

Goldphyre Resources Limited

ABN 58 149 390 394

Annual Financial Report

for the year ended 30 June 2012

Corporate Information

ABN 58 149 390 394

Directors

Ron Punch (Executive Chairman)
Brenton Siggs (Non-Executive Director)
Russell Lynton-Brown (Non-Executive Director)
Christopher Clegg (Non-Executive Director)

Company Secretary

John Ribbons

Principal Place of Business

Level 1, 640 Murray Street
WEST PERTH WA 6005
Telephone: +61 8 9436 9256
Facsimile: +61 8 9436 9220

Registered Office

Ground Floor, 20 Kings Park Road
WEST PERTH WA 6005

Solicitors

Kings Park Corporate Lawyers
8/8 Clive Street
WEST PERTH WA 6005

Share Register

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Auditors

Bentleys Audit & Corporate (WA) Pty Ltd
Level 1, 12 Kings Park Road
WEST PERTH WA 6005

Internet Address

www.goldphyreresources.com.au

Stock Exchange Listing

Goldphyre Resources Limited shares are listed on the Australian Securities Exchange (ASX code GPH).

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Directors' Report

Your directors submit their report for the year ended 30 June 2012.

DIRECTORS

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

Names, qualifications, experience and special responsibilities

Ron Punch, (Executive Chairman, member of the Audit Committee)

Mr Punch has had considerable banking, financial markets, stock broking and corporate experience. He started his career with Westpac (formerly Bank of New South Wales) and then the Reserve Bank of Australia. Mr Punch joined Patersons Stockbrokers in 1969 and was involved in portfolio management, underwriting, corporate and general advising and broking roles. He is also a former Chairman of the Perth Stock Exchange and its Listing Committee.

Mr Punch has served as chair and non-executive director on the boards of a number of ASX listed (none within the last 3 years) and private companies.

Mr Punch has previously been a member of various professional organisations and committees and is a B Ec and A Fin.

Brenton Siggs, (Non-Executive Director)

Mr Siggs is a geologist with over twenty four years' experience in the Australian mineral exploration and mining industry and has worked on a range of gold, nickel, petroleum, mineral sands, coal and phosphate projects throughout Australia. He currently operates a successful geological contracting business which was established in Kalgoorlie in 1994 and is now based in Perth, Western Australia.

Mr Siggs has extensive experience in all stages of regional and near-mine exploration project management, particularly in Western Australia, from conceptual targeting and ground acquisition through to resource definition drilling programs and open cut mining geology. He has held Senior Geologist and Project Leader roles with a variety of Australian and major international companies including Newcrest Mining Ltd., Inco Australia, VALE, Sons of Gwalia Ltd, Central Norseman Gold Corporation Ltd and Belvedere Coal Management Pty Ltd.

Mr Siggs' exploration successes include senior geology roles in Western Australian gold discoveries at Racetrack, Golden Funnel and Black Lady (Mount Pleasant), Dingo Range, Norseman and Menzies (Lady Irene). Other technical highlights include senior roles in resource upgrades at significant nickel laterite (Ravensthorpe Project and Kalgoorlie Nickel Project, Western Australia) and coal projects (Belvedere Coal Project, Queensland).

Mr Siggs is a director of the Vendor, and ultimately controls 60% of the Vendor's holding in the Company.

Mr Siggs holds a Bachelor of Applied Science (Applied Geology) degree from the University of South Australia and is a Member of the Australian Institute of Geoscientists (AIG) and the Society of Economic Geologists (SEG).

Russell Lynton-Brown, (Non-Executive Director, member of the Audit Committee)

Mr Lynton-Brown has sixteen years' experience in the financial services industry specialising in the natural resources sector. Mr Lynton-Brown has worked with international and local stock broking companies providing advice to retail, institutional and corporate clients. He is currently a director of Imperium Minerals Ltd (unlisted).

During the last three years, Mr Lynton-Brown has also served as a director of Pacific Ore Ltd (resigned 31 March 2011), Fortuna Minerals Limited (resigned 30 September 2009) and Aspire Mining Ltd (resigned 20 June 2011).

Christopher Clegg, (Non-Executive Director, Chairman of the Audit Committee)

Mr Clegg has over thirty five years' experience in the mining industry as a service provider to leading Australian mining companies, various other SME's and high net worth individuals.

Mr Clegg is principal and managing director of Statewide Tenement and Advisory Services Pty Ltd, providing mining title management and acquisition, native title negotiation and dispute resolution, and strategic planning services to the mining industry for over twenty five years.

COMPANY SECRETARY

John Ribbons,

Mr Ribbons is an accountant who has worked within the resources industry for over fifteen years in the capacity of company accountant, group financial controller or company secretary.

Mr Ribbons has extensive knowledge and experience with ASX listed production and exploration companies. He has considerable site based experience with operating mines and has also been involved with the listing of several exploration companies on ASX. Mr Ribbons has experience in capital raising, ASX and TSX compliance and regulatory requirements. Mr Ribbons has not held any former directorships in the last 3 years.

Directors' Report (continued)

Interests in the shares and options of the company and related bodies corporate

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

| | Ordinary Shares | Options over Ordinary Shares |
|----------------------|--------------------|------------------------------------|
| Ron Punch | - | 2,000,000 |
| Brenton Siggs | 7,250,000 | 3,625,000 |
| Russell Lynton-Brown | 60,000 | 2,000,000 |
| Christopher Clegg | 75,000 | 2,000,000 |

PRINCIPAL ACTIVITIES

During the year the Company carried out exploration on its tenements and applied for or acquired additional tenements with the objective of identifying gold and other economic mineral deposits.

DIVIDENDS

No dividends were paid or declared during the year. No recommendation for payment of dividends has been made.

OPERATING AND FINANCIAL REVIEW

Finance Review

The Company began the year with available cash assets of \$303,409 and completed an Initial Public Offering in December 2011 that raised \$2,996,400 (before costs).

During the year total exploration expenditure incurred by the Company amounted to \$521,341 (2011: \$79,576). In line with the Company's accounting policies, all exploration expenditure is written off as incurred. Net administration expenditure incurred amounted to \$282,873 (2011: \$30,816). This has resulted in an operating loss after income tax for the year ended 30 June 2012 of \$804,214 (2011: \$109,080).

At 30 June 2012 cash assets available totalled \$2,253,057.

Operating Results for the Year

Summarised operating results are as follows:

| | 2012 Revenues \$ | Results \$ |
|--|------------------------|------------------|
| Revenues and loss from ordinary activities before income tax expense | <u>75,977</u> | <u>(804,214)</u> |

Shareholder Returns

| | 2012 | 2011 |
|------------------------------|-------|-------|
| Basic loss per share (cents) | (4.0) | (1.1) |

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The Company believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in this Annual Report, no significant changes in the state of affairs of the Company occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 16, have arisen since the end of the year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

Directors' Report (continued)

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Company expects to maintain the present status and level of operations and will report any further developments in accordance with ASX continuous disclosure requirements.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company is subject to significant environmental regulation in respect to its exploration activities.

The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the year under review.

The directors have considered the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the Company for the current, nor subsequent, financial year. The directors will reassess this position as and when the need arises.

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Goldphyre Resources Limited has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The board of Goldphyre Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company.

The board's policy for determining the nature and amount of remuneration for board members and senior executives (if any) of the Company is as follows:

The remuneration policy, setting the terms and conditions for the executive directors, was developed by the board. All executives receive a base salary (which is based on factors such as length of service, performance and experience) and superannuation. The board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

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

Executives are also entitled to participate in the employee share and option arrangements.

The directors and executives (if any) receive a superannuation guarantee contribution required by the government, which is currently 9%. Some individuals may choose to sacrifice part of their salary to increase payments towards superannuation.

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

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$300,000). Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Performance based remuneration

The company currently has no performance based remuneration component built into key management personnel remuneration packages.

Company performance, shareholder wealth and key management personnel remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and key management personnel performance. Currently, this is facilitated through the issue of options to the majority of key management personnel to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth. At commencement of mine production, performance based bonuses based on key performance indicators are expected to be introduced. For details of key management personnel interests in options at year end, refer to note 12 of the financial statements.

Use of remuneration consultants

The Company did not employ the services of any remuneration consultants during the financial year ended 30 June 2012.

Directors' Report (continued)

Details of remuneration

Details of the remuneration of the key management personnel of the Company are set out in the following table.

The key management personnel of the Company include the directors as per page 3 above.

The requirement to disclose remuneration for the top five remunerated Company executives was removed by the *Corporations Amendment (Improving Accountability on Director and Executive Remuneration) Act 2011*, effective for reporting periods commencing on or after 1 July 2011. For comparative purposes only, the table below includes the remuneration for the 2011 financial year for those employees who were classified as executives but who do not meet the definition of key management personnel. Hence their remuneration for the 2012 financial year is not disclosed.

Key management personnel of the Company

| | Short-Term | | Post Employment | | Share-based | Total |
|--|----------------|--------------|-----------------|---------------------|----------------|----------------|
| | Salary & Fees | Non-Monetary | Superannuation | Retirement benefits | Payments | |
| | \$ | \$ | \$ | \$ | Options | |
| | | | | | \$ | \$ |
| Directors | | | | | | |
| Ron Punch | | | | | | |
| 2012 | 30,000 | - | 2,700 | - | 104,100 | 136,800 |
| 2011 | - | - | - | - | - | - |
| Brenton Siggs | | | | | | |
| 2012 | 127,292 | - | 1,800 | - | - | 129,092 |
| 2011 | - | - | - | - | - | - |
| Russell Lynton-Brown | | | | | | |
| 2012 | 20,000 | - | 1,800 | - | - | 21,800 |
| 2011 | - | - | - | - | - | - |
| Christopher Clegg | | | | | | |
| 2012 | 20,000 | - | 1,800 | - | - | 21,800 |
| 2011 | - | - | - | - | - | - |
| Other key management personnel | | | | | | |
| John Ribbons | | | | | | |
| 2011 | - | - | - | - | - | - |
| Total key management personnel compensation | | | | | | |
| 2012 | 197,292 | - | 8,100 | - | 104,100 | 309,492 |
| 2011 | - | - | - | - | - | - |

Service agreements

Reefus Geology Services (a business controlled by Brenton Siggs) has agreed to provide technical geological management services to the Company at a daily rate of \$950 (excluding GST) plus a four wheel drive vehicle daily rate of \$85 (excluding GST). All fuel and oils costs will be invoiced to the Company. It is estimated that Reefus Geology Services will provide between approximately 5 to 9 days' services per month pre listing and 14 to 18 days' per month post listing.

Share-based compensation

Options are issued at no cost to key management personnel as part of their remuneration. The options are not issued based on performance criteria, but are issued to the key management personnel of Goldphyre Resources Limited to increase goal congruence between key management personnel and shareholders. The following options over ordinary shares of the Company were granted to or vesting with key management personnel during the year:

| | Grant Date | Granted Number | Vesting Date | Expiry Date | Exercise Price (cents) | Value per option at grant date (cents) | Exercised Number | % of Remuneration |
|------------------|------------|----------------|--------------|-------------|------------------------|--|------------------|-------------------|
| Directors | | | | | | | | |
| Ron Punch | 29/05/2012 | 1,000,000 | 29/05/2012 | 29/05/2016 | 19.5 | 10.41 | - | 76.1 |

End of Remuneration Report

Directors' Report (continued)

DIRECTORS' MEETINGS

During the year the Company held fourteen meetings of directors. The attendance of directors at meetings of the board were:

| | Directors Meetings | | Audit Committee Meetings | |
|----------------------|--------------------|----|--------------------------|---|
| | A | B | A | B |
| Ron Punch | 13 | 14 | 1 | 1 |
| Brenton Siggs | 14 | 14 | * | * |
| Russell Lynton-Brown | 12 | 14 | 1 | 1 |
| Christopher Clegg | 14 | 14 | 1 | 1 |

Notes

A – Number of meetings attended.

B – Number of meetings held during the time the director held office during the year.

* Not a member of the Audit Committee.

SHARES UNDER OPTION

At the date of this report there are 21,389,800 unissued ordinary shares in respect of which options are outstanding.

| | Number of options |
|---|-------------------|
| Balance at the beginning of the year | 13,625,000 |
| Movements of share options during the year | |
| Issued, exercisable at 20 cents, on or before 30 June 2015 | 6,764,800 |
| Issued, exercisable at 19.5 cents, on or before 29 May 2016 | 1,000,000 |
| Total number of options outstanding as at 30 June 2011 and the date of this report | 21,389,800 |

The balance is comprised of the following:

| Expiry date | Exercise price (cents) | Number of options |
|---|------------------------|-------------------|
| 30 June 2015 | 20.0 | 20,389,800 |
| 29 May 2016 | 19.5 | 1,000,000 |
| Total number of options outstanding at the date of this report | | 21,389,800 |

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Goldphyre Resources Limited paid a premium of \$15,318 to insure the directors and secretary of the Company. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Bentleys Audit & Corporate (WA) Pty Ltd, or associated entities. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general standard of independence for auditors.

Bentleys Audit & Corporate (WA) Pty Ltd received or are due to receive the following amounts for the provision of non-audit services:

| | 2012 | 2011 |
|---|-------|-------|
| | \$ | \$ |
| Investigating Accountants Report for the IPO prospectus | 4,000 | 4,000 |

Directors' Report (continued)

PROCEEDINGS ON BEHALF OF THE COMPANY

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

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9.

Signed in accordance with a resolution of the directors.



Ron Punch

Executive Chairman

Perth, 13 September 2012

To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

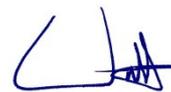
As lead audit director for the audit of the financial statements of Goldphyre Resources Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully



BENTLEYS
Chartered Accountants



CHRIS WATTS CA
Director

DATED at PERTH this 13th day of September 2012

Corporate Governance Statement

The Board of Directors

The Company's constitution provides that the number of directors shall not be less than three and not more than ten.

As and if the Company's activities increase in size, nature and scope the size of the board will be reviewed periodically, and as circumstances demand. The optimum number of directors required to supervise adequately the Company's constitution will be determined within the limitations imposed by the constitution.

In order to ensure the board maintains an optimal mix of skills and diversity, the membership of the board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credibility within the Company's scope of activities, intellectual ability to contribute to board's duties and physical ability to undertake board's duties and responsibilities.

Directors are initially appointed by the full board subject to election by shareholders at the next general meeting. Under the Company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the *Corporations Act 2001*, the board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

The board has established Audit & Risk, Remuneration and Nomination committees. The board as a whole is committed to addressing the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

Role of the Board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

Independent Professional Advice

The board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

Continuous Review of Corporate Governance

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the Company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mining exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

ASX Principles of Good Corporate Governance

To the extent that they are relevant to the organisation, the Company has adopted the Eight Corporate Governance Principles and Best Practice Recommendations as published by the ASX Corporate Governance Council.

As the Company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The following table sets out the Company's present position in relation to each of the Principles.

Corporate Governance Statement

| | ASX Principle | Status | Reference/comment |
|--|--|--------|---|
| Principle 1: Lay solid foundations for management and oversight | | | |
| 1.1 | Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions | A | The Board Charter includes matters reserved for the Board and is included on the Company website. |
| 1.2 | Companies should disclose the process for evaluating the performance of senior executives | N/A | The company only employs one executive being the Executive Chairman. No process is currently adopted for evaluating the performance of senior executives. Acting in its ordinary capacity, the board from time to time carries out the process of considering and determining performance issues. |
| 1.3 | Companies should provide the information indicated in the Guide to reporting on Principle 1 | A | |
| Principle 2: Structure the board to add value | | | |
| 2.1 | A majority of the board should be independent directors | N/A | The Board comprises four directors, three of whom are non-executive, however only two directors are classified as independent. The Board believes that this is both appropriate and acceptable at this stage of the Company's development. |
| 2.2 | The chair should be an independent director | N/A | The chair is not independent. |
| 2.3 | The roles of chair and chief executive officer should not be exercised by the same individual | N/A | The Company has only one executive, being the Executive Chairman. The Board believes that this is both appropriate and acceptable at this stage of the Company's development. |
| 2.4 | The board should establish a nomination committee | A | The full Board carries out the duties that would normally fall to the Nomination Committee. The Committee operates under the Nomination Committee Charter, a copy of which is available on the Company's website. |
| 2.5 | Companies should disclose the process for evaluating the performance of the board, its committees and individual directors | A | Disclosed under the Nomination Committee Charter which is available on the Company's website. |
| 2.6 | Companies should provide the information indicated in the Guide to reporting on Principle 2 | A | The skills and experience of Directors are set out in the Company's Annual Report (Directors' Report) and available on its website. The materiality thresholds are assessed on a case-by-case basis, taking into account the relevant Director's specific circumstances, rather than referring to a general materiality threshold. |

A = Adopted

N/A = Not adopted

Corporate Governance Statement

| | ASX Principle | Status | Reference/comment |
|---------------------|--|--------|--|
| Principle 3: | Promote ethical and responsible decision-making | | |
| 3.1 | Companies should establish a code of conduct and disclose the code | A | The Company has formulated a Code of Conduct which can be viewed on the Company's website. |
| 3.2 | Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them | N/A | The Company has established a Diversity Policy, however, the policy does not include requirements for the board to establish measurable objectives for achieving gender diversity. Given the Company's size and stage of development as an exploration company, the board does not think it is yet appropriate to include measurable objectives in relation to gender. As the Company grows and requires more employees, the Company will review this policy and amend as appropriate. |
| 3.3 | Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them | N/A | The Company has established a Diversity Policy, however, the policy does not include requirements for the board to establish measurable objectives for achieving gender diversity. Given the Company's size and stage of development as an exploration company, the board does not think it is yet appropriate to include measurable objectives in relation to gender. |
| 3.4 | Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board. | N/A | There are no women on the Board. The Company does not have any female employees or senior executives. |
| 3.5 | Companies should provide the information indicated in the Guide to reporting on Principle 3 | A | |
| Principle 4: | Safeguard integrity in financial reporting | | |
| 4.1 | The board should establish an audit committee | A | |
| 4.2 | The audit committee should be structured so that it: | | |
| | <ul style="list-style-type: none"> consists only of non-executive directors | N/A | Goldphyre has established an Audit Committee consisting of one executive director (Ron Punch) and two non-executive directors (Chris Clegg and Russell Lynton-Brown). Sourcing alternative directors to strictly comply with this Principle is considered expensive with costs outweighing the potential benefits. |
| | <ul style="list-style-type: none"> consists of a majority of independent directors | A | Goldphyre has established an Audit Committee consisting of one non-independent executive director and two non-executive directors, both of whom are classified as independent. |
| | <ul style="list-style-type: none"> is chaired by an independent chair, who is not chair of the board | A | The chair of the committee is independent and not chair of the board. |
| | <ul style="list-style-type: none"> has at least three members | A | |

A = Adopted

N/A = Not adopted

Corporate Governance Statement

| | ASX Principle | Status | Reference/comment |
|---|---|--------|--|
| 4.3 | The audit committee should have a formal charter | A | The Audit Committee operates under the Audit Committee Charter which lists the main responsibilities of the Committee and is available on the Company's website. |
| 4.4 | Companies should provide the information indicated in the Guide to reporting on Principle 4 | A | The committee is to meet at least annually and otherwise as required. |
| Principle 5: Make timely and balanced disclosure | | | |
| 5.1 | Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance | A | Goldphyre has adopted a Continuous Disclosure Policy. |
| 5.2 | Companies should provide the information indicated in the Guide to reporting on Principle 5 | A | |
| Principle 6: Respect the rights of shareholders | | | |
| 6.1 | Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings | A | The Company has a Shareholder Communication Policy. The Policy specifically encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals and outlines the various ways in which the Company communicates with shareholders. |
| 6.2 | Companies should provide the information indicated in the Guide to reporting on Principle 6 | A | |
| Principle 7: Recognise and manage risk | | | |
| 7.1 | Companies should establish policies for the oversight and management of material business risks | N/A | While the Company does not have formalised policies on risk management the board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at board meetings and risk management culture is encouraged. |
| 7.2 | The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively | N/A | While the Company does not have formalised policies on risk management the board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at board meetings and risk management culture is encouraged. |
| A = Adopted | | | |
| N/A = Not adopted | | | |

Corporate Governance Statement

| | ASX Principle | Status | Reference/comment |
|---|--|--------|--|
| 7.3 | The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks | A | The Board has received the required assurance and declaration. |
| 7.4 | Companies should provide the information indicated in the Guide to reporting on Principle 7 | A | |
| Principle 8: Remunerate fairly and responsibly | | | |
| 8.1 | The board should establish a remuneration committee | A | |
| 8.2 | The remuneration committee should be structured so that it: <ul style="list-style-type: none"> consists of a majority of independent directors is chaired by an independent director has at least three members | A | Goldphyre has established a Remuneration Committee consisting of one non-independent executive director (Ron Punch) and two non-executive directors (Chris Clegg and Russell Lynton-Brown), both of whom are classified as independent. |
| | | A | The chair is independent and is not chair of the board. |
| 8.3 | Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives | A | The Remuneration Committee operates under the Remuneration Committee Charter. The Charter states that no executive is to be directly involved in deciding their own remuneration and that, when making recommendations to the Board, the Committee should clearly distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives. |
| 8.4 | Companies should provide the information indicated in the Guide to reporting on Principle 8 | A | The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. |

A = Adopted

N/A = Not adopted

Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2012

For the Period From
Incorporation to
30 JUNE 2011

| | Notes | 2012 \$ | 30 JUNE 2011 \$ |
|--|-------|------------------|--------------------|
| REVENUE | 4 | 75,977 | 1,312 |
| EXPENDITURE | | | |
| Administration expenses | | (155,969) | (30,816) |
| Depreciation expenses | | (249) | - |
| Employee benefits expenses | | (98,532) | - |
| Exploration expenses | | (521,341) | (79,576) |
| Share-based payments expenses | | (104,100) | - |
| LOSS BEFORE INCOME TAX | | (804,214) | (109,080) |
| INCOME TAX BENEFIT / (EXPENSE) | 5 | - | - |
| TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF GOLDPHYRE RESOURCES LIMITED | | (804,214) | (109,080) |
| Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share) | 18 | (4.0) | (1.1) |

The above Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Statement of Financial Position

| AT 30 JUNE 2012 | Notes | 2012 \$ | 2011 \$ |
|----------------------------------|-------|------------------|------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | 2,253,057 | 303,409 |
| Trade and other receivables | 7 | 54,925 | 59,363 |
| TOTAL CURRENT ASSETS | | 2,307,982 | 362,772 |
| NON-CURRENT ASSETS | | | |
| Plant and equipment | 8 | 3,751 | - |
| TOTAL NON-CURRENT ASSETS | | 3,751 | - |
| TOTAL ASSETS | | 2,311,733 | 362,772 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 9 | 165,258 | 49,250 |
| TOTAL CURRENT LIABILITIES | | 165,258 | 49,250 |
| TOTAL LIABILITIES | | 165,258 | 49,250 |
| NET ASSETS | | 2,146,475 | 313,522 |
| EQUITY | | | |
| Issued capital | 10 | 2,176,364 | 422,602 |
| Reserves | | 883,405 | - |
| Accumulated losses | | (913,294) | (109,080) |
| TOTAL EQUITY | | 2,146,475 | 313,522 |

The above Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.

Statement of Changes in Equity

YEAR ENDED 30 JUNE 2012

| | Notes | Issued Capital \$ | Share-Based Payments Reserve \$ | Accumulated Losses \$ | Total \$ |
|---|-------|----------------------|--|-----------------------------|------------------|
| BALANCE AT INCORPORATION | | - | - | - | - |
| Loss for the period | | - | - | (109,080) | (109,080) |
| TOTAL COMPREHENSIVE LOSS | | - | - | (109,080) | (109,080) |
| TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS | | | | | |
| Shares issued during the period | 10 | 422,602 | - | - | 422,602 |
| BALANCE AT 30 JUNE 2011 | | 422,602 | - | (109,080) | 313,522 |
| Loss for the year | | - | - | (804,214) | (804,214) |
| TOTAL COMPREHENSIVE LOSS | | - | - | (804,214) | (804,214) |
| TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS | | | | | |
| Shares issued during the year | 10 | 2,996,400 | - | - | 2,996,400 |
| Share issue transaction costs | 10 | (1,242,638) | - | - | (1,242,638) |
| Issue of employee and contractor options | 19(d) | - | 104,100 | - | 104,100 |
| Issue of supplier options | 19(d) | - | 779,305 | - | 779,305 |
| BALANCE AT 30 JUNE 2012 | | 2,176,364 | 883,405 | (913,294) | 2,146,475 |

The above Statement of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Statement of Cash Flows

YEAR ENDED 30 JUNE 2012

| | Notes | 2012 \$ | For the Period From Incorporation to 30 JUNE 2011 \$ |
|---|-------|------------------|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Payments to suppliers and employees | | (236,635) | (22,368) |
| Expenditure on mining interests | | (409,152) | (16,538) |
| Interest received | | 57,269 | 1,312 |
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | 17(a) | (588,518) | (37,594) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for plant and equipment | | (4,000) | - |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | | (4,000) | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issues of ordinary shares | | 2,996,400 | 350,102 |
| Payments of share issue costs | | (454,234) | (9,099) |
| NET CASH INFLOW FROM FINANCING ACTIVITIES | | 2,542,166 | 341,003 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | 1,949,648 | 303,409 |
| Cash and cash equivalents at the beginning of the year | | 303,409 | - |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 6 | 2,253,057 | 303,409 |

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

Notes to the Financial Statements

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. The financial statements are for Goldphyre Resources Limited. The financial statements are presented in the Australian currency. Goldphyre Resources Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 13 September 2012. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Goldphyre Resources Limited is a for-profit entity for the purpose of preparing the financial statements. All amounts are presented in Australian dollars unless otherwise stated.

(i) Compliance with IFRS

The consolidated financial statements of Goldphyre Resources Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Company

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iii) Early adoption of standards

The Company has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, which have been measured at fair value.

(b) Segment reporting

An operating segment is defined as a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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

(c) Revenue recognition

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

(d) Income tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Notes to the Financial Statements (continued)

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

(e) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(g) Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(h) Exploration and evaluation costs

Exploration and evaluation costs for each area of interest in the early stages of project life are expensed as they are incurred.

Exploration and evaluation costs for each area of interest that has progressed to pre-feasibility are accumulated. Accumulated costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where pre-feasibility activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect to that area are written off in the financial year the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production has commenced.

(i) Investments and financial instruments

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Statement of Comprehensive Income as gains and losses from investment securities.

Classification and subsequent measurement

(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, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a Company of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the year in which they arise.

(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 using the effective interest rate method.

Notes to the Financial Statements (continued)

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 using the effective interest rate method.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

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.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the Statement of Comprehensive Income.

(j) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rate used for assets held during the year is 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(e)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

(l) Employee benefits

Wages and salaries and annual leave

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

(m) Share-based payments

The Company provides benefits to employees (including directors) of the Company in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 19.

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

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

Notes to the Financial Statements (continued)

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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

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

Options over ordinary shares have also been issued as consideration for the acquisition of interests in tenements and other services. These options have been treated in the same manner as employee options described above, with the expense being included as part of exploration expenditure.

(n) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(o) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

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 taxation authority 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 taxation authority, are presented as operating cash flows.

(q) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Company.

AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013)

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Company has not yet determined any potential impact on the financial statements.

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;

Notes to the Financial Statements (continued)

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- 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.

AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2011) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013)

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Company has not yet determined any potential impact on the financial statements from adopting AASB 9.

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.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

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 brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Company.

AASB 2010-9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011/1 January 2013)

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Company.

AASB 2010-10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2011-7] (applies to periods beginning on or after 1 January 2013)

This Standard makes amendments to AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2011-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009-11 will only affect early adopters of AASB 2009-11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010-7.]

This Standard is not expected to impact the Company.

AASB 1054: Australian Additional Disclosures (applies to periods beginning on or after 1 January 2013)

This Standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.

This Standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:

- compliance with Australian Accounting Standards;
- the statutory basis or reporting framework for financial statements;
- whether the financial statements are general purpose or special purpose;
- audit fees; and
- imputation credits.

This Standard is not expected to impact the Company.

Notes to the Financial Statements (continued)

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB 2011-2: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project – Reduced disclosure regime [AASB 101 & AASB 1054] (applies to periods beginning on or after 1 July 2013)

This Standard makes amendments to the application of the revised disclosures to Tier 2 entities that are applying AASB 1053.

This Standard is not expected to impact the Company.

AASB 10: Consolidated Financial Statements (applies to periods beginning on or after 1 January 2013)

This Standard establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and Interpretation 112 *Consolidation – Special Purpose Entities*.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This Standard is not expected to impact the Company.

AASB 11: Joint Arrangements (applies to periods beginning on or after 1 January 2013)

This Standard replaces AASB 131 *Interests in Joint Ventures* and Interpretation 113 *Jointly-Controlled Entities – Non-monetary Contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition, AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the Company.

AASB 12: Disclosures of Interests in Other Entities (applies to periods beginning on or after 1 January 2013)

This Standard includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The Company has not yet determined any potential impact on the financial statements.

AASB 13: Fair Value Measurement (applies to periods beginning on or after 1 January 2013)

This Standard establishes a single source of guidance under AASB for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under AASB when fair value is required or permitted by AASB. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The Company has not yet determined any potential impact on the financial statements.

AASB 119: Employee Benefits (applicable for annual reporting periods commencing on or after 1 January 2013)

The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The definition of short-term benefits has been revised, meaning some annual leave entitlements may become long-term in nature with a revised measurement. Similarly the timing for recognising a provision for termination benefits has been revised, such that provisions can only be recognised when the offer cannot be withdrawn.

Consequential amendments were also made to other standards via AASB 2011-10.

Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine (applicable for annual reporting periods commencing on or after 1 January 2013)

This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset".

The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate.

None of the other amendments or Interpretations are expected to affect the accounting policies of the Company.

Notes to the Financial Statements (continued)

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Critical accounting judgements, estimates and assumptions

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

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Taxation

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates take into account both the financial performance and position of the Company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

(s) Accounting period

The Company was incorporated as Goldphyre Resources Pty Ltd on 6 April 2011 and subsequently converted to a public company and changed its name to Goldphyre Resources Limited on 3 June 2011. The comparative information included in these financial statements is for the period from incorporation to 30 June 2011.

Notes to the Financial Statements (continued)

30 JUNE 2012

2. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out by the full Board of Directors as the Company believes that it is crucial for all board members to be involved in this process. The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

(a) Market risk

(i) Foreign exchange risk

As all operations are currently within Australia, the Company is not exposed to any material foreign exchange risk.

(ii) Commodity price risk

Given the current level of operations the Company is not exposed to commodity price risk.

(iii) Interest rate risk

The Company is exposed to movements in market interest rates on cash and cash equivalents. The Company policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Company \$2,253,057 (2011: \$303,409) is subject to interest rate risk. The weighted average interest rate received on cash and cash equivalents by the Company was 3.2% (2011: 0.5%).

Sensitivity analysis

At 30 June 2012, if interest rates had changed by +/- 100 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Company would have been \$23,492 lower/higher (2011: \$2,660 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

The Company has no significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements.

As the Company does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(c) Liquidity risk

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Company. Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Company's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Company are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date. Financial assets mature within 3 months of balance date.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Company at the balance date are recorded at amounts approximating their carrying amount due to their short term nature.

Notes to the Financial Statements (continued)

30 JUNE 2012

2012

2011

\$

\$

3. SEGMENT INFORMATION

For management purposes, the Company has identified only one reportable segment being exploration activities undertaken in Australia. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Company's mineral assets in this geographic location.

Segment performance is evaluated based on the operating profit and loss and cash flows and is measured in accordance with the Company's accounting policies.

Exploration segment

| | | |
|---|------------------|------------------|
| Segment revenue | - | - |
| Reconciliation of segment revenue to total revenue before tax: | | |
| Interest revenue | 75,977 | 1,312 |
| Total revenue | 75,977 | 1,312 |
| Segment results | (521,341) | (79,576) |
| Reconciliation of segment result to net loss before tax: | | |
| Other corporate and administration | (282,873) | (29,504) |
| Net loss before tax | (804,214) | (109,080) |
| Segment operating assets | - | - |
| Reconciliation of segment operating assets to total assets: | | |
| Other corporate and administration assets | 2,311,733 | 362,772 |
| Total assets | 2,311,733 | 362,772 |
| Segment operating liabilities | 138,944 | 972 |
| Reconciliation of segment operating liabilities to total liabilities: | | |
| Other corporate and administration liabilities | 26,314 | 48,278 |
| Total liabilities | 165,258 | 49,250 |

4. REVENUE

From continuing operations

Other revenue

| | | |
|----------|--------|-------|
| Interest | 75,977 | 1,312 |
|----------|--------|-------|

5. INCOME TAX

(a) Income tax expense

| | | |
|--------------|---|---|
| Current tax | - | - |
| Deferred tax | - | - |
| | - | - |

(b) Numerical reconciliation of income tax expense to prima facie tax payable

| | | |
|---|-----------|-----------|
| Loss from continuing operations before income tax expense | (804,214) | (109,080) |
| Prima facie tax benefit at the Australian tax rate of 30% | (241,264) | (32,724) |
| Movements in unrecognised temporary differences | 6,416 | 18,814 |
| Tax effect of current period tax losses for which no deferred tax asset has been recognised | 234,848 | 13,910 |
| Income tax expense | - | - |

Notes to the Financial Statements (continued)

30 JUNE 2012

| | 2012 | 2011 |
|--|------|------|
| | \$ | \$ |

5. INCOME TAX (cont'd)**(c) Unrecognised temporary differences****Deferred Tax Assets (at 30%)***On Income Tax Account*

Capital raising costs

| | | |
|--|---------|--------|
| | 108,264 | 11,743 |
|--|---------|--------|

Carry forward tax losses

| | | |
|--|---------|--------|
| | 248,758 | 13,910 |
|--|---------|--------|

| | | |
|--|---------|--------|
| | 357,022 | 25,653 |
|--|---------|--------|

Set off of deferred tax liabilities

| | | |
|--|----------|----------|
| | (24,736) | (21,750) |
|--|----------|----------|

Net deferred tax assets

| | | |
|--|---------|-------|
| | 332,286 | 3,903 |
|--|---------|-------|

Less deferred tax assets not recognised

| | | |
|--|-----------|---------|
| | (332,286) | (3,903) |
|--|-----------|---------|

| | | |
|--|---|---|
| | - | - |
|--|---|---|

Deferred Tax Liabilities (at 30%)

Tenement acquisition costs

| | | |
|--|--------|--------|
| | 24,736 | 21,750 |
|--|--------|--------|

Set off against deferred tax assets

| | | |
|--|----------|----------|
| | (24,736) | (21,750) |
|--|----------|----------|

| | | |
|--|---|---|
| | - | - |
|--|---|---|

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.

The Company's ability to use losses in the future is subject to the Company satisfying the relevant tax authority's criteria for using these losses.

6. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Cash at bank and in hand

| | | |
|--|--------|---------|
| | 71,975 | 303,409 |
|--|--------|---------|

Short-term deposits

| | | |
|--|-----------|---|
| | 2,181,082 | - |
|--|-----------|---|

Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows

| | | |
|--|-----------|---------|
| | 2,253,057 | 303,409 |
|--|-----------|---------|

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

7. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

GST receivable

| | | |
|--|--------|--------|
| | 36,217 | 10,434 |
|--|--------|--------|

Interest receivable

| | | |
|--|--------|---|
| | 18,708 | - |
|--|--------|---|

Deferred expenditure (capital raising costs paid in advance)

| | | |
|--|---|--------|
| | - | 48,929 |
|--|---|--------|

| | | |
|--|--------|--------|
| | 54,925 | 59,363 |
|--|--------|--------|

8. NON-CURRENT ASSETS - PLANT AND EQUIPMENT**Plant and equipment**

Cost

| | | |
|--|-------|---|
| | 4,000 | - |
|--|-------|---|

Accumulated depreciation

| | | |
|--|-------|---|
| | (249) | - |
|--|-------|---|

Net book amount

| | | |
|--|-------|---|
| | 3,751 | - |
|--|-------|---|

Plant and equipment

Opening net book amount

| | | |
|--|---|---|
| | - | - |
|--|---|---|

Additions

| | | |
|--|-------|---|
| | 4,000 | - |
|--|-------|---|

Depreciation charge

| | | |
|--|-------|---|
| | (249) | - |
|--|-------|---|

Closing net book amount

| | | |
|--|-------|---|
| | 3,751 | - |
|--|-------|---|

9. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

Trade payables

| | | |
|--|---------|--------|
| | 121,888 | 27,850 |
|--|---------|--------|

Other payables and accruals

| | | |
|--|--------|--------|
| | 43,370 | 21,400 |
|--|--------|--------|

| | | |
|--|---------|--------|
| | 165,258 | 49,250 |
|--|---------|--------|

Notes to the Financial Statements (continued)

30 JUNE 2012

10. ISSUED CAPITAL

(a) Share capital

| | Notes | 2012 | | 2011 | |
|----------------------------|--------------|------------------|-----------|------------------|---------|
| | | Number of shares | \$ | Number of shares | \$ |
| Ordinary shares fully paid | 10(b), 10(d) | 26,732,010 | 2,176,364 | 11,750,010 | 422,602 |
| Total issued capital | | 26,732,010 | 2,176,364 | 11,750,010 | 422,602 |

(b) Movements in ordinary share capital

| | | | | | |
|--|--|------------|-------------|------------|---------|
| Beginning of the financial year | | 11,750,010 | 422,602 | - | - |
| Issued during the year: | | | | | |
| - Issued at IPO | | 14,982,000 | 2,996,400 | - | - |
| - Issued at incorporation | | - | - | 10 | 2 |
| - Issued to Promoters | | - | - | 1,000,000 | 100 |
| - Issued as consideration for tenement acquisition | | - | - | 7,250,000 | 72,500 |
| - Issued to seed investors | | - | - | 3,500,000 | 350,000 |
| Transaction costs | | - | (1,242,638) | - | - |
| End of the financial year | | 26,732,010 | 2,176,364 | 11,750,010 | 422,602 |

(c) Movements in options on issue

| | Number of options | |
|---|-------------------|------------|
| | 2012 | 2011 |
| Beginning of the financial year | 13,625,000 | - |
| Issued, exercisable at 20 cents, on or before 30 June 2015 | 6,764,800 | 13,625,000 |
| Issued, exercisable at 19.5 cents, on or before 29 May 2016 | 1,000,000 | - |
| End of the financial year | 21,389,800 | 13,625,000 |

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

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

(e) Capital risk management

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Company at 30 June 2012 and 30 June 2011 are as follows:

| | 2012 | 2011 |
|-----------------------------|-----------|----------|
| | \$ | \$ |
| Cash and cash equivalents | 2,253,057 | 303,409 |
| Trade and other receivables | 54,925 | 59,363 |
| Trade and other payables | (165,258) | (49,250) |
| Working capital position | 2,142,724 | 313,522 |

11. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

Notes to the Financial Statements (continued)

30 JUNE 2012

2012

2011

\$

\$

12. KEY MANAGEMENT PERSONNEL DISCLOSURES**(a) Key management personnel compensation**

| | | |
|--------------------------|----------------|----------|
| Short-term benefits | 197,292 | - |
| Post-employment benefits | 8,100 | - |
| Other long-term benefits | - | - |
| Termination benefits | - | - |
| Share-based payments | 104,100 | - |
| | 309,492 | - |

Detailed remuneration disclosures are provided in the remuneration report on pages 5 and 6.

(b) Equity instrument disclosures relating to key management personnel*(i) Options provided as remuneration and shares issued on exercise of such options*

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on page 6.

(ii) Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of Goldphyre Resources Limited and other key management personnel of the Company, including their personally related parties, are set out below:

| 2012 | Balance at start of the year | Granted as compensation | Exercised | Other changes | Balance at end of the year | Vested and exercisable | Unvested |
|---|------------------------------|-------------------------|-----------|---------------|----------------------------|------------------------|----------|
| <i>Directors of Goldphyre Resources Limited</i> | | | | | | | |
| Ron Punch | 1,000,000 | 1,000,000 | - | - | 2,000,000 | 2,000,000 | - |
| Brenton Siggs | 3,625,000 | - | - | - | 3,625,000 | 3,625,000 | - |
| Russell Lynton-Brown | 2,000,000 | - | - | - | 2,000,000 | 2,000,000 | - |
| Christopher Clegg | 2,000,000 | - | - | - | 2,000,000 | 2,000,000 | - |

All vested options are exercisable at the end of the year.

| 2011 | Balance at start of the year | Granted as compensation | Exercised | Other changes | Balance at end of the year | Vested and exercisable | Unvested |
|--|------------------------------|-------------------------|-----------|---------------|----------------------------|------------------------|----------|
| <i>Directors of Goldphyre Resources Limited</i> | | | | | | | |
| Ron Punch | - | - | - | 1,000,000 | 1,000,000 | 1,000,000 | - |
| Brenton Siggs | - | - | - | 3,625,000 | 3,625,000 | 3,625,000 | - |
| Russell Lynton-Brown | - | - | - | 2,000,000 | 2,000,000 | 2,000,000 | - |
| Christopher Clegg | - | - | - | 2,000,000 | 2,000,000 | 2,000,000 | - |
| <i>Other key management personnel of the Company</i> | | | | | | | |
| John Ribbons | - | - | - | - | - | - | - |

Notes to the Financial Statements (continued)

30 JUNE 2012

12. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(iii) Shareholdings

The numbers of shares in the company held during the financial year by each director of Goldphyre Resources Limited and other key management personnel of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2012

| | Balance at start of the year | Received during the year on the exercise of options | Other changes during the year | Balance at end of the year |
|---|------------------------------|---|-------------------------------|----------------------------|
| <i>Directors of Goldphyre Resources Limited</i> | | | | |
| Ordinary shares | | | | |
| Ron Punch | - | - | - | - |
| Brenton Siggs | 7,250,000 | - | - | 7,250,000 |
| Russell Lynton-Brown | - | - | 60,000 | 60,000 |
| Christopher Clegg | - | - | 75,000 | 75,000 |

2011

| | Balance at start of the year | Received during the year on the exercise of options | Other changes during the year | Balance at end of the year |
|--|------------------------------|---|-------------------------------|----------------------------|
| <i>Directors of Goldphyre Resources Limited</i> | | | | |
| Ordinary shares | | | | |
| Ron Punch | - | - | - | - |
| Brenton Siggs | - | - | 7,250,000 | 7,250,000 |
| Russell Lynton-Brown | - | - | - | - |
| Christopher Clegg | - | - | - | - |
| <i>Other key management personnel of the Company</i> | | | | |
| Ordinary shares | | | | |
| John Ribbons | - | - | - | - |

(c) Loans to key management personnel

There were no loans to key management personnel during the year.

(d) Other transactions with key management personnel

Services

Reefus Geology Services, a business controlled by Mr Brenton Siggs, is engaged through an executive service agreement to provide technical geological management services to the Company during the year. The amounts paid were at arms' length and are included as part of Mr Siggs' compensation.

Statewide Tenement Management, a business controlled by Mr Christopher Clegg, provided tenement management services to the Company during the year totalling \$27,623 (2011: Nil). The amounts paid were on arms' length commercial terms.

Resminco Pty Ltd, a company associated with Mr Michael Punch (Mr Ron Punch's son), provided corporate advisory services to the Company during the year totalling \$108,000 (2011: Nil). The amounts paid were on arms' length commercial terms. Resminco Pty Ltd was issued 1,000,000 ordinary shares at \$0.0001 and 5,000,000 options during the 2011 financial period.

Acquisitions

Goldphyre WA Pty Ltd ("Vendor") and the Company are parties to a sale of Mining Tenements Agreement dated on or about 11 April 2011 under which the Company has acquired a 100% interest in 9 Tenements. In consideration, the Company issued the Vendor 7,250,000 ordinary shares and 3,625,000 options (with an exercise price of 20 cents and expiry date of 30 June 2015) during the 2011 financial period. The Company will potentially issue further ordinary shares to the Vendor, refer to note 14.

Mr Brenton Siggs is a director of the Vendor and ultimately controls 60% of the Vendor's holding in the Company.

Notes to the Financial Statements (continued)

30 JUNE 2012

2012

2011

\$

\$

13. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

(a) Audit services

Bentleys Audit & Corporate (WA) Pty Ltd – audit and review of financial reports

13,500 6,000

Total remuneration for audit services

13,500 6,000

(b) Non-audit services

Bentleys Audit & Corporate (WA) Pty Ltd – independent accountants report

4,000 4,000

Total remuneration for other services

4,000 4,000

14. CONTINGENCIES**Tenement Acquisition Agreement**

Goldphyre WA Pty Ltd (“Vendor”) and the Company are parties to a sale of Mining Tenements Agreement dated on or about 11 April 2011 (“Tenement Sale Agreement”) under which the Company has acquired a 100% interest in 9 Tenements. In consideration, the Company issued the Vendor 7,250,000 ordinary shares and 3,625,000 options (with an exercise price of 20 cents and expiry date of 30 June 2015) during the 2011 financial period. The Company will also issue the Vendor with further ordinary shares in the following circumstances, subject to any necessary regulatory or shareholder approvals:

- a) 2,000,000 ordinary shares upon the Company delineating 250,000 ounces of JORC measured gold or equivalent (as a single commodity) that can be verified as an economic deposit by an independent expert, on a tenement acquired from the Vendor;
- b) 2,000,000 ordinary shares upon the Company delineating a further 250,000 ounces of JORC measured gold or equivalent (as a single commodity) that can be verified as an economic deposit by an independent expert, on a tenement acquired from the Vendor; and
- c) 3,000,000 ordinary shares upon the Company completing a bankable feasibility study in any of the tenements acquired from the Vendor.

Subject to the grant of a waiver in writing from ASX from Condition 10 of Chapter 1 of the Listing Rules the Company agrees to pay the Vendor a 2% net smelter royalty on any mineral won from the tenements acquired from the Vendor.

15. COMMITMENTS**Exploration commitments**

The Company has certain commitments to meet minimum expenditure requirements on the mining exploration assets it has an interest in. Outstanding exploration commitments are as follows:

within one year

338,220 314,720

later than one year but not later than five years

537,720 358,220

875,940 672,940

16. EVENTS OCCURRING AFTER THE REPORTING DATE

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

17. STATEMENT OF CASH FLOWS**(a) Reconciliation of net loss after income tax to net cash outflow from operating activities**

Net loss for the year

(804,214) (109,080)

Non-Cash Items

Depreciation of non-current assets

249 -

Share-based payments expense

104,100 -

Exploration expenses settled by the issue of shares (refer note 17(b))

- 72,500

Change in operating assets and liabilities

(Increase) in trade and other receivables

(44,491) (10,434)

Increase in trade and other payables

155,838 9,420

Net cash outflow from operating activities

(588,518) (37,594)

Notes to the Financial Statements (continued)

30 JUNE 2012

2012

2011

\$

\$

17. STATEMENT OF CASH FLOWS (cont'd)

(b) Non-cash investing and financing activities

During the financial year ended 30 June 2012, 6,764,800 options exercisable at 20 cents on or before 30 June 2015 were granted as consideration for capital raising fees in accordance with the terms of the IPO Prospectus. These options were valued at \$779,305 (refer note 19(b)) which has been included in share issue transaction costs as part of Issued Capital.

During the financial period ended 30 June 2011, 7,250,000 ordinary shares were issued at a deemed cost of \$72,500 as consideration for tenement acquisition. This amount has been expensed as part of 'Exploration expenses' on the statement of comprehensive income in accordance with the Company's accounting policy.

18. LOSS PER SHARE

(a) Reconciliation of earnings used in calculating loss per share

Loss attributable to the owners of the Company used in calculating basic and diluted loss per share

(804,214)(109,080)

Number of shares

2012

2011

(b) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share

20,262,0219,520,598

(c) Information on the classification of options

As the Company has made a loss for the year ended 30 June 2012, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

19. SHARE-BASED PAYMENTS

(a) Employees and Contractors Option Plan

The Company provides benefits to employees (including directors) and contractors of the Company in the form of share-based payment transactions, whereby employees render services in exchange for options to acquire ordinary shares. The exercise price of the options granted is 19.5 cents per option. All options granted have an expiry date of 29 May 2016.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights.

Fair value of options granted

The weighted average fair value of the options granted during the year was 10.4 cents (2011: N/A). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

| | 2012 | 2011 |
|---|--------|------|
| Weighted average exercise price (cents) | 19.5 | - |
| Weighted average life of the option (years) | 4.0 | - |
| Weighted average underlying share price (cents) | 13.5 | - |
| Expected share price volatility | 127.0% | - |
| Risk free interest rate | 2.60% | - |

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

(b) Supplier Options

Suppliers have been granted options in accordance with the terms of the IPO prospectus. The exercise price of the options granted is 20 cents with an expiry date of 30 June 2015.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share in the capital of the company with full dividend and voting rights.

Notes to the Financial Statements (continued)

30 JUNE 2012

19. SHARE-BASED PAYMENTS (cont'd)

Fair value of options granted

The weighted average fair value of the options granted during the year was 11.5 cents (2011: N/A). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

| | 2012 | 2011 |
|---|-------|------|
| Weighted average exercise price (cents) | 20.0 | - |
| Weighted average life of the option (years) | 3.6 | - |
| Weighted average underlying share price (cents) | 20.0 | - |
| Expected share price volatility | 80% | - |
| Risk free interest rate | 3.24% | - |

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

Set out below are summaries of the share-based payment options granted per (a) and (b):

| | 2012 | | 2011 | |
|--|-------------------|---------------------------------------|-------------------|---------------------------------------|
| | Number of options | Weighted average exercise price cents | Number of options | Weighted average exercise price cents |
| Outstanding at the beginning of the year | - | - | - | - |
| Granted | 7,764,800 | 19.9 | - | - |
| Forfeited | - | - | - | - |
| Exercised | - | - | - | - |
| Expired | - | - | - | - |
| Outstanding at year-end | 7,764,800 | 19.9 | - | - |
| Exercisable at year-end | 7,764,800 | 19.9 | - | - |

The weighted average remaining contractual life of share options outstanding at the end of the period was 3.1 years (2011: N/A), and the exercise prices range from 19.5 cents to 20 cents.

(c) Shares issued to suppliers

During the financial period ended 30 June 2011, 7,250,000 ordinary shares were issued at a deemed cost of \$72,500 as consideration for tenement acquisition. This amount has been expensed as part of 'Exploration expenses' on the statement of comprehensive income in accordance with the Company's accounting policy.

(d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year were as follows:

| | 2012 | 2011 |
|--|----------------|---------------|
| | \$ | \$ |
| Options issued to employees shown as share-based payments | 104,100 | - |
| Options issued to suppliers as part of share issue transaction costs | 779,305 | - |
| Shares issued to suppliers as part of exploration expenses | - | 72,500 |
| | 883,405 | 72,500 |

Directors' Declaration

In the directors' opinion:

- (a) the financial statements comprising the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and accompanying notes set out on pages 15 to 34 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the financial period ended on that date;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

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

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



Ron Punch

Executive Chairman

Perth, 13 September 2012

Independent Auditor's Report

To the Members of Goldphyre Resources Limited

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

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 whether the financial report is free from material misstatement.

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

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



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Independent Auditor's Report

To the Members of Goldphyre Resources Limited (*Continued*)



Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Auditor's Opinion

In our opinion:

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

Report on the Remuneration Report

We have audited the Remuneration Report included in directors' report for the year ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Goldphyre Resources Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in blue ink that reads "Bentleys".

BENTLEYS
Chartered Accountants

A handwritten signature in blue ink that reads "Chris Watts".

CHRIS WATTS CA
Director

DATED at PERTH this 13th day of September 2012

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 13 September 2012.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

| | | Ordinary shares | |
|---|-----------|-------------------|------------------|
| | | Number of holders | Number of shares |
| 1 | - 1,000 | 1 | 1 |
| 1,001 | - 5,000 | 5 | 15,578 |
| 5,001 | - 10,000 | 193 | 1,918,999 |
| 10,001 | - 100,000 | 151 | 6,590,585 |
| 100,001 | and over | 31 | 18,206,847 |
| | | 381 | 26,732,010 |
| The number of shareholders holding less than a marketable parcel of shares are: | | 5 | 10,579 |

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

| | | Listed ordinary shares | |
|----|---|------------------------|-------------------------------|
| | | Number of shares | Percentage of ordinary shares |
| 1 | Goldphyre WA Pty Ltd | 7,250,000 | 27.12 |
| 2 | Global Dor Pty Ltd | 3,000,000 | 11.22 |
| 3 | Resminco Pty Ltd | 1,005,000 | 3.76 |
| 4 | KGBR Future Fund Pty Ltd | 1,000,000 | 3.74 |
| 5 | Miu Andrew Kar Wai | 860,000 | 3.22 |
| 6 | Mandarian Sec Limited | 500,000 | 1.87 |
| 7 | Twofivetwo Pty Ltd | 425,000 | 1.59 |
| 8 | Kijenya Pty Ltd <Kijenya S/F A/C> | 300,000 | 1.12 |
| 9 | DF Lynton-Brown Pty Ltd <S/F A/C> | 250,000 | 0.94 |
| 10 | Monex Boom Sec HK Ltd <Clients Account> | 245,356 | 0.92 |
| 11 | Archfield Holdings Pty Ltd | 235,000 | 0.88 |
| 12 | Sheppard Peter D & SF <Sheppard Family S/F A/C> | 228,131 | 0.85 |
| 13 | Kazac Pty Ltd <Kazac Svc A/C> | 200,000 | 0.75 |
| 14 | Cuzinc2 Pty Ltd <Cox Inv A/C> | 200,000 | 0.75 |
| 15 | Tanner Grant Ross | 182,000 | 0.68 |
| 16 | Ribbons Antoinette Janet | 180,010 | 0.67 |
| 17 | Everingham Paul A & EJ <Everingham S/F A/C> | 180,000 | 0.67 |
| 18 | Vyse Super Pty Ltd <Vyse S/F A/C> | 180,000 | 0.67 |
| 19 | Benlee Co Pty Ltd <Benlee A/C> | 180,000 | 0.67 |
| 20 | Worldwide Business Ltd | 158,850 | 0.59 |
| | | 16,759,347 | 62.88 |

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

| | Number of Shares |
|--------------------------------|------------------|
| Goldphyre Resources WA Pty Ltd | 7,250,000 |

ASX Additional Information

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(e) Schedule of interests in mining tenements

| Location | Tenement | Percentage held / earning |
|---------------------------------|----------|---------------------------|
| Island View, Western Australia | E15/1049 | 100 |
| Island View, Western Australia | E15/1050 | 100 |
| Mailman Hill, Western Australia | E37/0990 | 100 |
| Mailman Hill, Western Australia | E37/7877 | 100 |
| Lake Wells, Western Australia | E38/1903 | 100 |
| Lake Wells, Western Australia | E38/2113 | 100 |
| Lake Wells, Western Australia | E38/2114 | 100 |
| Lake Wells, Western Australia | E38/2505 | 100 |
| Yarmarna, Western Australia | E38/1949 | 100 |

(f) Restricted Securities

The number of restricted securities on issue are:

| Class | Number of Restricted Securities | Date Escrow Period Ends |
|---|---------------------------------|-------------------------|
| Ordinary Fully Paid Shares | 8,500,000 | 20 December 2013 |
| Unlisted 20 cent Options, Expiry 30 June 2015 | 20,389,800 | 20 December 2013 |

(g) Unquoted Securities

| Class | Number of Securities | Number of Holders | Holders of 20% or more of the class | |
|--|----------------------|-------------------|--|----------------------|
| | | | Holder Name | Number of Securities |
| Fully Paid Ordinary Shares | 8,500,000 | 3 | Goldphyre WA Pty Ltd | 7,250,000 |
| Unlisted 20 cent Options, Expiry 30 June 2015 | 20,389,800 | 31 | Resminco Pty Ltd | 5,000,000 |
| Unlisted 19.5 cent Options, Expiry 29 May 2016 | 1,000,000 | 1 | Tretheway Pty Ltd <The Westralian Trading A/C> | 1,000,000 |

(h) Use of Funds

The Company has, during the period from admission to the Official List of the ASX to 30 June 2012, used the funds that it had at the time of admission in a way consistent with its initial business objectives.