

Modun Resources Limited
ABN 95 066 139 991

**Half-year report for the half-year ended
31 December 2012**

CONTENTS

Directors' Report	3
Auditor's Independence Declaration	6
Independent Auditor's Review Report	7
Directors' Declaration	9
Consolidated Statement of Profit or Loss and Other Comprehensive Income	10
Consolidated Statement of Financial Position	11
Consolidated Statement of Changes in Equity	12
Consolidated Statement of Cash Flows	13
Condensed Notes to the Consolidated Financial Statements	14

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by Modun Resources Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

DIRECTORS' REPORT

31 December 2012

The Directors of Modun Resources Limited ("the Company") present their report together with the consolidated financial statements for the half-year ended 31 December 2012.

Directors

The names of the directors of the Company in office during the half-year and until the date of this report are as follows:

Rick Dalton – Executive Managing Director – appointed 15 October 2012
Hugh Warner – Non-executive Chairman
Gerry Fahey – Non-executive Director
James Thompson – Non-executive Director
Chris Mardon – Executive Managing Director – resigned 5 October 2012

Principal Activities

The six month period ending 31 December 2012 has been a period of significant development for the Company as it completed its exploration program at the Nuurst Thermal Coal Project in Mongolia ("Nuurst"). The Company's focus has moved from exploration to development as it seeks approval to convert its exploration license to a mining license and enable the development of Nuurst into an operating mine.

Nuurst is 100% owned by the Group and encompasses a 34.5 square kilometre licence area with a 478 million tonne JORC reported Coal Resource (326 million tonnes Measured, 104 million tonnes Indicated, 48 million tonnes Inferred). Nuurst is located 120 kilometres south of Mongolia's capital Ulaanbaatar and six kilometres from existing rail infrastructure.

The Company also continues to evaluate a number of other projects in other geographic locations as it seeks to add quality coking and thermal coal opportunities into its portfolio.

Operating Results

During the period, the Company made a consolidated loss after income tax of \$1,448,987 (2011: \$965,191).

Review of Operations

New Managing Director

During the period, Mr Rick Dalton commenced work as Modun's Managing Director. Mr Dalton has over 20 years experience as a coal mining engineer with an extensive background in mine planning, strategy, operations and logistics at large scale open cut coal mines. During his career he has also been responsible for leading numerous feasibility studies on expansion and development of new coal mining projects. His background and skills are an ideal fit for Modun as it moves into its next phase of development.

Upgraded JORC Resource

In November 2012, Modun completed its exploration program and announced a significant upgrade to the coal quality of the Nuurst Coal Project.

The updated JORC Reportable Coal Resource estimate of 478 million tonnes of sub-bituminous coal (326m tonnes Measured, 104m tonnes Indicated, 48m tonnes Inferred) is compared to the JORC Reportable Coal Resource estimate previously announced by Modun in December 2011 as follows:

Date Reported	Measured (MTonnes)	Indicated (MTonnes)	Inferred (MTonnes)	Total (MTonnes)
05-Nov-12	326	104	48	478
05-Dec-11	0	417	72	489

MODUN RESOURCES LIMITED

The resource estimation was compiled by consultancy CSA Global Pty Ltd (CSA) and the key quality parameters are as follows:

Category	Resource (M Tonnes)	Inherent Moisture %adb	Ash %adb	Volatile Matter %adb	Fixed Carbon %adb	Total Sulphur %adb	Calorific Value (Kcal/Kg)			RD gr/cm ³
							%adb	%db	%daf	
Measured	326	9.99	18.89	40.77	30.37	1.05	4774	5303	6711	1.31
Indicated	104	10.00	18.88	39.91	31.22	1.13	4773	5304	6711	1.33
Inferred	48	10.00	18.93	40.02	31.05	1.21	4721	5245	6642	1.32
Total	478	9.99	18.89	40.51	30.62	1.08	4768	5297	6704	1.31
Previous Report *	489	24.85	13.78	36.38	24.91	0.92	4113	5972	6701	1.37

* Results from JORC Reportable Coal Resource previously announced on 5 December 2011

The updated Resource has seen the calorific value on an air dried basis increase to 4,768 kcal/kg from 4,113 kcal/kg. This is due primarily to a significantly lower inherent moisture level of 9.99% (down from 24.85%) after samples were re-tested due to errors identified with the lab results from 2011.

The updated JORC Reportable Coal Resource estimate re-affirms the potential for a large-scale coal supply close to transport infrastructure and a major world market in China. It also highlights thick coal seams close to the surface, that indicate very low strip ratio coal below 1:1 in a significant portion of the Resource area. This supports a low cost mining operation to supply both the domestic and Chinese markets.

Heads of Agreement for Off-take from Nuurst

During the period, the Company signed a Heads of Agreement with Asian focussed commodity trading house, Tennant Metals, in relation to thermal coal sales from Nuurst. Under the terms of the Heads of Agreement, Tennant will have exclusive rights for 15 years to purchase 100% of the thermal coal produced at Nuurst that is made available for sale to the export market and a minimum of 50% of the thermal coal produced at Nuurst that is made available for sale to the domestic market. The price paid for all coal sales will be at market rates at the time of the sale and any sale will be subject to suitable sales agreements being signed.

The signing of the Heads of Agreement with Tennant is a significant step in terms of progressing the Nuurst project through to production as it reinforces the clear demand for Nuurst quality coal in China. Tennant have completed an initial market review and believe that Nuurst coal is primarily suitable for power production and is likely to be analogous in quality parameters to Indonesian sub-bituminous thermal coal which is a high growth sector of Chinese coal import demand. Tennant have been active in identifying potential customers for Modun Resources coal and discussions with potential customers remain ongoing.

Status of Mining License

The Company is mid-way through the process of converting its Exploration License to a Mining License for the Nuurst Project and it anticipates the Mining License will be approved during the March 2013 quarter.

Events Occurring After the Balance Date

There have been no events subsequent to the balance date which would have a material effect on the Group's financial statements.

Auditor's Independence Declaration

Section 307C of the *Corporations Act 2001* requires the Company's auditors, Stantons International, to provide the directors with an independence declaration in relation to the review of the half year financial report. This independence declaration forms part of the Directors' Report and is included on page 6.

Signed in accordance with a resolution of the directors.

On behalf of the directors



Rick Dalton
Managing Director
Perth
27 February 2013

Competent Person Statement!

The information in this announcement that relates to the Nuurst Coal Resource is based on information compiled by Mr Dwiyo TU. Taruno of CSA Global Pty Ltd, who is a member of the Australasian Institute of Mining and Metallurgy. Mr. Dwiyo TU. Taruno has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Ore Reserves". Mr Dwiyo TU. Taruno consents to the inclusion of such information in this report in the form and context in which it appears.

The information in this announcement that related to exploration results is based on information obtained from drilling and trenching activities on site undertaken by Modun in 2011 & 2012. This information has been reviewed by Ms Dierdre Westblade of CSA Global Pty Ltd, Western Australia. Ms Westblade is a member of the Australian Institute of Geoscientists and 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 to qualify as a competent person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ms Westblade consents to the inclusion in the report of the matters based on his information in form and context in which it appears

27 February 2013

Board of Directors
Modun Resources Limited
Suite 7, 245 Churchill Avenue
Subiaco WA 6008

Dear Directors

RE: MODUN RESOURCES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Modun Resources Limited.

As Audit Director for the review of the financial statements of Modun Resources Limited for the six months ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LIMITED
(Trading as Stantons International)
(An Authorised Audit Company)



Samir Tirodkar
Director

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
MODUN RESOURCES LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Modun Resources Limited, which comprises the statement of financial position as at 31 December 2012, the statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Modun Resources Limited (the consolidated entity). The consolidated entity comprises both Modun Resources Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Modun Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Modun Resources Limited on 27 February 2013.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Modun Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Inherent Uncertainty Regarding Capitalised Exploration Costs

Without qualification to the audit opinion expressed above, attention is drawn to the following matter.

As described in Note 3, the recoupment of costs carried forward in relation to the area of interest in the exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective areas. The area of interest is an exploration license that will need to be converted to a mining license before it can be commercially developed. The Company has lodge an application for a mining license which requires approval from the Mineral Resources Authority of Mongolia. If a mining license is not granted for the area of interest, the Board of Directors may consider a write down of these assets. At the date of this report, the Board is not aware of any reasons that a mining license may not be granted over the area of interest. The recoverability of the Group's carrying value of capitalised exploration and acquisition costs of \$4,588,006 is dependent on obtaining the mining licence. In the event that the Group is not successful in obtaining the mining licence, the realisable value of the consolidated entity's assets may be significantly less than their current carrying values.

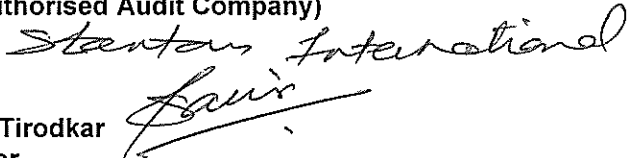
Inherent Uncertainty Regarding Going Concern

Without qualification to the review opinion expressed above, attention is drawn to the following matters:

As referred to in note 1 to the financial statements, the financial statements have been prepared on a going concern basis. At 31 December 2012 the Company had cash and cash equivalents of \$1,980,032 net working capital of \$1,809,589. The Company also incurred a loss for the half year ended 31 December 2011 of \$1,448,987.

The ability of the Company to continue as a going concern and to ensure the realisation of assets and the extinguishment of liabilities is dependent upon the Company raising further working capital. In the event that the Company cannot raise further equity or loan capital, the Company may not be able to meet its liabilities as they fall due and the realisable value of the Company's assets may be significantly less than book values

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)


Samir Tirodkar
Director

West Perth, Western Australia
27 February 2013

DIRECTORS' DECLARATION

In the opinion of the directors:

- (a) the financial statements and notes set out on pages 10 to 16 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 31 December 2012 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standards, the *Corporations Regulations 2001*, and other mandatory professional reporting requirements.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Rick Dalton
Managing Director

Perth
27 February 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2012

	Consolidated Half-year ended	
	31 December 2012 \$	31 December 2011 \$
Continuing operations		
Revenue	48,889	18,910
Depreciation and amortisation	(12,566)	(4,497)
Employee benefits expense	(218,927)	(79,961)
Directors fees	(281,655)	(539,527)
Share based payments	(440,000)	-
Foreign exchange gain/(loss)	(49,046)	81,675
Professional and consulting fees	(148,294)	(363,313)
Rental expense	(60,026)	(34,136)
Travel expense	(97,956)	(91,463)
Capitalised expenditure from prior year	-	169,624
Other expenses	(189,406)	(122,503)
Loss for the period before income tax	(1,448,987)	(965,191)
Income tax expense	-	-
Loss for the period after income tax	(1,448,987)	(965,191)
Other comprehensive loss		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations	(161,780)	(259,161)
<i>Items that will not be reclassified subsequently to profit or loss</i>	-	-
Other comprehensive loss for the period, net of tax	(161,780)	(259,161)
Total Comprehensive loss for the period	(1,610,767)	(1,224,352)
Loss attributable to:		
Equity holders of the Company	(1,448,987)	(965,191)
Loss for the period	(1,448,987)	(965,191)
Other comprehensive loss attributable to:		
Equity holders of the Company	(161,780)	(259,161)
Total comprehensive loss for the period	(1,610,767)	(1,224,352)
Basic and diluted loss per share (cents per share)	(0.17)	(0.15)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	Consolidated	
		31 December 2012	30 June 2012
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		1,980,032	3,452,382
Receivables		25,784	41,391
Prepayments		18,011	32,023
Total current assets		2,023,827	3,525,796
Non-current assets			
Exploration expenditure	3	4,588,006	4,077,131
Plant & equipment		101,548	117,861
Total non-current assets		4,689,554	4,194,992
Total assets		6,713,381	7,720,788
Liabilities			
Current liabilities			
Trade and other payables		200,506	127,766
Provisions		13,732	23,112
Total current liabilities		214,238	150,878
Total liabilities		214,238	150,878
Net Assets		6,499,143	7,569,910
Equity			
Issued capital	4	300,760,089	300,660,089
Reserves		634,231	356,011
Accumulated losses		(294,895,177)	(293,446,190)
Total Equity		6,499,143	7,569,910

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2012

	Issued Capital \$	Share Based Payments Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2011	291,255,874	75,302	-	(290,934,156)	397,020
Loss for the period	-	-		(965,191)	(965,191)
Exchange differences arising on translation of foreign operations	-	-	(259,161)	-	(259,161)
Shares issued	5,390,000	-	-	-	5,390,000
Share issue costs	(335,238)	-	-	-	(335,238)
Balance at 31 December 2011	296,310,636	75,302	(259,161)	(291,899,347)	4,227,430
Balance at 1 July 2012	300,660,089	475,002	(118,991)	(293,446,190)	7,569,910
Loss for the period	-	-		(1,448,987)	(1,448,987)
Exchange differences arising on translation of foreign operations	-	-	(161,780)	-	(161,780)
Shares issued	100,000	-	-	-	100,000
Options issued	-	440,000	-	-	440,000
Balance at 31 December 2012	300,760,089	915,002	(280,771)	(294,895,177)	6,499,143

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2012

	Consolidated Half-year ended	
	31 December 2012	31 December 2011
	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees	(933,581)	(862,423)
Interest received	44,059	17,138
Net cash flows used in operating activities	(889,522)	(845,285)
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment	-	(108,088)
Payments for evaluation and exploration expenditure	(678,772)	(2,227,938)
Payments for acquisition of exploration assets	-	(1,344,106)
Net cash flows used in investing activities	(678,772)	(3,680,132)
Cash flows from financing activities		
Net proceeds from issue of shares and options	100,000	5,655,000
Transaction costs paid related to issue of shares	-	(335,038)
Net cash flows provided by financing activities	100,000	5,319,962
Net increase/(decrease) in cash and cash equivalents	(1,468,294)	794,545
Cash and cash equivalents at beginning of the half-year	3,452,382	394,923
Effect of exchange rate fluctuations on cash held	(4,056)	77,932
Cash and cash equivalents at end of the half-year	1,980,032	1,267,400

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

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the half-year ended 31 December 2012

1. Statement of significant accounting policies

Statement of compliance

This general purpose financial report for the half-year reporting period ended 31 December 2012 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard AASB 134 *Interim Financial Reporting*.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Basis of preparation

The condensed consolidated financial statements are prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

Going Concern Basis

The financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The going concern of the Company is dependent upon it maintaining sufficient funds for its operations and commitments. The directors continue to monitor the ongoing funding requirements of the Company. The directors are confident that sufficient funding can be secured if required to enable the Company to continue as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2012 annual financial report for the financial year ended 30 June 2012, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Adoption of new and revised accounting standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- Amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'

AASB 2011-9 introduces new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half-year ended 31 December 2012

1. Statement of significant accounting policies (continued)

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. Segment Information

The consolidated entity is an exploration company that is focusing on the exploration and development of the Nuurst Thermal Coal Project in central Mongolia. The consolidated entity classifies these activities under a single operating segment being Mongolian exploration activities. Whilst expenditure is incurred in Australia as part of managing its corporate operations, they are directly related to the Mongolian exploration activities.

3. Exploration

	Consolidated 31 Dec 2012 \$	Consolidated 30 June 2012 \$
Opening book value	4,077,131	4,214
Acquisition of tenements	-	1,830,280
Direct exploration expenditure	725,352	2,246,851
Expenditure written off during the year	-	(4,214)
Effect of exchange rate movements	(214,477)	-
Total exploration expenditure	<u>4,588,006</u>	<u>4,077,131</u>

4. Share Capital

Movement in Share capital for the half year ended 31 December 2012:

		31 December 2012	
		Number of shares	\$
Ordinary Shares			
1 July 2012	Opening balance	844,568,109	300,660,089
11 December 2012	Placement	10,000,000	100,000
31 December 2012	Closing balance	<u>854,568,109</u>	<u>300,760,089</u>

5. Share Based Payments

Movement in share based payments reserve and options on issue during the half year ended 31 December 2012:

		31 December 2012	
		Number of options	\$
Opening balance		48,500,000	475,002
Issued during the period		92,000,000	440,000
Expired during the period		(31,000,000)	-
Closing balance		<u>109,500,000</u>	<u>915,002</u>

On 13 December 2012, 92,000,000 options were issued to Directors and employees of the Modun group of companies pursuant to the approval of shareholders at the Annual General Meeting held on 29 November 2012. The grant date fair value of the share options was measured using the Black-Scholes formula.

CONDENSED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half-year ended 31 December 2012

5. Share Based Payments (continued)

The inputs to the model used to determine the fair value of options granted during the period were:

Effective Date of grant	29/11/12	29/11/12	29/11/12
Market price of shares at grant date	1.3 cents	1.3 cents	1.3 cents
Exercise price	4 cents	6 cents	10 cents
Expiry date	31/12/15	31/12/15	31/12/15
Volatility	105%	105%	105%
Risk free rate	2.66%	2.66%	2.66%
Fair value at grant date	0.58 cents	0.48 cents	0.36 cents

On 30 September 2012, 31,000,000 options with an exercise price of 2 cents expired. The balance of 109,500,000 options outstanding as at 31 December 2012 is represented by:

Number of options outstanding	Exercise Price	Expiry Date
32,000,000	4 cents	31 December 2015
32,000,000	6 cents	31 December 2015
17,500,000	10 cents	31 December 2014
28,000,000	10 cents	31 December 2015

Each option gives the option holder the right to subscribe for one ordinary share. There are no voting rights attached to the options.

6. Events Occurring After the Balance Date

There have been no events subsequent to the balance date which would have a material effect on the Group's financial statements.

7. Contingent Assets and Liabilities

There has been no change in contingent assets or liabilities since the last annual reporting date.

8. Loss Per Share

(a) Basic Loss Per Share

The calculation of basic earnings per share for the 6 months ended 31 December 2012 was based on the loss attributable to ordinary members of \$1,448,987 (31 December 2012: loss \$965,191) and the weighted number of shares on issue during the 31 December 2012 half-year of 845,661,005 (31 December 2011: 663,497,070).

(b) Diluted Loss Per Share

As the company has made a loss for the half year ended 31 December 2012, the options on issue have no dilutive effect, therefore diluted earnings per share is equal to basic earnings per share.