



# ANNUAL REPORT 2012

BLAZE International Ltd ABN 15 074 728 019



**AND CONTROLLED ENTITIES**

**ABN 15 074 728 019**

**ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2012**

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## **CORPORATE DIRECTORY**

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### **Directors**

Michael Scivolo (Non-Executive Chairman)  
Robert John Collins (Non-Executive Director)  
Hersh Solomon Majteles (Non-Executive Director)

### **Company Secretary**

David Zukerman

### **Registered Office**

Level 1  
8 Parliament Place  
West Perth WA 6005

PO Box 1618  
West Perth WA 6872

Telephone: (08) 9481 7833  
Facsimile: (08) 9481 7835

### **Auditors**

HLB Mann Judd  
Level 4  
130 Stirling Street  
Perth WA 6000

### **Home Securities Exchange**

ASX Limited  
Exchange Plaza  
2 The Esplanade  
Perth WA 6000

### **Share Registry**

Advanced Share Registry Limited  
150 Stirling Highway  
Nedlands WA 6009  
Telephone: +61 8 9389 8033  
Facsimile: +61 8 9389 7871

### **Website**

[blazelimited.com.au](http://blazelimited.com.au)

ASX Code: BLZ

## **DIRECTORS' REPORT**

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Your Directors present their report on Blaze International Limited (“the Company”) and its controlled entities (“the Group” or “Consolidated Entity”) for the financial year ended 30 June 2012.

### **DIRECTORS**

The names of the Directors in office at any time during, or since the end of the year and until the date of this report are:

Michael Scivolo	Non-executive Chairman (appointed Non-executive Chairman 1 September 2012)
Robert John Collins	Non-executive Director (resigned Non-executive Chairman 1 September 2012)
Hersh Solomon Majteles	Non-executive Director

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### **COMPANY SECRETARY**

David Zukerman.

### **PRINCIPAL ACTIVITIES**

The principal activity of the Consolidated Entity during the financial year was mineral exploration within Australia.

No significant change in the nature of these activities occurred during the financial year.

### **OPERATING RESULTS**

The loss of the Consolidated Entity for the financial year after providing for income tax amounted to \$3,420,460 (2011: \$696,403).

### **DIVIDENDS PAID OR RECOMMENDED**

The Directors recommend that no dividend be paid for the year ended 30 June 2012 and no amounts been paid or declared by way of dividend since the end of the previous financial year.

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Therefore, this information has not been presented in this report.

**REVIEW OF OPERATIONS**

**Yeelirrie Valley Uranium Project**

The Yeelirrie Valley Uranium Project (Figure 1) is located in the north of the Eastern Goldfields of Western Australia, some 650 kilometres to the northeast of Perth. The project surrounds the former BHP-Billiton Yeelirrie uranium project.

Numerous targets were identified by a project-wide biogeochemical survey. The uranium targets are associated with or adjacent to channels feeding into the main channel system that hosts the former BHP-Billiton Yeelirrie deposit.

Work is progressing on the anomalies identified by the biogeochemical survey. Analysis and ranking of these anomalies during the year resulted in a reduced tenement holding. The project now comprises 5 granted exploration leases (Table 1, Figure 2) that are located within the catchment of the Yeelirrie palaeochannel and are located upstream from the former BHP-Billiton Yeelirrie uranium project.



**Figure 1** – Location of the Yeelirrie Valley project

Licence No.	Area (blocks)	Area (km <sup>2</sup> )	Date granted	Renewal date	Status
E53/1446	26	49.7	14/07/2009	13/07/2014	LIVE
E53/1453	16	35.2	21/09/2009	20/09/2014	LIVE
E53/1582	70	214.4	7/06/2012	6/06/2017	LIVE
E53/1618	35	107.1	16/03/2011	13/12/2016	LIVE
E57/739	11	23.4	5/10/2009	4/10/2014	LIVE
	158	429.8			

**Table 1** – Licence schedule for the Yeelirrie Valley uranium project as at 30 June 2012.

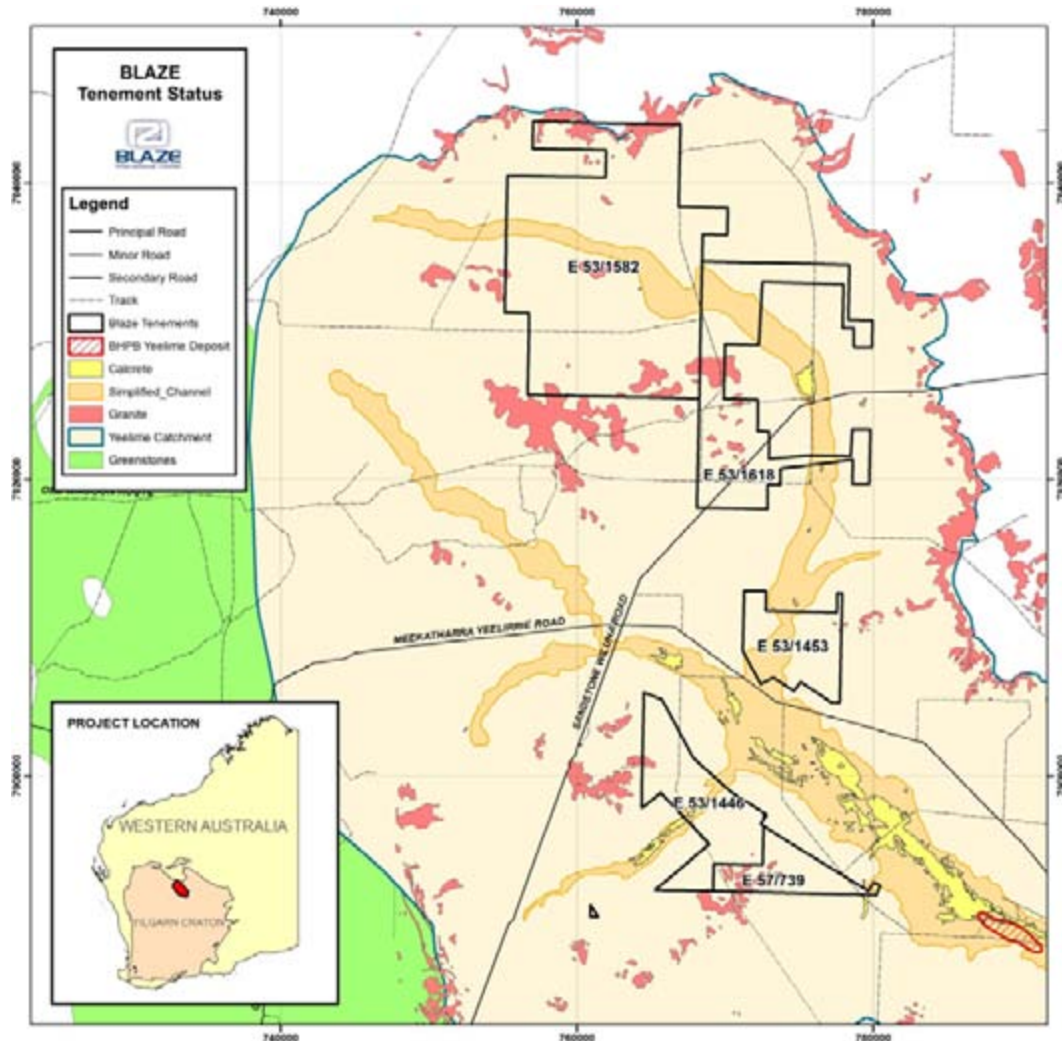


Figure 2 – The licences of the Yeelirrie Valley Uranium Project, shown over the Yeelirrie valley. The Yeelirrie carnotite deposit is located in the bottom right of the map at 12 Mile Bore.

**Biogeochemistry programme**

A biogeochemistry sampling programme was undertaken on the Yeelirrie Valley project. A novel technique, developed in the past few years and successfully trialled on uranium mineralisation in the northern Eastern Goldfields and the South Australian Eucla.

A total of 262 samples were collected on a 2.4 x 2.4 km grid covering the entire project area. The programme has covered over 1,600 km<sup>2</sup> of predominantly flat valley fill sediments as well as the low outcrops and breakaways around the margins of the valley.

Analysis of the assays generated from the regional biogeochemical sampling programme has generated exploration targets for Yeelirrie-style calcrite-hosted uranium mineralisation, sulphide-hosted nickel mineralisation, mesothermal gold mineralisation, and a series of copper targets.

The uranium targets are defined by anomalous U and V values, and tend to display elevated assays in a range of other elements. Most of the targets are associated with or adjacent to channels feeding into the main channel system that hosts the former BHP-Billiton Yeelirrie deposit.

A broad zone of elevated Cu values extends over more than 36 km<sup>2</sup> in the northern licences. The anomaly directly coincides with a magnetically-intense granite, with U and S anomalism coinciding with the flanks of the

## **DIRECTORS' REPORT**

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granite. Given the IOCG (iron oxide-copper-gold deposit) style affinities, this target ranks highly for follow-up work.

Several other targets were also identified. In the northwestern part of the tenement package, gold and nickel anomalies have been identified. Again, each of these will require follow-up work.

The biogeochemical sampling programme covering the Yeelirrie Valley Project has provided a fast and cheap way to test the geochemical prospectivity of a large area. The programme has effectively sampled a broad region using a minimal sample population when compared to traditional geochemical sampling.

### **Ongoing work**

Fieldwork, which presently involves field-truthing of the anomalies defined in the biogeochemical survey, is ongoing. Some of the anomalies contain several unusual rock types that will require further investigation. However, the anomalies each cover considerable areas containing sparse and deeply weathered outcrops, and in some areas there is little to see in the basement geology. Some areas have been highlighted for tighter biogeochemical sampling in order to better define the extents of some of these anomalies.

Planned fieldwork includes more extensive geological mapping and reconnaissance in order to better characterise the nature of the geology within each anomaly area. In particular, the large copper target (possibly IOCG (iron oxide-copper-gold deposit) style), which extends over more than 36 km<sup>2</sup> in the northern licences, will be a focus of future work.

### **Competent Person's Declaration**

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Matthew Painter of Kalgoorlie Mine Management, who is a member of The Australasian Institute of Geoscientists and the Society of Economic Geologists. Dr Painter has sufficient experience that is relevant to the various styles of mineralisation and types of deposit under consideration, and to the activity that they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Dr Painter consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

### **Forward-Looking Statements**

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Blaze International Limited's planned exploration programme and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may", "potential," "should," and similar expressions are forward-looking statements. Although Blaze International Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements

## **FINANCIAL POSITION**

The net assets of the Consolidated Entity have decreased by \$3,340,926 from \$3,374,722 at 30 June 2011 to \$33,796 in 2012.

## **CORPORATE ACTIVITIES**

On 26 September 2012 the Company announced that it had raised \$1,280,000 before costs through the placement of 1,600,000,000 shares at an issue price of 0.08 cents each to sophisticated and professional investors. The funds raised will be used for ongoing mineral exploration on the Company's Yeelirrie Uranium Project, settlement of creditors, and for working capital.

On 29 June 2012, the Company issued 110,000,000 ordinary fully paid shares for cash consideration of \$88,000.



## **DIRECTORS' REPORT**

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### **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

During the year a number of exploration licences were surrendered. Following an extensive exploration survey of the entire tenement holding it was determined these particular licences were no longer required. Accordingly an exploration write off of \$3,922,212 was recorded during the year.

### **AFTER BALANCE DATE EVENTS**

On 26 September 2012 the Company announced the successful placement of 1,600,000,000 shares at 0.08 cents each which raised \$1,280,000 before costs.

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

### **ENVIRONMENTAL ISSUES**

The Consolidated Entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

### **INFORMATION ON DIRECTORS AND COMPANY SECRETARY AS AT THE DATE OF THIS REPORT**

#### **Michael Scivolo (BCom, FCPA)** Chairman (Non-Executive)

Mr. Scivolo is a Certified Practising Accountant with 35 years experience in accounting and taxation. He is a consultant to a Perth accounting firm Alessandrino Scivolo. He is currently a Director of Sabre Resources Limited (since 3 October 2006), Golden Deeps Limited and Metals Australia Limited (since 23 July 2012), Victory West Moly Limited (since 5 February 2007) and the Non-executive Chairman of Power Resources Limited and Prime Minerals Limited from 1 September 2012. Prior to that he was a Non-Executive Director of the two companies from 20 October 2009. During the past year he was not a member of any Board Committees. He has no interest in any shares or options of the Company at the date of this Report.

#### **Robert John Collins (CPA)** Director (Non-Executive)

Mr. Collins has served on a number of ASX listed industrial and mining company boards and owned a large West Perth accounting practice serving the corporate sector. He is currently a Non-Executive Director of Prime Minerals Limited and Power Resources Limited and was appointed on 20 October 2009. During the past year he was not a member of any Board Committees. He has no interest in any shares or options of the Company at the date of this Report.

#### **Hersh Solomon Matjeles (LLB, FAICD)** Director (Non-executive)

Mr. Matjeles is a commercial lawyer and has been in private practice in Western Australia since 1972. He has been a board member of a number of publicly listed companies involved in the mining, resources, energy and biotech sectors for over 25 years. Mr. Matjeles is also a Director of Power Resources Limited, Prime Minerals Limited, Promesa Limited and Chairman of Metals Australia Limited. During the past three years he was also a Director of Equatorial Coal Limited until 5 November 2009. During the past year he was not a member of any Board committees. He has no interest in any shares or options of the Company at the date of this Report.

### **COMPANY SECRETARY**

#### **David Zukerman**

David Zukerman has an accounting and finance background. He has held a number of public company directorships in Australia and Asia during the past twenty five years. During the past three years he has served, and continues as a Director of Golden Deeps Limited, Metals Australia Limited and Sabre Resources Limited. He is also currently Company Secretary of Prime Minerals Limited and Power Resources Limited.

## **DIRECTORS' REPORT**

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### **REMUNERATION REPORT (AUDITED)**

Currently the Company does not have any officers or senior executives other than the Directors.

Directors receive a fixed fee (plus statutory superannuation where appropriate) with Directors being remunerated for any professional services conducted for the Company. Directors did not receive any benefits in the form of share-based payments during the year under review.

There are no retirement schemes for any Directors or any loans or any other type of compensation.

Board policy on the remuneration for the Company is influenced by comparing fees paid to directors in other companies within the exploration industry, and then set at a level to attract qualified people, to accept the responsibilities of directorship. No Directors have a service agreement in place.

Being an exploration company, with no earnings, a relationship is yet to be established between an emoluments policy and the Company's performance.

#### **Remuneration Committee**

During the year ended 30 June 2012, the Consolidated Entity did not have a separately established nomination or remuneration committee. Considering the size of the Consolidated Entity, the number of directors and the Consolidated Entity's early stages of its development, the Board is of the view that these functions could be efficiently performed with full Board participation.

#### **Directors' Remuneration**

The non-executive Directors are entitled to receive directors' fees of amounts as determined by the shareholders of the Company in general meeting. Pursuant to the Company's Constitution, the non-executive Directors of the Company are entitled to receive directors' fees in such amounts (as determined by the Directors) in aggregate not to exceed \$250,000, to be divided among non-executive Directors as the Directors may agree and in the absence of agreement then equally, until otherwise determined by shareholders in General Meeting. Non-executive Directors may also be remunerated for additional specialised services performed at the request of the Board and reimbursed for reasonable expense incurred by directors on Company business.

#### **Company Performance, Shareholder Wealth and Directors and Executives Remuneration**

The table below shows the gross revenue, losses and earnings per share for the last five years for the listed entity.

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Revenue	288,760	(32,428)	12,806	25,528	4,361
Net Profit/(Loss) after tax	(631,287)	(530,401)	(867,481)	(696,403)	(3,420,460)
Earnings/(Loss) Per Share - cents	(0.17)	(0.11)	(0.16)	(0.10)	(0.46)

## DIRECTORS' REPORT

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### Details of Remuneration for the year ended 30 June 2012

The remuneration for each director of the Consolidated Entity during the year was as follows:

2012	Salary, Fees and Commissions	Super Contributions	Cash Bonus	Non- Cash Benefits	Options	Total	Performance Related
	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>							
M Scivolo	6,250	562	-	-	-	6,812	-
R Collins	7,500	-	-	-	-	7,500	-
S Majteles	6,250	562	-	-	-	6,812	-
	<u>20,000</u>	<u>1,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,124</u>	<u>-</u>
<b>2011</b>	<b>Salary, Fees and Commissions</b>	<b>Super Contributions</b>	<b>Cash Bonus</b>	<b>Non- Cash Benefits</b>	<b>Options</b>	<b>Total</b>	<b>Performance Related</b>
	\$	\$	\$	\$	\$	\$	%
<b>Directors</b>							
M Scivolo	25,000	2,250	-	-	-	27,250	-
R Collins	30,000	-	-	-	-	30,000	-
S Majteles	25,000	2,250	-	-	-	27,250	-
	<u>80,000</u>	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,500</u>	<u>-</u>

### Options issued as part of remuneration for the year ended 30 June 2012

Options may be issued to directors and executives as part of their remuneration. Options are not issued based on performance criteria, but may be issued to directors and executives of Blaze International Limited and its subsidiaries to increase goal congruence between executives, directors and shareholders.

During the financial year ended 30 June 2012, there were no director options granted, exercised or lapsed (2011: Nil). As at 30 June 2012 there were no director options on issue (2011: Nil).

### End of remuneration report

### MEETING OF DIRECTORS

During the financial year, four meetings of directors were held. Attendances by each director during the year were as follows:

Director	Board Meetings	
	Number Eligible to Attend	Number Attended
M Scivolo	4	4
R Collins	4	4
S Majteles	4	4

### INDEMNIFYING OFFICERS OR AUDITOR

The Company has no insurance cover indemnifying officers or auditor against liabilities arising out of their conduct whilst acting for the Company.

## **DIRECTORS' REPORT**

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### **OPTIONS**

At the date of this report, the unissued ordinary shares of Blaze International Limited under option are as follows:

- 509,182,694 options exercisable at \$0.03 each on or before 30 January 2014
- 40,000,000 options exercisable at \$0.016 each on or before 31 March 2014

The Directors do not hold any interests in shares and/or options of the Company as at the date of this report. No options have been issued to Directors or shares issued as a result of exercise of an option up to the date of this report.

### **PROCEEDINGS ON BEHALF OF COMPANY**

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

### **CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Blaze International Limited support and have adhered to the principles of Corporate Governance where appropriate due to the current size and complexity of the Company's operations. During or since the end of the financial year, the Company has not indemnified or made a relevant agreement to indemnify an officer, auditor, Company or any related body corporate against a liability incurred as an officer or auditor. In addition, the Company has not paid, or has not agreed to pay a premium in respect to a contract insuring against a liability incurred by an officer or auditor. The Company's corporate governance statement is contained in the Corporate Governance section of the Annual Report.

### **AUDITOR**

HLB Mann Judd continues in office in accordance with Section 327 of the Corporations Act 2001.

#### **Non-Audit Services**

The following non-audit services were provided by our auditors, HLB Mann Judd. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act.

HLB Mann Judd received or are due to receive the following amounts for the provision of non-audit services:

Taxation Compliance Services - \$17,565

The Directors are of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

## **DIRECTORS' REPORT**

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### **Auditor's Declaration of Independence**

The auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 13.

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



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**Michael Scivolo**  
**Non-Executive Chairman**

Dated this 28<sup>th</sup> day of September 2012

## AUDITOR'S INDEPENDENCE DECLARATION

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## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Blaze International Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Blaze International Limited.

Perth, Western Australia  
28 September 2012

A handwritten signature in blue ink, appearing to read 'M R W OHM', written over a light blue circular stamp.

**M R W OHM**  
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership) ABN 22 193 232 714  
Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.  
Email: [hlb@hlbwa.com.au](mailto:hlb@hlbwa.com.au). Website: <http://www.hlb.com.au>  
Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of HLB International, a worldwide organisation of accounting firms and business advisers.

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED  
30 JUNE 2012**

	Note	Consolidated	
		2012	2011
		\$	\$
Revenue	2	4,361	25,528
Administration expenses		(72,044)	(136,827)
Accounting and audit fees		(37,640)	(51,301)
ASX and ASIC fees		(13,672)	(18,069)
Depreciation expense		(1,883)	(2,023)
Directors remuneration		(21,125)	(84,500)
Exploration expenditure written off		(3,922,212)	(437,813)
Impairment of available for sale financial assets		(6,750)	-
Legal fees		(4,500)	(2,970)
Management fees		(122,492)	(240,127)
Promotions		-	(2,485)
Share registry fees		(6,421)	(22,039)
Other expenses		(5,704)	(9,520)
<b>Loss before income tax benefit</b>		<b>(4,210,082)</b>	<b>(969,060)</b>
Income tax benefit	3	<b>789,622</b>	<b>272,657</b>
<b>Net loss for the year</b>		<b>(3,420,460)</b>	<b>(696,403)</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive loss for the year</b>		<b>(3,420,460)</b>	<b>(696,403)</b>
Basic loss per share (cents)	6	<b>(0.46)</b>	<b>(0.10)</b>

The accompanying notes form part of this financial report.

**STATEMENT OF FINANCIAL POSITION  
AS AT  
30 JUNE 2012**

	Note	Consolidated	
		2012	2011
		\$	\$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	140,370	250,463
Trade and other receivables	8	860	47,321
Other current assets	9	457	20
<b>Total Current Assets</b>		<b>141,687</b>	297,804
<b>Non-Current Assets</b>			
Available for sale financial assets		4,500	-
Related party loans		129	-
Plant and equipment	12	-	1,883
Deferred exploration expenditure	13	147,919	3,994,764
<b>Total Non-Current Assets</b>		<b>152,548</b>	3,996,647
<b>Total Assets</b>		<b>294,235</b>	4,294,451
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	14	260,439	130,107
<b>Total Current Liabilities</b>		<b>260,439</b>	130,107
<b>Non-Current Liabilities</b>			
Deferred tax liability	15	-	789,622
<b>Total Non-Current Liabilities</b>		<b>-</b>	789,622
<b>Total Liabilities</b>		<b>260,439</b>	919,729
<b>Net Assets</b>		<b>33,796</b>	3,374,722
<b>EQUITY</b>			
Issued capital	16	30,849,590	30,770,056
Reserves	17	1,924,701	1,924,701
Accumulated losses		(32,740,495)	(29,320,035)
<b>Total Equity</b>		<b>33,796</b>	3,374,722

The accompanying notes form part of this financial report.



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED  
30 JUNE 2012**

	<b>Issued Capital \$</b>	<b>Accumulated Losses \$</b>	<b>Option Reserves \$</b>	<b>Total Equity \$</b>
<b>Consolidated</b>				
<b>Balance at 1 July 2010</b>	29,819,441	(28,623,632)	1,918,701	3,114,510
<b>Total loss for the year</b>	-	(696,403)	-	(696,403)
Shares issued during the year	964,555	-	-	964,555
Capital raising costs	(13,940)	-	-	(13,940)
Options issued during the year	-	-	6,000	6,000
<b>Balance at 30 June 2011</b>	<b>30,770,056</b>	<b>(29,320,035)</b>	<b>1,924,701</b>	<b>3,374,722</b>
<b>Total loss for the year</b>	-	(3,420,460)	-	(3,420,460)
Shares issued during the year	86,274	-	-	86,274
Capital raising costs	(6,740)	-	-	(6,740)
<b>Balance at 30 June 2012</b>	<b>30,849,590</b>	<b>(32,740,495)</b>	<b>1,924,701</b>	<b>33,796</b>

The accompanying notes form part of this financial report.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED  
30 JUNE 2012**

	Note	Consolidated	
		2012	2011
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(346,212)	(580,095)
Interest received		4,361	25,528
		<u>          </u>	<u>          </u>
Net cash used in operating activities	7	<u>(341,851)</u>	<u>(554,567)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Related party loans		(128)	-
Exploration expenditure		150,702	(351,305)
		<u>          </u>	<u>          </u>
Net cash provided by investing activities		<u>150,574</u>	<u>(351,305)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares and options		88,000	970,555
Payment of share issue costs		(6,816)	(13,940)
		<u>          </u>	<u>          </u>
Net cash provided by financing activities		<u>81,184</u>	<u>956,615</u>
Net (decrease)/increase in cash held		<u>(110,093)</u>	<u>50,743</u>
Cash at beginning of financial year	7	<u>250,463</u>	<u>199,720</u>
Cash at end of financial year	7	<u><u>140,370</u></u>	<u><u>250,463</u></u>

The accompanying notes form part of this financial report.

## **DIRECTOR'S DECLARATION**

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### **Note 1: Statement 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, Accounting Standards and Interpretations and complies with other requirements of the law. The financial report has also been prepared on a historical cost basis.

The Company is a listed public company, incorporated and operating in Australia. The financial report is presented in Australian dollars.

The accounting policies detailed below have been consistently applied to all of the years presented unless otherwise stated. The financial statements are for Blaze International Ltd and its subsidiaries ("the Group").

#### **(b) Adoption of New and Revised Standards**

##### **Changes in accounting policies on initial application of Accounting Standards**

In the year ended 30 June 2012, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2012. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

#### **(c) Statement of Compliance**

The financial report was authorised by the Board of Directors for issue on 28<sup>th</sup> September 2012.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

#### **(d) Basis of Consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Blaze International Limited ('company' or 'parent entity') as at 30 June 2012 and the results of all subsidiaries for the year then ended. Blaze International and its subsidiaries are referred to in this financial report as the group or the consolidated entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent entity, 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.

**Note 1: Statement of Significant Accounting Policies (Continued)**

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity. When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

**(e) Critical accounting estimates and judgements**

The application of accounting policies requires the use of judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

*Exploration and evaluation costs carried forward*

In accordance with accounting policy Note 1 (p) management determines when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. In determining this, various assumptions including the maintenance of title, ongoing expenditure and prospectivity are made. During the year, the Group wrote off \$3,922,212 as a result of losing rights of tenure over the associated tenements.

**(f) Income Tax**

The charge for current income tax expense is based on the result for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance date or reporting date.

**Note 1: Statement of Significant Accounting Policies (Continued)**

**(f) Income Tax (Continued)**

Deferred tax is accounted for in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

**(g) Plant and Equipment**

Plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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

***Depreciation***

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the Group commencing from the time the asset is held ready for use.

The depreciation rate used for plant and equipment is 20-25%.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

**Note 1: Statement of Significant Accounting Policies (Continued)**

**(h) Financial Instruments**

**Financial assets**

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 investments, as appropriate. 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 marketplace.

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

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

*(ii) Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

*(iii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*(iv) 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 as any of the three preceding categories. 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 value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is 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.

**Note 1: Statement of Significant Accounting Policies (Continued)**

**(h) Financial Instruments (Continued)**

**Derecognition of financial assets and financial liabilities**

*(i) Financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either:
  - a) has transferred substantially all the risks and rewards of the asset, or
  - b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

*(ii) Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a Group of financial assets with similar credit risk characteristics and that Group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment

**Note 1: Statement of Significant Accounting Policies (Continued)**

**(i) Impairment of financial assets (Continued)**

loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

*(i) Financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

*(ii) 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 (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the Statement of Comprehensive Income. 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.

**(j) Impairment of Assets**

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

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

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

**(k) Employee Benefits**

At the date of this report, the Company had no employees other than the Directors.

**(l) Provisions**

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

**(m) Cash and Cash Equivalents**

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



**Note 1: Statement of Significant Accounting Policies (Continued)**

**(n) Revenue**

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

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

**(o) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

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

**(p) Deferred Exploration Expenditure**

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:
  - (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively by its sale; or
  - (ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching, sampling and other associated activities including an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any).

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

**Note 1: Statement of Significant Accounting Policies (Continued)**

**(q) Comparative Figures**

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

**(r) Going Concern**

In the year ended 30 June 2012, the Group recorded a net loss before income tax benefit of \$4,210,082 and had a net cash outflow from operating and investing activities of \$191,277. At 30 June 2012, the Group had cash available of \$140,370 and exploration commitments of \$171,000 for the next financial year.

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's and Group's assets and the discharge of their liabilities in the normal course of business. The Board considers that the Company is a going concern and recognises that additional funding is required to ensure that the Company can continue to fund its operations and those of the Group and further develop their mineral exploration and evaluation assets during the twelve month period from the date of this financial report.

Subsequent to year end, the Company raised \$1,280,000 for the issue of 1,600,000,000 shares at an issue price of 0.08 cents each. These funds will be applied to working capital and to further the Group's mineral portfolio.

Accordingly, the Directors believe that, the Company will continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

**(s) Segment Reporting**

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

**(t) Issued capital**

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

**(u) Earnings per share**

Basic earnings per share is calculated as net result 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 result 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

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 1: Statement of Significant Accounting Policies (Continued)

#### (u) Earnings per share (Continued)

- 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.

#### (v) Parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as per below:

##### (i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the parent entity's financial statements

Note 2: Revenue	Consolidated	
	2012	2011
	\$	\$
Operating activities		
Interest received	4,361	25,528
Total revenue	<u>4,361</u>	<u>25,528</u>

### Note 3: Income tax benefit

#### a) Income tax benefit

Current tax (expense)/benefit	-	-
Deferred tax (expense)/benefit relating to the origination and reversal of temporary differences	789,622	272,657
Total tax benefit	<u>789,622</u>	<u>272,657</u>

The Prima facie income tax expense on pre-tax accounting result from operations reconciles to the income tax benefit in the financial statements as follows:

(Loss) from operations	(4,210,082)	(969,060)
Income tax benefit calculated as 30%	(1,263,025)	(290,718)
Non-deductible expenses	-	64
Non-assessable adjustments	-	(442)
Other deferred tax assets and tax liabilities not recognised	(1,944,542)	27,393
Benefit of tax losses recognised for the first time	-	(185,158)
Unused tax losses and tax offsets not recognised as deferred tax assets	2,365,164	176,235
Adjustments in respect of current income tax of previous years	64,613	(31)
Other	(11,832)	-
Income tax benefit attributable to operating loss	<u>(789,622)</u>	<u>(272,657)</u>

### Note 3: Income tax benefit (Continued)

#### b) Recognised deferred tax balances

The following deferred tax assets and (liabilities) have been brought to account:

Deferred tax liabilities comprise:

Deferred tax liability arising on acquisition of controlled entity	-	1,062,279
Less: Deferred tax assets recognised	-	(272,657)
	-	<u>789,622</u>

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 3: Income tax benefit (Continued)

	Consolidated	
	2012	2011
	\$	\$
<b>c) Unrecognised deferred tax balances</b>		
The following deferred tax assets and (liabilities) have not been brought to account as assets:		
Deferred tax assets comprise:		
Tax losses – revenue	1,582,763	3,529,330
Tax losses - capital	1,582,530	-
Impairment of receivables	14,277	14,277
Impairment of investments	2,025	6,750,033
Depreciation timing differences	932	1,274
Share issue expenses	9,667	12,524
Accrued expenses and liabilities	-	31,747
	<b>3,192,194</b>	<b>10,339,185</b>
Deferred tax liabilities comprise:		
Exploration expenditure capitalised	44,192	86,233
Depreciation timing differences	-	565
Other	137	9,906
	<b>44,329</b>	<b>96,704</b>
<b>Income tax benefit not recognised directly in equity</b>		
Share issue expenses	103,960	99,396
	<b>130,960</b>	<b>99,396</b>

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because its not probable that future taxable profit will be available against which the Group can utilize the benefit thereof.

### Note 4: Key management personnel compensation

#### a) Directors

The following persons were directors of Blaze International Limited during the financial year:

M Scivolo	Non-Executive Chairman
R J Collins	Non-Executive Director
H S Majteles	Non-Executive Director

Mr Scivolo replaced Mr Collins as Non-executive chairman on 1 September 2012.

#### b) Key management personnel compensation

Short term employee benefits	20,000	80,000
Post employment benefits (superannuation)	1,124	4,500
Share based payments	-	-
	<b>21,124</b>	<b>84,500</b>

The Company has transferred the detailed remuneration disclosures to the Directors' Report in accordance with the Corporations Amendment Regulations 2006 (No. 4).

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 4: Key management personnel compensation (Continued)

#### c) Equity instrument disclosures relating to key management personnel

During the financial year ended 30 June 2012, there were no director options granted, exercised or lapsed (2011: Nil). As at 30 June 2012 there were no director options on issue (2011: Nil).

No directors held shares in the Company at any time during the period (2011: Nil).

	Consolidated	
	2012	2011
	\$	\$
<b>Note 5: Auditor's remuneration</b>		
Remuneration of the auditor of the parent entity for:		
Auditing or reviewing the annual report	34,000	27,000
Taxation services	20,075	16,219
	<hr/>	<hr/>
	54,075	43,219
	<hr/>	<hr/>

#### Note 6: Earnings per share

Earnings used in calculation of basic EPS	(3,420,760)	(696,403)
	<hr/>	<hr/>
	2012	2011
	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	739,425,814	731,380,097
	<hr/>	<hr/>

Diluted EPS not disclosed as potential ordinary shares are not dilutive.

	Consolidated	
	2012	2011
	\$	\$
<b>Note 7: Cash and cash equivalents</b>		
Cash at bank and in hand	140,370	93,612
Short-term bank deposits	-	156,851
	<hr/>	<hr/>
	140,370	250,463
	<hr/>	<hr/>

Reconciliation of cash:

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to items in the balance sheet as follows:-

Cash and cash equivalents	140,370	250,463
	<hr/>	<hr/>
	140,370	250,463
	<hr/>	<hr/>

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 7: Cash and cash equivalents (Continued)

#### a) Reconciliation of loss after income tax to net cash used in operating activities

Loss after income tax	(3,420,460)	(696,403)
Non-cash flows in profit		
Income tax benefit	(789,622)	(272,657)
Depreciation	1,883	2,023
Exploration expenditure written off	3,922,212	437,813
Write down of investments	(6,750)	
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	46,461	(23,393)
(Increase)/decrease in other assets	(436)	(1)
Increase/(decrease) in trade payables and accruals	(108,639)	(1,949)
Net cash used in operating activities	<u>(341,851)</u>	<u>(554,567)</u>

#### b) Non-cash financing and investing activities

There were no non-cash financing and investing activities that occurred during the year.

### Note 8: Trade and other receivables

#### Current

Other receivables (i) (ii)	<u>860</u>	<u>47,321</u>
	<u>860</u>	<u>47,321</u>

(i) No receivables are past their contractual terms

(ii) On 14 December 2010 default judgement was given against Enthroner Pty Ltd in the amount of \$33,000 being a placement consultancy fee which was incorrectly charged to the Company in July 2009.

### Note 9: Other current assets

Prepayments	<u>457</u>	<u>20</u>
	<u>457</u>	<u>20</u>

### Note 10: Subsidiaries

Entity	Country of Incorporation	Percentage Ownership as at 30 June (%)	
		2012	2011
<u>Parent Entity</u>			
Blaze International Limited	Australia	100	100
<u>Subsidiaries</u>			
Software Licensing & Marketing Inc	USA	100	100
BIL Inc	USA	100	100
Yeelirrie Minerals Pty Ltd	Australia	100	100
Colour Minerals Pty Ltd	Australia	100	100

**NOTES TO THE FINANCIAL STATEMENTS**

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	<b>Company</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
<b>Note 11: Parent entity disclosures</b>		
<b>(a) Financial position</b>		
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	140,370	250,461
Trade and other receivables	860	47,322
Other current assets	457	20
<b>Total Current Assets</b>	<b>141,687</b>	<b>297,803</b>
<b>Non-Current Assets</b>		
Intercompany receivables	149,414	928,887
Available for sale financial assets	4,500	-
Deferred exploration expenditure	5,384	39,475
<b>Total Non-Current Assets</b>	<b>159,298</b>	<b>968,362</b>
<b>Total Assets</b>	<b>300,985</b>	<b>1,266,165</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	260,439	130,107
<b>Total Current Liabilities</b>	<b>260,439</b>	<b>130,107</b>
<b>Total Liabilities</b>	<b>260,439</b>	<b>130,107</b>
<b>Net Assets</b>	<b>40,546</b>	<b>1,136,058</b>
<b>EQUITY</b>		
Issued capital	30,849,590	30,770,055
Option premium reserves	1,924,701	1,924,701
Accumulated losses	(32,733,745)	(31,558,698)
<b>Total Equity</b>	<b>40,546</b>	<b>1,136,058</b>
<b>(b) Financial performance</b>		
Loss for the period	(1,175,047)	(3,167,791)
Other comprehensive income	-	-
<b>Total comprehensive loss</b>	<b>(1,175,047)</b>	<b>(3,167,791)</b>

## NOTES TO THE FINANCIAL STATEMENTS

	Consolidated	
	2012	2011
	\$	\$
<b>Note 12: Plant and equipment</b>		
Plant and equipment:		
Opening balance	1,883	10,116
Additions	-	-
Deprecation	(1,883)	(8,233)
Disposals	-	-
	<u>-</u>	<u>-</u>
Closing balance	-	1,883

### Note 13: Deferred exploration expenditure at exploration and evaluation stage

Expenditure brought forward	3,994,764	4,089,870
Expenditure incurred during year	75,367	342,707
Expenditure written off during year	(3,922,212)	(437,813)
	<u>147,919</u>	<u>3,994,764</u>
Expenditure carried forward	<u>147,919</u>	3,994,764

The ultimate recoupment of the mining tenements, exploration and evaluation expenditure carried forward is dependent upon the successful development and commercial exploitation and/or sale of the relevant areas of interest, at amounts at least equal to book value.

### Note 14: Trade and other payables

<b>Current</b>		
Trade payables (i)	246,589	18,473
Sundry payables and accrued expenses	13,850	111,634
	<u>260,439</u>	<u>130,107</u>

(i) Trade payables are non-interest bearing and are normally settled on 30 day terms.

### Note 15: Deferred tax liability

Deferred tax liability arising on acquisition of controlled entity	-	789,622
	<u>-</u>	<u>789,622</u>

### Note 16: Issued capital

Ordinary fully paid ordinary shares (a)	<u>30,849,590</u>	30,770,056
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Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	2012	2012	2011	2011
	\$	No.	\$	No.
<b>a) Ordinary shares</b>				
Balance at beginning of year	30,770,056	739,124,444	29,819,441	590,759,056
Shares issued during year				
29 June 2012 (i)	88,000	110,000,000	964,555	148,365,388
Share issue costs	(5,166)	-	(13,940)	-
	<u>30,849,590</u>	<u>849,124,444</u>	<u>30,770,056</u>	<u>739,124,444</u>

i) On 29 June 2012 the company issued 110,000,000 ordinary shares at an issue prices of 0.08 cents each raising \$88,000.



## NOTES TO THE FINANCIAL STATEMENTS

### Note 16: Issued capital (Continued)

#### b) Share options

##### 2012 Year

Date of expiry	Exercise price	Balance at beginning of year	Issued during year	Cancelled during year	Expired during year	Exercised during year	Balance at end of year
30 January 2014	\$0.03	509,182,694	-	-	-	-	509,182,694
31 March 2014	\$0.016	40,000,000	-	-	-	-	40,000,000
		549,182,694	-	-	-	-	549,182,694

##### 2011 Year

Date of expiry	Exercise price	Balance at beginning of year	Issued during year	Cancelled during year	Expired during year	Exercised during year	Balance at end of year
31 August 2010	\$0.05	175,000,000	-	-	(175,000,000)	-	-
30 January 2014	\$0.03	375,000,000	134,182,694	-	-	-	509,182,694
31 March 2014	\$0.016	40,000,000	-	-	-	-	40,000,000
		590,000,000	134,182,694	-	(175,000,000)	-	549,182,694

#### c) Capital risk management

Management controls the capital of the Group in order to ensure that the Group can fund its operations and continue as a going concern.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. The Group had no debt other than trade and other payables as at 30 June 2012.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

Consolidated	
2012	2011
\$	\$

#### Note 17: Reserves

Financial assets reserve	-	-
Option premium reserve(i)	1,917,951	1,665,049
Employee share options reserve (ii)	-	252,902
	<u>1,917,951</u>	<u>1,917,951</u>

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 17: Reserves (Continued)

#### (i) Option premium reserve

##### Nature and purpose of reserve

The option premium reserve is used to accumulate proceeds received from the issue of options and the value of options issued as consideration for the acquisition of non-current assets.

	Consolidated	
	2012	2011
	\$	\$
<b>Movements in reserve</b>		
Balance at beginning of year	1,924,701	1,665,049
Options issued for cash	-	259,652
	<hr/>	<hr/>
Balance at end of year	1,924,701	1,924,701

#### (ii) Employee share options reserve

The employee share option reserve is used to records items recognised as expenses on valuation of employee share options.

##### Movements in reserve

Nil (2011: Nil)

#### (iii) Financial Assets Reserve

The financial assets reserve is used to record the fair value movements of available for sale financial assets.

##### Movements in reserve

Revaluation of financial assets	1,350	-
Reclassification to profit and loss upon impairment	(1,350)	-
	<hr/>	<hr/>
Balance at end of year	-	-

### Note 18: Contingent assets and contingent liabilities

The Directors are not aware of any contingent liabilities or contingent assets as at 30 June 2012 (2011: Nil).

### Note 19: Capital and leasing commitments

There are no capital or leasing commitments as at 30 June 2012 (2011: Nil).

There is \$171,000 of exploration expenditure for the Blaze International Limited subsidiaries committed as at 30 June 2012.

The Company has an agreement with a management service company for the provision of services at \$235,000 pa plus CPI. Charges are at commercial terms in accordance with the agreement entered into on 17 November 2009 for a 5 year term.

<1 Year	235,000	235,000
1 Year < 5 Years	332,917	567,917
> 5 Years	-	-
	<hr/>	<hr/>
Total	567,917	802,917

**Note 20: Segment reporting**

The Group has adopted AASB 8 “Operating Segments” which requires operating segments to be identified on the basis of internal reports about components of the Group that are reviewed by the chief operating decision maker (considered to be Board of Directors) in order to allocate resources to the segment and assess its performance. The chief operating decision maker of the Group reviews internal reports prepared as consolidated financial statements and strategic decisions of the Group are determined upon analysis of these internal reports. During the period, the Group operated predominantly in one segment being the mineral exploration sector in Western Australia. Accordingly, under the “management approach” outlined above only one operating segment has been identified and no further disclosure is required in the notes to the consolidated financial statements.

**Note 21: Share based payments**

There were no share-based payment arrangements at 30 June 2012 (2011: Nil).

**Note 22: Events after balance sheet date**

On 26 September 2012 the Company announced the successful placement of 1,600,000,000 shares at 0.08 cents each which raised \$1,280,000 before costs.

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

**Note 23: Related party transactions**

There have been no related party transactions during the year.

**Note 24: Financial instruments**

**a) Financial risk management**

The Group’s financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries and bills.

1) Financial risk

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and price risk.

2) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any allowances for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not have any material credit risk exposure to any single receivable or Group of receivables under financial instruments entered into by the Group.

3) Interest rate risk

The Group’s exposure to interest rate risk, which is the risk that a financial instrument’s value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

**NOTES TO THE FINANCIAL STATEMENTS**

**Note 24: Financial instruments (Continued)**

Consolidated 2012	Weighted average effective interest rate %	Floating interest rate \$	Fixed interest rate maturing			Non- interest bearing \$	Total \$
			< 1 year \$	1 – 5 years \$	> 5 years \$		
<b>Financial assets:</b>							
Cash at bank	4.25 %	140,371	-	-	-	-	<b>140,371</b>
Receivables	N/A	-	-	-	-	860	<b>860</b>
Available for sale financial assets	-	-	-	-	-	4,500	<b>4,500</b>
Total financial assets		140,371	-	-	-	5,360	<b>145,731</b>
<b>Financial liabilities:</b>							
Trade and other payables	N/A	-	-	-	-	246,589	<b>246,589</b>
Total financial liabilities		-	-	-	-	246,589	<b>246,589</b>
<b>2011</b>							
<b>Financial assets:</b>							
Cash at bank	4.25 %	250,463	-	-	-	-	<b>250,463</b>
Receivables	N/A	-	-	-	-	47,322	<b>47,322</b>
Total financial assets		250,463	-	-	-	47,322	<b>297,785s</b>

Consolidated 2011	Weighted average effective interest rate %	Floating interest rate \$	Fixed interest rate maturing			Non- interest bearing \$	Total \$
			< 1 year \$	1 – 5 years \$	> 5 years \$		
<b>Financial liabilities:</b>							
Trade and other payables	N/A	-	-	-	-	130,107	<b>130,107</b>
Total financial liabilities		-	-	-	-	130,107	<b>130,107</b>

4) Liquidity risk

The following table details the Group's and the Company's expected maturity for its financial liabilities:

	Consolidated 2012 \$	Consolidated 2011 \$
<b>Non-Interest bearing</b>		
< 1 month	2,850	114,107
1 – 3 months	-	16,000
3 – 12 months	246,739	-
1 – 5 years	-	-
	<b>249,589</b>	130,107

## NOTES TO THE FINANCIAL STATEMENTS

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### Note 24: Financial instruments (Continued)

#### 5) Net fair values

For all assets and liabilities, their net fair value approximates their carrying values. No financial assets and financial liabilities are readily traded on organised markets in standardised form. Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date are:

	<b>Carrying Amount 2012 \$</b>	<b>Carrying Amount 2011 \$</b>	<b>Net Fair Value 2012 \$</b>	<b>Net Fair Value 2011 \$</b>
<b>Consolidated</b>				
<b>Financial assets</b>				
Loans and receivables	<b>860</b>	47,322	<b>860</b>	47,322
	<b>860</b>	47,322	<b>860</b>	47,322
<b>Financial liabilities</b>				
Other loans and amounts due	-	-	-	-
	-	-	-	-

#### 6) Interest rate sensitivity analysis

The sensitivity analyses has been determined based on those assets and liabilities with an exposure to interest rate risk at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the change in interest rates. At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, there would not be a material change to the group's net loss or equity.

## **DIRECTOR'S DECLARATION**

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- 1) In the opinion of the Directors of Blaze International Limited (the "Company"):
  - a. The accompanying financial statements, notes and additional disclosures of the Consolidated Entity are 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 then ended; and
    - ii. complying with Australian Accounting Standards, the Corporations Regulations 2001, professional reporting requirements and other mandatory 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.
  - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.
- 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 ended 30 June 2012.

This declaration is signed in accordance with a resolution of the Board of Directors.



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**Michael Scivolo**  
**Non-Executive Chairman**

Dated this 28<sup>th</sup> day of September 2012



Accountants | Business and Financial Advisers

## **INDEPENDENT AUDITOR'S REPORT**

To the members of Blaze International Limited

### **Report on the Financial Report**

We have audited the accompanying financial report of Blaze International Limited (“the company”), 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 for the consolidated entity. The consolidated entity comprises 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

#### ***Auditor’s responsibility***

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


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

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

#### ***Independence***

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

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***Matters relating to the electronic presentation of the audited financial report and remuneration report***

This auditor's report relates to the financial report and remuneration report of Blaze International Limited for the financial year ended 30 June 2012 published in the annual report and included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report and remuneration report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report and remuneration report. If users of the financial report and remuneration report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report and remuneration report.

***Auditor's opinion***

In our opinion:

- (a) the financial report of Blaze International 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 with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).

**Report on the Remuneration Report**

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

***Auditor's opinion***

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

*HLB Mann Judd*

**HLB MANN JUDD**  
**Chartered Accountants**

A handwritten signature in blue ink, appearing to read 'M R W OHM'.

**M R W OHM**  
**Partner**

**Perth, Western Australia**  
**28 September 2012**



## **CORPORATE GOVERNANCE STATEMENT**

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The Board of Directors of Blaze International Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Blaze International Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The following principles contain the recommendations set out in the ASX Corporate Governance Council's "Principles of good corporate governance and recommendations"

### **1 Principle 1 – Lay solid foundations for management and oversight**

#### **Responsibilities of the Board**

- 1.1 The Board is responsible for the following matters:
  - 1.1.1 ensuring the Company's conduct and activities are ethical and carried out for the benefit of all its stakeholders;
  - 1.1.2 development of corporate strategy, implementation of business plans and performance objectives;
  - 1.1.3 reviewing, ratifying and monitoring systems of risk management, codes of conduct, internal control system and legal and regulatory compliance;
  - 1.1.4 the appointment of the Company's Corporate Manager, Chief Executive Officer (or equivalent), Chief Financial Officer, Company Secretary and other senior executives;
  - 1.1.5 monitoring senior executives' performance and implementation of strategy;
  - 1.1.6 determining appropriate remuneration policies;
  - 1.1.7 allocating resources and ensuring appropriate resources are available to management;
  - 1.1.8 approving and monitoring the annual budget, progress of major capital expenditure, capital management, and acquisitions and divestitures; and
  - 1.1.9 approving and monitoring financial and other reporting.

#### **Diversity**

- 1.2 The Company recognises and respects the value of diversity at all levels of the organisation.
- 1.3 Currently, however, due to the size and scale of the Company's activities, all managerial and geological services are provided by the Corporate Manager and the Company has no direct employees.
- 1.4 When the level of activity permits, the Directors will ensure that women are fairly considered and the Company's aim will be to promote a culture which embraces diversity through ongoing education, succession planning, director and employee selection and recognising that skills are not gender specific.
- 1.5 As at the date of this report, the Company has no women appointed to the Board, to senior management, or to the organisation as a whole.

#### **Chairman**

- 1.6 The Chairman is responsible for leadership of the Board and for the efficient organisation and conduct of the Board's business. The Chairman should facilitate the effective contribution of all directors and promote constructive and respectful relations between directors and between the Board and management of the Company. The Chairman is responsible for briefing directors on issues arising at Board meetings and is ultimately responsible for communications with shareholders and arranging Board performance evaluation.

**Corporate Manager**

- 1.7 The Corporate Manager is responsible for running the affairs of the Company under authority delegated from the Board. In carrying out its responsibilities the Corporate Manager must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the Company's financial condition and operational results.

**Company Secretary**

- 1.8 The Company Secretary is responsible for monitoring the extent that Board policy and procedures are followed, and coordinating the timely completion and despatch of Board agendas and briefing material. All directors are to have access to the Company Secretary.

**2 Principle 2 - Structure the Board to add value**

**Composition of the Board**

- 2.1 The Company will ensure that the Board will be of a size and composition that is conducive to making appropriate decisions and be large enough to incorporate a variety of perspectives and skills, and to represent the best interests of the Company as a whole rather than of individual shareholders or interest groups. It will not, however, be so large that effective decision-making is hindered.

**Independent Directors**

- 2.2 The Company will regularly review whether each non-executive director is independent and each non-executive director should provide to the Board all information that may be relevant to this assessment. If a director's independence status changes this should be disclosed and explained to the market in a timely fashion.
- 2.3 The Company will endeavour to ensure that it has a majority of independent directors at all times, subject to the right of shareholders in general meeting to elect and remove directors.

**Chairman**

- 2.4 The Chairman should be a non-executive director who is independent. The Chairman should not be the Chief Executive Officer of the Company. The Chairman's other positions should not be such that they are likely to hinder the effective performance of his role of Chairman of the Company.

**Independent decision- making**

- 2.5 All directors - whether independent or not - should bring an independent judgment to bear on Board decisions. Non-executive directors are encouraged to confer regularly without management present. Their discussions are to be facilitated by the Chairman, if he is independent, or, if he is not independent, the deputy Chairman. Non-executive directors should inform the Chairman before accepting any new appointments as directors.

**Independent advice**

- 2.6 To facilitate independent decision making, the Board and any committees it convenes from time to time may seek advice from independent experts whenever it is considered appropriate. With the consent of the Chairman, individual directors may seek independent professional advice, at the expense of the Company, on any matter connected with the discharge of their responsibilities.

**Procedure for selection of new directors**

- 2.7 The Company believes it is not of a size to justify having a Nomination Committee. If any vacancies arise on the Board, all directors will be involved in the search and recruitment of a

## **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

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replacement. The Board believes corporate performance is enhanced when it has an appropriate mix of skills and experienced.

- 2.8** In support of their candidature for directorship or re-election, non-executive directors should provide the Board with details of other commitments and an indication of time available for the Company. Prior to appointment or being submitted for re-election non-executive directors should specifically acknowledge to the Company that they will have sufficient time to meet what is expected of them. Re-appointment of directors is not automatic.

### **Induction and education**

- 2.9** The Board will implement an induction programme to enable new directors to gain an understanding of:
- 2.9.1 the Company's financial, strategic, operational and risk management position;
  - 2.9.2 the rights, duties and responsibilities of the directors;
  - 2.9.3 the roles and responsibilities of senior executives; and
  - 2.9.4 the role of any Board committees in operation.
- 2.10** Directors will have reasonable access to continuing education to update and enhance their skills and knowledge, including education concerning key developments in the Company and in the industries in which the Company's business is involved.

### **Access to information**

- 2.11** The Board has the right to obtain all information from within the Company which it needs to effectively discharge its responsibilities.
- 2.12** Senior executives are required on request from the Board to supply the Board with information in a form and timeframe, and of a quality that enables the Board to discharge its duties effectively. Directors are entitled to request additional information where they consider such information necessary to make informed decisions.

## **3 Principle 3: Promote ethical and responsible decision-making**

### **Code of conduct**

- 3.1** The Board has adopted the Code of Conduct set out at Appendix A to promote ethical and responsible decision making by directors, management and employees. The Code embraces the values of honesty, integrity, enterprise, excellence, accountability, justice, independence and equality of stakeholder opportunity.
- 3.2** The Board is responsible for ensuring that training on the Code of Conduct is provided to staff and officers of the Company.
- 3.3** The Board is responsible for making advisers, consultants and contractors aware of the Company's expectations set out in the Code of Conduct.

### **Policy for trading in Company securities**

- 3.4** The Board has adopted a policy on trading in the Company's securities by directors, senior executives and employees set out in Appendix B.
- 3.5** The Board is responsible for ensuring that the policy is brought to the attention of all affected persons and for monitoring compliance with the policy.

## **4 Principle 4: Safeguard integrity in financial reporting**

### **Audit and Risk Management**

- 4.1** The Company believes it is not of a size to justify having a separate Audit and Risk Management Committee. Ultimate responsibility for the integrity of the Company's financial

## **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

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reporting rests with the full Board. Given the small size of the Board, the directors believe an Audit Committee structure to be inefficient. All directors share responsibility for ensuring the integrity of the Company's financial reporting and appropriate Board processes must be implemented to perform the following audit and risk management functions:

### **4.1.1 external audit function:**

- (a) review the overall conduct of the external audit process including the independence of all parties to the process;
  - (b) review the performance of the external auditors;
  - (c) consider the reappointment and proposed fees of the external auditor; and
  - (d) where appropriate seek tenders for the audit and where a change of external auditor is recommended arrange submission to shareholders for shareholder approval;
- 4.1.2 reviewing the quality and accuracy of published financial reports;
- 4.1.3 reviewing the accounting function and ongoing application of appropriate accounting and business policies and procedures;
- 4.1.4 reviewing and imposing variations to the risk management and internal control policies designed and implemented by Company management; and
- 4.1.5 any other matters relevant to audit and risk management processes.

## **5 Principle 5: Make timely and balanced disclosure**

### **Disclosure Policy**

- 5.1 The Board has adopted a Disclosure Policy for ensuring timely and accurate disclosure of price-sensitive information to shareholders through the ASX set out in Appendix D.
- 5.2 The Disclosure Policy ensures that:
- 5.2.1 all investors have equal and timely access to material information concerning the Company including its financial position, performance, ownership and governance; and
  - 5.2.2 Company announcements are subjected to a vetting and authorisation process designed to ensure they:
    - (a) are released in a timely manner;
    - (b) are factual;
    - (c) do not omit material information; and
    - (d) are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

## **6 Principle 6: Respect the rights of shareholders**

### **Communication with Shareholders**

- 6.1 The Board is committed to open and accessible communication with holders of the Company's shares and other securities. Disclosure of information and other communication will be made as appropriate by telephone, mail or email.
- 6.2 The Company's website will also be used to provide additional relevant information to security holders. The Board considers the following to be appropriate features for the Company's website:
- 6.2.1 placing the full text of notices of meeting and explanatory material on the website;

## **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

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- 6.2.2 providing information about the last three years' press releases or announcements plus at least three years of financial data on the website; and
- 6.2.3 providing information updates to security holders on request by email.

### **General Meetings**

- 6.3 The Company is committed to improving shareholder participation in general meetings. In order to achieve that objective, the Company has adopted guidelines of the ASX Corporate Governance Council for improving shareholder participation through the design and content of notices and through the conduct of the meeting itself.

## **7 Principle 7: Recognise and manage risk**

### **Creation and implementation of Company risk management policies**

- 7.1 It is the responsibility of the Corporate Manager to create, maintain and implement risk management and internal control policies for the Company, subject to review by the Board.
- 7.2 The Corporate Manager must report to the Board on an annual basis regarding the design, implementation and progress of the risk management policies and internal control systems.

### **Audit and Risk Management**

- 7.3 As referenced with respect to Principle 4, the Board has not established an Audit and Risk Management Committee for the reasons given above.

### **Review by the Board**

- 7.4 The Board will review the effectiveness of implementation of the risk management system and internal control system at least annually.
- 7.5 When reviewing risk management policies and internal control system the Board should take into account the Company's legal obligations and should also consider the reasonable expectations of the Company's stakeholders, including security holders, employees, customers, suppliers, creditors, consumers and the community.

### **Corporate Manager**

- 7.6 The Corporate Manager is required annually to state in writing to the Board that the Company has a sound system of risk management, that internal compliance and control systems are in place to ensure the implementation of Board policies, and that those systems are operating efficiently and effectively in all material respects.

### **Verification of financial reports**

- 7.7 The Corporate Manager and Chief Financial Officer are required by the Company to state the following in writing prior to the Board making a solvency declaration pursuant to section 295(4) of the Corporations Act:
  - 7.7.1 that the Company's financial reports contain a true and fair view, in all material respects, of the financial condition and operating performance of the Company and comply with relevant accounting standards; and
  - 7.7.2 that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and that the system is operating effectively in all material respects in relation to financial reporting risks.

**8 Principle 8: Remunerate fairly and responsibly**

**Director and senior executive remuneration policies**

- 8.1 The Company's remuneration policy is structured for the purpose of:
- 8.1.1 motivating senior executives to pursue the long-term growth and success of the Company; and
  - 8.1.2 demonstrating a clear relationship between senior executives' performance and remuneration.
- 8.2 The Board's responsibility is to set the level and structure of remuneration for officers (including but not limited to directors and secretaries) and executives, for the purpose of balancing the Company's competing interests of:
- 8.2.1 attracting and retaining senior executives and directors; and
  - 8.2.2 not paying excessive remuneration.
- 8.3 Executive directors' remuneration should be structured to reflect short and long-term performance objectives appropriate to the Company's circumstances and goals.
- 8.4 Executive directors' and senior executives' remuneration packages should involve a balance between fixed and incentive-based pay, reflecting short and long-term performance objectives appropriate to the Company's circumstances and goals.
- 8.5 Non-executive directors' remuneration should be formulated with regard to the following guidelines:
- 8.5.1 non-executive directors should normally be remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or equity, usually without participating in schemes designed for the remuneration of executives;
  - 8.5.2 non-executive directors should not be provided with retirement benefits other than superannuation.
- 8.6 No director may be involved in setting their own remuneration or terms and conditions and in such a case relevant directors are required to be absent from the full Board discussion.

**Remuneration Committee**

- 8.7 The Company believes it is not of a size to justify having a Remuneration Committee and that it has Board processes in place which raise the issues which would otherwise be considered by a committee.

*Appendix A – Code of Conduct*

**Introduction**

- 1 This Code of Conduct sets out the standards with which the Board, management and employees of the Company are encouraged to comply when dealing with each other, the Company's shareholders and the broader community.

**Responsibility to shareholders**

- 2 The Company aims:
- 2.1 to increase shareholder value within an appropriate framework which safeguards the rights and interests of shareholders; and
  - 2.2 to comply, with openness and integrity, the systems of control and accountability which the Company has in place as part of its corporate governance.

**Responsibility to clients, employees, suppliers, creditors, customers and consumers**

- 3 The Company will comply with all legislative and common law requirements which affect its business.

**Employment practices**

- 4 The Company will employ the best available staff with the skills required to carry out the role for which they are employed. The Company will ensure a safe workplace and maintain proper occupational health and safety practices.

**Responsibility to the community**

- 5 The Company recognises, considers and respects environmental, native title and cultural heritage issues which may arise in relation to the Company's activities and will comply with all applicable legal requirements.

**Responsibility to the individual**

- 6 The Company recognises and respects the rights of individuals and will comply with applicable laws regarding privacy and confidential information.

**Obligations relative to fair trading and dealing**

- 7 The Company will deal with others in a way that is fair and will not engage in deceptive practices.

**Business courtesies, bribes, facilitation payments, inducements and commissions**

- 8 Corrupt practices are unacceptable to the Company. It is prohibited for the Company or its directors, managers or employees to directly or indirectly offer, pay, solicit or accept bribes or any other corrupt arrangements.

**Conflicts of interest**

- 9 The Board, management and employees must report any situations where there is a real or apparent conflict of interest between them as individuals and the interests of the Company. Where a real or apparent conflict of interest arises, the matter must be brought to the attention of the Chairman in the case of a Board member, the Corporate Manager in the case of a member of management and a supervisor in the case of an employee, so that it may be considered and dealt with in an appropriate manner.

**Compliance with the Code of Conduct**

- 10 Any breach of compliance with this Code of Conduct is to be reported directly to the Chairman.

**Periodic review of Code**

- 11 The Company will monitor compliance with this Code of Conduct periodically by liaising with the Board, management and staff. Suggestions for improvements or amendments to this Code of Conduct can be made at any time to the Chairman.

*Appendix B – Policy for trading in Company securities*

**Introduction**

- 1 The Company recognises and enforces legal and ethical restrictions on trading in its securities by relevant persons within and external to the Company. The terms of this securities dealing policy apply to the Company's directors, Corporate Manager, senior executives, employees and consultants (**Relevant Persons**).

**Communication**

- 2 This policy will be communicated to all Relevant Persons and will be placed on the Company website.

**Trading restrictions**

- 3 Trading by Relevant Persons in the Company's securities is subject to the following limitations:
- 3.1 No trading in Company securities shall take place during the two weeks preceding release of each quarterly report, half-yearly financial report, and annual financial report of the Company.
  - 3.2 No trading in the Company's securities shall take place, directly or indirectly, where it is known, or ought reasonably to have been known by the person intending to trade, that information exists which has not been released to the ASX and where that information is of a type that could reasonably be expected to encourage buying or selling were that information known by others.
  - 3.3 No trading shall take place in Company securities unless prior notice is given to the Chairman [and approval is obtained from the Chairman].

**Hardship**

- 4 During a period specified in paragraph 3.1, Relevant Persons may, after obtaining the Chairman's consent, trade the Company's securities to the extent reasonably necessary to avoid or ameliorate documented hardship and suffering or as required by other extenuating circumstances.

**Directors' trading and disclosures**

- 5 Within twenty four hours of a director being appointed to the Board, resigning or being removed from the Board, or trading in the Company's securities, full details of the director's notifiable interests in the Company's securities and changes in such interest must be advised to the Company Secretary so that a record is kept within the Company and so that necessary ASX notifications will occur.
- 6 All directors must notify the Company Secretary of any margin loan or similar funding arrangement entered into in relation to the Company's securities and any variations to such arrangements, including the number of securities involved, the circumstances in which the lender can make margin calls, and the right of the lender to dispose of securities.



*Appendix C - Disclosure Policy*

**Disclosure requirements**

- 1 The Company recognises its obligations pursuant to the continuous disclosure rules of the ASX Listing Rules and the Corporations Act to keep the market fully informed of information which may have a material effect on the price or value of the Company's securities.
- 2 Subject to certain exceptions (in ASX Listing Rule 3.1A), the Company is required to immediately release to the market information that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

**Responsibilities of directors officers and employees**

- 3 The Board as a whole is primarily responsible for ensuring that the Company complies with its disclosure obligations and for deciding what information will be disclosed. Subject to delegation, the Board is also responsible for authorising all ASX announcements and responses of the Company to ASX queries.
- 4 Every director, officer and employee of the Company is to be informed of the requirements of this policy and must advise the Corporate Manager, Chairman or Company Secretary as soon as possible (and prior to disclosure to anyone else) of matters which they believe may be required to be disclosed.

**Authorised Disclosure Officer**

- 5 The Board has delegated its primary responsibilities to communicate with ASX to the following Authorised Disclosure Officer:
  - 5.1 the Company Secretary or
  - 5.2 in the absence of the Company Secretary, the Corporate Manager is authorised to act in that capacity by the Board.

**Responsibilities of Authorised Disclosure Officer**

- 6 Subject to Board intervention on a particular matter, the Authorised Disclosure Officer is responsible for the following:
  - 6.1 monitoring information required to be disclosed to ASX and coordinating the Company's compliance with its disclosure obligations;
  - 6.2 ASX communication on behalf of the Company, authorising Company announcements and lodging documents with ASX;
  - 6.3 requesting a trading halt in order to prevent or correct a false market;
  - 6.4 providing education on these disclosure policies to the Company's directors, officers and employees; and
  - 6.5 ensuring there are vetting and authorisation processes designed to ensure that Company announcements:
    - 6.5.1 are made in a timely manner;
    - 6.5.2 are factual;
    - 6.5.3 do not omit material information;
    - 6.5.4 are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

## **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

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- 7 An Authorised Disclosure Officer, who is responsible for providing contact details and other information to ASX to ensure such availability, must be available to communicate with the ASX at all reasonable times.

### **Measures to avoid a false market**

- 8 In the event that ASX requests information from the Company in order to correct or prevent a false market in the Company's securities, the Company will comply with that request. The extent of information to be provided by the Company will depend on the circumstances of the ASX request.
- 9 If the Company is unable to give sufficient information to the ASX to correct or prevent a false market, the Company will request a trading halt.
- 10 If the full Board is available to consider the decision of whether to call a trading halt, only they may authorise it, but otherwise, the Authorised Disclosure Officer may do so.

### **ASX announcements**

- 11 Company announcements of price sensitive information are subjected to the following vetting and authorisation process to ensure their clarity, timely release, factual accuracy and inclusion of all material information:
- 11.1 The Authorised Disclosure Officer must prepare ASX announcements when required to fulfil the Company's disclosure obligations.
- 11.2 Proposed announcements must be approved by the Corporate Manager or in his absence, urgent announcements may be approved by any other person expressly authorised by the Board.
- 11.3 Announcements must first be released to the ASX Announcements Platform before being disclosed to any other private or public party (such as the media). After release of the announcement, it must be displayed on the Company's website, following which the Company can then release such information to media and other information outlets.
- 11.4 Wherever practical, all announcements must be provided to the directors, Corporate Manager and Company Secretary prior to release to the market for approval and comment.

### **Confidentiality and unauthorised disclosure**

- 12 The Company must safeguard the confidentiality of information which a reasonable person would expect to have a material effect on the price or value of the Company's securities. If such information is inadvertently disclosed, the Authorised Disclosure Officer must be informed of the same and must refer it to the Chairman and Corporate Manager as soon as possible.

### **External communications and media relations**

- 13 The Chairman, Corporate Manager and Company Secretary are authorised to communicate on behalf of the Company with the media, government and regulatory authorities, stock brokers, analysts and other interested parties or the public at large. No other person may do so unless specifically authorised by the Chairman or the Corporate Manager.
- 14 All requests for information from the Company must be referred to the Authorised Disclosure Officer for provision to the Chairman and the Corporate Manager.

**Breach of Disclosure Policy**

15            Serious breaches of the Company's Disclosure Policy may be treated with disciplinary action, including dismissal, at the discretion of the Board.

Where the breach is alleged against a member of the Board, that director will be excluded from the Board's consideration of the breach.

## ASX ADDITIONAL INFORMATION

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### Holdings as at 21 September 2012

No. Securities Held	Fully Paid Shares No. Holders
1 – 1,000	78
1,001 – 5,000	167
5,001 – 10,000	114
10,001 – 100,000	484
> 100,001	520
Total no. holders	1,363
No. holders of less than a marketable parcel	1,363
Percentage of the 20 largest holders	49.37%
Total on issue	849,124,444

### Substantial shareholders as at 21 September 2012

	No. Shares	%
Kalgoorlie Mine Management Pty Ltd and Coniston Pty Ltd	104,668,000	12.330
Traders Macquarie Pty Ltd	78,528,567	9.240

### 20 Largest holders of securities as at 21 September 2012

Fully paid ordinary shares	No. Shares	%
1) Kalgoorlie Mine Management	55,000,000	6.477
2) Sked Pty Ltd <Superannuation Fund A/C>	50,601,643	5.959
3) Skymist Enterprises Pty Ltd	50,000,000	5.888
4) Kalgoorlie Mine Management Pty Ltd <Superannuation A/C>	35,668,000	4.201
5) Rulston Pty Ltd	34,597,696	4.075
6) Comprehensive Investments Pty Ltd	25,000,000	2.944
7) Traders Macquarie Pty Ltd	23,076,924	2.718
8) BBY Nominees Limited	17,916,871	2.110
9) Icerig Nominees Pty Ltd	15,668,266	1.845
10) Coniston Pty Ltd <The Coniston A/C>	14,000,000	1.649
11) Johnstone Properties Pty Ltd	12,750,000	1.502
12) Bond Street Custodians	11,370,000	1.339
13) Mandevilla Pty Ltd	11,027,073	1.299
14) Mandevilla Pty Ltd	10,987,500	1.294
15) Mr Clarke Barnett Dudley	10,000,000	1.178
16) Meadsvale Limited	10,000,000	1.178
17) Kangsav Pty Limited	8,604,376	1.013
18) Mr Ianaki Semerdziev	8,250,000	0.972
19) Mr Vincenzo Brizzi & Mrs Rita Lucia Brizzi <Brizzi Family S/F A/C>	7,720,000	0.909
20) Beejayel Pty Ltd <Beejayel Superfund A/C>	7,000,000	0.824

**ASX ADDITIONAL INFORMATION (CONTINUED)**

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**Unlisted options as at 21 September 2012**

Details of unlisted option holders are as follows:

<b>Class of unlisted options</b>	<b>No. Options</b>
Options exercisable at \$0.03 on or before 30 January 2014	509,182,694
Number of holders	71
Options exercisable at \$0.016 on or before 31 March 2014	40,000,000
Number of holders	5

**Voting rights**

The Constitution of the company makes the following provision for voting at general meetings:

On a show of hands, every ordinary shareholder present in person, or by proxy, attorney or representative has one vote. On a poll, every shareholder present in person, or by proxy, attorney or representative has one vote for any share held by the shareholder.

**Restricted securities**

There are no restricted securities or securities subject to voluntary escrow.