities and Similar Instruments* to clarify the accounting treatment of any tax effect of a distribution to holders of equity instruments; and
- AASB 134 to facilitate consistency between the measures of total assets and liabilities an entity reports for its segments in its interim and annual financial statements.

This Standard is not expected to significantly impact the Group's financial statements.

w. Going concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of the normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

For the year ended 30 June 2013, the Group incurred an operating loss of \$931,270 (2012: \$1,124,934) and an operating cash outflow of \$500,004 (2012: \$1,335,863).

The Group has recorded net liabilities of \$79,193 as at 30 June 2013 (2012: net assets of \$850,761). The Board has commenced several processes since 30 June 2013 to address the capitalisation of the Group. Whilst these processes are being implemented, the Group continues to have access to a credit facility that will allow the Group to meet its short terms operating requirements, and has entered into a further short term (6 months) financing facility with Fiji Holdings Pty Ltd on 4 October 2013 to ensure access to funding for operations in the immediate period whilst alternatives for capital raising are considered.

Based upon the Group's ability to modify expenditure outlays if required, and the directors' confidence of sourcing additional funds, the directors consider there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and therefore the going concern basis of preparation to be appropriate for the preparation of the Group's 2013 financial report.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013	2012
		\$	\$
NOTE 2: PARENT INFORMATION			
The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.			
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Current assets		53,724	799,493
TOTAL ASSETS		1,932,049	957,521
LIABILITIES			
Current liabilities		2,011,242	106,760
TOTAL LIABILITIES		2,011,242	106,760
EQUITY			
Issued capital		20,340,385	20,339,069
Reserves		223,350	223,350
Accumulated losses		(20,642,928)	(19,711,657)
TOTAL EQUITY		(79,193)	850,762
STATEMENT OF COMPREHENSIVE INCOME			
Total loss for the year		(931,270)	(1,124,934)

Guarantees

The Company has not entered into any guarantees in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent liabilities

Details of contingent liabilities are set out in Note 20.

Contractual commitments

At 30 June 2013, the Company had not entered into any contractual commitments for the acquisition of property, plant and equipment (2012: Nil).

NOTE 3: REVENUE AND OTHER INCOME

Finance income	5,902	43,305
Other	99,763	154,662
Total revenue from ordinary activities	105,665	197,967

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
NOTE 4: LOSS FOR THE YEAR			
Loss from ordinary activities before income tax expense has been arrived at after charging the following items:			
Professional fees			
- Audit fees		31,564	38,500
- Company secretarial fees		21,128	62,757
- Consulting and management fees		271,679	475,142
- Legal fees		13,516	3,450
- Accounting fees		39,430	34,670
- Recruitment fees		-	40,909
- Bookkeeping services		3,982	-
- ASX / Share registry fees		26,817	43,017
		408,116	698,445
Rental expenses on operating leases			
- Minimum lease payments		69,461	91,264
Depreciation			
		3,703	5,468

NOTE 5: INCOME TAX

A reconciliation between tax revenue and the product of accounting loss before income tax multiplied by Group's applicable income tax rate is as follows:

Accounting loss before tax from continuing operations		
Loss before tax from discontinued operations	(931,270)	(1,124,934)
At the Parent Entity's statutory income tax rate of 30% (2012: 30%)	(279,381)	(337,480)
- Section 40-880 deduction	(11,378)	(14,402)
Unused tax losses and temporary differences not recognised as deferred tax assets	290,759	351,882
Income tax attributable to entity	-	-

Net deferred tax assets have not been brought to account, as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Note	2013	2012
	\$	\$

NOTE 6: KEY MANAGEMENT PERSONNEL (KMP) COMPENSATION

Refer to the remuneration report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2013.

The totals of remuneration attributable to KMP of the Company during the year are as follows:

Short-term employee benefits	128,625	97,971
Post-employment benefits	-	2,035
	128,625	100,006

KMP options and rights holdings

The number of options over ordinary shares held by each KMP of the Company during the financial year is as follows:

	Balance at start of year	Commencing office	Granted as Remuneration during the year	Acquired during the year	Expired during the year	Disposed during the year	Ceasing office	Balance at the end of the year
30 June 2013								
T Gilfillan	-	-	-	-	-	-	-	-
A Winduss	-	-	-	-	-	-	-	-
R Molkenthin	-	-	-	-	-	-	-	-
V Nikolaenko	20,067,011	-	-	-	(20,067,011)	-	-	-
S Third	-	-	-	-	-	-	-	-
	20,067,011	-	-	-	(20,067,011)	-	-	-

Detailed remuneration disclosures are provided in the Remuneration Report on pages 11 – 14.

	Balance at start of year	Commencing office	Granted as Remuneration during the year	Acquired during the year	Expired during the year	Cancelled during the year	Ceasing office	Balance at the end of the year
30 June 2012								
A Middleton	21,350,000	-	-	-	-	(312,496)	(21,037,504)	-
A Winduss	-	-	-	-	-	-	-	-
R Molkenthin	-	-	-	-	-	-	-	-
V Nikolaenko	20,067,011	-	-	-	-	-	-	20,067,011
	41,417,011	-	-	-	-	(312,496)	(21,037,504)	20,067,011

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013	2012
NOTE 9: CASH AND CASH EQUIVALENTS		\$	\$
Cash at bank		32,122	580,810
		32,122	580,810

NOTE 10: TRADE AND OTHER RECEIVABLES

GST receivable	6,580	24,583
Other receivables *	-	178,715
	6,580	203,298

*Other receivables of \$178,715 in 2012 represent the amount owed to the Company by Magna Mining NL, and which was to be converted to an investment in Magna Mining NL on 6 September 2012 subject to shareholder approval by Magna. This has not yet occurred, and the receivable has been impaired and written down.

NOTE 11: FINANCIAL ASSETS

Available for sale financial assets	5,555	-
	5,555	-

The available for sale financial assets are shares in listed corporations recorded at fair value.

NOTE 12: OTHER CURRENT ASSETS

Prepayments	9,467	15,385
	9,467	15,385

NOTE 13: EXPLORATION AND DEVELOPMENT EXPENDITURE

Balance at beginning of year	147,068	147,068
Exploration expenditure incurred	164,509	357,725
Additional amount – Unaly Hill acquisition agreement	1,724,000	-
Exploration expenditure expensed to income statement	(164,509)	(357,725)
	1,871,068	147,068

The Group has capitalised expenditure in relation to its Unaly Hill project representing acquisition and exploration costs to date. The Group announced an Inferred Resource (ASX announcement 21 November 2011) in relation to the project. In conducting a review of the carrying value of the project for the purposes of assessing any impairment adjustment, the in situ value of the Inferred Resource was assessed. In addition, the processes required to exploit the resources and accompanying additional expenditure have been considered, and the Group has determined that the carrying value of the project as recorded does not exceed its fair or recoverable value. Accordingly, no impairment adjustment is required.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 14: CONTROLLED ENTITIES

Controlled entities consolidated	Percentage Owned (%)	
	2013	2012
Subsidiaries of Black Ridge Mining NL		
Direct		
Unaly Hill Pty Ltd	100	100
Sandstone Holdings Pty Ltd	100	100
	Note	2013
		2012
	\$	\$

NOTE 15: PROPERTY, PLANT AND EQUIPMENT

Plant and equipment

At cost	25,076	25,076
Accumulated depreciation	(21,623)	(20,294)
	<u>3,453</u>	<u>4,782</u>

Computer equipment

At cost	21,620	21,620
Accumulated depreciation	(17,816)	(15,442)
	<u>3,804</u>	<u>6,178</u>
	<u>7,257</u>	<u>10,960</u>

Movements in carrying amount

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

Plant and equipment

Balance at beginning of the year	4,782	6,685
Additions	-	-
Disposals	-	-
Depreciation expense	(1,329)	(1,903)
Carrying amount at the end of the year	<u>3,453</u>	<u>4,782</u>

Computer equipment

Balance at beginning of the year	6,178	6,267
Additions	-	3,476
Disposals	-	-
Depreciation expense	(2,374)	(3,565)
Carrying amount at the end of the year	<u>3,804</u>	<u>6,178</u>
	<u>7,257</u>	<u>10,960</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
NOTE 16: TRADE AND OTHER PAYABLES			
Trade payables *		241,484	91,260
Sundry payables and accrued expenses		45,758	15,500
Accrued payable – Plato Mining Pty Ltd	13, 20	1,724,000	-
		2,011,242	106,760

*Trade payables are non-interest bearing and normally settled in 30 days.

NOTE 17: TAX

NON-CURRENT

Deferred tax assets

Deferred tax not brought to accounts, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:

Section 40-880 deductions	26,281	37,659
Losses available for offset against future tax liabilities (at 30%)	4,971,784	4,690,102
Accrued expenses and provisions	13,577	4,500
	5,011,642	4,732,261

NOTE 18: ISSUED CAPITAL

a. Issued share capital

fully paid ordinary shares 754,560,658
(2012: 754,472,951)

20,340,385 20,339,069

b. Ordinary shares	Note	2013 Number	2012 Number
At the beginning of the reporting period:		754,472,951	754,472,951
Shares issued during the year			
- Shares issued on 3 January 2013 exercise of options at \$0.015 each		87,707	-
At the end of the reporting period		754,560,658	754,472,951

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

c. Options

As at 30 June 2013, there are nil (2012: 150,894,590) unissued ordinary shares in respect of which options were outstanding comprising:

Options on issue at beginning of period	150,894,590	161,394,590
Options expired	(150,806,883)	(10,500,000)
Options exercised	(87,707)	-
Options on issue at end of period	-	150,894,590

		2013	2012
Date of expiry	Exercise price	Number	Number
31 December 2012	\$0.015	-	150,894,590

Terms and conditions of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

	Note	2013	2012
		\$	\$
d. Option premium reserve			
Opening balance		223,350	223,350
Transfer to equity		-	-
		<u>223,350</u>	<u>223,350</u>

2013

During the year ended 30 June 2013, the following options expired:

- 150,806,883 unlisted options exercisable at 1.5 cents expired on 31 December 2012

During the year ended 30 June 2013, the following options exercised:

- 87,707 unlisted options exercisable at 1.5 cents exercised on 7 November 2012

2012

During the year ended 30 June 2012, the following options expired:

- 10,500,000 unlisted options exercisable at 10 cents expired on 31 December 2011

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

e. Capital management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity to fund its activities. The Group monitors capital on the basis of the gearing ratio. However there are no external borrowings as at balance date.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

The Group is not subject to externally imposed capital requirements.

NOTE 19: CONTRACTUAL AND LEASING COMMITMENTS

a. Operating lease commitments

The Company occupies its business premises via a periodic tenancy. There is no future lease commitment as either the Landlord or the Company may terminate the tenancy by providing two months' notice to the other party whilst occupying premises under a periodic tenancy.

b. Administration service agreement

The Company was party to an Administration Services Agreement with Corporate Admin Services Pty Ltd (the "Contractor"), a company controlled by Mr Nikolaenko, from 1 July 2010 for a fee of \$55,000 (excl GST) per quarter payable in advance. The term of the agreement was for a period of three years, with an option by the Contractor to extend the term for a further two years. The option was not exercised by the Contractor but services are continuing to be provided to the Company. From 1 July 2013 when the contract expired, the Contractor has provided the services to date without charge, and has agreed to continue to do so whilst the Company renegotiates terms for the provision of services. Subject to terms included in the Agreement, had the Company terminated the Agreement without prior notice, it was liable to pay the Contractor the full amount of fees payable for the then remainder of the contract term.

These obligations are not provided for in the financial report and are payable:

	Note	2013 \$	2012 \$
- not later than 12 months		-	220,000
- between 12 months and 5 years		-	-
- greater than 5 years		-	-
		-	220,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

c. Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company is required to outlay tenement lease rentals and perform minimum exploration work to meet minimum expenditure requirements specified by various government authorities. These obligations are subject to renegotiation when application for a mining lease is made and at various other times. These obligations are not provided for in the financial report and are payable:

- not later than 12 months	30,500	92,820
- between 12 months and 5 years	2,272	90,033
- greater than 5 years	-	-
	32,772	182,853

NOTE 20: CONTINGENT LIABILITIES

Unaly Hill Acquisition Agreement

The Company has a contingent liability in relation to the acquisition of the Unaly Hill mining tenement E57/420:

- a) Upon establishment of an Inferred, Indicated or Measured resource, payments must be made to the vendor based on mineral ore tonnages identified.
 - i) Where the resource relates to iron ore, vanadium or phosphate – Inferred resource \$0.02 per tonne of ore, Indicated resource \$0.04 per tonne of ore and Measured resource \$0.06 per tonne of ore.
 - ii) Where the resource relates to U₃O₈ or any base metal – Inferred resource \$0.05 per tonne of ore, Indicated resource \$0.08 per tonne of ore and Measured resource \$0.10 per tonne of ore.
 - iii) Where the resource relates to gold or any other precious metal – Inferred resource \$0.20 per tonne of ore, Indicated resource \$0.30 per tonne of ore and Measured resource \$0.50 per tonne of ore.

The amounts outlined above are cumulative for each resource where an Inferred resource is upgraded to an Indicated resource, or an Indicated resource is upgraded to a Measured resource, such that the total amounts to be paid in respect of announcing a Measured resource are:

- i) Where the resource relates to iron ore, vanadium or phosphate - \$0.12 per tonne of ore
 - ii) Where the resource relates to U₃O₈ or any base metal - \$0.23 per tonne of ore; and
 - iii) Where the resource relates to gold or any other precious metal - \$1.00 per tonne of ore
- b) A further royalty equal to 2.25% of gross revenue arising from sale of minerals derived from the tenement.

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An agreement with the vendor was entered into when an Initial Inferred resource was announced deferring the payment of the additional amount identified in (a) above until an alternative agreement is reached.

Claim for payment for services

After the year end, the Company received notice of a claim for payment for services, a majority of which has been disputed. The matter is in the early stages of dispute and as such, the outcome of the claim is uncertain. The claim relates to invoices raised both before and after 30 June 2013, and totals approximately \$82,000.

NOTE 21: OPERATING SEGMENT

For the year ended 30 June 2013, the Company's operations were in mining exploration.

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the directors (the Chief Operating Decision Makers) in assessing performance and in determining the allocations of resources.

At 30 June 2013	Mining & Exploration \$	Corporate \$	Consolidated \$
REVENUE			
Other revenue	-	105,665	105,665
Segment Result	164,509	766,761	931,270

ASSETS / LIABILITIES

Asset

Segment assets	1,871,068	60,981	1,932,049
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Liabilities

Segment liabilities	(1,724,000)	(287,242)	(2,011,242)
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Net Assets	147,068	(226,261)	(79,193)
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At 30 June 2012	Mining & Exploration \$	Corporate \$	Consolidated \$
REVENUE			
Other revenue	-	197,967	197,967
Segment Result	(357,725)	(767,209)	(1,124,934)

ASSETS / LIABILITIES

Asset

Segment assets	147,068	810,453	957,521
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Liabilities

Segment liabilities	-	(106,760)	(106,760)
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Net Assets	147,068	703,693	850,761
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BLACK RIDGE MINING NL AND ITS CONTROLLED ENTITIES
ABN 48 083 274 024

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
NOTE 22: CASH FLOW INFORMATION			
a. Reconciliation of cash			
Cash at end of financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:			
Cash and cash equivalents		32,122	580,810
b. Reconciliation with operating loss			
Reconciliation of cash flows from operations with operating loss after income tax is set out as follows:			
Operating losses		(931,270)	(1,124,934)
Non-cash flows included in loss:			
- Depreciation expense		3,703	5,468
- Diminution in Value of Investments		44,445	-
- Profit on disposal of equity investments		-	-
- Loss on sale of non-current asset		-	-
Changes in assets and liabilities:			
- (Increase)/decrease in receivables		178,715	(178,715)
- (Increase)/decrease in prepayments		5,918	(4,562)
- (Increase)/decrease in creditors and accruals		180,482	(41,062)
- Increase/(decrease) in provisions		18,003	7,942
Net cash used by operating activities		(500,004)	(1,335,863)

NOTE 23: EVENTS AFTER THE REPORTING PERIOD

On 26 July 2013, the Company announced the appointment of Mr Malcolm Carson as an Executive Director and resignation of Mr Stuart Third as a Non-executive Director of the Company effective from 26 July 2013.

After the year end, the Company received notice of a claim for payment for services, a majority of which has been disputed. The matter is in the early stages of dispute and as such, the outcome of the claim is uncertain. The claim relates to invoices raised both before and after 30 June 2013, and totals approximately \$82,000.

On 4 October 2013, the Company entered into an unsecured short term funding arrangement with Fiji Holdings Pty Ltd, a company related to Mr Nikolaenko, in order for it to finance its operations until the Company is able to undertake a share placement or another form of capital raising. The

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

arrangement allows the Company to access \$100,000 for a period of up to 6 months, and will attract interest on the balance drawn down at 10% per annum.

There has not arisen in the interval between the end of the financial year and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect substantially the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in subsequent financial years.

NOTE 24: SHARE-BASED PAYMENTS

Options granted to key management personnel as share-based payments

No options were granted to key management personnel during the year.

NOTE 25: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

a) Key management personnel

The names of each person holding the position of director of the Company during the financial year are:

T Gilfillan (Appointed 15 May 2013)
M Carson (Appointed 26 July 2013)
A Winduss (Resigned 15 May 2013)
V Nikolaenko
R Molkenthin (Resigned 15 May 2013)
S Third (Appointed 24 May 2013, resigned 26 July 2013)

For details of disclosures relating to key management personnel, refer to Note 6: Key Management Personnel (KMP) Compensation.

b) Administration service agreement

- Corporate Admin Services Pty Ltd

The Company has an administration service agreement with Corporate Admin Services Pty Ltd, a company of which Mr. Vladimir Nikolaenko is a director, which has now lapsed as the option to extend the agreement was not exercised. The contract is for provision of strategic and corporate advisory service. The amount paid to Corporate Admin Services Pty Ltd at 30 June 2013 is \$226,304 (2012: \$435,906), and represents reimbursements for costs incurred in the provision of strategic and corporate advisory services (\$61,304) and as incurred for consulting services (\$165,000). The amount owing to Corporate Admin Services Pty Ltd at 30 June 2013 is \$133,089 (2012: \$64,027).

c) Commercial services agreement

- Winduss & Associates Pty Ltd

The Company receives accounting and bookkeeping services from Winduss & Associates Pty Ltd, an accounting practice of which Mr. Alan Winduss is a director and shareholder. Fees charged are at normal commercial rates and conditions. The amount of fees paid or accrued

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

to 30 June 2013 for accounting and bookkeeping services is \$54,291 (2012: \$30,856). The amount owing to Winduss & Associates Pty Ltd at 30 June 2013 is \$24,416 (2012: \$nil).

d) Acquisition of mining tenement – additional consideration

- Plato Mining Pty Ltd

In 2009, the Company acquired the Unaly Hill Tenement (E57/420) from Plato Mining Pty Ltd, a company of which Mr Vladimir Nikolaenko is a director. Upon the establishment of a JORC Code compliant Inferred resource, Indicated resource or Measured resource on the Tenement, the Company is pay further amounts to Plato Mining Pty Ltd.

For details of disclosures relating to amount payable to Plato Mining Pty Ltd, refer to Note 19.

e) Short term finance arrangement

- Fiji Holdings Pty Ltd

The Company entered into a short term (6 month) financing arrangement with Fiji Holdings Pty Ltd, a company of which Mr Vladimir Nikolaenko is a director. The agreement provides the Company with a facility of up to \$100,000 to fund operations whilst alternatives for a capital raising are considered, and provides for payment of interest at 10% per annum on the drawn balance. The facility is unsecured.

NOTE 26: FINANCIAL RISK MANAGEMENT

This note presents information about the Group's exposure to credit, liquidity and market risks, its objectives, policies and processes for measuring and managing risk and the management of capital.

The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company and the Group through regular reviews of the risks.

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, leases and preference shares.

The totals for each category of financial instruments, measured in accordance with AASB 139, as detailed in the accounting policies to these financial statements, are as follows:

Categories of financial instruments	Note	2013	2012
		\$	\$
Financial assets			
Cash and cash equivalents	9	32,122	580,810
		<u>32,122</u>	<u>580,810</u>
Financial liabilities			
Payables and borrowings	16	2,011,242	106,760

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

2,011,242	106,760
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a. General objectives, policies and processes

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The principal financial instruments from which financial instrument risk arises:

- | | |
|-------------------------------|----------------|
| - trade and other receivables | - cash at bank |
| - trade and other payables | - borrowings |

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's finance function. The Company's risk management policies and objectives are therefore designed to minimise the potential impact of these risks on the results of the Company where such impacts may be material.

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price risk). There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

b. Credit risks

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of the contract obligations that could lead to a financial loss to the Company. There is no material amount of collateral held as security at 30 June 2013.

Cash and cash equivalents

The Company limits its exposure to credit risk by only depositing cash at banks or financial institutions that have an acceptable credit rating.

Trade and other receivables

As the Company operates primarily in investment and exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

The Company, where necessary, establishes an allowance for impairment that represents its estimate of incurred losses in respect of other receivables and investments. Management does not expect any counterparty to fail to meet its obligations.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at balance date is as follows:

	Note	2013 \$	2012 \$
Other Receivables	10	6,580	203,298

c. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual flows. The Company does not have any external borrowings.

The Company anticipates a need to raise additional capital in the next 12 months to meet forecast operational activities. The decision on how the Company will raise future capital will depend on market conditions existing at that time.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Financial liability and financial asset maturity analysis

At 30 June 2013

	Within 1 Year \$	1 to 5 Years \$	Over 5 years \$	Total \$
Financial liabilities due for payment				
Payables and borrowings	2,011,242	-	-	2,011,242
Total expected outflows	2,011,242	-	-	2,011,242
Financial assets – cash flows realisable				
Cash and cash equivalents	32,122	-	-	32,122
Total anticipated inflows	32,122	-	-	32,122
Net (outflow)/ inflow on financial instruments	(1,979,120)	-	-	(1,979,120)

BLACK RIDGE MINING NL AND ITS CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

At 30 June 2012

	Within 1 Year	1 to 5 Years	Over 5 years	Total
	\$	\$	\$	\$
Financial liabilities due for payment				
Payables and borrowings	106,760	-	-	106,760
Total expected outflows	106,760	-	-	106,760
Financial assets – cash flows realisable				
Cash and cash equivalents	580,810	-	-	580,810
Total anticipated inflows	580,810	-	-	580,810
Net (outflow)/ inflow on financial instruments	474,050	-	-	474,050

Financial arrangements

At 30 June 2013: Nil (2012: nil).

A financial arrangement was entered into on 4 October 2013 with Fiji Holdings Pty Ltd for a facility of \$100,000 with interest payable on the drawn balance of 10% per annum.

d. Market risk

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

i) Foreign exchange risk

Overseas transactions are negotiated in foreign currencies which give rise to assets and liabilities which are translated to Australian currency in accordance with the accounting policies set out in Note 1(j).

At 30 June 2013, there were no amounts receivable and payable in foreign currency and therefore the Group does not have any exposure to foreign currency risk.

ii) Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

The Company adopts a policy of ensuring that, as far as possible, it maintains excess cash and cash equivalents on short-term deposit at best available market interest rates.

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	Consolidated and Company carrying amount	
	2013	2012
	\$	\$
Variable rate instruments		
Financial assets – cash and cash equivalents	32,122	580,810

Fair value sensitivity analysis for variable rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss or through equity, therefore a change in interest rates at the reporting date would not affect profit or loss or equity.

Cash flow sensitivity analysis for variable rate instruments

The group has performed a sensitivity analysis relating to its exposure to interest rate risk at 30 June 2013.

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2012.

	Profit or loss		Equity	
	100bp increase	100bp decrease	100bp increase	100bp decrease
	\$	\$	\$	\$
At 30 June 2013				
Variable rate instruments	114	(114)	114	(114)
At 30 June 2012				
Variable rate instruments	5,734	(5,734)	5,734	(5,734)

e. Fair values

The fair values of:

- Term receivables, government and fixed interest securities and bonds are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value

BLACK RIDGE MINING NL AND ITS CONTROLLED ENTITIES
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value
- Other assets and other liabilities approximate their carrying value

There are no financial assets and financial liabilities readily traded on organised markets in standardised form.

Aggregate fair values and carrying amounts of financial assets and financial liabilities at balance date:

	Carrying amount		Fair value	
	2013	2012	2013	2012
	\$	\$	\$	\$
Financial assets:				
Cash and cash equivalents	32,122	580,810	32,122	580,810
Financial asset	5,555	-	5,555	-
Total financial assets	37,677	580,810	37,677	580,810
Financial liabilities:				
Payables and borrowings	2,011,242	106,760	2,011,242	106,760
Total financial liabilities	2,011,242	106,760	2,011,242	106,760

Capital management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities. The Group monitors capital on the basis of the gearing ratio; however there are no external borrowings as at 30 June 2013.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting. The Group is not subject to externally imposed capital requirements.

END OF NOTES TO FINANCIAL STATEMENTS (AUDITED)

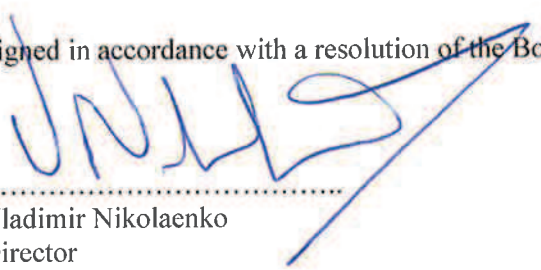
DIRECTORS' DECLARATION

The directors declare that:

- a. The attached financial statements and associated notes are in accordance with the Accounting Standards and the Corporations Regulations.
- b. The attached financial statements and notes give a true and fair view of the financial position as at 30 June 2013 and the performance of the Group for the year ended on that date; and
- c. The financial statements and notes are in accordance with the Corporations Act 2001.

In the opinion of the directors there are reasonable grounds to believe the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors:



.....
Vladimir Nikolaenko
Director

Perth, 8 October 2013



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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BLACK RIDGE MINING NL

Report on the financial report

We have audited the accompanying financial report of Black Ridge Mining NL (the Company") which comprises the balance sheet as at 30 June 2013 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 of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the year.

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 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



Audit opinion

In our opinion the financial report of Black Ridge Mining NL is in accordance with the *Corporations Act 2001*, including:

- a) (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of their 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*; and
- b) the consolidated financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 paragraph (w) in the financial report which indicates the basis for preparing the accounts on a going concern basis. We note the consolidated entity incurred an operating loss of \$931,270, had net cash outflows from operating activities for the year ending 30 June 2013 of \$500,004 and a deficiency of net assets of \$79,193. In the event the consolidated entity is unable to raise additional equity or debt funding and reduce expenditure, there is a material uncertainty as to whether the consolidated entity could continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and for the amounts stated in the financial report.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. 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 Black Ridge Mining NL for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Graham R Swan
Partner

Dated

8

October 2013



Chartered Accountants