

# **ORO VERDE LIMITED**

**(Formerly Ezenet Limited)**

**A.B.N. 84 083 646 477**

**ANNUAL REPORT**

**30 JUNE 2012**

**ORO VERDE LIMITED**  
**CORPORATE DIRECTORY**  
**A.B.N. 84 083 646 477**

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This annual report covers both Oro Verde Limited as an individual entity and the consolidated entity comprising Oro Verde Limited and its subsidiaries. The consolidated entity's functional and presentation currency is AUD (\$).

A description of the consolidated entity's operations and of its principal activities is included in the review of operations and activities in the directors' report.

**Directors**

W G Martinick (Executive Chairman and Managing Director)

G R O'Dea (Non-Executive Director)

D H Ward (Non-Executive Director)

B L Farrell (Technical Director)

**Company Secretary**

B D Dickson

**Registered Office and Principal Place of Business**

Level 1  
30 Richardson Street  
West Perth WA 6005  
Telephone: 08 9481 2555  
Fax: 08 9485 1290

**Share Registry**

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153

**Auditors**

Hewitt, Turner & Gelevitis  
Suite 4, 1<sup>st</sup> Floor  
63 Shepperton Road  
Victoria Park WA 6100

**Bank**

National Australia Bank  
Level 1 Gateway Building  
177-179 Davy Street  
Booragoon WA 6154

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The information in this report that relates to Exploration Results and Exploration Targets is based on information compiled by Dr Brad Farrell, BSc Hons Eco Geol, MSc, PhD, a consultant to the Company. Dr Farrell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking. This qualifies Dr Farrell as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Farrell consents to the inclusion in the report of the foregoing matters based on his information in the form and context in which it appears. Dr Farrell is a Fellow of the Australasian Institute of Mining and Metallurgy, a Chartered Professional Geologist of that body and a Member of the Mineral Industry Consultants Association (the Consultants Society of the Australasian Institute of Mining and Metallurgy).

Your directors submit their report on the consolidated entity (referred to hereunder as the group) consisting of Oro Verde Limited (Formerly Ezenet Limited) and the entities it controlled at the end of, or during, the year ended 30 June 2012.

## **DIRECTORS**

The names and details of the directors of Oro Verde Limited in office during the whole of the financial year and until the date of this report are as follows:

### **W G Martinick** B.Sc, Ph.D. FAIMM. (Executive Chairman and Managing Director)

Dr Wolf Martinick was appointed a director and chairman on 13 January 2003. On 8 August 2011 he was appointed Managing Director. He is an environmental scientist with over 40 years experience in mineral exploration and mining projects around the world, attending to environmental, water, land access and indigenous people issues. He has conducted due diligence on mining projects around the world on behalf of international financial institutions and resource companies for a variety of transactions including listings on international stock exchanges, mergers and debt financing. He is a Fellow of the Australian Institute of Mining and Metallurgy.

Dr Martinick is a founding director and former chairman of Weatherly International plc, an AIM listed company with copper mines in Namibia. Previously Dr Martinick was a founding director of Basin Minerals Limited, an ASX listed mineral exploration company that discovered a world-class mineral project in Victoria, Australia, that was acquired by Iluka Resources Limited in 2003. He is currently Chairman of ASX listed Sun Resources Limited and a director of Azure Minerals Limited. During the last three years Dr Martinick was also a director of Windimurra Vanadium Ltd (resigned 2 October 2009) and Uran Limited (resigned 12 November 2010).

### **G R O'Dea** (Non-Executive Director)

Mr Ross O'Dea was appointed a director on 7 March 2002 and Managing Director on 1 September 2007. On 8 August 2011 Mr O'Dea resigned as Managing Director. He is a former Business Development Manager for The West Australian Newspaper with 35 years media experience in radio, television, press and outdoor advertising. Mr O'Dea was contracted to the TAB Western Australia as Manager, Media Services, a contract which concluded on 11 June 2004. Mr O'Dea was appointed Managing Director on 1 September 2007 and was responsible for the overall performance of the Oro Verde Group until his resignation as Managing Director on 8 August 2011.

Mr O'Dea holds no other directorships in listed companies.

### **D H Ward** Assoc. Admin., Assoc. Acctg., CTA, ACA. (Non-Executive Director)

Mr David Ward was appointed a director on 22 July 2005. After service in the Australian Army, Mr Ward graduated from the WA Institute of Technology in Accounting and Business Administration, and trained as an Auditor and Tax Agent. Having established the "Tax Hut" tax and accounting centres in 1995, he practices in West Perth and participates in organisations providing family and community dispute resolution.

Mr Ward has no other directorships in listed companies.

### **B L Farrell** B.Sc (Hons Econ Geol), M.Sc, Ph.D, FAIMM, MICA, CPGeol, MIMM, CEng. (Technical Director)

Dr Brad Farrell was appointed a director on 8 August 2011. Dr Farrell has over 40 years experience in resource exploration and senior project management and evaluation. During this time he has managed numerous and extensive exploration programs within Australia and overseas for a variety of mineral commodities for both major and junior exploration companies. Some of these programs have resulted in significant discoveries, which are currently in production or will see future production. He is a Fellow of the Australian Institute of Mining and Metallurgy, a Chartered Professional Geologist of that body, Member of Mineral Industry Consultants Association, a Member of the Institution of Mining and Metallurgy and a Chartered Engineer of that body.

Dr Farrell was a founding director and the chairman of ASX listed companies, Sun Resources Limited and Basin Minerals Limited.

**COMPANY SECRETARY**

**B D Dickson** BBus, CPA

Mr Brett Dickson was appointed Joint Company Secretary on 1 July 2009. He is a Certified Practising Accountant with a Bachelors degree in Economics and Finance from Curtin University and has over 20 years experience in the financial management of companies, principally companies in early stage development of its resource or product, and offers broad financial management skills. He has been Chief Financial Officer for a number of resource companies listed on the ASX. In addition he has had close involvement with the financing and development of a number of greenfield resources projects.

**INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY**

As at the date of this report the interests of the directors in the securities of the company were:

|               | <b>Number of<br/>Ordinary Shares</b> | <b>Number of Options<br/>over Ordinary Shares</b> |
|---------------|--------------------------------------|---------------------------------------------------|
| W G Martinick | 11,348,922                           | 7,500,000                                         |
| G R O'Dea     | 299,476                              | 500,000                                           |
| D H Ward      | 981,266                              | 150,000                                           |
| B L Farrell   | 5,086,443                            | 7,500,000                                         |

**INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY**

During or since the end of the financial year, no director has had any interest in a contract or proposed contract with the company being an interest the nature of which has been declared by the director in accordance with Section 300(11)(d) of the Corporations Act 2001.

**DIRECTORS' MEETINGS**

During the year 6 directors' meetings were held. The number of meetings attended by each director was as follows:

|               | <b>No. of meetings held while<br/>in office</b> | <b>Meetings attended</b> |
|---------------|-------------------------------------------------|--------------------------|
| W G Martinick | 6                                               | 6                        |
| B L Farrell   | 5                                               | 5                        |
| G R O'Dea     | 6                                               | 6                        |
| D H Ward      | 6                                               | 5                        |

As at the date of this report, the company did not have audit, remuneration or nomination committees, as the directors believe the size of the company does not warrant their existence.

**DIVIDENDS PAID OR PROPOSED**

The company has not paid any dividends since the commencement of the financial year, and no dividends are proposed to be paid.

**CORPORATE INFORMATION**

The Financial Statements of Oro Verde Limited for the year ended 30 June 2012 were authorised for issue in accordance with a resolution of the directors on 25 September 2012. The group's functional and presentation currency is AUD (\$).

Oro Verde Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

**Principal Activities**

The principal activity during the year of the group was investment in the mining and resource sector.

The group's business is conducted from operations located in Australia and more recently in Chile through its 100% owned subsidiary Green Mining Limitada.

### **Employees**

Other than the Directors the group employed 1 person at 30 June 2012 (2011: 1).

## **OPERATING AND FINANCIAL REVIEW**

### **Group Overview**

Oro Verde Limited is a company limited by shares and is incorporated and domiciled in Australia.

At the date of this report the Group is conducting exploration activities in Chile and continues reviewing opportunities for both direct and indirect investment in the resources sector.

### **Operating Results**

The group's revenue was \$101,819 and the loss was \$7,149,945 for the financial year. Exploration expenses written off (\$3,130,721) and the accounting treatment for options issued during the year (\$2,407,532) account for approximately 78% of this year's loss.

|                         | <b>2012</b> | <b>2011</b> |
|-------------------------|-------------|-------------|
|                         | <b>\$</b>   | <b>\$</b>   |
| Operating revenue       | 101,819     | 634,660     |
| Operating profit/(loss) | (7,149,945) | 412,292     |

### **Year in Review**

At a meeting of shareholders held on 28 November 2011 approval was received for the Company to change its name from Ezenet Limited to Oro Verde Limited and move to a mining and exploration entity. As part of that change, and to comply with Australian Securities Exchange listing requirements, the Company undertook a 1:3 capital reconstruction which saw the number of shares reduce from 181,569,497 to 60,523,536.

During the year the Group entered into agreements to acquire the Chuminga and Vega exploration projects and in addition to the acquisition of those exploration projects the company undertook a series of capital raisings which resulted in 25,055,475 shares being issued at \$0.20 each raising \$5,011,095.

### Cash

At 30 June 2012 the cash balance of the group stood at \$3,207,391.

### Investments

During the year the Group sold the majority of its listed investments resulting in proceeds of \$2,363,112 and a profit of \$868,881. The Group retains a holding of 78,609 shares in China Africa Resources plc with a value at 30 June 2012 of \$23,561.

### Chuminga

In June 2011 Oro Verde executed an agreement ("Agreement") with the Chilean company SCM Compania Minera Chuminga ("Vendor"), a member of the well known Chilean Errazuriz Hochschild family mining Group of Companies, to acquire a 100% interest in the advanced and highly prospective Chuminga Copper - Gold Project ("Project") in the Second Region of Chile.

The Chuminga Copper-Gold Project is targeting a well mineralised hydrothermal copper-gold stock work breccia developed at a coastal location, approximately 120 kilometres south of Antofagasta. It lies on the western contact of a granodiorite stock on a mountain side at 600 to 700 metres above sea level. The Company commenced the first phase of a 12 hole / 2,140 metre drilling program in January 2012, to test an approximate strike of 300 metres of the easterly dipping mineralised breccia exploration target on 4 sections in the environs of the surface trenching and exploratory tunnels transecting the mineralised body. The aim of the program was to establish the true nature of the conceptual target previously identified, in particular the true width, grade and depth potential of the mineralisation leading to the determination of the bulk tonnage potential of the breccia mineralisation at this location.

Four key holes have now been drilled at Chuminga as vertical holes on four sections (A, B, C and D). Three of the holes (SA1, SC1 and SD2) were completed during the quarter. Assay results have been received for all four holes. The copper (Cu) and gold (Au) results of these four holes are tabulated below at various Cu cut off grades.

Core hole SA1, on Section A (7268754mN 343600mE, 694m ASL elevation, a vertical hole) completed at 179 metres depth.

| Cu% cut off | From (m) | To (m) | Interval (m) | Cu % | Au g/t |
|-------------|----------|--------|--------------|------|--------|
| >0.50%      | 98       | 116    | 18           | 0.98 | 0.13   |
| >0.75%      | 98       | 115    | 17           | 1.00 | 0.13   |
| >1.00%      | 98       | 108    | 10           | 1.11 | 0.13   |

Core hole SB2, on Section B (7268817mN 343567mE, 692m ASL elevation, a vertical hole) completed at 155 metres depth.

| Cu% cut off | From (m) | To (m) | Interval (m) | Cu % | Au g/t |
|-------------|----------|--------|--------------|------|--------|
| >0.50%      | 65       | 126    | 61           | 0.90 | 0.15   |
| >0.75%      | 74       | 94     | 20           | 0.93 | 0.15   |
|             | 98       | 126    | 28           | 1.07 | 0.16   |
| >1.00%      | 74       | 80     | 6            | 1.07 | 0.10   |
|             | 89       | 94     | 5            | 1.08 | 0.21   |
|             | 99       | 104    | 5            | 1.30 | 0.14   |
|             | 111      | 116    | 5            | 1.20 | 0.24   |
|             | 118      | 126    | 8            | 1.30 | 0.15   |

Core hole SC1, on Section C (7268850mN 343573mE, 696m ASL elevation, a vertical hole) completed at 143.55 metres depth.

| Cu% cut off | From (m) | To (m) | Interval (m) | Cu % | Au g/t |
|-------------|----------|--------|--------------|------|--------|
| >0.50%      | 66       | 67     | 1            | 0.66 | 0.03   |
|             | 70       | 73     | 3            | 0.52 | 0.03   |
|             | 75       | 109    | 34           | 0.61 | 0.08   |
|             | 111      | 114    | 3            | 0.55 | 0.06   |
|             | 116      | 122    | 6            | 0.62 | 0.04   |
|             | 124      | 125    | 1            | 0.79 | 0.21   |
|             | 127      | 128    | 1            | 1.00 | 0.07   |
|             | 130      | 131    | 1            | 0.51 | 0.16   |
|             | 133      | 135    | 2            | 0.76 | 0.09   |
| >0.75%      | 70       | 71     | 1            | 0.83 | 0.02   |
|             | 88       | 89     | 1            | 1.03 | 0.20   |
|             | 94       | 95     | 3            | 1.03 | 0.12   |
|             | 100      | 103    | 3            | 0.94 | 0.12   |
|             | 117      | 118    | 1            | 0.78 | 0.08   |
|             | 124      | 125    | 1            | 0.79 | 0.21   |
|             | 127      | 128    | 1            | 1.00 | 0.07   |
| >1.00%      | 88       | 89     | 1            | 1.03 | 0.21   |
|             | 94       | 95     | 1            | 1.12 | 0.16   |
|             | 100      | 101    | 1            | 1.35 | 0.15   |
|             | 127      | 128    | 1            | 1.00 | 0.07   |

Core hole SD2, on Section D (7268785mN 343560mE 680m ASL elevation, a vertical hole) completed at 133.45 metres depth.

| <b>Cu% cut off</b> | <b>From (m)</b> | <b>To (m)</b> | <b>Interval (m)</b> | <b>Cu %</b> | <b>Au g/t</b> |
|--------------------|-----------------|---------------|---------------------|-------------|---------------|
| >0.50%             | 54              | 102           | 48                  | 0.78        | 0.09          |
|                    | 105             | 109           | 4                   | 0.86        | 0.20          |
| >0.75%             | 62              | 63            | 1                   | 0.93        | 0.06          |
|                    | 72              | 76            | 4                   | 0.98        | 0.14          |
|                    | 78              | 85            | 7                   | 0.96        | 0.11          |
|                    | 88              | 102           | 14                  | 0.98        | 0.12          |
|                    | 106             | 108           | 2                   | 1.00        | 0.27          |
| >1.00%             | 72              | 73            | 1                   | 1.18        | 0.26          |
|                    | 75              | 76            | 1                   | 1.46        | 0.14          |
|                    | 80              | 85            | 5                   | 1.13        | 0.13          |
|                    | 91              | 95            | 4                   | 1.12        | 0.16          |
|                    | 97              | 98            | 1                   | 1.19        | 0.17          |
|                    | 100             | 102           | 2                   | 1.35        | 0.10          |
|                    | 106             | 107           | 1                   | 1.10        | 0.33          |

Drilling was halted mid-June 2012 because of the capability of the drilling rig to drill further angle holes on the current pads. A further two angle holes are planned on each of the four sections subject to a positive geological and conceptual mining analysis of the results of the four holes drilled to date as complex faulting and compartmentisation has affected the breccia ore body at this location. This review will be carried out in the September 2012 quarter.

At the end of the June 2012 quarter an infill stream sediment program was completed following up previously delineated stream sediment anomalies and ASTER satellite imagery alteration features. Results have been received from the laboratory for the collected samples and are currently being reviewed with other Chumunga data.

### The Vega Project

Oro Verde Limited holds a 100% interest in the Vega Project targeting gold in the El Indio Gold Belt. The project comprises ten Exploration Concessions covering an area of 28km<sup>2</sup>, located 22 kilometres north of the famous El Indio Gold Mining Centre in the Fourth Region of Chile. El Indio produced 4.5 million ounces of gold, 25 million ounces of silver and 472,000 tonnes of copper from underground and open pit operations in its 23 year life from 1979 to 2002.

The exploration target at Vega is an undrilled, anomalous epithermal system emplaced within the Sancarron caldera ring fault, a geological setting similar to other nearby 15-22 million years ("my") old, mid-late Tertiary, volcanic and volcano-clastic rocks hosting 5-7 my old, late Tertiary, epithermal Au and Au-Cu deposits.

A litho-geochemical survey and a CSAMT geophysical survey had been previously undertaken over a 5km<sup>2</sup> alteration area on the northern, scree covered slopes of the Sancarron valley, down to the valley floor, between 3,600m and 3,900m ASL. Anomalies were reported as being associated with the argillic-silicic (acid sulphate) altered volcanics of the Late Oligocene to Early Miocene (17-22 my old) Dona Ana Formation which have been intruded by younger (15-18 my old), sulphidic Infiernillo Intrusives. Both the volcanics and the intrusives have been emplaced in the caldera ring fault structure along the curving flanks of the Sancarron River valley.

The main target in the CSAMT are strong silicification features associated with structure, especially below the valley floor, though these features are possible due to altered Infiernillo Intrusives that outcrop in the western portion of the valley. Silica flooding is noted both at the Tambo and Pascua-Lama projects of Barrick, and in both cases the high level, intense silicification has a virtual absence of precious metals, but in both cases, a short distance below or laterally, economic grades have been discovered. In particular,

some silicification features in the Vega CSAMT survey (lines 4 and 5) were noted to be analogous to features in published CSAMT line data over the Pascua Lama and Veladero epithermal gold deposits. Some CSAMT features were also noted to be coincident with anomalous litho-geochemistry, for example those on CSAMT line 4, with As, Cu, Mo (Sb, Hg, Pb, Zn), whilst separate to the CSAMT, the eastern brecciated, silicified, iron stained volcanic ridge in the prospect area was coincident with anomalous As (Au).

Eight targets were selected for drilling. Notwithstanding the presence of outcropping sulphidic Infiernillo Intrusives in the valley on CSAMT lines 1 and 2, which suggested that this was the probable cause of the large CSAMT silicification features on the lines at these locations, holes were also nominated to verify this observation.

In late February 2012, Oro Verde completed a first phase RC drilling program of 8 holes for 1,142 metres of a planned 2,500 metres drilling program. Laboratory results for As, Ag, Au, Cu, Pb and Zn for the RC drilling program were not received until 21 May 2012 due the overloaded laboratory facilities in Chile.

Despite the presence of perched water tables with high water flows that curtailed meaningful sampling and hence terminated drill holes, logging revealed extensive anomalous, highly altered, sulphidic dacite porphyries in which visible copper and molybdenum mineralisations are present. However, this was contrary to initial expectations due to the major lithology intersected in all holes being a suite of sulphidic Infiernillo Intrusives (dacite porphyry, quartz (eye) dacite porphyry, fine grained feldspar porphyry). Volcanics (rhyodacite tuffs) intruded by sulphidic Infiernillo dacite porphyries were only intersected in a minor way at the top of hole ARV-7. Alteration was noted to be variable in intensity; silica-sericite to advance argillic alteration (silica-argillite-alunite-(pyrophyllite)). The more intense alteration was associated with strong brecciation, faulting and myolite and often led to difficulty in recognising rock type. All the holes had variable amounts of sulphides, mainly pyrite, trace to 10%, occurring as disseminations and in quartz veinlets in areas of faulting, brecciation and myolite particularly on contact structured positions of intrusives with the associated presence of trace molybdenum mineralisation (molybdenite), copper mineralisation (chalcopyrite, chalcocite, covellite, enargite) and zinc mineralisation (sphalerite). Noted occurrences of molybdenum and copper mineralisation were generally antipathetic and returned low order values in the drill holes as per the following better examples; ARV-4 had 4 metres of 1131 ppm Cu (peak 2110 ppm Cu) over the interval 115 to 119 metres; ARV-5 had 14 metres of 135 ppm Mo (peak 240 ppm Mo) over the interval 68 to 82 metres. All the holes were analysed extensively for Au by fire assay. The assay results returned were disappointingly low, being at or below the detection limit of 0.01 g/t Au.

Notwithstanding the shortened drill program, the cause of the anomalies has been explained by the sulphidic, highly altered, silicified Infiernillo suite of dacitic porphyries with some minor Cu and Mo mineralisations associated with quartz veining in mylonitic shearing on contacts between fine grained quartz dacite porphyry and/or fine grained dacitic porphyry and quartz feldspar dacite porphyry, probably in the apical position of the intrusive system. The eastern anomalous As (Au) brecciated volcanic ridge target drilled by hole ARV-7 was a roof pendant of Dona Ana Formation (Tilito Member volcanics), "thin skinned" to the intrusives and had been intensely hydrothermally altered with low order geochemical enrichment on the contact with the intrusive.

Oro Verde has tested both CSAMT geophysics and geological with associated alteration targets with in part associated anomalous As, Cu and Mo litho-geochemistry and determined the cause of the anomalies as being due to sulphidic, highly altered, silicified, Infiernillo suite of dacitic porphyries with minor Cu and Mo mineralisations, which are present under extensive scree cover on the northern slopes of the Sancarron valley and in the valley floor. The results of the drilling were unexpected. The Infiernillo Intrusives suite represents a truncated hydrothermal mineralised system (porphyry only being present) which is older (15-18 my old) than the anticipated expected younger (6-9 my old) epithermal event target that gave rise to the El Indio, Pascua Lama, Veladero epithermal high sulphide gold mineralisations.

Further investigations are required at Vega to ascertain the significance of the unexpected discovery of an older truncated epithermal system represented by a weakly copper and molybdenum mineralised basal porphyry system. These investigations include age dating of the mineralised system and further field work in the summer months as currently the prospect is inaccessible because of snow cover. Following appraisal of the results, a decision will be made to re-enter some or all of the target holes to explore deeper Cu-Mo porphyry potential.

Ghazal Minerals Limited and Uranium Exploration

Ghazal Minerals Limited, a 100% owned subsidiary of Oro Verde Limited, holds rights to two exploration licences, EL276 (Bir Moghreïn) and EL277 (Agouyme) in northern Mauritania, an emerging uranium province. The licences, covering approximately 544km<sup>2</sup>, are highly prospective for uranium and were farmed out to uranium explorer Aura Energy Limited in May 2010 and now form part of their Reguibet Craton Project area in which a JPRC compliant Inferred Resource of 50.2 million pounds of U<sub>3</sub>O<sub>8</sub> has been estimated. Aura Energy has assembled properties in Australia, Sweden and Africa with a management team and staff highly experienced in uranium exploration, including involvement in a number of historical discoveries. To earn an initial 55% participating interest in the two tenements Aura Energy must spend A\$2,000,000 by May 2014. Aura Energy can earn an additional 15% participating interest by spending a further A\$2,000,000, taking its total equity to 70%. At 30 June 2012 Aura Energy has spent \$894,175 towards its earn-in commitment.

During the year both permits were renewed for a further 3 year term until April 2015. A programme of air-core drilling was carried out on Permit 276B4 (Aguelteï Essfaya, formerly EL276 Bir Moghreïn) to test for resource additions and for mineralisation beneath the "erg". Results for the resource extension drilling were generally not encouraging, while results for testing the erg were inconclusive due to inability of the rig to penetrate hard calcrete. Field seasons in Northern Mauritania are normally limited to October to May for climatic reasons, and no work will be conducted on the JV permits prior to late 2012. Programmes and budgets have still to be approved but are likely to be modest until markets improve.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

During the year the Company issued 2,003,406 shares at \$0.15 each as part consideration for the acquisition of a 20% interest in the Chuminga project.

Other than set out above and elsewhere in the Directors' Report there has been no significant change in the state of affairs of the group during the year and to the date of this report.

**SIGNIFICANT CHANGES AFTER THE BALANCE DATE**

No matter or circumstance has arisen since the end of the financial year, not already disclosed in this Directors' Report, which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

**LIKELY DEVELOPMENTS**

The group will continue to investigate new exploration and development opportunities, particularly in the resources sector.

**INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

During or since the financial year, the company has paid premiums in respect of a contract insuring all the directors of Oro Verde Limited against legal costs incurred in defending proceedings for conduct involving:

- (a) a wilful breach of duty; or
- (b) a contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid was \$17,230 (2011: \$14,930).

**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 compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. The directors have assessed that the Company has no current reporting requirements, but may be required to report in the future.

**PROCEEDINGS ON BEHALF OF COMPANY**

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to or intervened in any proceedings during the year.

## **REMUNERATION REPORT (Audited)**

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the chief executive, senior executives, general managers and secretaries of the Parent and the Group.

### **Details of key management personnel**

#### **(i) Directors**

|               |                                                                                      |
|---------------|--------------------------------------------------------------------------------------|
| W G Martinick | Chairman and Managing Director – <i>appointed Managing Director on 8 August 2011</i> |
| B L Farrell   | Technical Director – <i>appointed 8 August 2011</i>                                  |
| G R O'Dea     | Director (Non-Executive) – <i>resigned as Managing Director on 8 August 2011</i>     |
| D H Ward      | Director (Non-Executive)                                                             |

#### **(ii) Executives**

|              |                                                         |
|--------------|---------------------------------------------------------|
| S M O Watson | Joint Company Secretary - <i>resigned 8 August 2011</i> |
| B D Dickson  | Joint Company Secretary                                 |

### **Remuneration philosophy**

The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and other non-cash payments. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

To assist in achieving these objectives, the Board links the nature and amount of executive directors' and officers' emoluments on an annual basis based on individual performance and market conditions.

### **Remuneration structure**

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

### **Compensation of Directors and Executive Officer**

#### **(i) Compensation Policy**

The Board of Directors of Oro Verde Limited is responsible for determining and reviewing compensation arrangements for the directors and the managing director.

#### **(ii) Non-Executive Director Compensation**

##### *Objective*

The Board seeks to set aggregate compensation at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

##### *Structure*

The Constitution and the ASX Listing Rules specify that the aggregate compensation on non-executive directors shall be determined from time to time by a general meeting.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

**REMUNERATION REPORT (Audited) (Continued)**

Non-executives directors have long been encouraged by the Board to hold shares in the company (purchased by the director on market). It is considered good governance for directors to have a stake in the company on whose board they sit.

(iii) Executive Compensation

*Objective*

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- align the interests of executives with those of shareholders; and
- ensure total compensation is competitive by market standards.

*Structure*

The Board periodically assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and other non-cash benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

(iv) Fixed Compensation

*Objective*

Fixed compensation is reviewed annually by the Board. The process consists of a review of individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

*Structure*

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and other non-cash benefits.

(v) Variable Compensation

*Objective*

The objective is to link the achievement of the company's targets with the compensation received by the executives charged with meeting those targets.

Currently, the company does not restrict executives from entering into arrangements to protect the value of unvested Long Term Incentives. However, under the Securities Dealing Policy, members of the Board are required to advise the Company Secretary of any shareholdings including any hedging arrangements.

*Share-based compensation*

Options or shares may be issued to directors and executives as part of their remuneration. The options or shares are not issued based on performance criteria, but are issued to the directors and executive of Oro Verde Limited to increase goal congruence between executives, directors and shareholders.

During the year 17,000,000 (2011: Nil) options were issued to directors and key management personnel, details of the options are set out elsewhere in this report.

*Structure*

Actual payments granted to each Key Management Personnel are determined by the Board who meet periodically to assess the achievements of the company's targets. There are currently no targets established.

**REMUNERATION REPORT (Audited) (Continued)**

**Employment contracts**

The Managing Director, Dr Martinick is employed under contract with an annual salary of \$150,000 plus superannuation at statutory levels. This fee is in addition to his directors fees of \$60,000 per annum. The current employment contract expires on 1 January 2014. Under the terms of the present contract:

- Dr Martinick may resign from his position and terminate the contract by giving three month's notice.
- The Company may terminate this employment agreement by providing three month's written notice unless serious misconduct has occurred; in that case the Company may terminate the contract by providing one month's notice.

**Compensation of Key Management Personnel (Consolidated and Parent)**

Compensation of each director and the executive officer of the parent and group are as follows:

|                          | Short term           |                                   | Post employment | Share based payments | Total     | Total options related | Total performance related |
|--------------------------|----------------------|-----------------------------------|-----------------|----------------------|-----------|-----------------------|---------------------------|
| 30 June 2012             | Salaries and fees    | Non Monetary Benefit <sup>1</sup> | Super-annuation | Shares               |           |                       |                           |
| <b>Directors</b>         | \$                   |                                   | \$              | \$                   | \$        |                       |                           |
| W G Martinick            | 160,046              | 3,446 <sup>1</sup>                | 14,404          | 830,925              | 1,008,821 | 82.4%                 | -                         |
| G R O'Dea                | 36,468               | 3,446 <sup>1</sup>                | 3,282           | 55,395               | 98,591    | 56.2%                 | -                         |
| D H Ward                 | -                    | 3,446 <sup>1</sup>                | 39,750          | 55,395               | 98,591    | 56.2%                 | -                         |
| B L Farrell              | 270,900 <sup>3</sup> | 3,446 <sup>1</sup>                | 25,135          | 830,925              | 1,130,406 | 73.5%                 | -                         |
| <b>Executive Officer</b> |                      |                                   |                 |                      |           |                       |                           |
| S M O Watson             | -                    | -                                 | -               | -                    | -         | -                     | -                         |
| B D Dickson              | 85,000               | 3,446 <sup>1</sup>                | -               | 109,930              | 198,376   | 55.4%                 | -                         |
| Total                    | 552,414              | 17,230                            | 82,571          | 1,882,570            | 2,534,785 | 74.3%                 | -                         |

|                          | Short term        |                                   | Post employment | Share based payments | Total   | Total options related | Total performance related |
|--------------------------|-------------------|-----------------------------------|-----------------|----------------------|---------|-----------------------|---------------------------|
| 30 June 2011             | Salaries and fees | Non Monetary Benefit <sup>1</sup> | Super-annuation | Shares               |         |                       |                           |
| <b>Directors</b>         | \$                | \$                                | \$              | \$                   | \$      |                       |                           |
| W G Martinick            | 110,992           | 3,046 <sup>1</sup>                | 9,908           | -                    | 123,046 | -                     | -                         |
| G R O'Dea                | 22,936            | 3,046 <sup>1</sup>                | 2,064           | -                    | 28,046  | -                     | -                         |
| D H Ward                 | -                 | 3,046 <sup>1</sup>                | 25,000          | -                    | 28,046  | -                     | -                         |
| B L Farrell <sup>2</sup> | -                 | -                                 | -               | -                    | -       | -                     | -                         |
| <b>Executive Officer</b> |                   |                                   |                 |                      |         |                       |                           |
| S M O Watson             | -                 | 3,046 <sup>1</sup>                | -               | -                    | 3,046   | -                     | -                         |
| B D Dickson              | 76,000            | 3,046 <sup>1</sup>                | -               | -                    | 79,046  | -                     | -                         |
| Total                    | 209,028           | 15,230                            | 36,972          | -                    | 261,230 | -                     | -                         |

1. The Non Monetary Benefit relates to the Directors Indemnity Insurance
2. Appointed on 8 August 2011
3. Inclusive of \$10,442 of disbursements of expenses incurred on behalf of the Company.

**REMUNERATION REPORT (Audited) (Continued)**

**Compensation Options: Granted and Vested during the year.**

During the 2012 financial the following options were issued. No options were issued in the 2011 financial year.

|                   | Number            | Granted   |                       |                  | Terms and conditions for each grant |             |                     |                    | Vested Number    |
|-------------------|-------------------|-----------|-----------------------|------------------|-------------------------------------|-------------|---------------------|--------------------|------------------|
|                   |                   | Date      | Fair Value Per option | Fair value \$    | Exercise Price \$                   | Expiry date | First exercise date | Last exercise date |                  |
| <i>Directors</i>  |                   |           |                       |                  |                                     |             |                     |                    |                  |
| W G Martinick     | 7,500,000         | 2 Dec 11  | 0.111                 | 830,925          | 0.27                                | 31 Dec 14   | 2 Dec 11            | 31 Dec 14          | -                |
| G R O'Dea         | 500,000           | 2 Dec 11  | 0.111                 | 55,395           | 0.27                                | 31 Dec 14   | 2 Dec 11            | 31 Dec 14          | 500,000          |
| D H Ward          | 500,000           | 2 Dec 11  | 0.111                 | 55,395           | 0.27                                | 31 Dec 14   | 2 Dec 11            | 31 Dec 14          | 500,000          |
| B L Farrell       | 7,500,000         | 2 Dec 11  | 0.111                 | 830,925          | 0.27                                | 31 Dec 14   | 2 Dec 11            | 31 Dec 14          | -                |
| <i>Executives</i> |                   |           |                       |                  |                                     |             |                     |                    |                  |
| B D Dickson       | 1,000,000         | 20 Dec 11 | .0110                 | 109,930          | 0.27                                | 31 Dec 14   | 20 Dec 11           | 31 Dec 14          | 1,000,000        |
| <b>Total</b>      | <b>17,000,000</b> |           |                       | <b>1,882,570</b> |                                     |             |                     |                    | <b>2,000,000</b> |

Value of Options granted as part of remuneration was calculated in accordance with AASB 2: Share Based Payments.

|                   | Fair Value per options granted during the year | Value of options granted during the year | Value of options exercised during the year | Value of options lapsed during the year | Remuneration consisting of options for the year |
|-------------------|------------------------------------------------|------------------------------------------|--------------------------------------------|-----------------------------------------|-------------------------------------------------|
|                   | \$                                             | \$                                       | \$                                         | \$                                      | %                                               |
| <i>Directors</i>  |                                                |                                          |                                            |                                         |                                                 |
| W G Martinick     | 0.111                                          | 830,925                                  | -                                          | -                                       | 82.4%                                           |
| G R O'Dea         | 0.111                                          | 55,395                                   | -                                          | -                                       | 56.2%                                           |
| D H Ward          | 0.111                                          | 55,395                                   | -                                          | -                                       | 56.2%                                           |
| B L Farrell       | 0.111                                          | 830,925                                  | -                                          | -                                       | 73.59%                                          |
| <i>Executives</i> |                                                |                                          |                                            |                                         |                                                 |
| B Dickson         | 0.110                                          | 109,930                                  | -                                          | -                                       | 55.4%                                           |

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were neither forfeitures nor shares issued on exercise of Compensation Options during 2012 or 2011.

The Company's remuneration policy prohibits directors and executives from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Apart from the issue of options the company currently has no performance based remuneration component built into director and executive remuneration (2011: Nil).

**End of Remuneration Report (Audited)**

## **CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the company support and have adhered to the principles of corporate governance. The company's corporate governance statement is contained in the additional Australian Stock Exchange information section of this annual report.

## **SHARE OPTIONS**

At the date of this report, there were 26,864,459 (2011: Nil) share options outstanding.

|                                                                                              | <b>Issued</b> | <b>Lapsed</b> | <b>Total number of Options</b> |
|----------------------------------------------------------------------------------------------|---------------|---------------|--------------------------------|
| Balance at the beginning of the year                                                         |               |               | -                              |
| <i>Share option movements during the year</i>                                                |               |               |                                |
| Exercisable at 27 cents, on or before 31 December 2014                                       | 24,364,459    | -             | 24,364,459                     |
| Exercisable at 20 cents, on or before 10 January 2016                                        | 2,500,000     | -             | 2,500,000                      |
| Total options issued and lapsed in the year to 30 June 2012                                  | 26,864,459    | -             | 26,864,459                     |
| <b>Total number of options outstanding as at 30 June 2012 and at the date of this report</b> |               |               | <b>26,864,459</b>              |

The balance is comprised the following

| <b>Date Granted</b>                                                   | <b>Expiry Date</b> | <b>Exercise Price (cents)</b> | <b>Number of Options</b> |
|-----------------------------------------------------------------------|--------------------|-------------------------------|--------------------------|
| 28 November 2011                                                      | 10 January 2016    | 20.0                          | 2,500,000                |
| 2 December 2011                                                       | 31 December 2014   | 27.0                          | 19,250,000               |
| 20 December 2011                                                      | 31 December 2014   | 27.0                          | 2,500,000                |
| 16 April 2012                                                         | 31 December 2014   | 27.0                          | 2,614,459                |
| <b>Total number of options outstanding at the date of this report</b> |                    |                               | <b>26,864,459</b>        |

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.

No options were exercised during the financial year and since the end of the financial year no options have been exercised.

## **NON AUDIT SERVICES**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important.

Details of the amount paid or payable to the auditor (Hewitt, Turner & Gelevitis) for audit and non-audit services provided during the year are set out below.

The Board of directors has considered the position and is satisfied that the provisions of the 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 board to ensure they do not impact the impartiality and objectivity of the auditor
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

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

|                                                                             | <b>Consolidated</b> |             |
|-----------------------------------------------------------------------------|---------------------|-------------|
|                                                                             | <b>2012</b>         | <b>2011</b> |
|                                                                             | <b>\$</b>           | <b>\$</b>   |
| <b>1. Audit Services</b>                                                    |                     |             |
| Hewitt, Turner & Gelevitis                                                  |                     |             |
| Audit and review of financial reports                                       | <b>38,954</b>       | 27,915      |
| <b>2. Non audit Services</b>                                                |                     |             |
| <b>Audit-related services</b>                                               |                     |             |
| Hewitt, Turner & Gelevitis                                                  |                     |             |
| Preparation of Investigating Accountants Report for Inclusion in Prospectus | <b>15,958</b>       | -           |
| Total remuneration for non-audit services                                   | <b>54,912</b>       | 27,915      |

**AUDITOR'S INDEPENDENCE DECLARATION**

We have obtained an independence declaration from our auditors, Hewitt, Turner & Gelevitis, as presented on page 16 of this Annual Report.

Signed in accordance with a resolution of the directors



W G Martinick  
Director  
Perth, 25 September 2012

**ORO VERDE LIMITED**  
**DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Oro Verde Limited, I state that:

- 1) In the opinion of the directors:
  - (a) the financial statements, notes and additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2012 and of their performance for the year ended on that date; and
    - (ii) complying with Accounting Standards which, as stated in accounting policy Note 2 to the Financial Statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS), and Corporations Regulations 2001; and
  - there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- 2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2012.

On behalf of the Board



W G Martinick  
Director  
Perth, 25 September 2012

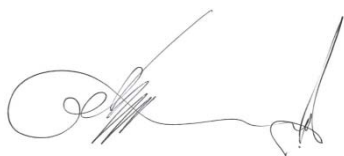
**AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE  
CORPORATIONS ACT 2001 TO THE DIRECTORS OF ORO VERDE  
LIMITED AND CONTROLLED ENTITIES**

Suite 4, 1st Floor  
63 Shepperton Road  
Victoria Park  
Western Australia 6100  
**Telephone:** (08) 9362 5855  
**Facsimile:** (08) 9362 5186  
**Email:** [htg@htgbdc.com](mailto:htg@htgbdc.com)  
**Website:** [www.htgbdc.com](http://www.htgbdc.com)  
**ABN:** 78 607 011 001  
**PO Box 199**  
Victoria Park  
Western Australia 6979

I, declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there have been:

- i. no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

**HEWITT TURNER & GELEVITIS**



.....  
**TIMOTHY TURNER**  
**REGISTERED COMPANY AUDITOR**

Dated in Perth this 25<sup>th</sup> day of September 2012.

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**HEWITT  
TURNER &  
GELEVITIS**

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**BUSINESS  
DEVELOPMENT  
CONSULTANTS**

*Capital Raising  
Wealth Creation  
Asset Protection  
Audit Assurance  
Taxation Advisors  
Strategic Planning  
Accounting Services  
Management Consultancy*

**PRINCIPALS**

**Timothy Turner**  
B.BUS (ACC), FCPA,  
FTIA  
Registered Company Auditor

**Vick Gelevitis**  
B.BUS (ACC), FCPA,  
NTAA, FTIA

**Darryl Rodrigues**  
B.Sc, B.BUS (ACC), CPA

Hewitt Turner & Gelevitis  
is a CPA Practice



Liability Limited by a scheme  
approved under Professional  
Standards Legislation

**ORO VERDE LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR YEAR ENDED 30 JUNE 2012**

|                                                                                                      |              | <b>CONSOLIDATED</b> |                  |
|------------------------------------------------------------------------------------------------------|--------------|---------------------|------------------|
|                                                                                                      | <b>Notes</b> | <b>2012</b>         | <b>2011</b>      |
|                                                                                                      |              | <b>\$</b>           | <b>\$</b>        |
| <b>Continuing operations</b>                                                                         |              |                     |                  |
| <b>Revenue</b>                                                                                       |              |                     |                  |
| Interest Received                                                                                    | 3            | 74,546              | 88,462           |
| Dividends Received                                                                                   | 3            | 27,293              | 546,198          |
| Profit from sale of available-for-sale assets                                                        | 3            | 868,881             | -                |
| Gain from subsidiary purchase                                                                        | 26           | -                   | 328,850          |
| Depreciation                                                                                         | 10           | (2,768)             | (1,368)          |
| Consultants' fees                                                                                    |              | (579,969)           | (378,699)        |
| Directors' fees                                                                                      |              | (191,957)           | (170,000)        |
| Salaries                                                                                             |              | (391,421)           | (138,665)        |
| Share based payments                                                                                 |              | (2,407,532)         | -                |
| Exploration expenses                                                                                 |              | (3,130,721)         | -                |
| Legal fees                                                                                           |              | (298,463)           | (105,016)        |
| Travel expenses                                                                                      |              | (133,595)           | (110,565)        |
| Other expenses                                                                                       |              | (376,250)           | (165,736)        |
| Share of net loss of associates accounted for using the equity method                                |              | (61,887)            | -                |
| <b>Profit/(Loss) from continuing operations before income tax</b>                                    |              | <b>(6,603,843)</b>  | <b>(106,539)</b> |
| Income tax credit/(expense)                                                                          | 5            | (546,102)           | 518,831          |
| <b>Net Profit/(Loss) for the period</b>                                                              |              | <b>(7,149,945)</b>  | <b>412,292</b>   |
| <b>Other comprehensive income</b>                                                                    |              |                     |                  |
| Exchange differences in translating foreign controlled entities                                      |              | 69,004              | (15,363)         |
| Changes to available-for-sale financial assets, net of tax                                           |              | (1,277,966)         | 1,210,604        |
| <b>Total other comprehensive income net of tax</b>                                                   |              | <b>(1,208,962)</b>  | <b>1,195,241</b> |
| <b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>                                                |              | <b>(8,358,907)</b>  | <b>1,607,533</b> |
| <i>Earnings per share for profit/(loss) attributable to the ordinary equity holder of the parent</i> |              |                     |                  |
| Basic earnings/(loss) per share (cents)                                                              | 21           | (10.2)              | 0.28             |
| Diluted earnings/(loss) per share (cents)                                                            | 21           | (10.2)              | 0.28             |

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

**ORO VERDE LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 30 June 2012**

|                                                   |              | <b>CONSOLIDATED</b> |                  |
|---------------------------------------------------|--------------|---------------------|------------------|
|                                                   | <b>Notes</b> | <b>2012</b>         | <b>2011</b>      |
|                                                   |              | <b>\$</b>           | <b>\$</b>        |
| <b>ASSETS</b>                                     |              |                     |                  |
| <b>Current assets</b>                             |              |                     |                  |
| Cash and cash equivalents                         | 17           | 3,207,391           | 1,519,421        |
| Receivables                                       | 6            | 130,652             | 23,056           |
| Other                                             | 7            | 6,645               | 5,881            |
| <b>Total current assets</b>                       |              | <u>3,344,688</u>    | <u>1,548,358</u> |
| <b>Non-current assets</b>                         |              |                     |                  |
| Investments accounted for using the equity method | 8            | 1,192,824           | -                |
| Available-for-sale financial assets               | 9            | 23,561              | 4,257,225        |
| Plant and equipment                               | 10           | 9,610               | 1,576            |
| Exploration & evaluation expenditure              | 11           | 941,918             | 900,000          |
| <b>Total non-current assets</b>                   |              | <u>2,167,913</u>    | <u>5,158,801</u> |
| <b>Total assets</b>                               |              | <u>5,512,601</u>    | <u>6,707,159</u> |
| <b>LIABILITIES</b>                                |              |                     |                  |
| <b>Current liabilities</b>                        |              |                     |                  |
| Payables                                          | 13           | 167,275             | 279,042          |
| Provisions                                        | 14           | 20,112              | 7,229            |
| <b>Total current liabilities</b>                  |              | <u>187,387</u>      | <u>286,271</u>   |
| <b>Total liabilities</b>                          |              | <u>187,387</u>      | <u>286,271</u>   |
| <b>Net assets</b>                                 |              | <u>5,325,214</u>    | <u>6,420,888</u> |
| <b>EQUITY</b>                                     |              |                     |                  |
| Issued capital                                    | 15           | 16,331,404          | 12,081,365       |
| Reserves                                          | 16           | 4,257,706           | 2,453,474        |
| Accumulated losses                                |              | (15,263,896)        | (8,113,951)      |
| <b>Total equity</b>                               |              | <u>5,325,214</u>    | <u>6,420,888</u> |

The Statement of Financial Position should be read in conjunction with the accompanying notes.

**ORO VERDE LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR YEAR ENDED 30 JUNE 2012**

|                                                                   | <b>Notes</b> | <b>CONSOLIDATED</b> |                  |
|-------------------------------------------------------------------|--------------|---------------------|------------------|
|                                                                   |              | <b>2012</b>         | <b>2011</b>      |
|                                                                   |              | <b>\$</b>           | <b>\$</b>        |
| <b>Cash flows from operating activities</b>                       |              |                     |                  |
| Receipts from customers                                           |              | -                   | -                |
| Payments to suppliers and employees                               |              | (2,065,548)         | (966,736)        |
| Exploration expenditure                                           |              | (3,244,073)         | -                |
| Interest received                                                 |              | 74,546              | 88,463           |
| <b>Net cash flows from/(used in) operating activities</b>         | <b>17</b>    | <b>(5,235,075)</b>  | <b>(878,273)</b> |
| <b>Cash flows from investing activities</b>                       |              |                     |                  |
| Payment for plant and equipment                                   |              | (10,803)            | -                |
| Payment for investments                                           |              | -                   | (942,660)        |
| Proceeds from sale of available-for sale assets                   |              | 2,363,112           | -                |
| Payment for project acquisition                                   |              | (41,918)            | -                |
| Cash acquired through acquisition of subsidiary                   | <b>26</b>    | <b>-</b>            | <b>37,060</b>    |
| <b>Net cash flows from investing activities</b>                   |              | <b>2,310,391</b>    | <b>(905,600)</b> |
| <b>Cash flows from financing activities</b>                       |              |                     |                  |
| Proceeds from issue of ordinary shares                            |              | 5,011,095           | 946,500          |
| Payments for cost of equity raising                               |              | (455,905)           | (56,790)         |
| <b>Net cash flows from/(used in) financing activities</b>         |              | <b>4,555,190</b>    | <b>889,710</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>       |              | <b>1,630,506</b>    | <b>(894,163)</b> |
| Cash and cash equivalents at the beginning of the financial year  |              | 1,519,421           | 2,428,947        |
| Effect of exchange rate changes on cash and cash equivalents      |              | 57,464              | (15,363)         |
| <b>Cash and cash equivalents at the end of the financial year</b> | <b>17</b>    | <b>3,207,391</b>    | <b>1,519,421</b> |

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

**ORO VERDE LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR YEAR ENDED 30 JUNE 2012**

|                                                      | <b>CONSOLIDATED</b>        |                                          |                                                      |                                     |                                                         |                               |              |
|------------------------------------------------------|----------------------------|------------------------------------------|------------------------------------------------------|-------------------------------------|---------------------------------------------------------|-------------------------------|--------------|
|                                                      | <b>Ordinary<br/>shares</b> | <b>Convertible<br/>notes<br/>Reserve</b> | <b>Available<br/>for sale<br/>Assets<br/>Reserve</b> | <b>Share<br/>option<br/>reserve</b> | <b>Foreign<br/>Currency<br/>Translation<br/>Reserve</b> | <b>Accumulated<br/>losses</b> | <b>Total</b> |
|                                                      | <b>\$</b>                  | <b>\$</b>                                | <b>\$</b>                                            | <b>\$</b>                           | <b>\$</b>                                               | <b>\$</b>                     | <b>\$</b>    |
| At 1 July 2011                                       | 12,081,365                 | 136,403                                  | 1,274,234                                            | 1,058,200                           | (15,363)                                                | (8,113,951)                   | 6,420,888    |
| Loss for the period                                  | -                          | -                                        | -                                                    | -                                   | -                                                       | (7,149,945)                   | (7,149,945)  |
| Other Comprehensive income                           | -                          | -                                        | (1,277,966)                                          | -                                   | 69,004                                                  | -                             | (1,208,962)  |
| Total comprehensive loss for the period              | -                          | -                                        | (1,277,966)                                          | -                                   | 69,004                                                  | (7,149,945)                   | (8,358,907)  |
| Transactions with owners in their capacity as owners |                            |                                          |                                                      |                                     |                                                         |                               |              |
| Shares issued during the period                      | 5,311,606                  | -                                        | -                                                    | -                                   | -                                                       | -                             | 5,311,606    |
| Transaction Costs                                    | (1,061,567)                | -                                        | -                                                    | -                                   | -                                                       | -                             | (1,061,567)  |
| Share based payments                                 | -                          | -                                        | -                                                    | 3,013,194                           | -                                                       | -                             | 3,013,194    |
| At 30 June 2012                                      | 16,331,404                 | 136,403                                  | (3,732)                                              | 4,071,394                           | 53,641                                                  | (15,263,896)                  | 5,325,214    |

|                                                      | <b>CONSOLIDATED</b>        |                                          |                                                      |                                     |                                                         |                               |              |
|------------------------------------------------------|----------------------------|------------------------------------------|------------------------------------------------------|-------------------------------------|---------------------------------------------------------|-------------------------------|--------------|
|                                                      | <b>Ordinary<br/>shares</b> | <b>Convertible<br/>notes<br/>Reserve</b> | <b>Available<br/>for sale<br/>Assets<br/>Reserve</b> | <b>Share<br/>option<br/>reserve</b> | <b>Foreign<br/>Currency<br/>Translation<br/>Reserve</b> | <b>Accumulated<br/>losses</b> | <b>Total</b> |
|                                                      | <b>\$</b>                  | <b>\$</b>                                | <b>\$</b>                                            | <b>\$</b>                           | <b>\$</b>                                               | <b>\$</b>                     | <b>\$</b>    |
| <b>At 1 July 2010</b>                                | 10,612,254                 | 136,403                                  | 63,630                                               | 1,058,200                           | -                                                       | (8,526,243)                   | 3,344,244    |
| Profit for the period                                | -                          | -                                        | -                                                    | -                                   | -                                                       | 412,292                       | 412,292      |
| Other Comprehensive income                           | -                          | -                                        | 1,210,604                                            | -                                   | (15,363)                                                | -                             | 1,195,241    |
| Total comprehensive income for the period            | -                          | -                                        | 1,210,604                                            | -                                   | (15,363)                                                | 412,292                       | 1,607,533    |
| Transactions with owners in their capacity as owners |                            |                                          |                                                      |                                     |                                                         |                               |              |
| Shares issued during the period                      | 1,525,901                  | -                                        | -                                                    | -                                   | -                                                       | -                             | 1,525,901    |
| Transaction Costs                                    | (56,790)                   | -                                        | -                                                    | -                                   | -                                                       | -                             | (56,790)     |
| <b>At 30 June 2011</b>                               | 12,081,365                 | 136,403                                  | 1,274,234                                            | 1,058,200                           | (15,363)                                                | (8,113,951)                   | 6,420,888    |

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**ORO VERDE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2012**

**1. CORPORATE INFORMATION**

The Consolidated Financial report of Oro Verde Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 25 September 2012. The consolidated financial statements and notes represent those of Oro Verde Limited and its controlled entities (the "Group"). The consolidated entity's functional and presentation currency is AUD (\$). The separate financial statements of the parent entity, Oro Verde Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

Oro Verde Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

The Financial report is a general-purpose Financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The Financial report has also been prepared on an accruals basis and is based on historical cost basis, except for certain available-for-sale financial assets, which have been measured at fair value.

Australian Accounting Standards set out accounting policies that the AASB has concluded that would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial reports and notes also comply with International Financial Reporting Standards.

***Going Concern***

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

The Consolidated Entity has incurred a net loss after tax for the year ended 30 June 2012 of \$7,149,945 (2011: profit \$412,292) and experienced net cash outflows from operating activities of \$5,235,075 (2011: \$878,273). At 30 June 2012, the Consolidated Entity had net current assets of \$3,157,301 (30 June 2011: \$1,262,087).

The Directors believe there are sufficient funds to meet the Company's working capital requirements and as at the date of this report the Consolidated Entity believes it can meet all liabilities as and when they fall due. However the Directors recognise that additional funding either through the issue of further shares, convertible notes or a combination of both will be required for the Consolidated Entity to continue to actively explore its mineral properties.

The Directors have reviewed the business outlook and the assets and liabilities of the Consolidated Entity and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company will continue to be successful in securing additional funds through debt or equity issues or partial sale of its mineral properties as and when the need to raise working capital arises.

Should the directors not achieve the matters set out above, there is significant uncertainty whether the Consolidated Entity will continue as a going concern and therefore whether it will realise its assets and liabilities in the normal course of business.

The financial report does not include any adjustments that may be necessary if the Consolidated Entity is unable to continue as a going concern.

**(b) New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: Financial Instruments and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 [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 & 27] (applicable for annual reporting periods commencing on or after 1 January 2013).
- These standards are applicable retrospectively and amend the classification and measurement of financial instruments, as well as recognition and de-recognition requirements of financial instruments. The Group has not yet determined the potential impact on the financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) New Accounting Standards for Application in Future Periods (continued)**

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; and
- reclassifying financial assets 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.
- 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 2010-8: Amendments to Australian Accounting Standards – Disclosures Deferred Tax: Recovery of underlying Assets [AASB 112] (applicable for annual reporting periods commencing on or after 1 January 2012).

The amendments address the determination of deferred tax on investment property.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation – Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Group has not yet been able to reasonably estimate the impact of the Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either “joint operations” (where parties that have joint control of the arrangements have rights to the assets and obligations for the liabilities) or “joint ventures” (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of “structured entity”, replacing the “special purpose entity” concept currently used in interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This standard will affect disclosures only and is not expected to significantly impact the Group.

To facilitate the application of AASB's 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These standards are not expected to significantly impact the Group.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) New Accounting Standards for Application in Future Periods (continued)**

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

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

AASB 13 requires:

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

These standards are not expected to significantly impact the Group.

- AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] ( applicable for annual reporting periods commencing on or after 1 January 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standards affects presentation only and is therefore not expected to significantly impact the Group.

- AASB 119: Employee Benefits (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2013)

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

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

- (i) For an offer that may be withdrawn – when the employee accepts;
- (ii) For an offer that cannot be withdrawn – when the offer is communicated to the affected employees; and
- (iii) Where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restricting costs are recognised.

The Group has been able to reasonably estimate the impact of these changes to AASB 119.

**(d) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Oro Verde Limited and any subsidiary it controlled during the year (the Group).

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The investment in subsidiaries is carried at cost, less any impairment losses.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(c) Basis of consolidation (continued)**

**Business combinations**

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

**(e) Significant accounting estimates and assumptions**

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are described in Note 6 - Impairment of trade debtors and Note 9 – Impairment of available for sale financial assets.

**(f) Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Rendering of services*

Revenue is recognised as the services are provided.

*Sale of goods*

Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to the customer, indicating that there has been a transfer of risks and rewards to the customer.

*Interest*

Revenue is recognised as the interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Dividends*

Revenue is recognised when the entity's right to receive the payment is established.

**(g) Borrowing costs**

Borrowing costs are recognised as an expense when incurred.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(h) Leases**

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

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

**(i) Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at the bank and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(j) Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An impairment provision is raised when there is objective evidence that the group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rates.

**(k) Foreign currency translation**

Both the functional and presentation currency of Oro Verde Limited and its Australian subsidiaries is Australian dollars (A\$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

All resulting exchange differences in the consolidated financial statements are taken to the income statement.

**Group companies**

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

- Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- Income and expenses are translated at average exchange rates for the period; and
- Retained earnings are translated at the exchange rates prevailing at the date of the transaction.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(l) Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each end of the reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

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

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

*Tax consolidation legislation*

Oro Verde Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

The head entity, Oro Verde Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(m) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(n) Property, plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a reducing balance basis over the estimated useful life of the asset as follows:

- Office equipment and fittings - 2.5 to 5.0 years

**(o) Investments and other financial assets**

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

*Available-for-sale investments*

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the end of the reporting period. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

**(p) Impairment of financial assets**

*Available-for-sale investments*

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(q) Impairment of non financial assets**

At each End of the reporting period, the Group assesses whether there is any indication that an asset may be impaired.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount the asset or cash generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**(r) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

**(s) Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

**(t) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

The Group provides benefits to directors, employees and consultants of the Group (with shareholders' approval) in the form of share-based payment transactions, whereby directors, employees and consultants render services in exchange for options over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Oro Verde Limited ('market conditions').

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(u) Share-based payment transactions (continued)**

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

The cumulative expense recognised for equity-settled transactions at each End of the reporting period until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, 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 the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

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, as described in the previous paragraph.

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

**(w) Employee leave benefits**

*(a) Wages, 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 End of the reporting period are recognised in other payables in respect of employees' services up to the End of the reporting period. They are measured at the amounts expected to be paid when the liabilities are settled.

*(b) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the End of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the End of the reporting period on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**(x) Contributed equity**

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.

Effective 1 July 1998, the corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the company does not have authorised capital nor par value in respect of its issued capital.

**(y) Earnings per share**

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

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

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;
- divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(z) Discontinued Operations**

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale that represents a separate major line of business. The results of discontinued operations are presented separately in the income statement.

**(aa) Associates**

Associates are entities over which the Group has significant influence but not control or joint control generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the parent entity in the financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer note 8).

The group's share of its associates post-acquisition profits or losses is recognised in the income statement and its share of post acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying value of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure constancy with the policies adopted by the Group.

**(ab) Comparative figures**

When required by accounting standards comparative figures have been adjusted to conform to changes in the presentation for the current financial year.

**(ac) Exploration and development expenditure**

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which 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 exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period 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 commences.

|                                                                         | 2012    | 2011    |
|-------------------------------------------------------------------------|---------|---------|
|                                                                         | \$      | \$      |
| <b>3. REVENUE</b>                                                       |         |         |
| <b>From continuing operations</b>                                       |         |         |
| Interest received                                                       | 74,546  | 88,462  |
| Dividends                                                               | 27,293  | 546,198 |
| <b>Other income</b>                                                     |         |         |
| Gain on re-measurement of equity investment due to business combination | -       | 328,850 |
| Gain on sale of available-for-sale assets                               | 868,881 | -       |

**4. EXPENSES AND LOSSES**

|                                                                                 | <b>2012</b>   | <b>2011</b>   |
|---------------------------------------------------------------------------------|---------------|---------------|
|                                                                                 | <b>\$</b>     | <b>\$</b>     |
| <b>Profit/(loss) before income tax includes the following specific expenses</b> |               |               |
| Depreciation on equipment                                                       | 2,768         | 1,368         |
| Salaries & wages expenses                                                       | 384,307       | 131,436       |
| Provision for employee entitlements                                             | 7,114         | 7,229         |
|                                                                                 | <hr/> 391,421 | <hr/> 138,665 |
| Operating lease rentals                                                         | 18,350        | 12,630        |
| Directors' benefit expense                                                      | 191,957       | 170,000       |
| Exploration expenditure                                                         | 3,130,721     | -             |

**5. INCOME TAX**

The major components of income tax expense are:

**Income Statement**

|                                                               |                       |                     |
|---------------------------------------------------------------|-----------------------|---------------------|
| Current income tax benefit/(expense)                          | -                     | -                   |
| Deferred income tax benefit/(expense)                         | (546,102)             | 518,831             |
| Income tax benefit/(expense) reported in the income statement | <hr/> (546,102) <hr/> | <hr/> 518,831 <hr/> |

**Tax (expense)/benefit relating to items of other comprehensive income**

|                                                 |                     |                       |
|-------------------------------------------------|---------------------|-----------------------|
| Available-for-sale investments                  | 546,102             | (518,831)             |
| Income tax (expense)/benefit reported in equity | <hr/> 546,102 <hr/> | <hr/> (518,831) <hr/> |

A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Group's applicable income tax rate is as follows:

|                                                                            |                       |                       |
|----------------------------------------------------------------------------|-----------------------|-----------------------|
| Accounting profit/(loss) before income tax                                 | (6,603,843)           | (106,539)             |
| At the Group's statutory income tax rate                                   | (1,981,153)           | (31,962)              |
| Less: Share options expenses during the year                               | 722,260               | -                     |
| Exploration expenditure                                                    | 939,216               | -                     |
| Other expenditure not allowable for income tax purposes                    | 30,025                | 33,035                |
|                                                                            | <hr/> (289,652) <hr/> | <hr/> 1,073 <hr/>     |
| (previously unrecognised tax losses used to reduce deferred tax expense)   | -                     | (519,904)             |
| Current year tax losses not brought to account                             | 289,652               | -                     |
| De-recognition of previously recognised tax losses                         | 546,102               | -                     |
| Income tax (benefit)/expense reported in the consolidated income statement | <hr/> 546,102 <hr/>   | <hr/> (518,831) <hr/> |

**Deferred Income Tax**

Deferred income tax at 30 June relates to the following:

*Deferred tax liabilities*

|                                |         |                     |
|--------------------------------|---------|---------------------|
| Available-for-sale investments | -       | 801,538             |
| Total deferred tax liabilities | <hr/> - | <hr/> 801,538 <hr/> |

*Deferred tax assets*

|                                                 |          |                     |
|-------------------------------------------------|----------|---------------------|
| Provision for impairment                        | -        | 66,566              |
| Accrued expenses                                | 14,400   | 6,000               |
| Available-for-sale investments                  | 1,120    | 4,737               |
| Tax losses recognised /(not brought to account) | (15,520) | 724,235             |
| Total deferred tax assets                       | <hr/> -  | <hr/> 801,538 <hr/> |

|                                      |         |         |
|--------------------------------------|---------|---------|
| Net deferred tax liabilities/(asset) | <hr/> - | <hr/> - |
|--------------------------------------|---------|---------|

**5. INCOME TAX (Continued)**

Other than to offset deferred tax liabilities the Group has not recognised tax losses arising in Australia of \$2,883,230 (2011: \$6,863,572) that may be available for offset against future taxable profits of the companies in which the losses arose. The potential benefit of carried forward losses will only be obtained if assessable income is derived of a nature and, of an amount sufficient to enable the benefit from the deductions to be realised or the benefit can be utilised by the Company provided that :

- (i) the provisions of deductibility imposed by law are complied with;
- (ii) the group satisfies the continuity of ownership test from the period the losses were incurred to the time they are to be utilised; and
- (iii) no change in tax legislation adversely affect the realisation or the benefit from the deductions.

**Tax Consolidation**

Oro Verde Limited and its 100% owned Australian subsidiaries have formed a tax consolidated group. Members of the group entered into a tax sharing arrangement in order to allocate the income tax expense to the wholly-owned subsidiaries on a pro-rata basis. The agreement provides for the allocation of income tax liabilities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

**Tax effect accounting by members of the tax consolidated group**

The allocation of taxes under the tax sharing and funding agreement is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company, Oro Verde Limited. The group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

|                                         | 2012<br>\$ | 2011<br>\$ |
|-----------------------------------------|------------|------------|
| <b>6. RECEIVABLES (Current)</b>         |            |            |
| Trade receivables                       | 130,652    | 23,056     |
| Other receivables                       | -          | 221,887    |
| Less: Provision for impairment loss (a) | -          | (221,887)  |
|                                         | 130,652    | 23,056     |

**(a) Provision for impairment loss**

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is made when there is objective evidence that a trade receivable is impaired. Other debtors in 2011 includes an amount of \$221,887 held as retention monies by from Movielink Pty Ltd, the purchaser of Ezestream Pty Ltd. Movielink Pty Ltd has made a number of claims against Oro Verde Ltd in regards to the loss of a contract to supply its services and other contractual issues which Oro Verde has refuted. Notwithstanding Oro Verde's denial of the claim a provision for the full amount of the debt due from Movielink Pty Ltd has been made in earlier years. On 14 December 2011 agreement was reached whereby the Company released Movielink Pty Ltd from this debt and the amount written off.

|                                                                 | 2012<br>\$ | 2011<br>\$ |
|-----------------------------------------------------------------|------------|------------|
| Movements in the provision for impairment loss were as follows: |            |            |
| As at 1 July                                                    | 221,887    | (225,167)  |
| Charge for the year                                             | -          | -          |
| Amounts written off                                             | (221,887)  | 3,280      |
| As at 30 June                                                   | -          | (221,887)  |

**6. RECEIVABLES (Current) (Continued)**

As at 30 June, the ageing analysis of trade receivables is as follows:

|                           | <b>Total</b> | <b>0-30<br/>days</b> | <b>31-60<br/>days<br/>Other</b> | <b>31-60<br/>days<br/>PDNI*</b> | <b>61-90<br/>days<br/>PDNI*</b> | <b>91+ days<br/>PDNI*</b> | <b>91+days<br/>CI*</b> |
|---------------------------|--------------|----------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------|------------------------|
| 30 June 2012 Consolidated | 130,652      | 130,652              | -                               | -                               | -                               | -                         | -                      |
| 30 June 2011 Consolidated | 244,943      | 23,056               | -                               | -                               | -                               | -                         | 221,887                |

\* Past due not impaired ('PDNI')  
 Considered impaired ('CI')

Receivables past due but are not considered impaired are: Consolidated \$Nil (2011: \$Nil).

(b) Fair value and credit risk

Details regarding the fair value and credit risk of current receivables are disclosed in note 25.

(c) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in note 25.

|                           | <b>2012<br/>\$</b> | <b>2011<br/>\$</b> |
|---------------------------|--------------------|--------------------|
| <b>7. OTHER (Current)</b> |                    |                    |
| Prepayments               | 6,645              | 5,881              |

**8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

|                                                                      |           |   |
|----------------------------------------------------------------------|-----------|---|
| Shares in associate                                                  | 1,192,824 | - |
| (a) Movements in carrying amounts                                    |           |   |
| Carrying amount at the beginning of the financial year               | -         | - |
| Re-classification from available-for-sale investments (refer note 9) | 942,660   | - |
| Additions                                                            | 300,511   | - |
| Exchange differences                                                 | 11,540    | - |
| Share of losses after tax                                            | (61,887)  | - |
| Carrying amount at the end of the financial year                     | 1,192,824 | - |

Shares in associate represents an unlisted investment in a Chilean based company that holds the mineral licences for the Chuminga project, a company project in which the Group has the acquired an initial 20% interest and retains an option to move to 100% ownership. Refer to note 18 for further information.

(b) Summarised financial information of associate

| <b>2012</b>     | <b>Ownership<br/>Interest<br/>%</b> | <b>Assets</b> | <b>Company's share of:<br/>Liabilities</b> | <b>Revenues</b> | <b>Losses</b> |
|-----------------|-------------------------------------|---------------|--------------------------------------------|-----------------|---------------|
| Minera Chuminga | 20                                  | 479,410       | 537,823                                    | 1,039           | 61,887        |

Minera Chuminga is incorporated in Chile

|                                                                                                                                                                                                                                                                                                                            | 2012<br>\$    | 2011<br>\$       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|------------------|
| <b>9. AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>                                                                                                                                                                                                                                                                              |               |                  |
| Listed shares at fair value (a)                                                                                                                                                                                                                                                                                            |               |                  |
| Weatherly International plc                                                                                                                                                                                                                                                                                                | -             | 2,661,344        |
| Dundee Precious Metals Inc                                                                                                                                                                                                                                                                                                 | -             | 546,294          |
| Allied Gold Limited                                                                                                                                                                                                                                                                                                        | -             | 49,331           |
| Island Gas plc                                                                                                                                                                                                                                                                                                             | -             | 57,596           |
| China Africa Resources plc                                                                                                                                                                                                                                                                                                 | 23,561        | -                |
|                                                                                                                                                                                                                                                                                                                            | <u>23,561</u> | <u>3,314,565</u> |
| Unlisted investments at cost (b)                                                                                                                                                                                                                                                                                           | -             | 942,660          |
| Total available-for-sale financial assets                                                                                                                                                                                                                                                                                  | <u>23,561</u> | <u>4,257,225</u> |
| (a) Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate. China Africa Resources plc. is listed on the London Alternative Investment Market. Fair value has been determined directly by reference to published quotations on active markets. |               |                  |
| At Cost                                                                                                                                                                                                                                                                                                                    | 27,293        | 4,488,266        |
| Impairment                                                                                                                                                                                                                                                                                                                 | -             | (2,597,574)      |
| Fair value adjustment to reserve                                                                                                                                                                                                                                                                                           | (3,732)       | 2,366,533        |
| Fair value at 30 June                                                                                                                                                                                                                                                                                                      | <u>23,561</u> | <u>4,257,225</u> |

- (b) During the financial period the Company's investment in the unlisted Chilean based company Minera Chuminga was re-classified from an available-for-sale investment to an Associate and accounted for using the equity method (refer note 8).

## **10. PLANT AND EQUIPMENT**

### **Year ended 30 June 2012**

|                                                                 | Office<br>equipment<br>and fittings<br>\$ | Total<br>\$  |
|-----------------------------------------------------------------|-------------------------------------------|--------------|
| At 1 July 2011, net of accumulated depreciation and impairment  | 1,576                                     | 1,576        |
| Additions                                                       | 10,802                                    | 10,802       |
| Sale                                                            | -                                         | -            |
| Depreciation expense for the year                               | (2,768)                                   | (2,768)      |
| At 30 June 2012, net of accumulated depreciation and impairment | <u>9,610</u>                              | <u>9,610</u> |

### **At 30 June 2012**

|                                         | Office<br>equipment<br>and fittings<br>\$ | Total<br>\$  |
|-----------------------------------------|-------------------------------------------|--------------|
| Cost                                    | 14,891                                    | 14,891       |
| Accumulated depreciation and impairment | (5,281)                                   | (5,281)      |
| Net carrying amount                     | <u>9,610</u>                              | <u>9,610</u> |

### **Year ended 30 June 2011**

|                                                                 | Office<br>equipment<br>and fittings<br>\$ | Total<br>\$  |
|-----------------------------------------------------------------|-------------------------------------------|--------------|
| At 1 July 2010, net of accumulated depreciation and impairment  | 2,944                                     | 2,944        |
| Additions                                                       | -                                         | -            |
| Sale                                                            | -                                         | -            |
| Depreciation expense for the year                               | (1,368)                                   | (1,368)      |
| At 30 June 2011, net of accumulated depreciation and impairment | <u>1,576</u>                              | <u>1,576</u> |

### **At 30 June 2011**

|                                         | Office<br>equipment<br>and fittings<br>\$ | Total<br>\$  |
|-----------------------------------------|-------------------------------------------|--------------|
| Cost                                    | 4,088                                     | 4,088        |
| Accumulated depreciation and impairment | (2,512)                                   | (2,512)      |
| Net carrying amount                     | <u>1,576</u>                              | <u>1,576</u> |

|                                                        | 2012<br>\$     | 2011<br>\$     |
|--------------------------------------------------------|----------------|----------------|
| <b>11. EXPLORATION AND EVALUATION EXPENDITURE</b>      |                |                |
| At Cost                                                | 41,918         | -              |
| Fair value at acquisition                              | 900,000        | 900,000        |
| Carrying amount at the end of the financial year       | <u>941,918</u> | <u>900,000</u> |
| Carrying amount at the beginning of the financial year | 900,000        | -              |
| Additions                                              | 41,918         | -              |
| Fair value adjustment at acquisition                   | -              | 900,000        |
| Carrying amount at the end of the financial year       | <u>941,918</u> | <u>900,000</u> |

Recovery of the capitalised amount is dependent upon:

- (i) the continuance of the Group's right to tenure of the area of interest;
- (ii) the results of future exploration; and
- (iii) the successful development and commercial exploitation, or alternatively sale.

**12. INTEREST IN SUBSIDIARIES**

| (Non current)           | Country of<br>Incorporation | % equity held by consolidated<br>entity |            |
|-------------------------|-----------------------------|-----------------------------------------|------------|
|                         |                             | 2012                                    | 2011       |
| E – Resources Pty Ltd   | Australia                   | 100                                     | 100        |
| And its subsidiary      |                             |                                         |            |
| Ghazal Minerals Limited | Australia                   | 100                                     | 100        |
| Green Mining Limitada   | Chile                       | 100                                     | 100        |
|                         |                             | 2012<br>\$                              | 2011<br>\$ |

**13. PAYABLES (Current)**

|                              |                |                |
|------------------------------|----------------|----------------|
| Trade creditors and accruals | <u>167,275</u> | <u>279,042</u> |
|------------------------------|----------------|----------------|

**14. PROVISIONS (Current)**

|                           |               |              |
|---------------------------|---------------|--------------|
| Employee benefits         | <u>20,112</u> | <u>7,229</u> |
| Opening balance at 1 July | 7,229         | -            |
| Additional provision      | 12,883        | 7,229        |
| Amount used               | -             | -            |
| Balance at 30 June        | <u>20,112</u> | <u>7,229</u> |

Other than directors as at 30 June 2012 the Group has 1 employee (2011: 1)

|                                       | 2012<br>\$  | 2011<br>\$ |
|---------------------------------------|-------------|------------|
| <b>15. CONTRIBUTED EQUITY</b>         |             |            |
| <b>(a) Issued and paid up capital</b> |             |            |
| Fully paid                            | 17,914,151  | 12,602,545 |
| Less: capital raising costs           | (1,582,747) | (521,180)  |
|                                       | 16,331,404  | 12,081,365 |

Effective 1 July 1998, the Corporations Legislation in place abolished the concept of authorised capital and par value shares. Accordingly, the Parent does not have authorised capital or par value in respect of its shares.

**(b) Movements in ordinary share capital**

|                                                    | 2012                |             | 2011                |            |
|----------------------------------------------------|---------------------|-------------|---------------------|------------|
|                                                    | Number of<br>shares | \$          | Number of<br>shares | \$         |
| Beginning of the financial year                    | 181,569,497         | 12,081,365  | 144,111,710         | 10,612,254 |
| <i>Issued during the year</i>                      |                     |             |                     |            |
| 21 Mar 2011 Issue at \$0.042 for Ghazal Minerals   | -                   | -           | 13,795,287          | 579,402    |
| 10 June 2011 Placement at \$0.04                   | -                   | -           | 23,662,500          | 946,500    |
| 1:3 Consolidation                                  | (121,045,961)       |             | -                   | -          |
| 23 Dec 2011 Issue at \$0.15 for equity in Chuminga | 2,003,406           | 300,511     | -                   | -          |
| 10 Jan 2012 Placement at \$0.20                    | 11,983,181          | 2,396,636   | -                   | -          |
| 14 Mar 2012 Placement at \$0.20                    | 5,746,026           | 1,149,205   | -                   | -          |
| 5 Apr 2012 Placement at \$0.20                     | 1,250,000           | 250,000     | -                   | -          |
| 17 Apr 2012 Placement at \$0.20                    | 2,226,268           | 445,254     | -                   | -          |
| 30 Apr 2012 Placement at \$0.20                    | 3,850,000           | 770,000     | -                   | -          |
| Cost of share issues                               | -                   | (1,061,567) | -                   | (56,791)   |
| End of the financial year                          | 87,582,417          | 16,331,404  | 181,569,497         | 12,081,365 |

Funds raised from the share placements during the year were used to progress the Group's exploration activities and for general working capital.

**(c) Movements in unlisted options on issue**

At the date of this report, there were 26,864,459 (2011: Nil) share options outstanding.

|                                                                                              | Issued     | Lapsed | Total number<br>of Options |
|----------------------------------------------------------------------------------------------|------------|--------|----------------------------|
| Balance at the beginning of the year                                                         |            |        | -                          |
| <i>Share option movements during the year</i>                                                |            |        |                            |
| Exercisable at 27 cents, on or before 31 December 2014                                       | 24,364,459 | -      | 24,364,459                 |
| Exercisable at 20 cents, on or before 10 January 2016                                        | 2,500,000  | -      | 2,500,000                  |
| Total options issued and lapsed in the year to 30 June 2012                                  | 26,864,459 | -      | 26,864,459                 |
| <b>Total number of options outstanding as at 30 June 2012 and at the date of this report</b> |            |        | 26,864,459                 |

The balance is comprised the following

| Date Granted                                                          | Expiry Date      | Exercise Price (cents) | Number of<br>Options |
|-----------------------------------------------------------------------|------------------|------------------------|----------------------|
| 28 November 2011                                                      | 10 January 2016  | 20.0                   | 2,500,000            |
| 2 December 2011                                                       | 31 December 2014 | 27.0                   | 19,250,000           |
| 20 December 2011                                                      | 31 December 2014 | 27.0                   | 2,500,000            |
| 16 April 2012                                                         | 31 December 2014 | 27.0                   | 2,614,459            |
| <b>Total number of options outstanding at the date of this report</b> |                  |                        | 26,864,459           |

**15. CONTRIBUTED EQUITY (continued)**

**(d) Staff shares issued**

There were no shares issued to staff during the year (2011: Nil).

**(e) Capital Management**

When managing capital, management's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Group.

**16. RESERVES**

|                                             | 2012<br>\$          | 2011<br>\$         |
|---------------------------------------------|---------------------|--------------------|
| <b>Accumulated Losses</b>                   |                     |                    |
| Balance at beginning of year                | (8,113,951)         | (8,526,243)        |
| Profit/(Loss) for the year                  | (7,149,945)         | 412,292            |
| Balance at end of year                      | <u>(15,263,896)</u> | <u>(8,113,951)</u> |
| <b>Share Option Reserve</b>                 |                     |                    |
| Balance at beginning of year                | 1,058,200           | 1,058,200          |
| Share options issued during the year        | 3,013,194           | -                  |
| Balance at end of year                      | <u>4,071,394</u>    | <u>1,058,200</u>   |
| <b>Convertible Note Equity Reserve</b>      |                     |                    |
| Balance at beginning of year                | 136,403             | 136,403            |
| Movement during the year, net of tax        | -                   | -                  |
| Balance at end of year                      | <u>136,403</u>      | <u>136,403</u>     |
| <b>Available-for-sale Assets Reserve</b>    |                     |                    |
| Balance at beginning of year                | 1,274,234           | 63,630             |
| Revaluation – gross                         | -                   | 1,729,435          |
| Realisation on sale (net of tax)            | (1,277,966)         |                    |
| Deferred tax (note 6)                       | -                   | (518,831)          |
| Balance at end of year                      | <u>(3,732)</u>      | <u>1,274,234</u>   |
| <b>Foreign Currency Translation Reserve</b> |                     |                    |
| Balance at beginning of year                | (15,363)            | -                  |
| Movement during the year                    | 69,004              | (15,363)           |
| Balance at end of year                      | <u>53,641</u>       | <u>(15,363)</u>    |

**Nature and purpose of reserves**

*Share option reserve*

This reserve records the value of options issued to directors, employees and associates as part of their remuneration.

*Convertible note equity reserve*

This reserve records the equity portion attributable to the convertible notes at the time of issue.

*Available-for-sale asset reserve*

This reserve records fair value changes on available-for-sale investments. Amounts are recognised in profit and loss when the associated assets are sold or impaired.

*Foreign currency translation reserve*

This reserve is used to record exchange differences arising from the translation of foreign controlled subsidiaries.

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**17. STATEMENT OF CASH FLOWS**

|                                                                                         | <b>2012</b>        | <b>2011</b>      |
|-----------------------------------------------------------------------------------------|--------------------|------------------|
|                                                                                         | <b>\$</b>          | <b>\$</b>        |
| Reconciliation of the net profit/(loss) after tax to the net cash flows from operations |                    |                  |
| <b>Net profit/(loss)</b>                                                                | (7,149,945)        | 412,292          |
| Depreciation of plant and equipment                                                     | 2,768              | 1,368            |
| Non cash dividends received                                                             | (27,293)           | (546,198)        |
| Taxation                                                                                | 546,102            | (518,831)        |
| Profit on sale of available-for-sale assets                                             | (868,881)          | -                |
| Equity accounting of associate                                                          | 61,887             | -                |
| Share based payments                                                                    | 2,407,532          | -                |
| (Gain)/loss on (purchase)/sale of subsidiary                                            | -                  | (328,850)        |
| Miscellaneous non-cash revenue                                                          | -                  | 14,885           |
| <i>Changes in assets and liabilities</i>                                                |                    |                  |
| Trade receivables                                                                       | (107,596)          | (4,591)          |
| Prepayments                                                                             | (764)              | (170)            |
| Trade and other creditors                                                               | (111,542)          | 84,593           |
| Employee entitlements                                                                   | 12,657             | 7,229            |
| <b>Net cash flows used in operating activities</b>                                      | <b>(5,235,075)</b> | <b>(878,273)</b> |

**(a) Reconciliation of cash**

Cash balance comprises:

|                      |                  |                  |
|----------------------|------------------|------------------|
| Cash at bank         | 3,173,890        | 1,489,421        |
| Short term deposit   | 33,501           | 30,000           |
| Closing cash balance | <b>3,207,391</b> | <b>1,519,421</b> |

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

Short term deposits are made at various periods on call, depending on the immediate cash requirements of the Group and earn interest at the respective short term deposit rates.

At 30 June 2012, the Group had a borrowing facility of \$30,000 (2011: \$30,000). The short term deposit is provided as security for the facility. This facility is unutilised at 30 June 2012.

The fair value of cash and cash equivalents is \$3,207,391 (2011: \$1,519,421).

The effective interest rate on cash at bank was 3.5 % (2011: 4.75%).

**18. EXPENDITURE COMMITMENTS**

**(a) Remuneration Commitments**

Commitments for payment of salaries and other remuneration under employment contracts in existence at reporting date but not recognised as liabilities, payable:

|                                                   | <b>2012</b>    | <b>2011</b> |
|---------------------------------------------------|----------------|-------------|
|                                                   | <b>\$</b>      | <b>\$</b>   |
| Not later than one year                           | 150,000        | -           |
| Later than one year and not later than five years | 75,000         | -           |
|                                                   | <b>225,000</b> | <b>-</b>    |

**18. EXPENDITURE COMMITMENTS (continued)**

**(b) Acquisition Commitments**

***Agreement to acquire Chuminga project in Chile***

During the financial year Oro Verde acquired a 20% interest in the Chuminga project by the payment of US\$1 million in June 2011 and the issue of 2,003,406 shares in the capital of the Company. In addition to acquiring a 20% interest in the project it acquired the following the rights:

- (i) the right to carry out further due diligence on the Project and such further exploration as it deems necessary over a period of 18 months; and
  - (ii) an option to acquire the balance of 80% of the Project ("Option")
- (a) the Company shall be entitled to exercise the Option within 18 months after acquiring the initial 20% interest in the Project, for a consideration of US\$5 million payable, at the Vendor's election, in cash or a combination of cash and Oro Verde shares (at A\$0.15 per share), provided that:
- (i) the Vendor may acquire no more than 19.9% of the issued share capital of the Company in total (calculated as at the date of execution of the Agreement); and
  - (ii) if, after the Company has acquired the remaining 80% of the Project, the Vendor holds less than 19.9% of the issued share capital of the Company (for example, because of dilution through capital raisings after the date of the Agreement) the Vendor may subscribe for Oro Verde shares to achieve a shareholding of 19.9% of the Company at a price per share equal to 90% of the volume weighted average price of Oro Verde shares traded on ASX over the 10 trading days prior to the date upon which the Company exercises the Option.
- (b) If Oro Verde exercises the Option, and the Project is not in production by 31 December 2018, Oro Verde must pay the Vendor \$250,000 annually commencing on 1 January 2019 and ending upon the commencement of production from the Project.
- (c) Oro Verde shall pay the Vendor a royalty of 1% of the net smelter return from the Project

***Agreement to acquire the Vega project in Chile***

Oro Verde Limited has executed an agreement to acquire a 100% interest in the Vega Project comprising 10 gold Exploration Concessions in the Fourth Region of Chile on the following key terms:

- (a) upon satisfactory legal due diligence as to title, to be satisfied by no later than 30 June 2011, payment on a non refundable basis of:
- (i) all mining exploration taxes outstanding at the date of execution of the Agreement (approximately US\$5,000); and
  - (ii) US\$20,000 in cash;
- These amounts were paid prior to 30 June 2011.
- (b) on the earlier of the Settlement Date or 15 August 2011, payment of US\$20,000 in cash on a non refundable basis. This amount was paid in August 2011;
- (c) 12 months after the Settlement Date :
- (i) US\$50,000 cash; and
  - (ii) US\$50,000 in cash or Oro Verde Shares in such proportions as Oro Verde may elect in its sole discretion; and
- (d) subject to paragraph (e) below, on every anniversary of the Settlement Date with effect from the date two years after the Settlement Date:
- (ii) a cash payment that is US\$5,000 more than the amount of the cash payment in the previous year (that is, a payment of US\$55,000 on the second anniversary, a payment of US\$60,000 on the third anniversary, and so on); and

**18. EXPENDITURE COMMITMENTS (continued)**

**(b) Acquisition Commitments (continued)**

- (iii) a payment of US\$5,000 in cash or Oro Verde Shares (in the absolute discretion of Oro Verde) more than the amount of cash and shares payable in the previous year (that is, a cash payment or share issue of US\$55,000 on the second anniversary, a cash payment or share issue of US\$60,000 on the third anniversary, and so on);
- (e) subject to Oro Verde's right to make payment in full satisfaction of its obligations as outlined below, the payments due in terms of paragraphs (c) and (d) above shall be payable until the Royalty referred to in paragraph (f) on an annualised basis is equal to or exceeds the annual payments referred to in paragraphs (c) and (d) above; and
- (f) subject to Oro Verde's right to make payment in full satisfaction of its obligations as outlined below, a Royalty payable on a quarterly basis equal to 3% of the Net Smelter Return derived from the Concessions in any quarter from the beginning of production; and

Oro Verde has the right at any time after Settlement to make a payment of US\$3 million in full and final satisfaction of its obligations under the Agreement.

**19. SEGMENT INFORMATION**

The Group does not have operating activities and is only currently involved in investing in the minerals sector. Operating segments are identified by management based on the manner in which resources are allocated and the nature of the resources provided. Discrete financial information about each of these areas is reported to the Board of Directors as the chief operating decision maker.

Based on this criteria, management has determined that the company has one operating segment being investing activities in the mineral resource sector. As the company is focused on investments in the mineral sector, the Board monitors the company based on the value of particular investments. This internal reporting framework is the most relevant to assist the Board with making decisions regarding the company and its ongoing investing activities, while also taking into consideration the results of investing activities that had been undertaken by the investee companies.

**Basis of Accounting for purposes of reporting the operating segments**

*Accounting policies adopted*

All amounts reported to the Board of Directors, as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

|                                                  | <b>2012</b>        | <b>2011</b>    |
|--------------------------------------------------|--------------------|----------------|
|                                                  | <b>\$</b>          | <b>\$</b>      |
| Interest Revenue                                 | 74,546             | 88,463         |
| Reportable segment profit/(loss)                 | (7,149,945)        | 412,292        |
| <b>Reconciliation of reportable segment loss</b> |                    |                |
| Reportable segment profit/(loss)                 | (7,149,945)        | 412,292        |
| Profit/(Loss) from discontinued Operations       | -                  | -              |
| <b>Profit/(Loss) after tax</b>                   | <b>(7,149,945)</b> | <b>412,292</b> |
| Reportable segment assets                        | 5,512,601          | 6,707,159      |
| Reportable segment liabilities                   | 187,387            | 286,271        |

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**19. SEGMENT INFORMATION (continued)**

During the 2012 and 2011 years the Company conducted its activities across three geographic locations, Australia, Chile and Mauritania.

| <b>2012</b>        | <b>Australia</b> | <b>Chile</b> | <b>Mauritania</b> |
|--------------------|------------------|--------------|-------------------|
|                    | <b>\$</b>        | <b>\$</b>    | <b>\$</b>         |
| Revenues           | 101,819          | -            | -                 |
| Non-current assets | 23,775           | 1,244,138    | 900,000           |
| <b>2011</b>        |                  |              |                   |
| Revenues           | 634,660          | -            | -                 |
| Non-current assets | 3,316,141        | 942,660      | 900,000           |

**20. SUBSEQUENT EVENTS**

No matter or circumstance has arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

**21. EARNINGS PER SHARE**

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary Owners of the parent, adjusted to exclude any costs of servicing equity, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary Owners of the parent by the weighted average number of ordinary shares during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income / (loss) and share data used in the calculations of basic and diluted earnings per share:

|                                                                                                                     | <b>2012</b>        | <b>2011</b>        |
|---------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
|                                                                                                                     | <b>Cents</b>       | <b>cents</b>       |
| <b>(a) Basic and diluted earnings per share</b>                                                                     |                    |                    |
| From continuing operations attributable to the ordinary Owners of the company                                       | <u>(0.10)</u>      | <u>0.28</u>        |
|                                                                                                                     | <b>2012</b>        | <b>2011</b>        |
|                                                                                                                     | <b>\$</b>          | <b>\$</b>          |
| <b>(b) Reconciliations of earnings used in calculating earnings per share</b>                                       |                    |                    |
| Profit/(Loss) attributable to the ordinary Owners of the company                                                    |                    |                    |
| used in calculating basic and diluted earnings per share                                                            |                    |                    |
| From continuing operations                                                                                          | <u>(7,149,945)</u> | <u>412,292</u>     |
|                                                                                                                     | <b>Number</b>      | <b>Number</b>      |
| Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share | <u>70,349,978</u>  | <u>149,328,235</u> |

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**22. AUDITORS' REMUNERATION**

*Amounts received or due and receivable by Hewitt, Turner & Gelevitis for:*

|                                                  |               |               |
|--------------------------------------------------|---------------|---------------|
| - an audit or review of the Financial statements | 38,954        | 27,915        |
| - other services                                 | 15,958        | -             |
|                                                  | <u>54,912</u> | <u>27,915</u> |

*Remuneration of other auditors of subsidiaries:*

|                                                          |               |              |
|----------------------------------------------------------|---------------|--------------|
| - an audit or review of financial report of subsidiaries | <u>17,873</u> | <u>8,110</u> |
|----------------------------------------------------------|---------------|--------------|

**23. KEY MANAGEMENT PERSONNEL**

**(a) Details of Key Management Personnel:**

**(i) Directors**

|               |                                            |
|---------------|--------------------------------------------|
| W G Martinick | Chairman and Managing Director (executive) |
| B L Farrell   | Technical Director (non-executive)         |
| G R O'Dea     | Director (non-executive)                   |
| D H Ward      | Director (non-executive)                   |

**(ii) Executives**

|             |                   |
|-------------|-------------------|
| B D Dickson | Company Secretary |
|-------------|-------------------|

There were no other specified executives during the year.

**(b) Employment contracts**

At 30 June 2012 the Managing Director, Dr Martinick is employed under contract with an annual salary of \$150,000. The current employment contract expires on 1 January 2014.

**(c) Compensation of Key Management Personnel**

Compensation of each director and the executive officer of the consolidated entity are as follows

|                          | Short term           |                                   | Post employment | Share based payments | Total     | Total options related | Total performance related |
|--------------------------|----------------------|-----------------------------------|-----------------|----------------------|-----------|-----------------------|---------------------------|
| 30 June 2012             | Salaries and fees    | Non Monetary Benefit <sup>1</sup> | Super-annuation | Shares               |           |                       |                           |
| <b>Directors</b>         | \$                   |                                   | \$              | \$                   | \$        |                       |                           |
| W G Martinick            | 160,046              | 3,446 <sup>1</sup>                | 14,404          | 830,925              | 1,008,821 | 82.4%                 | -                         |
| G R O'Dea                | 36,468               | 3,446 <sup>1</sup>                | 3,282           | 55,395               | 98,591    | 56.2%                 | -                         |
| D H Ward                 | -                    | 3,446 <sup>1</sup>                | 39,750          | 55,395               | 98,591    | 56.2%                 | -                         |
| B L Farrell              | 270,900 <sup>2</sup> | 3,446 <sup>1</sup>                | 25,135          | 830,925              | 1,130,406 | 73.5%                 | -                         |
| <b>Executive Officer</b> |                      |                                   |                 |                      |           |                       |                           |
| B D Dickson              | 85,000               | 3,446 <sup>1</sup>                | -               | 109,930              | 198,376   | 55.4%                 | -                         |
| Total                    | 552,414              | 17,230                            | 82,571          | 1,882,570            | 2,534,785 | 74.3%                 | -                         |

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**23. KEY MANAGEMENT PERSONNEL (continued)**

**(c) Compensation of Key Management Personnel (continued)**

|                          | Short term        |                                   | Post employment | Share based payments <sup>2</sup> | Total          | Total options related | Total performance related |
|--------------------------|-------------------|-----------------------------------|-----------------|-----------------------------------|----------------|-----------------------|---------------------------|
| 30 June 2011             | Salaries and fees | Non Monetary Benefit <sup>1</sup> | Super-annuation | Shares                            |                |                       |                           |
|                          | \$                |                                   | \$              | \$                                | \$             |                       |                           |
| <b>Directors</b>         |                   |                                   |                 |                                   |                |                       |                           |
| W G Martinick            | 110,092           | 3,046 <sup>1</sup>                | 9,908           | -                                 | 123,046        | -                     | -                         |
| G R O'Dea                | 22,936            | 3,046 <sup>1</sup>                | 2,064           | -                                 | 28,046         | -                     | -                         |
| D H Ward                 | -                 | 3,046 <sup>1</sup>                | 25,000          | -                                 | 28,046         | -                     | -                         |
| <b>Executive Officer</b> |                   |                                   |                 |                                   |                |                       |                           |
| S M O Watson             | -                 | 3,046 <sup>1</sup>                | -               | -                                 | 3,046          | -                     | -                         |
| B D Dickson              | 76,000            | 3,046 <sup>1</sup>                | -               | -                                 | 79,046         | -                     | -                         |
| <b>Total</b>             | <b>209,028</b>    | <b>15,230</b>                     | <b>36,972</b>   | <b>-</b>                          | <b>261,230</b> | <b>-</b>              | <b>-</b>                  |

1. The Non Monetary Benefit relates to the Directors' Indemnity Insurance
2. Inclusive of \$10,422 of disbursements of expenses incurred on behalf of the Company.
3. No shares were issued as compensation during the year ended 30 June 2011.

**(d) Shares issued on exercise of remuneration options**

There were no shares issued on exercise of remuneration options.

**(e) Option holdings of Key Management Personnel**

No options were held by key management personnel during 2011.

| 2012              | Balance at beginning of year<br>1 July 2011 | Granted as Remuneration | Options Exercised | Options Lapsed | Balance at end of year<br>30 June 2012 | Vested at 30 June 2012 |                   |
|-------------------|---------------------------------------------|-------------------------|-------------------|----------------|----------------------------------------|------------------------|-------------------|
|                   |                                             |                         |                   |                |                                        | Vested & Exercisable   | Unvested          |
| <b>Directors</b>  |                                             |                         |                   |                |                                        |                        |                   |
| W G Martinick     | -                                           | 7,500,000               | -                 | -              | 7,500,000                              | -                      | 7,500,000         |
| G R O'Dea         | -                                           | 500,000                 | -                 | -              | 500,000                                | 500,000                | -                 |
| D H Ward          | -                                           | 500,000                 | -                 | -              | 500,000                                | 500,000                | -                 |
| B L Farrell       | -                                           | 7,500,000               | -                 | -              | 7,500,000                              | -                      | 7,500,000         |
| <b>Executives</b> |                                             |                         |                   |                |                                        |                        |                   |
| Brett Dickson     | -                                           | 1,000,000               | -                 | -              | 1,000,000                              | 1,000,000              | -                 |
| <b>Total</b>      | <b>-</b>                                    | <b>17,000,000</b>       |                   |                | <b>17,000,000</b>                      | <b>2,000,000</b>       | <b>15,000,000</b> |

The options held by Dr Martinick and Dr Farrell are subject to the following vesting conditions:

**Vesting Condition**

**Number of Options**

1. The Company's shares trade at a minimum volume weighted average trading price of 30 cents over a 20 day period 2,500,000
2. The Company's shares trade at a minimum volume weighted average trading price of 35 cents over a 20 day period 2,500,000
3. The Company's shares trade at a minimum volume weighted average trading price of 40 cents over a 20 day period 2,500,000

**23. KEY MANAGEMENT PERSONNEL (continued)**

**(f) Shareholdings of Key Management Personnel**

| <b>2012 – Figures adjusted for 1:3 share consolidation completed during the year</b> | <b>Balance<br/>1 July 11<br/>Number</b> | <b>Granted as<br/>Remuneration<br/>Number</b> | <b>On Exercise<br/>of Options<br/>Number</b> | <b>Net Change<br/>Other<br/>Number</b> | <b>Balance<br/>30 June 12<br/>Number</b> |
|--------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------------|----------------------------------------------|----------------------------------------|------------------------------------------|
| <b>Specified Directors</b>                                                           |                                         |                                               |                                              |                                        |                                          |
| W G Martinick                                                                        | 10,836,054                              | -                                             | -                                            | 512,868                                | 11,348,922                               |
| Held by spouse and children of WG Martinick                                          | 29,535                                  | -                                             | -                                            | 33,799                                 | 63,334                                   |
| G R O'Dea                                                                            | 299,476                                 | -                                             | -                                            | -                                      | 299,476                                  |
| Held by spouse and children of GR O'Dea                                              | 743,947                                 | -                                             | -                                            | 16,667                                 | 760,614                                  |
| D H Ward                                                                             | 831,266                                 | -                                             | -                                            | 150,000                                | 981,266                                  |
| B L Farrell                                                                          | 4,586,443                               |                                               |                                              | 500,000                                | 5,086,443                                |
| <b>Specified Executives</b>                                                          |                                         |                                               |                                              |                                        |                                          |
| B D Dickson                                                                          | 415,000                                 | -                                             | -                                            | (415,000)                              | -                                        |
| <b>Total</b>                                                                         | <b>17,741,721</b>                       | <b>-</b>                                      | <b>-</b>                                     | <b>798,334</b>                         | <b>18,540,055</b>                        |

| <b>2011 – Figures are prior to the 1:3 share consolidation completed during the 2012 year</b> | <b>Balance<br/>1 July 10<br/>Number</b> | <b>Granted as<br/>Remuneration<br/>Number</b> | <b>On Exercise<br/>of Options<br/>Number</b> | <b>Net Change<br/>Other<br/>Number</b> | <b>Balance<br/>30 June 11<br/>Number</b> |
|-----------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------------|----------------------------------------------|----------------------------------------|------------------------------------------|
| <b>Specified Directors</b>                                                                    |                                         |                                               |                                              |                                        |                                          |
| W G Martinick                                                                                 | 29,351,141                              | -                                             | -                                            | 3,157,019                              | 32,508,160                               |
| Held by spouse and children of WG Martinick                                                   | 308,916                                 | -                                             | -                                            | (220,313)                              | 88,603                                   |
| G R O'Dea                                                                                     | 898,425                                 | -                                             | -                                            | -                                      | 898,425                                  |
| Held by spouse and children of GR O'Dea                                                       | 2,231,838                               | -                                             | -                                            | -                                      | 2,231,838                                |
| D H Ward                                                                                      | 2,491,364                               | -                                             | -                                            | -                                      | 2,491,364                                |
| <b>Specified Executives</b>                                                                   |                                         |                                               |                                              |                                        |                                          |
| S M O Watson                                                                                  | 7,031,058                               | -                                             | -                                            | -                                      | 7,031,058                                |
| B D Dickson                                                                                   | 1,250,000                               |                                               |                                              | (5,000)                                | 1,245,000                                |
| <b>Total</b>                                                                                  | <b>43,562,742</b>                       | <b>-</b>                                      | <b>-</b>                                     | <b>2,931,706</b>                       | <b>46,494,448</b>                        |

**(g) Loans to/from Key Management Personnel**

On 4 January 2012 Dr Martinick and Dr Farrell provided short term loan funds of \$250,000 each to the Company. The loans were on normal terms and conditions and were repaid in full on 8 February 2012 with interest of \$3,125.67 paid to each director. There were no loans outstanding to or from Key Management Personnel as at 30 June 2012 (2011: Nil).

**(h) Other transactions and balances with Key Management Personnel**

**Services**

Professional services, relating to accounting and taxation advice, of \$30,409 (2011: \$19,590) were provided by Young & Wilkinson, a partnership associated with D H Ward on normal commercial terms and conditions, of which Nil remains outstanding at 30 June 2012 (2011: \$15,740). Coolform Investments Pty Ltd a company in which Mr Dickson is a director and shareholder received fees totalling \$85,000 (2011: \$76,000) for the provision of services, as disclosed in note 23(c). An amount of \$11,000 (2011:\$5,500) is payable at year end.

## **24. RELATED PARTY DISCLOSURE**

### **(a) Subsidiaries**

The consolidated financial statements include the financial statement of Oro Verde Limited and the subsidiaries listed in the following table.

| Name                    | Country of incorporation | Equity interest |           | Investment     |                |
|-------------------------|--------------------------|-----------------|-----------|----------------|----------------|
|                         |                          | 2012<br>%       | 2011<br>% | 2012<br>\$     | 2011<br>\$     |
| E-Resources Pty Ltd     | Australia                | 100             | 100       | 1              | 1              |
| Ghazal Minerals Limited | Australia                | 100             | 100       | 684,402        | 684,402        |
| Green Mining Limitada   | Chile                    | 100             | 100       | 21,740         | 21,740         |
|                         |                          |                 |           | <u>706,143</u> | <u>706,143</u> |

Ghazal Minerals Limited became a 100% subsidiary of E-Resources Pty Ltd effective 21 March 2011 and the results of Ghazal Minerals Limited are included from that date.

### **(b) Ultimate parent**

Oro Verde Limited is the ultimate parent entity.

### **(c) Key Management Personnel**

Details relating to key management personnel, including remuneration, are included in note 23.

### **(d) Entities subject to significant influence by the Group**

For details of interests held in associated companies refer to Note 9.

## **25. FINANCIAL INSTRUMENTS**

### **(a) Financial Risk Management**

The Group's financial instruments comprise receivables, payables, finance leases, available for sale investments and cash.

The Group's main risks arising from the financial instruments are:

- (i) interest rate risk,
- (ii) liquidity risk,
- (iii) credit risk
- (iv) price risk and
- (v) foreign currency risk.

### **Risk Exposures and Responses**

#### **(i) Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will affect the Group's income. The objective of interest rate risk management is to manage and control risk exposures within acceptable parameters, while optimising any return. As the Group has interest bearing assets, the Group's income and operating cash flows are exposed to changes in market interest rates. The assets are short term interest bearing deposits. The Group does not have any policy in place and no financial instruments are employed to mitigate interest rate risks.

**25. FINANCIAL INSTRUMENTS (continued)**

At balance date, the Group had the following financial assets exposed to Australian and Chilean variable interest rate risk:

|                         | 2012<br>\$ | 2011<br>\$ |
|-------------------------|------------|------------|
| <b>Australia</b>        |            |            |
| <b>Financial assets</b> |            |            |
| Cash at bank            | 2,995,031  | 1,345,493  |
| <b>Chile</b>            |            |            |
| <b>Financial assets</b> |            |            |
| Cash at bank            | 212,360    | 173,928    |

The Group has no interest bearing liabilities and is therefore not exposed to interest rate risks.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the end of the reporting period. The 1% sensitivity is based on reasonable possible change over the financial year using the observed range for the historic 2 years.

*At 30 June 2012, if interest rates had moved, as illustrated in the table below, with all variables held constant, post tax profit and equity would have been affected as follows:*

| Judgements of reasonably possible movements: | Post tax profit<br>Higher/(Lower) |            | Equity<br>Higher/(Lower) |            |
|----------------------------------------------|-----------------------------------|------------|--------------------------|------------|
|                                              | 2012<br>\$                        | 2011<br>\$ | 2012<br>\$               | 2011<br>\$ |
| <b>CONSOLIDATED</b>                          |                                   |            |                          |            |
| +1% (100 basis points)                       | 32,074                            | 15,194     | 32,074                   | 15,194     |
| -1% (100 basis points)                       | (32,074)                          | (15,194)   | (32,074)                 | (15,194)   |

The movements in profit and equity are due to higher/lower interest costs from variable rate cash balances.

**(ii) Liquidity Risk**

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

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. Undiscounted cash flows of financial liabilities are presented.

The Group has no derivative financial instruments.

*The remaining contractual maturities of the Group's financial liabilities are:*

|                  | 2012<br>\$ | 2011<br>\$ |
|------------------|------------|------------|
| 6 months or less | 167,275    | 279,042    |
| 6 – 12 months    | -          | -          |
| 1 – 5 years      | -          | -          |
|                  | 167,275    | 279,042    |

*Maturity analysis of financial assets and liability based on management's expectation*

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and (outflows). Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant and equipment and investments in working capital eg inventories and trade receivables. These assets are considered in the Group's overall liquidity risk.

**25. FINANCIAL INSTRUMENTS (continued)**

**(ii) Liquidity Risk (continued)**

|                                | <6 months               | 6 – 12 months   | 1 – 5 years     | > 5 years       | Total                   |
|--------------------------------|-------------------------|-----------------|-----------------|-----------------|-------------------------|
|                                | \$                      | \$              | \$              | \$              | \$                      |
| <b>CONSOLIDATED</b>            |                         |                 |                 |                 |                         |
| <i>Year ended 30 June 2012</i> |                         |                 |                 |                 |                         |
| <b>Financial assets</b>        |                         |                 |                 |                 |                         |
| Cash & cash equivalents        | 3,207,391               | -               | -               | -               | 3,207,391               |
| Trade & other receivables      | 130,652                 | -               | -               | -               | 130,652                 |
|                                | <u>3,338,043</u>        | <u>-</u>        | <u>-</u>        | <u>-</u>        | <u>3,338,043</u>        |
| <b>Financial liabilities</b>   |                         |                 |                 |                 |                         |
| Trade & other payables         | (167,275)               | -               | -               | -               | (167,275)               |
|                                | <u>(167,275)</u>        | <u>-</u>        | <u>-</u>        | <u>-</u>        | <u>(167,275)</u>        |
| <b>Net Maturity</b>            | <b><u>3,170,768</u></b> | <b><u>-</u></b> | <b><u>-</u></b> | <b><u>-</u></b> | <b><u>3,170,768</u></b> |
| <i>Year ended 30 June 2011</i> |                         |                 |                 |                 |                         |
| <b>Financial assets</b>        |                         |                 |                 |                 |                         |
| Cash & cash equivalents        | 1,519,421               | -               | -               | -               | 1,519,421               |
| Trade & other receivables      | 23,056                  | -               | -               | -               | 23,056                  |
|                                | <u>1,542,477</u>        | <u>-</u>        | <u>-</u>        | <u>-</u>        | <u>1,542,477</u>        |
| <b>Financial liabilities</b>   |                         |                 |                 |                 |                         |
| Trade & other payables         | (279,042)               | -               | -               | -               | (279,042)               |
|                                | <u>(279,042)</u>        | <u>-</u>        | <u>-</u>        | <u>-</u>        | <u>(279,042)</u>        |
| <b>Net Maturity</b>            | <b><u>1,263,435</u></b> | <b><u>-</u></b> | <b><u>-</u></b> | <b><u>-</u></b> | <b><u>1,263,435</u></b> |

**(iii) Credit Risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from transactions with customers and investments.

The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the financial assets of the Group, which comprises of cash and cash equivalents, trade and other receivables and available for sale financial assets.

The Group does not hold any credit derivatives to offset its exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group places its cash deposits with institutions with a credit rating of AA or better and only with major banks.

**Fair value**

The fair values of financial assets and liabilities approximate their carrying amounts shown in the statement of financial position due to their short term nature. The carrying amounts of financial assets and liabilities as described in the statement of financial position are as follows:

**25. FINANCIAL INSTRUMENTS (continued)**

**(iii) Credit Risk (continued)**

| CONSOLIDATED                                     | CARRYING AMOUNT  |                  | AGGREGATE NET FAIR VALUE |                  |
|--------------------------------------------------|------------------|------------------|--------------------------|------------------|
|                                                  | 2012<br>\$       | 2011<br>\$       | 2012<br>\$               | 2011<br>\$       |
| <b>FINANCIAL ASSET</b>                           |                  |                  |                          |                  |
| Cash                                             | 3,207,391        | 1,519,421        | 3,207,391                | 1,519,421        |
| Receivables                                      | 130,652          | 23,056           | 130,652                  | 23,056           |
| Available-for-sale financial assets              | 23,561           | 4,257,225        | 23,561                   | 4,257,225        |
| <b>Total financial assets</b>                    | <b>3,361,604</b> | <b>5,799,702</b> | <b>3,361,604</b>         | <b>5,799,702</b> |
| <b>FINANCIAL LIABILITIES</b>                     |                  |                  |                          |                  |
| Trade creditors and accruals and other creditors | 167,275          | 279,042          | 167,275                  | 279,042          |
| <b>Total financial liabilities</b>               | <b>167,275</b>   | <b>279,042</b>   | <b>167,275</b>           | <b>279,042</b>   |

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities

Cash and cash equivalent: The carrying amount approximates fair value because of their short-term to maturity.

Receivables and payables: The carrying amount approximates fair value.

Available-for-sale financial assets: Quoted prices in active markets been used to determine the fair value of listed available-for-sale investments (Level 1). The fair value of these financial assets has been based on the closing quoted bid prices at reporting date, excluding transaction costs.

**(iv) Price Risk**

*Listed Securities*

Equity securities price risk arises from investments in equity securities. To limit this risk the Group diversifies its portfolio in accordance with limits set by the Board. The equity investments is of a high quality and is publicly traded on the LSE (London Stock Exchange Alternative Investment Market).

**Sensitivity analysis**

| CONSOLIDATED                   |                    | Effect on:     |                | Effect on:     |                |
|--------------------------------|--------------------|----------------|----------------|----------------|----------------|
|                                |                    | Profit<br>2012 | Equity<br>2012 | Profit<br>2011 | Equity<br>2011 |
| <b>Share Price Sensitivity</b> | <b>Sensitivity</b> |                |                |                |                |
| Risk Variable                  | +5%                | -              | 1,178          | -              | 165,728        |
|                                | -5%                | -              | (1,178)        | -              | (165,728)      |

**(v) Foreign Currency Risk**

Foreign currency risk is the risk that changes in foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The Group is exposed to currency risk on purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily the United States Dollar (USD) and Chilean Peso (CP). The currencies in which the transactions primarily are denominated are USD and CP.

The Group has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency.

Group's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

**25. FINANCIAL INSTRUMENTS (Continued)**

**(v) Foreign Currency Risk (continued)**

**Exposure to currency risk**

The Group's exposure to foreign currency risk at balance date, expressed in Australian dollars (AUD), was as follows:

|                              | <b>2012<br/>(AUD)<br/>CP</b> | <b>2011<br/>(AUD)<br/>CP</b> |
|------------------------------|------------------------------|------------------------------|
| Cash                         | 212,360                      | 173,928                      |
| Trade Receivables            | 124,809                      | 2,027                        |
| Trade Payables               | (11,456)                     | (29,208)                     |
| Gross Balance Sheet Exposure | 325,713                      | 146,747                      |
| Forward exchange contracts   | -                            | -                            |
| Net Exposure                 | 325,713                      | 146,747                      |

The following significant exchange rates applied during the year:

|        | <b>Average rate</b> |             | <b>Reporting date spot rate</b> |             |
|--------|---------------------|-------------|---------------------------------|-------------|
|        | <b>2012</b>         | <b>2011</b> | <b>2012</b>                     | <b>2011</b> |
| AUD/CP | 0.0020              | 0.0021      | 0.0020                          | 0.0020      |

**Sensitivity analysis**

Over the reporting period there have been significant movements in the Australian dollar when compared to other currencies, it is therefore considered reasonable to review sensitivities base on a 10% movement in the Australian dollar. A 10 percent movement of the Australian dollar against the Chilean Peso at 30 June would have affected equity and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

|                     | <b>Equity<br/>\$</b> | <b>Profit or loss<br/>\$</b> |
|---------------------|----------------------|------------------------------|
| <b>30 June 2012</b> |                      |                              |
| Chilean Peso        | +/- 32,571           | -                            |
| <b>30 June 2011</b> |                      |                              |
| Chilean Peso        | +/- 14,675           | -                            |

**26. BUSINESS COMBINATION**

On 21 March 2011 year Oro Verde increased its stake in Ghazal Minerals Limited ("Ghazal") from 23% to 100% by acquiring all of the outstanding shares and options on issue in Ghazal (apart from those already held by Oro Verde) on the basis on 0.697 Oro Verde share for each Ghazal share and 0.00465 Oro Verde share for each Ghazal option. This resulted in the issue of 13,795,287 shares at a fair value of \$0.042 each. Ghazal holds rights to two exploration licences, EL276 (Bir Moghreïn) and EL277 (Agouyme) in northern Mauritania, an emerging uranium province. The licences, covering approximately 544km<sup>2</sup>, are highly prospective for uranium.

**ORO VERDE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR YEAR ENDED 30 JUNE 2012**

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**26. BUSINESS COMBINATION (continued)**

The fair values of the identifiable assets and liabilities of Ghazal as at the date of acquisition were:

|                                                           | \$             |
|-----------------------------------------------------------|----------------|
| Cash                                                      | 37,060         |
| Trade receivables                                         | 599            |
| Intercompany receivable                                   | 14,885         |
| Exploration licences                                      | 900,000        |
| Trade payables                                            | (44,292)       |
|                                                           | <u>908,252</u> |
| Fair value of identifiable net assets                     | 908,252        |
| Fair value of previously held interests                   | (212,258)      |
| Fair value Gain on acquisition                            | (116,592)      |
|                                                           | <u>579,402</u> |
| Acquisition date fair value of consideration transferred: |                |
| Shares issued at fair value                               | 579,402        |
| Cash paid                                                 | -              |
| Consideration transferred                                 | <u>579,402</u> |
| The cash outflow on acquisition is as follows:            |                |
| Net cash acquired with the subsidiary                     | 37,060         |
| Cash paid                                                 | -              |
| Net consolidated cash inflow                              | <u>37,060</u>  |

**27. PARENT ENTITY FINACIAL INFORMATION**

**(a) Summary Financial Information**

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards:

|                                        | 2012<br>\$       | 2011<br>\$       |
|----------------------------------------|------------------|------------------|
| <b>STATEMENT OF FINANCIAL POSITION</b> |                  |                  |
| <b>ASSETS</b>                          |                  |                  |
| Current assets                         | 2,972,883        | 1,342,962        |
| Total assets                           | <u>8,355,862</u> | <u>4,152,873</u> |
| <b>LIABILITIES</b>                     |                  |                  |
| Current liabilities                    | 157,375          | 211,900          |
| Total liabilities                      | <u>157,375</u>   | <u>417,971</u>   |
| <b>EQUITY</b>                          |                  |                  |
| Issued capital                         | 16,331,404       | 12,081,365       |
| Reserves                               |                  |                  |
| Share-option                           | 4,071,394        | 1,058,200        |
| Convertible note equity                | 136,403          | 136,403          |
| Available-for-sale assets              | (669)            | 226,083          |
| Accumulated loses                      | (12,340,045)     | (9,767,149)      |
| Total Equity                           | <u>8,198,487</u> | <u>3,734,902</u> |

**27. PARENT ENTITY FINACIAL INFORMATION (continued)**

**STATEMENT OF COMPREHENSIVE INCOME**

|                                   |             |           |
|-----------------------------------|-------------|-----------|
| Total profit/(loss)               | (2,372,841) | (620,355) |
| Total comprehensive income/(loss) | (2,599,593) | (402,323) |

**(b) Guarantees**

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

**(c) Contingent liabilities**

Oro Verde Limited did not have any contingent liabilities as at 30 June 2012 or 30 June 2011.

**(d) Contracted commitments for the acquisition of property, plants or equipment**

Oro Verde Limited did not have any commitments for the acquisition of property, plant or equipment.

**28. SHARE BASED PAYMENTS**

The Group has issued options pursuant to an Employee Share plan and also Director Options issued pursuant to approval obtained by shareholders at a General Meeting. In addition options were issued to certain contractors and unrelated third parties. Details of each issue is set out below:

**(a) Employee and consultants option plan**

The establishment of the Oro Verde Option Plan ("Plan") was approved by shareholders at the 2011 Annual General Meeting. The plan is designed to provide long-term incentives for employees and certain contractors to deliver long term shareholder returns. Participation in the plan is at the Boards discretion and no individual has a contractual right to participate in the plan or to receive guaranteed benefits. In addition, under the Plan, the Board determines the terms of the options including exercise price, expiry date and vesting conditions, if any.

Options granted under the plan carry no dividend or voting rights. When exercised, each option is convertible into an ordinary share of the company with full dividend and voting rights.

Set out below are summaries of options granted under the plan in 2012, no options had been granted in prior years.

| Grant Date                      | Expiry Date | Exercise Price (cents) | Value per option at grant date (cents) | Balance of the start of the year Number | Granted during the year Number | Exercised during the year Number | Lapsed during the year Number | Balance at end of the year Number | Vested and exercisable at end of the year Number |
|---------------------------------|-------------|------------------------|----------------------------------------|-----------------------------------------|--------------------------------|----------------------------------|-------------------------------|-----------------------------------|--------------------------------------------------|
| 20 Dec '11                      | 31 Dec '14  | 27.0                   | 10.99                                  | -                                       | 2,000,000                      | -                                | -                             | 2,000,000                         | 2,000,000                                        |
| <b>TOTAL</b>                    |             |                        |                                        | -                                       | <b>2,000,000</b>               | -                                | -                             | <b>2,000,000</b>                  | <b>2,000,000</b>                                 |
| Weighted average exercise price |             |                        |                                        | -                                       | \$0.27                         | -                                | -                             | \$0.27                            | \$0.27                                           |

No options were exercised during the periods covered by the above tables.

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.5 years (2011: Nil).

**28. SHARE BASED PAYMENTS (continued)**

*Fair value of options granted*

Options were granted for no consideration. During the 2012 financial year the weighted average fair value of the options granted was 10.99 cents (2011: Nil). The price was calculated by using the Binominal Option valuation methodology applying the following inputs:

|                                         | <b>2012</b> |
|-----------------------------------------|-------------|
| Weighted average exercise price         | 27.0 cents  |
| Weighted average life of the option     | 3.033 years |
| Weighted average underlying share price | 18.0 cents  |
| Expected share price volatility         | 110%        |
| Risk free interest rate                 | 3.68%       |

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.

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

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

|                                      | <b>Consolidated</b> |             |
|--------------------------------------|---------------------|-------------|
|                                      | <b>2012</b>         | <b>2011</b> |
|                                      | <b>\$</b>           | <b>\$</b>   |
| Options issued to staff and officers | <b>219,860</b>      | -           |

**(b) Directors and executive options**

Set out below are summaries of options issued to directors in 2012, none were issued in prior years.

| Grant Date                      | Expiry Date | Exercise Price (cents) | Value per option at grant date (cents) | Balance at the start of the year Number | Granted during the year Number | Exercised during the year Number | Lapsed during the year Number | Balance at end of the year Number | Vested and exercisable at end of the year Number |
|---------------------------------|-------------|------------------------|----------------------------------------|-----------------------------------------|--------------------------------|----------------------------------|-------------------------------|-----------------------------------|--------------------------------------------------|
| 2 Dec '11                       | 31 Dec '14  | 27.0                   | 11.1                                   | -                                       | 16,000,000                     | -                                | -                             | 16,000,000                        | 1,000,000                                        |
| <b>TOTAL</b>                    |             |                        |                                        | -                                       | <b>16,000,000</b>              | -                                | -                             | <b>16,000,000</b>                 | <b>1,000,000</b>                                 |
| Weighted average exercise price |             |                        |                                        | -                                       | \$0.27                         | -                                | -                             | \$0.27                            | \$0.27                                           |

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.5 years (2011: Nil).

*Fair value of director options granted.*

Options were granted for no consideration. During the 2012 financial year the weighted average fair value of the options granted was 11.1 cents (2011: Nil). The price was calculated by using the Binominal Option valuation methodology applying the following inputs:

|                                         | <b>2012</b> |
|-----------------------------------------|-------------|
| Weighted average exercise price         | 27.0 cents  |
| Weighted average life of the option     | 3.079 years |
| Weighted average underlying share price | 18.0 cents  |
| Expected share price volatility         | 110%        |
| Risk free interest rate                 | 3.68%       |

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.

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

**28. SHARE BASED PAYMENTS (continued)**

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

|                             | <b>Consolidated</b> |
|-----------------------------|---------------------|
|                             | <b>2012</b>         |
|                             | <b>2011</b>         |
|                             | <b>\$</b>           |
|                             | <b>\$</b>           |
| Options issued to directors | <b>1,772,640</b>    |
|                             | <b>-</b>            |

**(c) Contractor and other options**

Set out below are summaries of options issued to contractors and unrelated third parties in 2012, none were issued in prior years.

| Grant Date                      | Expiry Date | Exercise Price (cents) | Value per option at grant date (cents) | Balance at the start of the year Number | Granted during the year Number | Exercised during the year Number | Lapsed during the year Number | Balance at end of the year Number | Vested and exercisable at end of the year Number |
|---------------------------------|-------------|------------------------|----------------------------------------|-----------------------------------------|--------------------------------|----------------------------------|-------------------------------|-----------------------------------|--------------------------------------------------|
| 28 Nov '11                      | 10 Jan'16   | 20.0                   | 15.76                                  | -                                       | 2,500,000 <sup>a</sup>         | -                                | -                             | 2,500,000                         | 2,500,000                                        |
| 2 Dec '11                       | 31 Dec'14   | 27.0                   | 11.10                                  | -                                       | 3,250,000 <sup>b</sup>         | -                                | -                             | 3,250,000                         | 3,250,000                                        |
| 20 Dec '11                      | 31 Dec'14   | 27.0                   | 10.99                                  | -                                       | 500,000 <sup>c</sup>           | -                                | -                             | 500,000                           | 500,000                                          |
| 16 Apr '12                      | 31 Dec'14   | 27.0                   | 8.09                                   | -                                       | 2,614,459 <sup>d</sup>         | -                                | -                             | 2,614,459                         | 2,614,459                                        |
| <b>TOTAL</b>                    |             |                        |                                        | -                                       | <b>8,864,459</b>               | -                                | -                             | <b>8,864,459</b>                  | <b>8,8614,459</b>                                |
| Weighted average exercise price |             |                        |                                        | -                                       | \$0.25                         | -                                | -                             | \$0.25                            | \$0.25                                           |

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.8 years (2011: Nil).

*Fair value of options granted.*

Options were granted for no consideration. During the 2012 financial year the weighted average fair value of the options granted was 11.1 cents (2011: Nil). The price was calculated by using the Binominal Option valuation methodology applying the following inputs:

|                                         | <b>2012<sup>a</sup></b> | <b>2012<sup>b</sup></b> | <b>2012<sup>c</sup></b> | <b>2012<sup>d</sup></b> |
|-----------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Weighted average exercise price         | 20.0 cents              | 27.0 cents              | 27.0 cents              | 27.0 cents              |
| Weighted average life of the option     | 4.120 years             | 3.079 years             | 3.033 years             | 2.710 years             |
| Weighted average underlying share price | 20.0 cents              | 18.0 cents              | 18.0 cents              | 15.0 cents              |
| Expected share price volatility         | 110%                    | 110%                    | 110%                    | 110%                    |
| Risk free interest rate                 | 3.27%                   | 3.68%                   | 3.68%                   | 3.20%                   |

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.

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

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

|                                          | <b>Consolidated</b> |
|------------------------------------------|---------------------|
|                                          | <b>2012</b>         |
|                                          | <b>2011</b>         |
|                                          | <b>\$</b>           |
|                                          | <b>\$</b>           |
| Options issued to contractors and others | <b>1,020,694</b>    |
|                                          | <b>-</b>            |

**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF ORO VERDE LIMITED AND  
CONTROLLED ENTITIES**

**Report on the Financial Report**

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

***Directors' Responsibility for the Financial Report***

The directors of the company are responsible for the preparation 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 necessary to enable to 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 Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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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**HEWITT  
TURNER &  
GELEVITIS**

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**BUSINESS  
DEVELOPMENT  
CONSULTANTS**

Capital Raising  
Wealth Creation  
Asset Protection  
Audit Assurance  
Taxation Advisors  
Strategic Planning  
Accounting Services  
Management Consultancy

**PRINCIPALS**

**Timothy Turner**  
B.BUS (ACC), FCPA,  
FTIA  
Registered Company Auditor

**Vick Gelevitis**  
B.BUS (ACC), FCPA,  
NTAA, FTIA

**Darryl Rodrigues**  
B.Sc, B.BUS (ACC), CPA

Hewitt Turner & Gelevitis  
is a CPA Practice



Liability Limited by a scheme  
approved under Professional  
Standards Legislation

**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF ORO VERDE LIMITED AND  
CONTROLLED ENTITIES (continued)**

***Independence***

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

***Auditor's Opinion***

In our opinion:

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

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HEWITT  
TURNER &  
GELEVITIS

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**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 9-12 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s 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 Oro Verde Limited for the year ended 30 June 2012, complies with s 300A of the *Corporations Act 2001*.

**HEWITT TURNER & GELEVITIS**

.....  
**TIMOTHY TURNER**  
**REGISTERED COMPANY AUDITOR**

Signed at Perth      this 25<sup>th</sup> day of September 2012.

**ORO VERDE LIMITED**  
**CORPORATE GOVERNANCE STATEMENT**  
**30 June 2012**

Oro Verde Limited (**Company**) has adopted systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2<sup>nd</sup> edition (**Principles & Recommendations**), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and an explanation for the adoption of its own practice.

The following governance-related documents can be found on the Company's website at [www.oroverde.com.au](http://www.oroverde.com.au), under the section marked "Corporate Governance":

**Charters**

Board  
 Audit Committee  
 Nomination Committee  
 Remuneration Committee

**Policies and Procedures**

Policy and Procedure for Selection and (Re) Appointment of Directors  
 Process for Performance Evaluations  
 Policy on Assessing the Independence of Directors  
 Diversity Policy (summary)  
 Code of Conduct (summary)  
 Policy on Continuous Disclosure (summary)  
 Compliance Procedures (summary)  
 Procedure for the Selection, Appointment and Rotation of External Auditor  
 Shareholder Communication Policy  
 Risk Management Policy (summary)

Set out below the Company reports on how it has followed (or otherwise departed from) each of the recommendations during the year ending 30 June 2012 (**Reporting Period**). The information in this statement is current at 25 September 2012.

**Board**

**Roles and responsibilities of the Board and Senior Executives**  
**(Recommendations: 1.1, 1.3)**

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chair or the lead independent director, as appropriate.

The Company's Board Charter is disclosed on the Company's website.

## **Skills, experience, expertise and period of office of each Director (Recommendation: 2.6)**

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report.

The mix of skills and diversity for which the Board is looking to achieve in membership of the Board is represented by the Board's current composition. While the Company is at exploration stage, it does not wish to increase the size of the Board, and considers that the Board, which includes directors with geological qualifications, exploration and mining industry experience and accounting and finance qualifications, is an appropriate mix of skills and expertise relevant to the Company.

## **Director independence (Recommendations: 2.1, 2.2, 2.3, 2.6)**

The Board does not have a majority of directors who are independent. The Board considers that the current composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise, relevant to the Company's business.

The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The Board has agreed on the following guidelines, as set out in the Company's Board Charter for assessing the materiality of matters:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The independent directors of the Company are David Ward and Ross O'Dea. These directors are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

The non-independent directors of the Company are Wolf Martinick (Chairman and Managing Directors) and Brad Farrell (Technical Director).

The non-independent Executive Chair of the Board is Wolf Martinick. Wolf Martinick is not independent by virtue of his executive role. While the Board recognises the importance of the need for the division of responsibilities between the Chair and Managing Director, the Board considers that Wolf Martinick is the most appropriate person for the position of Executive Chair given his industry experience, and the size and current activities of the Company. The Board also believes that Wolf Martinick's appointment as Chair is in line with shareholder expectation

## **Independent professional advice (Recommendation: 2.6)**

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

## **Selection and (Re)Appointment of Directors (Recommendation: 2.6)**

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed process whereby it evaluates the mix of skills, experience, expertise and diversity of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills and diversity that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

The Company's Policy and Procedure for the Selection and Re (Appointment) of Directors is disclosed on the Company's website.

## **Board committees**

### **Nomination Committee (Recommendations: 2.4, 2.6)**

The composition of the Board does not make the establishment of a separate Nomination Committee practicable, and the Board believes that there would be no efficiencies or other benefits gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated to it in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board did not officially convene as a Nomination Committee during the Reporting Period.

The Board has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Nomination Committee. The Company's Nomination Committee Charter is disclosed on the Company's website.

### **Audit Committee (Recommendations: 4.1, 4.2, 4.3, 4.4)**

The Board has not established a separate Audit Committee, and therefore is not structured in accordance with Recommendation 4.2. The Board believes that the composition of the Board is not suitable for the formation of a separate Audit Committee, and that there would be no efficiencies or other benefits gained by establishing a separate Audit Committee. Accordingly, the Board performs the role of Audit Committee. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Audit Committee it carries out those functions which are delegated to it in the Company's Audit Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Audit Committee by ensuring that the director with conflicting interests is not party to the relevant discussions. The independent director is available to meet separately with the external auditor should this be considered necessary.

The full Board did not officially convene as an Audit Committee during the Reporting Period.

To assist the Board to fulfil its function as the Audit Committee, the Company has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee.

Details of each of the director's qualifications are set out in the Directors' Report. All Board members have substantial industry knowledge and experience and consider themselves to be financially literate.

The Company has established a Procedure for the Selection, Appointment and Rotation of its External Auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

The Company's Audit Committee Charter and Procedure for Selection, Appointment and Rotation of External Auditor are disclosed on the Company's website.

### **Remuneration Committee (Recommendations: 8.1, 8.2, 8.3, 8.4)**

The composition of the Board does not make the establishment of a separate Remuneration Committee practicable, and the Board believes that there would be no efficiencies or other benefits gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of Remuneration Committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated to it in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Remuneration Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board, in its capacity as the Remuneration Committee, did not meet during the Reporting Period.

To assist the Board to fulfil its function as the Remuneration Committee, the Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report. The Board seeks to set aggregate non-executive director remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Non-executive directors have long been encouraged by the Board to hold shares in the Company (purchased by the director on market). It is considered good governance for directors to have a stake in the Company whose Board he or she sits. From time to time the Company may grant options to non-executive directors. The grant of options is designed to recognise and reward efforts for the benefit of the Company. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at general meeting.

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to: reward executives for company and individual performance against targets set by reference to appropriate benchmarks; align the interests of executives with those of shareholders; link reward with the strategic goals; and ensure total remuneration is competitive by market standards. In determining the level and make-up of executive remuneration, the Board may engage an external consultant to provide independent advice detailing market levels of remuneration for comparable executive roles. Remuneration consists of the following key elements: fixed remuneration; and variable remuneration – long term incentive. Long term incentives are delivered in the form of options.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

The Company's Remuneration Committee Charter is disclosed on the Company's website.

## **Performance evaluation**

### **Senior executives**

#### **(Recommendations: 1.2, 1.3)**

The Executive Chair is responsible for evaluating the performance of senior executives. The evaluations are performed by conducting interviews with the senior executives as required. During the interview key performance indicators are set and agreed on, which will form the basis for the following years' review.

The full board acting as the Nomination Committee, at least annually, evaluates the performance of the Executive Chair by formal interview. In reviewing the performance of the Executive Chair, performance against pre-determined budgets and performance criteria set the previous year (if any) is assessed.

During the Reporting Period an evaluation of the Executive Chair did not take place.

### **Board, its committees and individual directors**

#### **(Recommendations: 2.5, 2.6)**

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors.

The Chair evaluates the Board and, when deemed appropriate, Board committees and individual directors by utilising questionnaires which are completed by each director. The Chair, in consultation with the Company Secretary, then reviews the questionnaires and holds round table discussions with the Board to discuss the questionnaires. The Chair holds discussions with individual directors, if required.

During the Reporting Period an evaluation of the Board took place in accordance with the process disclosed above. An evaluation of individual directors did not take place during the Reporting Period.

The Company's Process for Performance Evaluation is disclosed on the Company's website.

## **Ethical and responsible decision making**

### **Code of Conduct**

#### **(Recommendations: 3.1, 3.5)**

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Company's Code of Conduct is disclosed on the Company's website.

### **Diversity**

#### **(Recommendations: 3.2, 3.3, 3.4, 3.5)**

The Company has established a Diversity Policy, which includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress towards achieving them.

The Board has not set measurable objectives for achieving gender diversity. Given the Company's stage of development as an exploration company, and the number of employees, the Board considers that it is not practical to set measurable objectives for achieving gender diversity at this time.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board are set out in the following table:

|                            | <b>Proportion of women</b> |
|----------------------------|----------------------------|
| Whole organisation         | 0 out of 2 (0%)            |
| Senior executive positions | 0 out of 1 (0%)            |
| Board                      | 0 out of 4 (0%)            |

The Company's Diversity Policy is disclosed on the Company's website.

### **Continuous Disclosure** **(Recommendations: 5.1, 5.2)**

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance.

A summary of the Company's Policy on Continuous Disclosure and Compliance Procedures are disclosed on the Company's website.

### **Shareholder Communication** **(Recommendations: 6.1, 6.2)**

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

The Company's Shareholder Communication Policy is disclosed on the Company's website.

### **Risk Management** **Recommendations: 7.1, 7.2, 7.3, 7.4)**

The Board has adopted a Risk Management Policy and Risk Management Procedures. Under the Risk Management Policy, the Board oversees the processes by which risks are managed. This includes defining the Company's risk appetite, monitoring of risk performance and those risks that may have a material impact to the business. Management is responsible for the implementation of the risk management and internal control system to manage the Company's risk and to report to the Board whether those risks are being effectively managed.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management, which, if proposed to be exceeded, requires prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Company's system to manage its material business risks includes the preparation of a risk register by management to identify the Company's material business risks, analyse those risks, evaluate those risks (including assigning a risk owner to each risk) and treat those risks. Risks and their management are to be monitored and reviewed at least half yearly by senior management. The risk register is to be updated and a report submitted to the Managing Director. The Managing Director is to provide a risk report at least half yearly to the Board and an annual review of the risk profile is to be undertaken to ensure relevancy. Specific areas of risk that were identified in the report included operational activities, asset management (including title to exploration and mining leases) and staff.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks for the Reporting Period.

The Managing Director and the Company Secretary have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration 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 summary of the Company's Risk Management Policy is disclosed on the Company's website.

## ORO VERDE LIMITED

### ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not disclosed elsewhere in this report is as follows. The information is current as at 24 September 2012.

#### (a) Statement of shareholdings

|                  |                                          | Ordinary Shares |                    |                |
|------------------|------------------------------------------|-----------------|--------------------|----------------|
| Range            | Names of 20 largest shareholders         | Fully paid      |                    |                |
|                  |                                          | No of holders   | No. of shares held | % held         |
| 100,001 or more  | Martinick Wolf Gerhard                   | 1               | 9,061,683          | 10.35%         |
|                  | JP Morgan Nom. Aust. Ltd <Cash Income>   | 1               | 5,612,794          | 6.41%          |
|                  | Inkjar Pty Ltd                           | 1               | 4,916,667          | 5.61%          |
|                  | Bernes Nominess PL – Berenes S/F A/C     | 1               | 3,066,654          | 3.50%          |
|                  | Jemaya PL                                | 1               | 2,850,000          | 3.25%          |
|                  | Wadi Al Rawda Industrial                 | 1               | 2,104,679          | 2.40%          |
|                  | Chuminga Compania Minera                 | 1               | 2,003,406          | 2.29%          |
|                  | Martinick Inv PL – Martinick S/F         | 1               | 1,774,371          | 2.03%          |
|                  | O'Loughlin Neil Thomas                   | 1               | 1,572,583          | 1.80%          |
|                  | Ajava Holdings Pty Ltd                   | 1               | 1,500,000          | 1.71%          |
|                  | Watson Simon Maxwell O                   | 1               | 1,421,875          | 1.62%          |
|                  | Mazuma Management Pty Ltd                | 1               | 1,100,000          | 1.26%          |
|                  | Hope Anthony James – First Hope A/C      | 1               | 1,076,510          | 1.23%          |
|                  | Matcia Nicholas Pty Ltd <Guzzardi Super> | 1               | 1,067,900          | 1.22%          |
|                  | Hoops Timothy Lee                        | 1               | 947,667            | 1.08%          |
|                  | Kings Park Nominees PL                   | 1               | 881,751            | 1.01%          |
|                  | Hillbrow Inv Ltd                         | 1               | 862,357            | .98%           |
|                  | Kings Park Nominees PL–Watson S/F A/C    | 1               | 750,000            | .86%           |
|                  | Hawkins Ronal and Helen                  | 1               | 740,631            | .85%           |
|                  | Hope James Wallace                       | 1               | 702,396            | .80%           |
|                  |                                          | 20              | 44,013,924         | 50.26%         |
|                  | Various                                  | 119             | 29,202,464         | 33.34%         |
|                  | Sub-total                                | 139             | 73,216,388         | 83.60%         |
| 10,001 - 100,000 | Various                                  | 314             | 12,869,944         | 14.69%         |
| 5,001 – 10,000   | Various                                  | 96              | 773,065            | 0.88%          |
| 1,001 – 5000     | Various                                  | 241             | 603,912            | 0.69%          |
| 1 – 1,000        | Various                                  | 264             | 119,108            | 0.14%          |
| <b>Total</b>     |                                          | <b>1,054</b>    | <b>181,569,497</b> | <b>100.00%</b> |
|                  | Holding an unmarketable parcel           | 555             | 1,046,329          | 1.19%          |

The number of shareholdings held in less than a marketable parcel is 555

#### Restricted Securities

| Class                         | Number     | Restriction Ends |
|-------------------------------|------------|------------------|
| Ordinary Fully paid           | 373,334    | 6 February 2014  |
| Options Exercisable at \$0.27 | 19,750,000 | 6 February 2014  |
| Options Exercisable at \$0.20 | 2,500,000  | 6 February 2014  |

The Company has used its cash and assets it had at the time of commencement of reinstatement to quotation on 3 February 2012 to 24 September 2012 in a way consistent with its business objectives.

**ORO VERDE LIMITED**  
**ASX ADDITIONAL INFORMATION**

**(b) Statement of listed option holders**

| Names | No of holders | No of options held | % held |
|-------|---------------|--------------------|--------|
| Total |               | Nil                |        |

**(c) Voting Rights**

All ordinary shares carry one vote per share without restriction.

**(d) Market buy-back**

There is no current on-market buy-back of shares.

**Substantial Shareholders**, as at 20 September 2011, who have notified the company in accordance with section 671B of the Corporations Act 2001

| Beneficial Owner          | No of Shares |
|---------------------------|--------------|
| Dr Wolf Gerhard Martinick | 9,061,683    |
| Inkjar Pty Ltd            | 4,916,667    |

**Schedule of Mining Tenements Held**

| Common Name  | Tenement No | Percentage Held | Holding Company         |
|--------------|-------------|-----------------|-------------------------|
| Bir Moghrein | EL 276      | 100% *          | Ghazal Minerals Limited |
| Agouyme      | EL 277      | 100% *          | Ghazal Minerals Limited |

\* Aura Energy Limited earning a 55% interest