

The background of the cover features a photograph of a coal mine. On the left, a red haul truck is partially visible. On the right, a large yellow conveyor system is shown against a backdrop of a rocky, dark coal pile. The sky is a clear, bright blue. A large, dark blue arrow-shaped graphic points from the top left towards the bottom right, partially overlapping the text.

**A YEAR OF  
TRANSFORMATION**  
ANNUAL REPORT

2012

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## Tigers Realm Coal Limited

Tigers Realm Coal Limited (Tigers Realm Coal, TIG, or the Company) is an ASX-listed coking coal company.

The Company is developing two coking coal projects, Amaam and Amaam North in the Chukotka Autonomous Okrug of far eastern Russia, both within 35km of port access and close to targeted North Asian steel markets.

Tigers Realm Coal is aiming to become a significant participant in the seaborne coking coal market through the development of its projects. The Company is focused on delivering superior returns to our shareholders through the acquisition, exploration, development and operation of high quality coking coal deposits and mines. Tigers Realm Coal is committed to creating long term sustainable benefits for the communities and regions in which it operates.

The Company's head office is located in Melbourne with a regional office in Moscow.

## Our Values

Four core values underpin everything we do:

- **Respect** – treating our people, communities and stakeholders with respect and understanding.
- **Care** – for our people and the environment. An overriding commitment to ensuring our people finish work each day without suffering injury or harm. Minimising our impact on the environment.
- **Integrity** – being honest and open in the way we communicate and work. Doing what we say we will do.
- **Delivery** – Empowering our people to excel. Consistently delivering on our plans and goals.



# 2012 HIGHLIGHTS

- Amaam on track. Potential for developing a large scale, low cost producer of coking coal on Asia's doorstep confirmed
- Amaam North acquisition a potential game changer. Low capital, low cost, early production opportunity nearby Amaam
- Outstanding resource growth potential defined – 1Bt combined coking coal resource and exploration target
- Streamlined strategy executed and experienced and focussed management team in place
- Outlook for coking coal strong

Dear Shareholders

2012 was a year of transformation for Tigers Realm Coal. Following a comprehensive review of the Company's assets and resources during the year, our project portfolio was rationalised and efforts re-focussed towards maximising value from the exceptional opportunity presented by the Amaam project in Far East Russia.



## CHAIRMAN'S LETTER

The Amaam North licence was acquired early in the year and the Colombian projects which failed to meet our expectations in respect to resource scale and low cost open pit mining options were exited mid year.

We continued to progress Pre-Feasibility Studies for the development of a large scale coking coal mine at Amaam while simultaneously assessing opportunities for lower capital, early production potential within the greater Bering Basin. On this front there have been some exciting developments.

At the newly acquired Amaam North licence, geological assessment has identified an area of shallow, thick, clean coal seams with excellent potential for the development of a low capital, low cost operation utilising existing seasonal port infrastructure at nearby Beringovsky. Drilling and study work is currently underway to fully assess this opportunity.

Late in 2012, Mr Craig Parry, a founder and current shareholder of the Company was appointed Chief Executive Officer and Mr Craig Wiggill, a highly experienced coal industry executive with global project development, operations and coal marketing expertise joined the Tigers Realm board as a Non-executive Director and senior advisor.

Corporate costs were also streamlined to reflect the single project/country strategy going forward.

The Company firmly believes that the rationalisation of its project portfolio and corporate structure is consistent with its obligations and desire to maximise value for shareholders.

Successful capital raisings of \$9.7M and \$21.2M were completed in August 2012 and February 2013 to fund ongoing resource definition drilling and Pre-Feasibility Studies at Amaam, and to rapidly progress work on fast track production options presented by the Amaam North licence acquisition.

Operationally the business in Russia has progressed very well and in line with plan. The last twelve months has been a year of intensive field and technical study activities aimed at advancing Amaam and Amaam North along the development timeline towards first production in 2015. Pre-Feasibility Studies, resource definition and expansion continue apace at both projects.

At Amaam (exploration increased total resources by 40% to 412Mt, with 63Mt upgraded from Inferred to Indicated Resource status), the majority of work required for the Pre-Feasibility Study (PFS) into developing a large scale coking coal mine and related infrastructure has been completed. Although delivery of the final PFS document is not expected until March 2013, study work completed to date has confirmed the strong economics defined in the initial Scoping Study for the project.

Permitting for mine and transport infrastructure progressed well. A Discovery Certificate for the Amaam deposit was awarded by the Russian subsoil agency, Rosnedra in May 2012 and a mining licence application was approved for part of the Amaam deposit in March 2013. The Russian Federal Agency for Marine and River Transport included the Company's proposal for the construction of a sea port terminal at Arinay Lagoon in the Russian Federation Planning Scheme in March 2013.

Acquisition of the Amaam North licence in January is considered to be of high strategic value to the development of the proposed large scale Amaam project. Located only 30km from Amaam and 30km from existing port infrastructure at Beringovsky, Amaam North effectively doubles the size of our landholdings and significantly increases the scale of the Company's activities and potential resource endowment in the highly prospective Bering Coal Basin.

Most importantly, with an Exploration Target of 30–430Mt and the presence of shallow dipping thick, (10–11m) low ash coal seams, potential exists for the development of an earlier, low capital, low cost, direct shipping operation through the existing port infrastructure at Beringovsky. Following an intensive drilling program in January-February 2013, where six holes yielded coking coal with an average thickness of 8m close to surface, a PFS is currently underway to define production options.

Coking coal stands alone amongst the bulk commodities as being supply constrained and we continue to believe the outlook for coking coal in the near and long term remains strong. Some highly respected commodity analysts are forecasting long term coking coal prices of over US\$200/t, being the incentive price required to attract sufficient investment in production capacity to keep up with demand growth. Large scale, long life, low capital intensity and low operating cost projects such as Amaam and Amaam North, which are close to the key end use markets in North Asia and have an infrastructure solution are rare.

Tigers Realm Coal has some of the world's best undeveloped coking coal assets in its project portfolio and after a year of transformation and very significant progress in 2012 I am confident that 2013 will be an exciting and defining year as the Company continues to define the world class attributes of the Amaam project and drives towards producer status.

On behalf of the Board of Directors, I would like to thank our shareholders, partners and stakeholders for their patience and support, and our highly valued employees for their dedication and hard work.

The Board and management welcome your comments at: [IR@tigersrealmcoal.com](mailto:IR@tigersrealmcoal.com).

Sincerely



**Antony Manini** Executive Chairman





As a founder and shareholder of Tigers Realm Coal I am excited by the opportunity of leading the company in the development of what I believe are two of the best undeveloped coking coal deposits in the world. Amaam and Amaam North, in Chukotka Province, Far Eastern Russia are both large and contain high quality, open pittable coking coal, located within 35km of an existing port at Beringovsky, and a new deep water port site, Arinay. Key Asian markets are only 8 shipping days away.



## CHIEF EXECUTIVE OFFICER'S REPORT

2012 has been a busy year for the Tigers Realm Coal team and we expect an even greater level of activity in 2013 as we work to progress two projects through feasibility studies and into production in the shortest possible timeframes. We continue to progress the large scale, long life, low operating cost, 5Mtpa Amaam coking coal project with the Pre-Feasibility Study due for completion by the end of March 2013 and production targeted for 2017. At Amaam North we have discovered a major new coking coal deposit with an Exploration Target of 30–430Mt. Drilling has confirmed the presence of thick, low ash coking coal seams only a short distance to an existing coal sea port. This coal is shallow dipping and is expected to have low strip ratio, open pit mining potential. The confirmation of a Resource at Amaam North in coming months will enable us to rapidly advance studies on a starter project with production rates targeted at 0.5Mtpa to 1Mtpa utilising the existing Beringovsky port only 35km trucking distance away. Based on data available at the present time we expect much of the Amaam North coal to be of direct shipping quality, being on average less than 7% ash. Coal of this quality is unlikely to need washing and the low strip ratio and thick seams of up to 11 meters suggest that the project has the potential for low cost and high margin operations. Ongoing studies also suggest that the initial development of a 1Mtpa operation at Amaam North will have low capital costs due to the low strip ratio, minor pre-strip, the option to truck the short distance to port and the presence of an existing coal port requiring limited upgrade work. Much of the drilling and study work we undertake in 2013 will focus on the rapid advancement of this starter project at Amaam North with a target of development in 2014–15 and first coal on ship in 2015, subject to permitting and approvals being achieved on time.

Looking beyond the projects currently being examined the company will look at options to capitalise on the greater exploration potential of the Amaam and Amaam North projects. Longer term, with two large, highly prospective, coking coal basins located only 30km apart, containing potentially over 1Bt of coking coal we have the option of planning for an integrated production hub with the two deposits linked by rail which then connects to the Arinay sea port the Company intends to develop.

I am very excited about these developments. We now have two complementary projects that are set to drive shareholder returns over coming months and years. Amaam North has the potential to deliver production in a relatively short time frame and at strong operating margins whilst also delivering longer term expansion capacity as the deposit is drilled out and the resource base grows. Amaam has the potential to deliver longer term production growth at a scale that would make Tigers Realm Coal a globally significant exporter of coking coal.

## Resources – Increased size and confidence

The Company had a very successful year increasing the size of the resource at Amaam and the confidence level, with a significant portion upgraded from Inferred to Indicated status. In addition, our confidence in the prospectivity of Amaam North was confirmed with the delineation of a major new Exploration Target of 30-430Mt by an independent consulting geologist and the successful discovery of a major coking coal deposit from our first round of drilling at just one of the numerous targets at the project. We will now quickly convert drilling success at Amaam North into a resource and undertake a feasibility study on the project in 2013.

Key highlights include:

- Amaam Resource Upgrade – Total Inferred Resource was increased by 40% from 294Mt at the beginning of 2012 to 412Mt Total Inferred and Indicated Resource by December.
- Some 63Mt of the Amaam Resource was upgraded to Indicated status.
- Exploration target for Amaam of 130–225Mt including 10–25Mt of Cretaceous coal identified in additional seams below the main host sequence outside the existing Resource envelope.
- Exploration target for Amaam North of 30–430Mt. A drilling program commenced in January 2013 on one of the several targets (Project F) at Amaam North resulting in the discovery of a coking coal deposit characterised by thick seams of low ash coking coal.

## Amaam Pre-Feasibility Study

In 2011 the Company completed a scoping study and took the decision to progress with the Amaam Coking Coal Project Pre-Feasibility Study (“PFS”). This study commenced in early 2012 and continues with multiple work streams in progress, targeted for completion in March 2013. The Amaam PFS is examining the practical options for each facet of the integrated mining, coal washing, logistics and port operations.

The key objectives of the study are:

- Set the scope of work to be detailed during the Bankable Feasibility Study; and
- Determine the potential for early production of unwashed coal via the Beringovsky Port.

Key aspects of the PFS are:

- Expand the existing resource base and increase the level of confidence.
- Mining and pit optimization studies focussed on determining optimal pit depth and stripping ratios, estimating ROM open pit reserves, optimal production rates, PFS mine and project designs and project capital and operating cost estimation.
- Preliminary underground mining studies to estimate underground tonnages and mining costs.
- Conduct clean coal and coke quality test-work to determine a range of potential yields and product coals and the optimal yield and product mix in concert with marketing studies.
- Conduct coal logistics studies to assess all transport options and confirm the feasibility of year round shipping from Arinay Lagoon.
- Coal handling and preparation plant (CHPP) studies to determine process flowsheets and preliminary plant design.
- Geotechnical, hydrogeology and hydrology studies.



- The PFS works will include the first stage of the Environmental and Social Impact Assessment.
- Infrastructure studies have assessed: power generation options; fuel storage and handling; accommodation including requirements during construction; and offices, workshops, warehousing.
- Capital and operating cost estimates and financial assessments.
- A comprehensive risk assessment is being undertaken to identify key risk areas to be addressed in the Bankable Feasibility Study ("BFS"). In concert with the financial modelling of the potential project options, the risk assessment will be used to select the go forward case for the BFS.
- Identify those parts of the operation to potentially expand with the future development of Amaam North.
- In August 2012 the Company submitted an application for a Mining Licence over a part of the Amaam deposit in the north eastern flank of Area 3. This area covers approximately 40% of Area 3 which has an Inferred Resource of 154Mt out of a Total Inferred and Indicated Resource for Amaam of 412Mt. In February 2013 the Company was advised that Rosnedra had approved its Mining Licence application over the area and that Rosnedra had commissioned the provincial mining licencing authority – Subsoil Resources Management Administration of Chukotka (Chukotnedra) – to execute, register and issue the Mining Licence for this part of the Amaam Licence. The issue of this first Mining Licence is expected in Q1 2013.
- Conversion of a part of the Exploration Licence to a Mining Licence will confirm the Company's tenure over the deposit for up to 25 years. Upon conversion of the Amaam Exploration Licence to a Mining Licence the Company will move from 40% to 60% ownership of the Amaam deposit. On completion of the Bankable Feasibility Study the Company will move to 80% ownership.
- The port permitting process continues to progress well. The Company received formal endorsement from the regional Chukotka government and written confirmation of support for the proposed sea port coal terminal development from the Federal Ministry of Transport in June 2012. Work on planning documentation for the sea port continued, including completion of drilling for engineering-geological surveys at the Arinay Lagoon and the receipt of an Administrative Resolution from the Anadyr Municipality to support the development of planning documentation for the sea port. In February 2013 the Company was advised that the Russian Federal Marine and Sea Transport Agency has included TIG's proposal for the construction of a port at

### **Permitting – Discovery Certificate awarded, Mining Licence application submitted and approved by Rosnedra, and Port approval progressing well**

The company continued to successfully progress through key permitting processes and all are on track.

Key highlights include:

- In May 2012 the Russian Federal Subsoil Agency (Rosnedra) granted the Company a Discovery Certificate for the Amaam deposit. The Discovery Certificate confirms TIG, through its Russian operating company Northern Pacific Coal Company, to be the successful licensee of the Amaam exploration tenement, and was required for TIG to apply for an Exploration and Extraction (mining) Licence.





Arinay Lagoon in the Russian Federation Territory Planning Scheme. This completes a major step in the port permitting process. The proposal is now awaiting approval by the Russian Federal Government. Simultaneously the company is progressing environmental and engineering studies to enable federal regulatory bodies to provide construction approvals.

## Corporate

In 2012 we took a number of corporate decisions with the aim of enhancing our goal of maximising shareholder wealth creation. We have created a leaner, more focussed company, with a strong commitment to exploiting the options that controlling a potential 1Bt high quality coking coal resource offers.

Highlights included:

- Following a comprehensive Strategic Review, the Company decided to exit the Landazuri Project in Columbia. The review showed that Landazuri did not meet our exploration and resource targets constraining its potential to support low cost open pit mining. With a focus on maximising shareholder value it was decided that the Company concentrate on rapidly advancing the development of Amaam and Amaam North.
- In August 2012 we completed a capital raising for \$9.67M to enable the completion of further drilling and technical studies at the Amaam Coking Coal Project which resulted in an upgrade in resource confidence with the transfer of 63Mt to Indicated status and an increase in Total Inferred and Indicated Resource to 412Mt.
- The Board decided in November 2012 to make a number of Board and management changes to position the company for the development of its Russian projects and lower overheads.
- In February 2013 the Company completed a placement raising \$21.2M to enable the fast tracking of the low capex/opex Amaam North production option and to provide funding for completion of key elements of the Bankable Feasibility Study for Amaam.

## Health, Safety, Environment & Community

I am pleased to report that during 2012, our ongoing focus on safety at our operations resulted in continued improvement in this aspect of our business. At the Amaam Project, implementation of the Tigers Realm Coal's HSEC Management System was a priority for the company. HSEC activities focussed on the

implementation of controls to manage the project's HSEC risks and ensure the successful completion of the drilling and baseline studies programs. The Project has a detailed Management Plan and Induction Program that addresses the controls for the significant HSEC risks for the Project and Emergency Response procedures.

During the year, in conjunction with Golder Associates, significant progress was made on the development of the Project's Environmental and Social Impact Assessment (ESIA) to meet Russian requirements and International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability. The Preliminary ESIA for the Amaam Project was completed in December.

Tigers Realm Coal continued throughout the year to deliver on its commitment to regular and open engagement with Project stakeholders including Government authorities; communities located outside of the project area; non-governmental, public and community-based organisations; commercial organisations and business associations; Project employees and the media.

## Doing Business in Russia

Russia continues to open its doors to direct foreign investment and importantly for Tigers Realm Coal continues to encourage investment and development of the far east of the country. Russia consistently emphasised that its future growth lies in large part to the east and that it will need greater access to foreign capital markets. Hence we have seen the development of several initiatives to foster business relations with Asia and encourage economic growth in Russia's east. Examples include the establishment of two major sovereign funds targeting ties with Asia and foreign investors. The US\$10 billion Russian Direct Investment Fund has been established in partnership between the Russian Federal Government and China Investment Corporation to focus on co-investment with foreign entities to encourage their entry into Russia. The Far East and Baikal Regional Development Fund is a US\$3 billion fund established to support development of private projects in eastern parts of Russia including Chukotka.

Russia has also taken steps to integrate further with the global economy and business community, having joined the World Trade Organisation in 2012 and hosted the APEC Convention and Summit in Vladivostok in September 2012.

In addition to these practical and positive steps to encourage foreign investment the Russian Federal Government under President Putin has stated that its objective is to rapidly improve its standing as a place to do business and is seeking to quickly progress to the top 20 countries in the World Bank rankings of favourability for doing business. I have no doubt Russia will get there and already the level of successful foreign investment across all sectors is increasing dramatically.

In every respect Tigers Ream Coal continues to see Russia and specifically Chukotka as favourable places to do business. We have been pleased with the strong level of interest in our projects from Government at all levels and we appreciate their strong support in helping us pass our projects through the various permitting processes. I continue to believe we are at the front end of a major push by mineral sector investors, including Chinese and Western entities, into this great frontier for mineral exploration and discovery.

## Outlook

The long term market fundamentals for coking coal continue to remain strong. We are seeing further supply side challenges in areas of slated future supply growth such as Mozambique and Mongolia, whilst the aging mines of Australia's Bowen Basin continue to come under increasing cost pressures. With continued strong growth in emerging economies and an improvement in global economic conditions, increases in steel demand are set to continue for the foreseeable future. This has led major commodity research organisations such as CRU and Wood Mackenzie to reiterate their forecasts for strong growth in coking coal prices both in the short and long term. Wood Mackenzie forecasts a long term coking coal price of over US\$200/t is required to incentivise the capital investment needed to bring on enough production to meet current demand growth. Large scale, long life, low capital intensity and low operating cost coking coal projects such as Amaam and Amaam North, which have port and rail infrastructure solutions readily available and that are close to the growing North Asian steel markets are the scarcest of things.

I believe Tigers Realm Coal has two of the best coking coal projects on the planet and is well placed to capitalise on this strong outlook for the seaborne coking coal market.

I look forward to the year ahead as we progress rapidly from explorer to developer. Our major goals for 2013 are:

## Amaam North

With the discovery of a new coking coal deposit containing thick low ash coking coal we now aim to advance the project through to completion of feasibility studies in early 2014 and on into first production by mid-2015. Over the course of 2013 milestones will include:

- Ongoing drilling followed by announcement of an initial resource

- Complete coal quality test work
- Pre and Bankable Feasibility Studies
- Progression through the permitting process
- Delineation of a plan to accelerate the project into production in the shortest possible timeframe, for low capital outlay utilising existing transport infrastructure


## Amaam

- Completion and delivery of the Pre-Feasibility Study by end Q1 2013
- Obtain the Mining Licence at the Amaam tenement
- Obtain government approval to undertake detailed port design
- Completion of outstanding licence drilling commitments
- Complete critical path items for the Amaam Bankable Feasibility Study

News flow from this work will be substantial and Shareholders can look forward to the regular announcement of results as they come to hand. Should Amaam North deliver on its potential then by the end of 2013 Tigers Realm Coal will be a very different company – with two world class coking coal projects, one with near term development potential and a second with longer term potential for production at levels that will see the Company become a major force in the coking coal business.

In conclusion, the Company has made excellent progress in advancing Amaam and Amaam North during the course of 2012 and is well advanced down the path to production. With the discovery of a major new coking coal deposit at Amaam North that has the potential to provide the Company with a low capital and operating cost early production option, and the progress made in the growth and development of the large scale Amaam project, I firmly believe that 2013 will be a year of great importance and change for Tigers Realm Coal and I look forward to updating you on our progress.

To our shareholders, thank you for the continued support of the Company.



**Craig Parry** Chief Executive Officer

# RESOURCES AND ADDITIONAL EXPLORATION TARGETS

## Amaam Resource Estimate

The following tables detail the Amaam Resource Estimate. Totals below may not sum due to rounding.

### Indicated Resources<sup>c</sup> for the Amaam Project (100% basis):

Area	Open Pit <sup>1</sup> (Mt)	Underground <sup>2</sup> (Mt)	Total (Mt)
Area 2	0	0	0
Area 3	36.3	0.2	36.5
Area 4EC	25.7	0.3	26.0
<b>Total (rounded)</b>	<b>62</b>	<b>0.5</b>	<b>62.5</b>

### Inferred Resources<sup>b</sup> for the Amaam Project (100% basis):

Area	Open Pit <sup>1</sup> (Mt)	Underground <sup>2</sup> (Mt)	Total (Mt)
Area 2	8	0	8
Area 3	108	9	117
Area 4EC	124	101	224
<b>Total (rounded)</b>	<b>240</b>	<b>109</b>	<b>349</b>

### Total Indicated and Inferred Resources for the Amaam Project (100% basis):

Area	Open Pit <sup>1</sup> (Mt)	Underground <sup>2</sup> (Mt)	Total (Mt)
Area 2	8	0	8
Area 3	145	9	154
Area 4EC	150	101	250
<b>Total (rounded)</b>	<b>302</b>	<b>110</b>	<b>412</b>

### Coal Quality by Depth (air dried basis):

	Open Pit <sup>1</sup>	Underground <sup>2</sup>	Total
<b>Mt</b>	<b>302</b>	<b>110</b>	<b>412</b>
Relative density g/cm <sup>3</sup>	1.58	1.61	1.59
Air dried moisture %	1.0	1.1	1.1
Ash %	32.8	33.7	33.1
Volatile matter %	23.9	24.5	24.0
Fixed Carbon %	42.3	40.7	41.8
Sulphur %	1.2	0.7	1.1
Calorific value kcal/kg	5,559	5,518	5,548

### Coal Quality by Area (air dried basis):

	Area 2	Area 3	Area 4EC	Total
<b>Mt</b>	<b>8.0</b>	<b>154</b>	<b>250</b>	<b>412</b>
Relative density g/cm <sup>3</sup>	1.59	1.59	1.59	1.59
Air dried moisture %	0.9	0.9	1.1	1.1
Ash %	34.1	34.1	32.4	33.0
Volatile matter %	22.3	22.3	25.1	24.1
Fixed Carbon %	42.7	42.7	41.3	41.8
Sulphur %	1.3	1.3	1.0	1.1
Calorific value kcal/kg	5,417	5,417	5,630	5,550

1. Assumes coal seams greater 0.3m to a depth of 400m

2. Assumes coal seams greater than 1.2m to a depth below 400m from surface

## RESOURCES AND ADDITIONAL EXPLORATION TARGETS (CONTINUED)

### Amaam and Amaam North Exploration Targets<sup>D</sup>

The tables below outline the additional Exploration Target<sup>D</sup> by area for the Project's two Licences, Amaam and Amaam North. The total Exploration Target<sup>D</sup> is 160 Mt to 660Mt, comprising an Exploration Target<sup>D</sup> of 130 Mt to 230 Mt tonnes at Amaam and an Exploration Target<sup>D</sup> of 30 Mt to 430 Mt tonnes at Amaam North. Totals below may not sum due to rounding.

#### Exploration Target<sup>D</sup> Amaam and Amaam North Licences

Amaam Middle Chukchi	Open Pit <sup>1</sup> (Mt)	Underground <sup>2</sup> (Mt)	Total (Mt)
Area 1	2 to 3	0	2 to 3
Area 2	21 to 33	0	21 to 33
Area 3	3 to 10	3 to 10	6 to 20
Area 4EC	1 to 5	1 to 5	2 to 10
Area 4W	50 to 79	36 to 56	86 to 135
<b>Total (rounded)</b>	<b>80–130</b>	<b>40–70</b>	<b>120–200</b>

Amaam Cretaceous	Open Pit <sup>3</sup> (Mt)	Underground <sup>4</sup> (Mt)	Total (Mt)
<b>Total (rounded)</b>	<b>2 to 6</b>	<b>8 to 19</b>	<b>10 to 25</b>

Amaam North Middle Chukchi	Open Pit <sup>5</sup> (Mt)	Underground <sup>5</sup> (Mt)	Total (Mt)
<b>Total (rounded)</b>	<b>20 to 220</b>	<b>0 to 65</b>	<b>20 to 285</b>

Amaam North Lower Chukchi	Open Pit <sup>5</sup> (Mt)	Underground <sup>6</sup> (Mt)	Total (Mt)
<b>Total (rounded)</b>	<b>5 to 80</b>	<b>5 to 65</b>	<b>10 to 145</b>

All Areas	Open Pit <sup>1</sup> (Mt)	Underground <sup>2</sup> (Mt)	Total (Mt)
<b>Total (rounded)</b>	<b>110–440</b>	<b>50–220</b>	<b>160–660</b>

1. Assumes coal seams greater 0.3m to a depth of 400m
2. Assumes coal seams greater than 1.2m below 400m depth
3. Assumes coal seams of 1.5m to a depth of 50m
4. Assumes coal seams of 1.5m from 50 to 200m depth
5. Assumes coal seams greater 0.3m to a depth of 250m
6. Assumes coal seams greater than 1.2m from 250 to 400m depth

**Competent Persons Statement** The information compiled in this Presentation relating to Exploration Results or Mineral Resources is based on information provided by TIG and compiled by Neil Biggs, who is a member of the Australasian Institute of Mining and Metallurgy and who is employed by Resolve Geo Pty Ltd. Neil has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the JORC Code. Neil Biggs consents to the inclusion in the Presentation of the matters based on his information in the form and context which it appears.

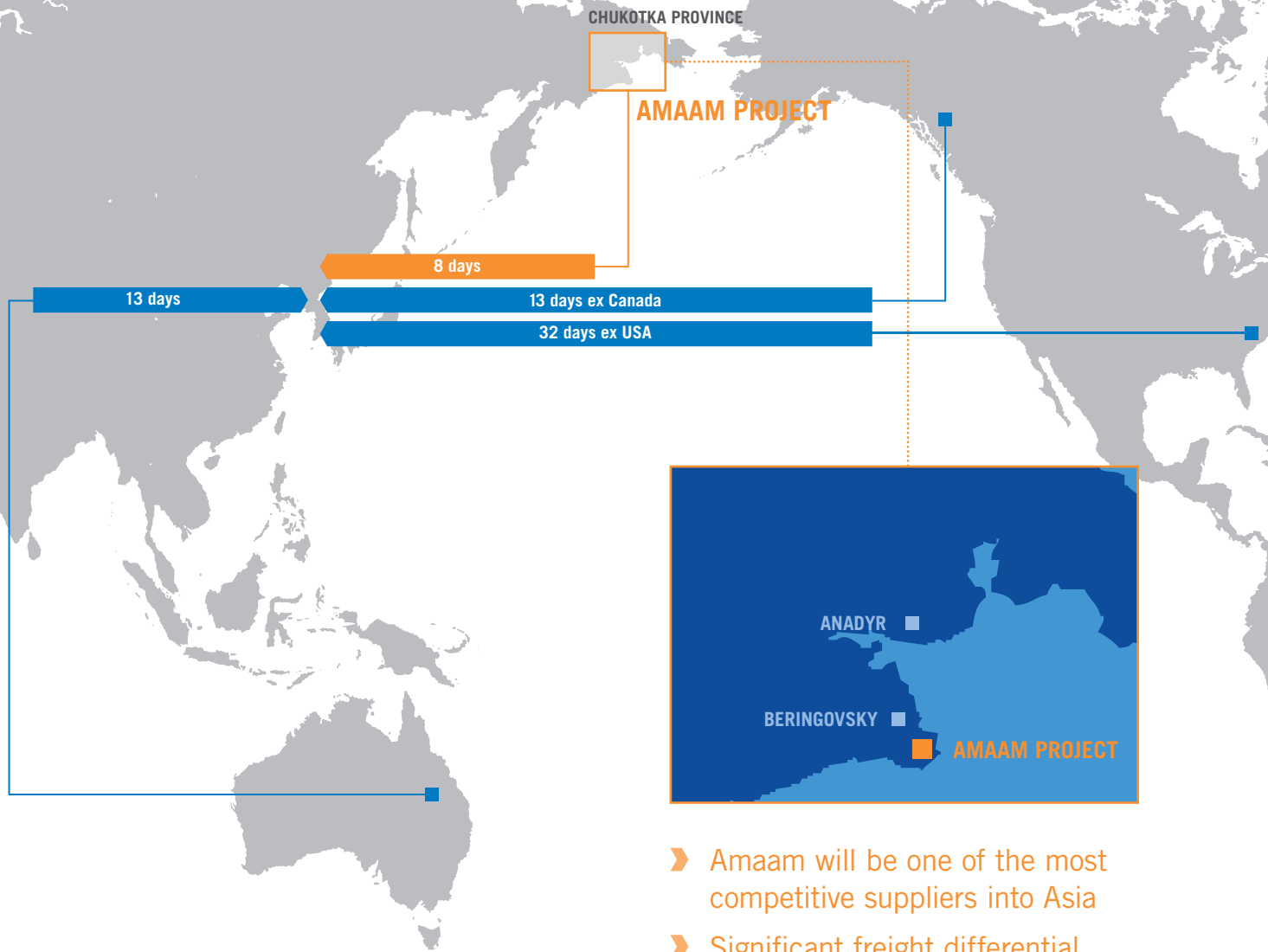
**Note B – Inferred Resources** According to the commentary accompanying the JORC Code, "the Inferred category is intended to cover situations where a mineral concentration or occurrence has been identified and limited measurements and sampling completed, but where the data are insufficient to allow the geological and/or grade continuity to be confidently interpreted. Commonly, it would be reasonable to expect that the majority of Inferred Mineral Resources would upgrade to Indicated Mineral Resources with continued exploration. However, due to the uncertainty of Inferred Mineral Resources, it should not be assumed that such upgrading will always occur. Confidence in the estimate of Inferred Mineral Resources is usually not sufficient to allow the results of the application of technical and economic parameters to be used for detailed planning. For this reason, there is no direct link from an Inferred Resource to any category of Ore Reserves. Caution should be exercised if this category is considered in technical and economic studies."

**Note C – Indicated Resources** According to the commentary accompanying the JORC Code "An 'Indicated Mineral Resource' is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource, but has a higher level of confidence than that applying to an Inferred Mineral Resource."

**Note D – Exploration Target** The exploration target is based on drilling and associated exploration studies undertaken so far. The potential quality of the exploration target is conceptual in nature, and there has been insufficient exploration to date to define a mineral resource within the meaning of the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" ("JORC Code"). Furthermore, it is uncertain if further exploration at its exploration target will result in the determination of a mineral resource.



The Amaam Coking Coal Project consists of two tenements: Amaam and Amaam North.



- Amaam will be one of the most competitive suppliers into Asia
- Significant freight differential set to benefit Amaam buyers

## OPERATIONS REVIEW

## Amaam Tenement

### 2012 Highlights:

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- Completed a total of 14,747m drilling
- Inferred Resources increased from 294Mt to 412Mt
- 63Mt converted to Indicated Status
- Exploration target of 130-225Mt including 10-25Mt of Cretaceous coal identified in additional seams below the main host sequence outside the existing Resource envelope
- Award of a Discovery Certificate, a pre-requisite for a Mining Lease application
- Application for a Mining Licence (Area 3) submitted
- Application submitted to Federal Government for approval to commence port design
- Significant progress on the Pre-Feasibility Study, with work completed on coal quality and washability, CHPP flow sheet, design and engineering of coal transport, port facilities and associated infrastructure, environmental controls, geotechnical pit slope assessment, open pit mining operations and early production scenarios utilising the existing port at Beringovsky
- Coal quality testwork indicates Amaam coal has high CSN, high vitrinite and reactive content (>90%), and strong fluidity

### Amaam Tenement Overview

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The Amaam tenement comprises the tenement Licence No. AND 13867 TP. The Licence was extended in September 2011 by three years to December 2014 by the Russian licensing authority. The Amaam tenement is 231km<sup>2</sup>, measuring approximately 32km east-west and 9km north-south.

The Amaam tenement is located in the Beringovsky Basin of the Chukotka Autonomous Okrug (District) in far eastern Russia, approximately 230km south of the regional capital of Anadyr and the administrative centre of Ugolnye Kopi, and some 40km to the south of the existing coal mining operations of Nagornaya and its supporting town at Beringovsky.

The tenement is located 30km from the Bering Sea coast and a proposed deep water port site.

The Chukotka Provincial Government is supportive of regional development and TIG enjoys a favourable fiscal regime including a 20% corporate tax rate and accelerated tax depreciation. A federal government royalty of RUB57/tonne (approximately US\$2/tonne)

is applied to sales of coking coal. North Pacific Coal Company (NPCC) management has well established relationships with the Provincial Government and extensive experience in regulatory approval processes. Western mining companies have operated successfully in Chukotka since 2002, including Kinross Gold Corporation. Kinross Gold Corporation's Kupol gold mine has been in production since May 2008.

Tigers Realm Coal holds a 40% interest in the Amaam tenement through a shareholding in Eastshore Coal Holding Limited (Eastshore), which owns 100% of NPCC, the Russian incorporated licence holder. Tigers Realm Coal's joint venture partner in Eastshore is Bering Coal Investment (Bering), a Cyprus incorporated company. Agreements between Bering and Eastshore grant Tigers Realm Coal the right to appoint the majority of the board of directors of Eastshore.

TIG has a conditional right to subscribe for an additional 40% shareholding in Eastshore in two tranches as follows:

Tranche 1: an additional 20% interest in Eastshore (taking TIG's interest to 60%) for the nominal value of such shares upon a licence being issued that grants NPCC (or another Eastshore subsidiary) the right to explore and extract coal from Amaam (NPCC currently holds a geological study licence that permits exploration but not production); and

Tranche 2: a further 20% interest in Eastshore (taking TIG's interest to 80%) upon completion of a BFS and cancellation of all loans made by TIG and its subsidiaries to Eastshore (TIG is funding exploration and development expenditure by way of loans to Eastshore). TIG is required to fund all work on the Amaam Project through to completion of the BFS. Upon achieving the milestones described above, TIG will have the right to increase its shareholding in Eastshore to 80% and Bering will own the remaining 20%. Following completion of the BFS, TIG and Bering are required to fund the development of the Amaam tenement in proportion to their respective shareholdings in Eastshore.

### Amaam Tenement Geology

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The Amaam tenement area has a long history of exploration with the first geological survey of the area conducted in 1935/36. Exploration in the area commenced in the late 1940's when a Russian program of mapping, channel sampling and trenching indicated the presence of coal seams with coking potential. From 2008 to 2010, NPCC completed a diamond drilling exploration program of 28 drill holes (totalling 7,478m) mostly in Area 3.

TIG commenced exploration activities in 2010 and completed 7,720m of drilling during the 2010/2011 Russian winter drilling season and 14,413m during the 2011/2012 season across the entire tenement, predominantly in Areas 3 and 4. During November and December 2012 (the start of the 2012/2013 season) TIG drilled 3,606m.

The Amaam Project is a multi-seam, moderate dipping deposit within a synclinal basin. Coal is in the Middle Chukchi formation, and is divided into four main areas by north-west trending faults. To date, exploration activities have identified that the highest tonnages of coal are within Areas 3 and 4.

## Amaam Tenement Development Plan

TIG has continued the Studies component of the development of a large scale, open pit mine, coal handling and preparation plant (CHPP), and associated site, transport and port infrastructure. Preliminary technical studies (currently being updated by the Amaam PFS) concluded the potential mine would have conventional truck and shovel operations with in-pit overburden disposal.

The studies proposed a base case conceptual mine plan as follows:

- Production rate of 10Mtpa ROM coal (inclusive of dilution)
- Stripping ratio of 12:1 (BCM waste:ROM t)
- Coking coal production of 5.3Mtpa for 20+ years
- A project development cost of US\$1,448m with site operating costs of US\$47/t ROM coal and US\$88/t saleable coal (excluding royalties).

The Company's development plans for Amaam include the completion of a Pre-Feasibility Study in March 2013, followed by the completion of a Bankable Feasibility Study and a two to three year construction period.

## Amaam Pre-Feasibility Study

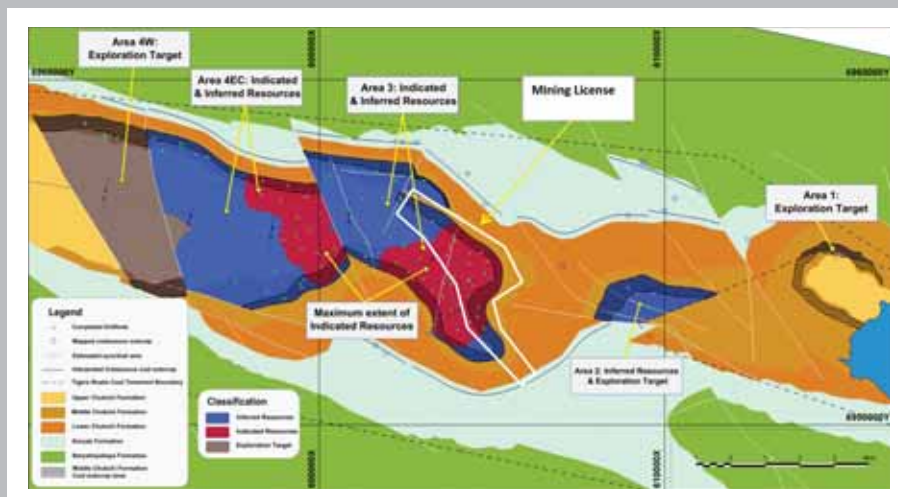
During 2012, detailed study works for the Amaam Coking Coal Project Pre-Feasibility Study ("PFS") progressed. The Amaam PFS is examining various options for each facet of the integrated mining, coal washing, logistics and port operations. The key objectives are to:

- Set the scope of work to be detailed during the Bankable Feasibility Study;
- Confirm the feasibility of year round shipping operations;
- Conduct clean coal and coke quality test-work; and
- Identify those parts of the operation to potentially expand with the future development of Amaam North.

Key consultants appointed to undertake the studies include:

- Ausenco Sandwell – infrastructure and port
- Minarco Mineconsult – mining
- AB Mylec – coal quality
- Pearson Laboratories – coal quality
- Aker Arctic – port operations management
- Royal Haskoning – maritime logistics
- Cetco Carolina – CHPP engineering
- Golder – ESIA
- SRK – Environmental Controls

## Amaam Tenement Geological Plan



## OPERATIONS REVIEW (CONTINUED)

### Status of key PFS work streams completed or in progress during 2012 include:

- Resolve Pty Ltd completed the Amaam Resource Model which resulted in 63Mt being upgraded to Indicated status and the Total Inferred and Indicated Resource upgraded to 412Mt.
- Minarco completed preliminary pit optimisations and assessments of production rate, mining dilution and pit development strategy.
- The drop-shatter – wet-tumble – washability program was completed.
- Clean coal compositing and test work commenced during the quarter and was 50% complete by end December.
- AB Mylec progressed work on the assessment of the practical CHPP Ash-Yield relationships across the deposit.
- Cetco Carolina finalised the proposed Process Flow Diagram and General Arrangement Layout of the CHPP and submitted capital cost estimates.
- Design and engineering of the Coal Transport, Port Facilities and Infrastructure by Ausenco was completed, with Draft Capital and Operating Cost Estimates submitted to the Company for review.
- SRK completed their draft report addressing the environmental controls for the project.
- The Geotechnical pit slope assessment report was completed.
- Early Production Scenarios assessments continued.

	Achieved	Target	Actual	Comment
<b>Amaam – project milestones</b>				
Delineate initial resource	✓	Q4–10	Q4–10	68 Mt Inferred Resource
Interim resource upgrade 2011	✓	Q2–11	Q2–11	177 Mt Inferred Resource
Resource upgrade 2011	✓	Q4–11	Q4–11	294 Mt Inferred Resource
Interim resource upgrade 2012	✓	Q2–12	Q2–12	406 Mt Inferred Resource
Resource upgrade 2012	✓	Q3–12	Q4–12	412 Mt Total Indicated (63Mt) and Inferred Resource
<b>Pre-Feasibility Study</b>		<b>Q1–13</b>		
<b>Completion of 2012/13 drilling program</b>		<b>Q2–13</b>		
<b>Resource Upgrade 2013</b>		<b>Q2–13</b>		

### Permitting

TIG achieved an important permitting milestone in being awarded a Discovery Certificate for the Amaam deposit.

Receipt of the Discovery Certificate enabled TIG's 40% owned Russian company NPCC to apply for an Exploration and Extraction (mining) Licence which was done in the September quarter.

	Achieved	Target	Actual	Comment
<b>Amaam – permitting milestones</b>				
Exploration licence – 3 year extension	✓	Q3–11	Q3–11	3 year extension to December 2014
Registration of Amaam deposit	✓	Q1–12	Q4–11	Registered with Chukotnedra
Application for Discovery Certificate	✓	Q1–12	Q1–12	
Award of Discovery Certificate	✓	Q2–12	Q2–12	Prerequisite for Mining Lease application
<b>Application for Mining Licence (Area 3)</b>	✓	Q3–12	Q3–12	
<b>Award of Mining Licence (Area 3)</b>		<b>H1–13</b>		<b>Primary tenure for mining</b>



In February 2013 Rosnedra approved the mining licence application and commissioned the provincial mining licencing authority, Chukotnedra, to execute, register and issue the mining licence. Through conversion of the Amaam Exploration License to an Exploration and Extraction (mining) License, NPCC will confirm legal tenure over the deposit for a period up to 25 years. Upon conversion of the license TIG will move from 40% to 60% ownership of the Amaam coking coal project. TIG's ownership level of the Amaam project will increase to 80% upon completion of a Bankable Feasibility Study.

TIG's in country Russian team has made good progress on the preparation of documentation to be submitted to the Russian Ministry of Transport and Prime Minister's Department for approval to move to the detailed design phase for the Arinay Port within the deep water Arinay Lagoon, 30km from the Amaam deposit. TIG's Russian team plans on submitting key initial documents with regional government support in the coming months.

	Achieved	Target	Actual	Comment
<b>Arrinay Port – permitting milestones</b>				
Base-line environmental assessment	✓	Q4-11	Q4-11	
Apply for approval to commence port design	✓	Q1-12	Q1-12	
<b>Approval to commence detailed port design</b>		<b>H1-13</b>		

## Environment and Community

During 2012, significant progress was made in developing and implementing Tigers Realm Coal's HSEC Management System. Key areas of focus included:

- Policy, Commitment, Leadership and Management Review
- Risk Management
- Legal Requirements and Other Commitments
- Roles, Responsibilities, Accountability and Authority
- Training, Competence and Awareness
- Emergency & Crisis Preparedness and Response
- Incident Management
- Inspections, Measuring and Monitoring
- Corrective Action and Preventive Action
- Audit and Assessment

At the Amaam Project, implementation of the above system elements was a priority. HSEC activities focussed on the implementation of controls to manage the project's HSEC risks and ensure the successful completion of the drilling and baseline studies programs. Safety audits were completed on all rigs and vehicles prior to the commencement of work. An audit of the site aviation service provider was also completed. The Project has a detailed Management Plan and Induction Program that addresses the controls for the significant HSEC risks for the Project and Emergency Response procedures.

During the year, in conjunction with Golder Associates, significant progress was made on the development of the Project's Environmental and Social Impact Assessment (ESIA) to meet Russian requirements and International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability. The Preliminary ESIA for the Amaam Project was completed in December.

Environmental baseline studies implementation and priority plans were developed with management, Golder and our Russian field consultants for the 2012 and 2013 field seasons, with the 2012 component subsequently completed. The baseline studies plan complement the work completed at Amaam in 2011.

Regular engagement with Project stakeholders was completed in 2012. Stakeholders include Government authorities at the national, regional and local levels; communities located in the project area; non-governmental, public and community-based organisations; commercial organisations and business associations; Project employees and the media.

To ensure a consistent message regarding the Project, as well as meeting IFC requirements, a number of Project documents have been prepared in both Russian and English and made available to Stakeholders. These include the Project Stakeholder Engagement Plan (SEP) which builds on early engagement activities completed for the Project, including a formal agreement between NPCC,

the District of Anadyr and the Chukotka Regional Public Organisation Association of Indigenous Minorities of the North, Siberia and Far East, which sets out a strategy for ongoing management of community relations. The overall objective of the SEP is to detail how NPCC will engage with stakeholders through the course of the Project. The SEP is a working document that will be revised during the development of the Project, with the final version integrated into the ESIA. The Background Information Document (BID) for the Project was also developed during the year. Stakeholder consultation during the baseline studies phase of the Project is based primarily on the BID. The BID is a simple, non-technical document that explains the project and the ESIA process and is aligned with the SEP.

## Amaam North Tenement

In January 2012, TIG made an important strategic step in relation to consolidating the Company's position in the highly prospective Bering Coal Basin through the acquisition of 80% of Amaam North – a coal deposit only 30km to the north of Amaam. The Amaam North tenement increases the Company's total landholding in the Bering Coal Basin to 709km<sup>2</sup>, and offers the potential to significantly increase Tigers Realm Coal's coking coal endowment in this emerging coal basin in far eastern Russia, close to the Bering Sea coast and key Asian markets.

Under the terms of the agreement completed in January 2012, the Company paid US\$400,000 for an 80% interest in the Russian company which owns the Amaam North exploration license, Beringpromugol LLC, by acquiring 80% of Cyprus company Rosmiro Investments Limited from its current owner BS Chuchki Investments LLC (BSCI). TIG is also required to fund all project expenditure until the completion of a

Bankable Feasibility Study. After completion of a Bankable Feasibility Study, each joint venture party is required to contribute to further project expenditure on a pro-rata basis. BSCI is also entitled to receive a royalty of 3% gross sales revenue from coal produced from within the Amaam North license.

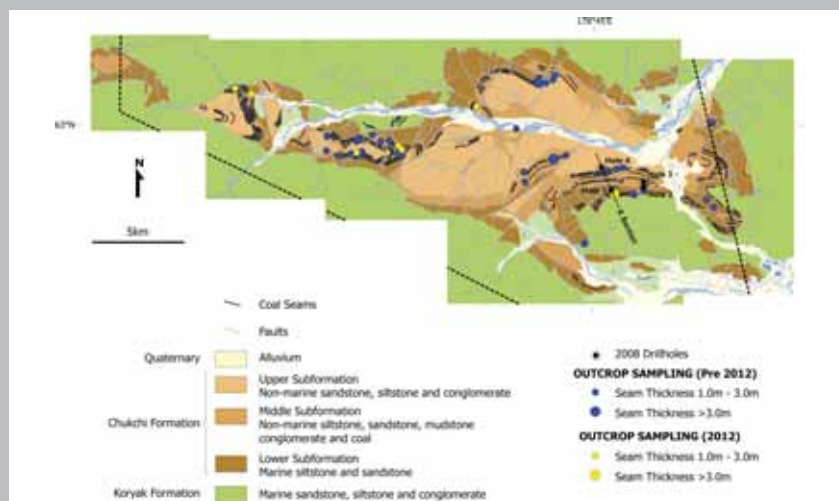
The Amaam North and Amaam deposits are located within separate structural blocks of the Bering Coal Basin. The Bering Coal Basin covers an area of approximately 7,500km<sup>2</sup> and extends from north of Beringovskiy (Nargornaya mine) to the southern coast line. The primary coal host sequence at Amaam North and Amaam is the Middle Chukchi Formation of Palaeogene age. However substantial outcrop (up to 10.85m) has been mapped in units beneath the Middle Chukchi Formation at Amaam North.

The coal formation at Amaam North is synclinal in structure with longitudinal and cross cutting faults, moderate dips at the margins, flatter dips along the axis. Mapping of the deposit has identified multiple coal exposures, 30 of which are >2m true seam thickness. Based on outcrop sampling, cumulative coal thicknesses within the Middle Chukchi Formation are expected to be similar to Amaam.

Available information indicates the coal at Amaam North is a high volatile A bituminous coal based on the ASTM classification standard. TIG considers Amaam North to be prospective for mid and high volatile coking coals.

In the December quarter 2012, Tigers Realm Coal announced an Exploration Target for Amaam North of 30Mt-430Mt. Drilling rigs were mobilised in late December to commence a 3000m drill program with early success achieved in six of the first seven holes, with an average of 8m thick coking coal intersected close to surface:

## Amaam North Geological Plan



- AL13001: Cumulative coal thickness of 9.28m, 34m below surface
- AL13002: Cumulative coal thickness of 10.89m, 42m below surface
- AL08001: Cumulative coal thickness of 9.27m, 21m below surface
- AL13011: Cumulative coal thickness of 8.4m, 67m below surface
- AL13003: Cumulative coal thickness of 5.4m, 59.5m below surface
- AL13009: Cumulative coal thickness of 3m, 50m below surface

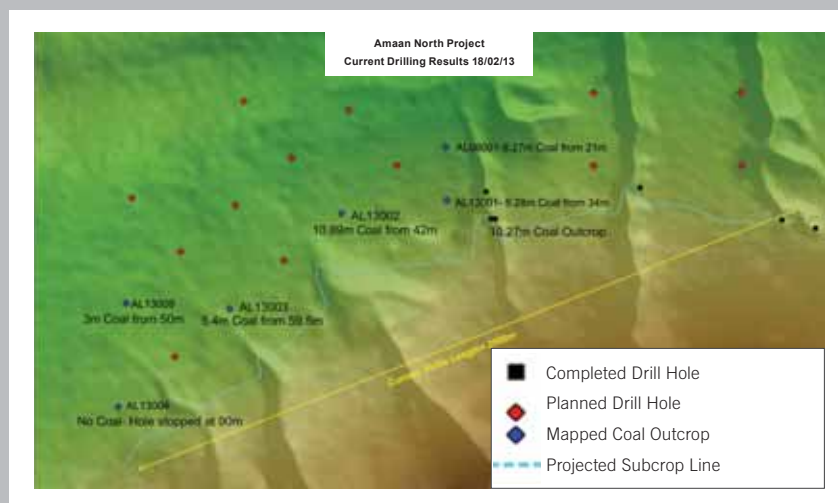
Tigers Realm believes the shallow, thick Lower Chukchi coal seams are highly prospective and there is a strong likelihood of the Exploration Target being converted to a Resource in coming months given the drilling success reported in this and earlier announcements. Based on the conversion anticipated, initial studies indicate the Lower Chukchi coal seams may provide excellent potential for low capital cost, low operating cost, open pit production.

Key parameters highlighting this potential opportunity at Amaam North are:

1. Thick near surface seams which should allow Resources to be defined with low metreage, low cost drilling programs.
2. Likely low stripping ratios (the Lower Chukchi outcrop and recently completed holes indicate local shallow dips of 10–15 degrees).
3. Presence of thick, low ash seams indicating potential for a direct shipping product.
4. The project is located approximately 35km from the existing Beringovsky coal port and transport by truck to the port on winter roads is readily achievable.
5. The Beringovsky port which is currently operating for the nearby Nagornaya mine is underutilised. It has historically shipped up to 900,000 tonnes of coal per summer shipping season.

These concepts are currently being analysed in greater detail as part of the Amaam PFS.

### Amaam North – Holes drilled to date and planned drill holes



	Achieved	Target	Actual	Comment
<b>Amaam North – project milestones</b>				
Project acquisition	✓	H1–12	H1–12	Acquired an 80% interest
Announcement of exploration target	✓	Q4–12	Q4–12	30–430Mt Exploration Target
Start drilling program	✓	Jan 13	Jan 13	First 6 holes yield average 8m coal close to surface
Completion of drilling		Q1–13		
Coal quality analysis		Q2–13		
Initial Resource estimate		Q2–13		
Feasibility study		Q1–14		Targeting low capex/opex production

TIG's management team has significant experience in all facets of exploring, developing, operating and financing large scale natural resources projects. The team has a balanced set of skills in the areas of geology, mining operations, infrastructure and regulatory, environmental and financial affairs.

All senior operational managers have worked previously in the minerals and mining sector and are well equipped to manage both the development project and the third party contractor workforce that will be involved in the construction of TIG's mining operations.

Members of TIG's management team are either employed directly by TIG or seconded from Tigers Realm Minerals (TRM). In addition, under a services agreement, TRM agrees to provide certain services to TIG, including business development, company secretarial and legal services.

Biographies of the management team are:

#### **Mr Antony Manini**

Executive Chairman (1)  
BSc(Hons), FAusIMM, FSEG

Mr Manini has over 24 years of global resource industry experience across a diverse range of commodities in over 20 countries. His experience includes 14 years with the Rio Tinto Group and 8 years with Oxiana Limited (now OZ Minerals Limited) covering various technical, commercial, senior management and executive roles in exploration, project evaluation, project development and business development. Mr Manini is a founder of TRM and TIG and has been Managing Director of TRM since inception of TRM. He holds an Honours Degree in Geology and is a Fellow of the Australian Institute of Mining and Metallurgy and the Society of Economic Geologists.

#### **Mr Craig Parry**

Chief Executive Officer (2)  
BSc (Hons), MAusIMM

Mr Parry is an exploration and business development geologist who has worked internationally across a broad range of commodities with Tigers Realm Coal (TIG), Tigers Realm Minerals, G-Resources Group Limited, Oxiana Limited (now OZ Minerals Limited), Rio Tinto Limited and RSG Consulting Pty Ltd over the past 14 years.

He is a founder of TIG and has been responsible for TIG's business development activities since inception, including the acquisition of the Amaam Project.

Mr Parry has held a number of executive roles in the resources industry, including Business Development Manager for G-Resources Group Limited responsible for mergers and acquisitions and Principal Geologist – New Business at Oxiana Limited responsible for strategy and business development initiatives in bulk and energy commodities. At Rio Tinto Limited, Mr Parry led exploration programs for iron ore, copper, diamonds, coal and bauxite in Australia, Asia and South America and was Principal Geologist for the Kintyre Uranium project Pre-Feasibility Study. Mr Parry is a graduate of The University of New South Wales, holds a Bachelor of Science (Applied Geology) with first class Honours and the University Medal. He is a Member of the AusIMM.

#### **Mr Owen Hegarty**

Non-Executive Director (3)  
BEc(Hons), FAusIMM

Mr Hegarty has over 40 years' experience in the global mining industry, including 25 years with the Rio Tinto group where he was Managing Director of Rio Tinto Asia and also Managing Director of the Australian Copper and gold business. He was the founder and Chief Executive Officer of Oxiana Limited (now OZ Minerals Limited) which grew from a small exploration company to a multi-billion dollar, base and precious metals explorer, developer and producer. Mr Hegarty is Executive Vice-Chairman of Hong Kong listed G-Resources Group Limited, a gold mining company, and an Advisor to CST Mining Group Limited also a Hong Kong listed mining company with a copper focus. He is a Non-Executive Director of Fortescue Metals Group Limited, a Director of the AusIMM, a member of a number of Government and industry advisory groups. He is a Founding Patron of CEEC (Coalition for Eco-Efficient Comminution) – a not-for-profit organisation aimed at increasing energy efficiencies in mining and minerals processing. Mr Hegarty is Chairman of TRM and Chairman of EMR Capital, a private equity investment manager focused on resources.

## **DIRECTORS AND MANAGEMENT**

(1)



(2)



(3)





**Mr Brian Jamieson**

Independent Non-Executive Director (4)  
FCA

Mr Jamieson was Chief Executive of Minter Ellison Melbourne from 2002 until he retired at the end of 2005. Prior to joining Minter Ellison, he was with KPMG for over 30 years holding the positions of Chief Executive Officer Australia, Managing Partner and Chairman of KPMG Melbourne. He was also a KPMG Board Member in Australia and Asia Pacific and a member of the KPMG USA Management Committee. Mr Jamieson is a fellow of the Institute of Chartered Accountants in Australia. Mr Jamieson is a Non-executive Chairman of Mesoblast Limited, Non-Executive Chairman of Sigma Pharmaceuticals Limited, Non-executive Director of Tatts Group Limited and Non-executive Director of Oz Minerals Ltd. Mr Jamieson is a Deputy Chairman and Treasurer of the Bionics Institute and a Director and Treasurer of the Sir Robert Menzies Foundation.

**Mr Craig Wiggill**

Non-Executive Director (5)  
BSc Engineering (Mechanical and Industrial) University of Witwatersrand

Mr Wiggill has extensive experience in the global mining industry including over 23 years in the coal sector, the majority of such being within the Anglo American Plc group. His most recent executive role was as CEO – Coal Americas at Anglo Coal, where he established and developed the Peace River operation in Canada and co-managed the joint venture projects at Cerrejón and Guasaree. He has also held leadership roles covering commercial, trading and marketing responsibility, corporate strategy and business development for Anglo American. In addition to corporate and advisory work for a number of companies in the mining industry, he is currently Chairman at Forbes & Manhattan Coal Corp (TSX:FMC).

**Mr David Forsyth**

Company Secretary (6)  
FCIS, FCPA

Mr Forsyth has over 40 years experience in the engineering, project development and mining field. His most recent positions were with Oxiana Limited (now OZ Minerals Limited), where he was Company Secretary and Manager Administration from 1996 to 2008.

**Mr Leonid Skoptsov**

General Director–NPCC–Russia (7)

Mr Skoptsov has more than 20 years of resource exploration, development and operational experience in Russia. He became a Director of Ovoca Gold Plc in June 2006 and later became Chief Executive Officer from 2006 to 2009. Mr Skoptsov was also Chairman of OAO Pervaya Gornorudnaya Kompaniya, a zinc-lead asset developer, from 2001 to 2005 and Chairman of OAO Volganeft, a mid-tier oil producer in Russia which was successfully sold to Russneft, from 2000 to 2004.

**Mr Peter Balka**

Chief Operating Officer (TRM Secondee) (8)  
B.E (Mining Eng), MAUSIMM

Mr Balka is a mining engineer with over 25 years of extensive experience in open cut and underground mining operations, project management, feasibility studies and due diligence. Most recently Mr Balka worked for 4 years with OZ Minerals Limited (formerly Oxiana Limited) as Group Mining Engineer, managing feasibility studies and providing engineering services and oversight to the operations including those at Prominent Hill, Sepon, Golden Grove, Century and Rosebery. Prior to this, Mr Balka held key technical and management roles with AMC Consultants Pty Ltd, Newcrest Limited and BHP Billiton Limited, for the feasibility studies and development of Prominent Hill, Ridgeway, Cannington, Callie open cut and underground, Iron Duke – Whyalla, Gosowong and Tarnagulla. His international experience also includes projects in Russia, Indonesia, India, New Zealand and Africa.

**Mr David George**

Manager Investor Relations (9)  
B.E (Chemical Engineering) M.Comm

Mr George has some 24 years experience as Head of Resources Equities Research and lead analyst coverage responsibilities with a number of major and mid-tier investment banks, including JP Morgan and Deutsche Bank. He has extensive relationships with domestic and international institutional investment funds.



The Directors present their report together with the financial report of the Group, being Tigers Realm Coal Limited ("the Company" or "TIG") and its subsidiaries, for the year ended 31 December 2012.

## 1. Directors and Company Secretary

The Directors of the Company at any time during or since the end of the period are:

Name, qualifications and independence status	Experience, special responsibilities and other directorships
<p><b>Mr Antony Manini</b>  <b>Executive Chairman</b>                      BSc(Hons),                      FAusIMM,                      FSEG</p>	<p>Mr Manini has over 25 years of global resource industry experience across a diverse range of commodities in over 20 countries. His experience includes 14 years with Rio Tinto and 8 years with Oxiana Limited (now OZ Minerals Limited) covering various technical, commercial, senior management and executive roles in exploration, project development and business development. As a foundation member of the Oxiana Limited executive team he was responsible for establishing and managing the company's highly successful exploration and resources group and closely involved in the discovery and/or acquisition and development of Oxiana Limited/OZ Limited's four operating mines. Mr Manini is a founder of Tigers Realm Minerals Limited ("TRM") and TIG and has been Managing Director of TRM since inception of TRM. He holds an Honours Degree in Geology and is a Fellow of the Australian Institute of Mining and Metallurgy and the Society of Economic Geologists. Mr Manini was appointed as Executive Chairman on 12 November 2012 and as a Director and Chairman on 8 October 2010. Mr Manini is a member of the Audit, Risk and compliance Committee and of the Nomination and Remuneration Committee. He holds no other directorships with ASX listed entities.</p>
<p><b>Mr Owen Hegarty</b>  <b>Non-executive Director</b>                      BEc(Hons),                      FAusIMM</p>	<p>Mr Hegarty has over 40 years' experience in the global mining industry, including 25 years with the Rio Tinto group where he was Managing Director of Rio Tinto Asia and also Managing Director of the Australian copper and gold business. He was the founder and Chief Executive Officer of Oxiana Limited (now OZ Minerals Limited) which grew from a small exploration company to a multi-billion dollar, base and precious metals explorer, developer and producer. Mr Hegarty is Executive Vice Chairman of Hong Kong listed G Resources Group Limited, a gold mining company and Executive Vice Chairman of CST Mining Group Limited, also a Hong Kong listed mining company with a copper focus. He is a Non-executive Director of Fortescue Metals Group Limited, a Director of the AusIMM, a member of the South Australian Minerals and Petroleum Experts Group, and a Director of the WA based Mining Hall of Fame Foundation – a mining educational foundation. He is a Founding Patron of CEEC (Coalition of Eco-Efficient Communication) – a not-for-profit organisation aimed at increasing energy efficiencies in mining and minerals processing. He is also Chairman of TRM. Mr Hegarty was appointed a Director on 8 October 2010 and is a member of the Audit, Risk and Compliance Committee and of the Nomination and Remuneration Committee.</p> <p>In the past three years Mr Hegarty was a director of Range River Gold Limited (from July 1994 to June 2010) an ASX listed entity.</p>
<p><b>Mr Brian Jamieson</b>  <b>Independent Non-executive Director</b>                      FCA</p>	<p>Mr Jamieson was Chief Executive of Minter Ellison Melbourne from 2002 until he retired at the end of 2005. Prior to joining Minter Ellison, he was with KPMG for over 30 years holding the positions of Chief Executive Officer Australia, Managing Partner and Chairman of KPMG Melbourne. He was also a KPMG Board Member in Australia and Asia Pacific and a member of the KPMG USA Management Committee. Mr Jamieson is a fellow of the Institute of Chartered Accountants in Australia. Mr Jamieson is a Non-executive Chairman of Mesoblast Limited, Non-Executive Chairman of Sigma Pharmaceuticals Limited, Non-executive Director of Tatts Group Limited and Non-executive Director of Oz Minerals Ltd. Mr Jamieson is a Deputy Chairman and Treasurer of the Bionics Institute and a Director and Treasurer of the Sir Robert Menzies Foundation. Mr Jamieson was appointed as a Non-executive Director of the Company on 25 February 2011 and is Chairman of the Audit, Risk and Compliance Committee and of the Nomination and Remuneration Committee.</p>
<p><b>Mr Craig Wiggill</b>  <b>Non-executive Director</b>                      BSc Eng.</p>	<p>Mr Wiggill has extensive experience in the global mining industry including over 23 years in the coal sector, the majority of such being within the Anglo American Plc group. His most recent executive role was as CEO – Coal Americas at Anglo Coal, where he established and developed the Peace River operation in Canada and co-managed the joint venture projects at Cerrejón and Guasaree. He has also held leadership roles covering commercial, trading and marketing responsibility, corporate strategy and business development for Anglo American. In addition to corporate and advisory work for a number of companies in the mining industry, he is currently Chairman at Forbes &amp; Manhattan Coal Corp (TSX:FMC). Mr Wiggill was appointed as a Non-executive Director of the Company on 20 November 2012. He holds no other directorships with ASX listed entities.</p>

Name, qualifications and independence status	Experience, special responsibilities and other directorships
<b>Mr David Forsyth</b> Company Secretary FCIS, FCPA	Mr Forsyth has over 40 years' experience in the engineering, project development and mining field. His most recent position was with Oxiana Ltd, now Oz Minerals Limited, where he was Company Secretary and Manager Administration from 1996 to 2008. Mr Forsyth joined TRM as Director and Company Secretary in 2009. Mr Forsyth was appointed a Company Secretary of the Company on 8 October 2010.
<b>Former Director</b>	
<b>Mr Martin Grant</b> MSc, BSc (Hons)	Mr Grant has over 20 years' experience in the resources industry. In the 7 years prior to joining the Company, Mr Grant held a number of senior roles in the international coal sector, including Chief Development Officer for BHP Billiton Energy Coal and Vice President Business Development for BHP Billiton Mitsubishi Alliance, the world's largest seaborne supplier of hard coking coal. Prior to specialising in coal, Mr Grant was a senior corporate finance advisor with UBS and Goldman Sachs. During this time, he worked on numerous mining merger and acquisition transactions, including BHP Limited's merger with Billiton plc. Mr Grant has a background in minerals exploration and holds a Master's degree in Mineral Economics from the Colorado School of Mines. Mr Grant was appointed a Director on 7 March 2011, and resigned as CEO and Managing Director on 12 November 2012. He holds no other directorships with ASX listed entities.

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

## 2. Directors' meetings

The number of Directors' meetings (including meeting of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

### Attendance at meetings

	Directors' meetings		Meeting of committees of Directors			
	A	B	Nomination and Remuneration		Audit, Risk & Compliance	
			A	B	A	B
Mr Antony Manini	9	9	4	4	6	6
Mr Owen Hegarty	9	9	4	4	6	6
Mr Brian Jamieson	9	9	4	4	6	6
Mr Craig Wiggill <i>(appointed 20 November 2012)</i>	2	2	–	–	–	–
Mr Martin Grant <i>(resigned 12 November 2012)</i>	7	6	–	–	–	–

A = Number of meetings held during the time the Director held office

B = Number of meetings attended

## 3. Principal activities

The principal activity of the Group is the identification, exploration, and development of international coal deposits.

## 4. Operating and financial review

The operating loss after income tax of the Group for the year ending 31 December 2012 was \$18,410 thousand (2011: profit of \$12,841 thousand). As at 31 December 2012 the Group had a cash position of \$8,528 thousand (2011: \$21,030 thousand). The Group had no bank debt. Operating activities incurred cash outflows from operations for the year of \$3,546 thousand (2011 \$8,530 thousand). There were cash outflows from investing activities of \$18,145 thousand (2011 \$9,859 thousand) for the year.

## 5. Significant changes in the state of affairs

- On 18 January 2012 the Group completed the acquisition of Amaam North tenement in far eastern Russia by acquiring an 80% interest in Rosmiro Investments Limited for US\$400 thousand.
- On 3 May 2012 the Group announced a 38% increase in the Inferred Resources at Amaam up to 406MT of coking coal.
- On May 14 2012 the Group was granted a Discovery Certificate for the Amaam deposit by the Russian Federal Subsoil Agency.
- On 19 June 2012 the Group announced that as a consequence of completing a strategic review of the Group's exploration projects it decided not to continue with the Landazuri Project in Colombia and had withdrawn from the farm-in option agreements relating to the Landazuri tenements in Colombia, and would be discontinuing operations in Colombia.
- On 11 July 2012 the Company concluded a placement of fully paid ordinary shares to raise gross proceeds of \$8,923,408 at a price of \$0.18 per share. The placement price represented a 5% discount to the volume weighted average price over the five days trading up to and including 6 July 2012. The proceeds have been applied towards additional drilling and technical studies at the Amaam Coking Coal Project, including resource infill drilling, large diameter coal quality drilling and/or bulk sampling and various condition studies to support detailed engineering design activities. Proceeds have also been used to fund drilling of scout holes at the highly prospective Amaam North tenement to test the seam thickness and coal quality, and for corporate costs and working capital for the period to June 2013.
- On 10 August 2012 the Company completed a Share Purchase Plan for shareholders in Australia and New Zealand. The Share Purchase Plan raised gross proceeds of \$753,500 through the issue of fully paid ordinary shares at an issue price of \$0.16 per share. The proceeds have been applied towards additional drilling and technical studies at the Amaam Coking Coal Project.

- In November 2012 the Company commenced a programme to perform 5,800 metres of drilling at Amaam to enable the upgrading of resource information and provide key inputs for the future bankable feasibility study. In addition the Company plans to complete an 800 metre drilling programme at Amaam North.
- An upgrade of the Amaam coking coal resource was announced on 4 December 2012. Initial resource drilling completed at Amaam has upgraded 63 million tonnes of Inferred Resource to Indicated Resource. The total Indicated and Inferred Resources at Amaam have increased to 412 million tonnes, of which 302 million tonnes lies within an open pit domain.

## 6. Events subsequent to reporting date

On 22 February 2013 the Company concluded a placement of 106,000,000 fully paid ordinary shares to raise gross proceeds of approximately \$21,200 thousand at a price of \$0.20 per share. The placement price represents a 7.3% discount to the volume weighted average price over the five days trading up to and including 19 February 2013. The placement is organised in two tranches, with the initial tranche of \$12,500 thousand being fully completed, with 62,733,452 shares issued on 1 March 2013. The second tranche of \$8,700 thousand for 43,266,548 is subject to shareholder approval, which will be sought at the Annual General Meeting on 23 April 2013. As part of the placement the Directors subscribed for 1,500,000 shares. These shares are also subject to shareholder approval which will be sought at the Annual General Meeting.

Other than the events noted above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the result of those operations, or the state of affairs of the Group, in future financial years.

## 7. Dividends paid or recommended

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

## 8. Likely developments

The Group will continue minerals exploration on the tenements in Russia held by entities in which it has a controlling interest or significant influence.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

## 9. Directors' interests

The relevant interest of each Director in the shares or options over such instruments issued by the companies within the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the *Corporations Act 2001*, at the date of this report is as follows:

	Tigers Realm Coal Limited	
	Ordinary shares	Options over ordinary shares
A. Manini	19,437,183	9,131,000
O. Hegarty	16,212,114	5,315,500
B. Jamieson	771,528	2,000,000
C. Wiggill	–	–

Under the terms of his appointment as a Non-executive director, Mr Wiggill will receive a grant of 1,000,000 options in the Company, subject to shareholders approval which will be sought at the Company's Annual General Meeting on 23 April 2013. These options will vest 12 months after grant date with an exercise price of 50 cents and will expire after 5 years.

## 10. Share Options

### Options granted to directors and executives of the Company

During or since the end of the financial year, the Company granted options for no consideration over unissued shares in the Company to the following directors and to the five most highly remunerated officers of the Company as part of their remuneration:

DIRECTORS	Number of options granted
AJ Manini	1,500,000
OL Hegarty	1,000,000
B. Jamieson	1,000,000
MA Grant	2,049,877
EXECUTIVES	
C Parry	8,000,000
P Balka	1,280,000
D George	750,000
D Forsyth	246,000
P Smith	729,000
B Stockdale	370,000
J Brooker	286,000

Details on options over ordinary shares in the Company that were granted as compensation for no consideration to each key management person, including the five most highly remunerated executives of the company, during the reporting period and details on options that vested during the reporting period are disclosed in the Remuneration report. There have been 1,611,000 options granted since the end of the financial year, which are included in the number of options outlined above.

### Unissued shares under options

At the date of this report unissued shares of the Group under option are as follows:

Expiry date	Exercise price	Number of shares
23 November 2015	0.078	15,587,650
20 December 2015	0.195	10,000,000
17 March 2016	0.425	1,000,000
2 May 2016	0.425	250,000
17 October 2016	0.415	250,000
22 February 2017	0.500	2,109,000
28 March 2017	0.750	3,500,000
14 May 2017	0.320	250,000
12 July 2017	0.250	250,000
27 July 2017	0.500	300,000
12 November 2017	0.250	2,000,000
12 November 2017	0.500	2,000,000
12 November 2017	0.750	2,000,000
12 November 2017	1.000	2,000,000
15 February 2018	0.250	750,000
15 February 2018	0.260	450,000
15 February 2018	0.340	2,982,000
		45,678,650

All unissued shares are ordinary shares of the Company.

Details of the terms and conditions of options granted under the Staff Option Plan as part of the Group's Long Term Incentive Plan are outlined in the Remuneration report, and are included in note 26 to the Financial Statements.

The options do not entitle the holder to participate in any share issue of the Company.

No shares have been issued by the Group during or since the end of the financial year as a result of the exercise of options.



## 11. Remuneration report – audited

This remuneration report sets out the remuneration information for Tigers Realm Coal Limited's Non-executive Directors, executive Directors and other key management personnel.

### (a) Details of key management personnel

Name	Position	Commencement Date	
<b>Directors</b>			
Antony Manini	Executive Chairman	8 October 2010	
Owen Hegarty	Director (Non-executive)	8 October 2010	
Brian Jamieson	Independent Director (Non-executive)	25 February 2011	
Craig Wiggill	Director (Non-executive)	20 November 2012	
Martin Grant	Chief Executive Officer and Managing Director	1 February 2011	Resigned 12 November 2012
		7 March 2011	
<b>Senior Executives</b>			
Craig Parry	Chief Executive Officer	12 November 2012	
Peter Balka	Chief Operating Officer	1 January 2011	
David George	Manager Investor Relations	5 October 2012	
David Forsyth	Company Secretary	8 October 2010	
Paul Smith	Chief Financial Officer	17 October 2011	Ceased 30 November 2012

### (b) Changes to key management personnel

#### Directors

In November 2012 Mr Craig Wiggill was appointed as a Non-executive Director.

In November 2012 Mr Martin Grant resigned as Chief Executive Officer and Managing Director.

In November 2012 the Chairman, Mr Antony Manini was appointed to the position of Executive Chairman.

#### Executives

In October 2012 Mr David George was appointed as Manager Investor Relations.

In November 2012 Mr Craig Parry was appointed as Chief Executive Officer, replacing Mr Martin Grant who resigned as Chief Executive Officer and Managing Director.

In November 2012 the Chief Financial Officer, Mr Paul Smith ceased employment with the Company.

### (c) Principles used to determine the nature and amount of remuneration

This remuneration report sets out information about the remuneration of Tigers Realm Coal Limited's Directors and its key management personnel for the financial year ended 31 December 2012.

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including Directors of the Company and other executives. Key management personnel comprise the Directors of the Company and senior executives for the Group.

The Board is committed to clear and transparent disclosure of the Company's remuneration arrangements. The Company's remuneration policy is designed to ensure that it enables the Company to attract and retain valued employees, motivate senior executives and executive Directors to pursue the long term growth and success of the Company, demonstrate a clear relationship between performance and remuneration and have regard for prevailing market conditions.

## (d) Consequence of performance on shareholder wealth

The Directors are committed to developing and maintaining a remuneration policy and practices that are targeted at the achievement of corporate values and goals and the maximisation of shareholder value.

In considering the Group's performance and benefits for shareholder wealth, when determining compensation for key management personnel the Remuneration and Nomination Committee and the Board have regard to the geological finds and the progress of operations based on goals set by the Remuneration and Nomination Committee and the Board throughout the year. In addition, the Board has regard to the following indices in respect of the financial year and previous financial years.

	2012	2011
Net profit/(loss) attributable to equity holders of the parent (\$ thousand)	<b>\$(19,779)</b>	\$17,643
Closing share price (\$)	<b>\$0.16</b>	\$0.27

## (e) Remuneration policy and structure for senior executives

The objective of the Group's executive remuneration policy is to ensure reward for performance is competitive and appropriate for the results delivered. The structure aligns executive reward with achievement of strategic objectives and the creation of wealth for shareholders, and conforms to market practice for delivery of reward. The executive remuneration structure is market competitive and complementary to the reward strategy for the Group. The structure provides a mix of fixed and variable remuneration, and a blend of short-term and long-term incentives. As executives gain seniority within the Group, the balance of this mix shifts to a higher proportion of "at-risk" rewards.

The Company's remuneration policy and structure for its senior executives comprises three main components:

- Fixed Remuneration, which is the total base salary and includes employer superannuation contributions. The fixed remuneration reflects the job level, role, responsibilities, knowledge, experience and accountabilities of the individual executive and is set at a level which is competitive, aligned with the business needs and based on current market conditions in the mining industry and countries in which the Company does business; and

- Short Term Incentive ("STI"), which is at-risk remuneration. This is an annual incentive award based on the achievement of pre-determined company and individual objectives. These short-term incentives are available to executives and other eligible participants. Cash incentives (bonuses) are payable in February each year; and the
- Long Term Incentive ('LTI') Program under which employees, at the discretion of the Board, are offered options over ordinary shares in the Company under the Company's Option Plan.

The Company made initial grants of options to certain senior executives as part of their individual employment contracts.

For the STI element of remuneration a performance framework has been developed for KMP and other senior executives under the STI programme. Key Performance Indicators ("KPI") are developed for each individual, which are reassessed regularly to ensure they remain current and applicable as the Group's operations develop. Individual performance against these KPIs is assessed annually by the individual's manager or the Managing Director, and are subject to Board discretion.

The performance framework develops individual KPIs in the following proportions:

- 30% Group related KPIs, (these are specific to Health, Safety & Environmental, Project, and Corporate objectives); and
- 70% Individual KPIs tailored to the role and objectives of each senior executive.

For the LTI element of remuneration, options granted under the Company's Option Plan, and any project completion bonuses are granted at the Company's discretion, and are approved by the Board in advance. The number of Options an executive is offered is a function of their level in the Group. Further details of the Option Plan are included in note 26.

The following table shows the relative proportions of remuneration packages of the Executive Directors and Senior Executives, including executive Key Management Personnel ('KMP'), during the year ended 31 December 2012, that are linked to performance and those that are fixed. The STI and LTI components of each of the Senior Executive's remuneration are contingent upon the achievement of the performance criteria.

## 11. Remuneration report – audited (CONTINUED)

	Fixed Annual Remuneration (including superannuation contributions) %	At Risk – STI as percentage of Total Remuneration %	At Risk – LTI as percentage of Total Remuneration* %	At Risk – Total as percentage of Total Remuneration* %
<b>2012</b>				
<b>Executive Directors</b>				
Antony Manini, Executive Chairman	23.8	0.0	76.2	76.2
Martin Grant, MD & CEO <i>(resigned 12 November 2012)</i>	73.7	0.0	26.3	26.3
<b>Other key management personnel</b>				
Craig Parry, CEO	42.4	0.0	57.6	57.6
Peter Balka COO	66.3	13.6	20.1	33.7
David George	71.8	28.2	0.0	28.2
David Forsyth, Company Secretary	46.2	9.9	43.9	53.8
Paul Smith, CFO <i>(ceased employment 30 November 2012)</i>	86.9	0.0	13.1	13.1
<b>2011</b>				
<b>Executive Directors</b>				
Martin Grant, MD & CEO	39.1	15.8	45.1	60.9
<b>Other key management personnel</b>				
Paul Smith, CFO	73.6	12.2	14.2	26.4
Peter Balka	68.8	15.7	15.5	31.2
David Forsyth, Company Secretary	55.3	3.8	40.9	44.7
Ben Stockdale	59.6	20.1	20.3	40.4

\* Since the LTI is provided exclusively by way of options, the percentages disclosed also reflect the value of remuneration consisting of options, based on the value of options expensed during the year.

The Options Scheme prohibits executives from entering into arrangements to protect the value of unvested LTI Plan awards. The prohibition includes entering into contracts to hedge their exposure to options awarded as part of their remuneration package.

### (f) Senior executives' employment arrangements

The remuneration arrangements for senior executives are formalised in employment contracts. Each of these agreements provide for the payment of performance-related cash bonuses under the STI programme and participation, where eligible, in the Company Option Plan under the LTI Program. The employment contract outlines the components of remuneration paid to key management personnel but does not prescribe how remuneration levels are modified year to year.

Remuneration levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of remuneration policy.

The employment contracts with Directors and senior executives have no fixed term. Other than the provisions relating to vesting of LTI grants in certain circumstances, the employment contracts contain no termination benefits other than payments in lieu of notice and redundancy payments. The notice periods and redundancy payments vary for the individuals and depending upon the period of service.

The remuneration and other terms of employment for key management personnel are formalised in their employment contracts. The key provisions of the employment contracts for key management personnel are set out in the table below:

Name & Role	Length of contract and expiry date where applicable	Base Salary	Super-annuation	Short-term incentive	Long-term incentive	Employer-initiated termination	Termination due to serious misconduct	Employee-initiated termination
<b>Craig Parry</b> Chief Executive Officer	Open ended	\$300,000	\$27,000	Maximum cash bonus of 50% of base salary	Participates in Company Share Option Plan	3 months notice or payment in lieu of notice	No notice required	3 months notice
<b>Peter Balka</b> Chief Operating Officer	Open ended	\$253,843	\$48,000	Maximum cash bonus of 30% of total remuneration	Participates in Company Share Option Plan	1 months notice or payment in lieu of notice	No notice required	1 months notice
<b>David George</b> Manager Investor Relations	Open ended	\$229,358	\$20,642	Maximum cash bonus of 20% of base salary	Participates in Company Share Option Plan	3 months notice or payment in lieu of notice	No notice required	3 months notice
<b>David Forsyth</b> Company Secretary	Open ended	\$258,750	\$23,250	Maximum cash bonus of 30% of total remuneration	Participates in Company Share Option Plan	1 months notice or payment in lieu of notice	No notice required	1 months notice
<b>Martin Grant</b> CEO & Managing Director <i>(resigned 12/11/12)</i>	Four years to 1 February 2015	\$420,000	\$37,800	Maximum cash bonus of 50% of base salary	Participates in Company Share Option Plan	12 months notice or payment in lieu of notice	No notice required	6 months notice
<b>Paul Smith</b> Chief Financial Officer <i>(ceased 30/11/12)</i>	Open ended	\$326,900	\$25,000	Maximum cash bonus of 30% of base salary	Participates in Company Share Option Plan	3 months notice or payment in lieu of notice	No notice required	3 months notice

## (g) Remuneration of Executive and Non-executive Directors

On appointment to the Board, all Executive and Non-executive Directors enter into service agreements with the Company in the form of a Letter of Appointment. The letter summarises the Board Policies and terms, including compensation, relevant to the office of Director.

Executive and Non-executive Director remuneration is reviewed annually by the Board. Non-executive Directors receive a base fee for being a Director and may receive additional fees for either chairing or being a member of a Board committee, working on special committees, and/or serving on special committees and/or special boards. Non-executive Directors' fees are determined within an aggregate Directors' fee pool limit, which has been established at \$1,000,000. Executive Director remuneration is formalised in a contract in the same manner as senior executives, (refer section 11(f) above).

Non-executive Directors receive a fixed fee consisting of a base fee rate and nine percent superannuation contributions. No retirement or other long term benefits are provided to any Director other than superannuation to those Directors who are also employees resident in Australia at the rate of nine per cent. The Non-executive Directors can claim reimbursement of out-of-pocket expenses incurred on behalf of the Company. The base fee for Directors is presently \$75,000 per annum, with the Executive Chairman receiving \$100,000 per annum. No remuneration paid to NEDs during the financial year was results based.

Mr Wiggill was appointed as a Director of the Company effective 20 November 2012. In accordance with Mr Wiggill's terms of appointment, Mr Wiggill was issued 1,000,000 Options in the Company subject to approval at the Annual General Meeting in 2013. These options have been issued at an exercise price \$0.50 cents and vest 12 months after the AGM date. All the options have a five year expiry from grant date.

In addition the Company has signed a 12 month Consultancy Agreement to the value of GBP 50,000 with Thukela Resources Ltd, Mr Wiggill's nominated consultancy company. An amount of \$6,502 was paid to Mr Wiggill under that Consultancy Agreement during the year ended 31 December 2012.

On 12 November 2012 the Chairman, Mr Antony Manini was appointed to the role of Executive Chairman, following the resignation of Mr Martin Grant as Managing Director and CEO.

# DIRECTORS' REPORT (CONTINUED)

For the year ended 31 December 2012

## 11. Remuneration report – audited (CONTINUED)

### (h) Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each Director of the Company, and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) are set out in the following tables.

#### Key management personnel of the Group and other executives of the Company and the Group

2012	Short-term			Post employment	Other long-term		Share-based payments	Total Remuneration	Proportion of remuneration comprising options
	Cash Salary and fees	Non-Monetary Benefits <sup>(1)</sup>	STI cash bonus <sup>(2)</sup>	Super-annuation	Long Service Leave	Termination benefits	LTI <sup>(3)</sup>		
Name	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>2012</b>									
<b>Non-executive Directors</b>									
AJ Manini <sup>4</sup>	86,575	-	-	-	-	-	291,466	378,041	77.1%
OL Hegarty	75,000	-	-	6,750	-	-	185,529	267,279	69.4%
B Jamieson	75,000	-	-	6,750	-	-	185,935	267,685	69.5%
C Wiggill <sup>6</sup>	8,659	-	-	-	-	-	-	8,659	0.0%
<b>Sub total</b>	<b>245,234</b>	<b>-</b>	<b>-</b>	<b>13,500</b>	<b>-</b>	<b>-</b>	<b>662,930</b>	<b>921,664</b>	
<b>Executive Directors</b>									
AJ Manini <sup>4</sup>	13,425	-	-	-	-	-	27,978	41,403	67.6%
MA Grant <sup>5</sup>	372,960	-	-	22,967	-	375,900	275,337	1,047,164	26.3%
<b>Other key management personnel</b>									
C Parry	25,167	-	-	2,083	-	-	37,052	64,302	57.6%
P Balka	261,062	-	61,500	37,500	-	-	90,554	450,616	20.1%
D George	19,461	-	8,200	1,373	-	-	-	29,034	0.0%
D Forsyth	96,679	-	22,600	8,701	-	-	100,316	228,296	43.9%
P Smith <sup>7</sup>	297,667	-	-	22,917	-	205,735	79,624	605,943	13.1%
<b>Total key management personnel</b>	<b>1,331,655</b>	<b>-</b>	<b>92,300</b>	<b>109,041</b>	<b>-</b>	<b>581,635</b>	<b>1,273,791</b>	<b>3,388,422</b>	

1. Includes the value of fringe benefits and other allowances.

2. Paid in February 2013 in respect of FY12.

3. In accordance with the requirements of the Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year (i.e. options granted under LTIP that remained unvested as at 31 December 2012). The fair value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not necessarily related to or indicative of the benefit (if any) that senior executives may ultimately realise should the equity instruments vest. The fair value of the options at the date of their grant has been determined in accordance with AASB 2 *Share-based Payments*.

4. Appointed as Executive Chairman from 12 November 2012.

5. Resigned 12 November 2012, LTI remuneration forfeited.

6. Appointed 20 November 2012.

7. Ceased employment 30 November 2012, LTI remuneration forfeited.



### Key management personnel of the Group and other executives of the Company and the Group

2011	Short-term			Post employment	Other long-term		Share-based payments		Proportion of remuneration comprising options %
	Cash Salary and fees \$	Non-Monetary Benefits <sup>(1)</sup> \$	STI cash bonus <sup>(2)</sup> \$	Super-annuation \$	Long Service Leave \$	Termination benefits \$	LTI <sup>(3)</sup> \$	Total Remuneration \$	
Name									
<b>2011</b>									
<b>Non-executive Directors</b>									
AJ Manini	34,041	–	–	3,404	–	–	280,579	318,024	88.2%
OL Hegarty	17,742	–	–	2,298	–	–	155,748	175,788	88.6%
B Jamieson	17,742	–	–	2,298	–	–	159,173	179,213	88.8%
<b>Sub total</b>	<b>69,525</b>	<b>–</b>	<b>–</b>	<b>8,000</b>	<b>–</b>	<b>–</b>	<b>595,500</b>	<b>673,025</b>	
<b>Executive Directors</b>									
MA Grant	385,000	–	169,063	34,650	–	–	483,249	1,071,962	45.1%
D Forsyth	131,618	–	9,900	11,846	–	–	106,048	259,412	40.9%
<b>Other key management personnel</b>									
P Balka	227,636	–	59,900	34,836	–	–	59,091	381,463	15.5%
P Smith	78,750	–	14,100	6,250	–	–	16,345	115,445	14.2%
B Stockdale	96,300	–	35,400	8,667	–	–	35,698	176,065	20.3%
<b>Total key management personnel</b>	<b>988,829</b>	<b>–</b>	<b>288,363</b>	<b>104,249</b>	<b>–</b>	<b>–</b>	<b>1,295,931</b>	<b>2,677,372</b>	
<b>Other Group executives</b>									
N Amaya	201,375	1,629	41,395	–	–	–	30,917	275,316	11.2%
L Skoptsov	207,588	–	24,761	–	8,747	–	–	241,096	–
J Brooker	244,286	34,847	36,405	–	13,891	–	29,670	359,099	8.3%

1. Includes the value of fringe benefits and other allowances

2. Paid in February 2012 in respect of FY11

3. In accordance with the requirements of the Accounting Standards, remuneration includes a proportion of the fair value of equity compensation granted or outstanding during the year (i.e. options granted under LTIP that remained unvested as at 31 December 2011). The fair value of equity instruments is determined as at the grant date and is progressively allocated over the vesting period. The amount included as remuneration is not necessarily related to or indicative of the benefit (if any) that senior executives may ultimately realise should the equity instruments vest. The fair value of the options at the date of their grant has been determined in accordance with AASB 2 *Share-based Payments*.

## 11. Remuneration report – audited (CONTINUED)

### (i) Analysis of bonuses included in remuneration

Details of the vesting profile of short-term incentive (STI) cash bonuses awarded as remuneration to each Executive Director of the Company, the key management personnel (as defined in AASB 124 Related Party Disclosures) and the five highest paid executives of the Company and the Group are set out in the following table.

	Short-term incentive bonuses		
	Included in remuneration \$ (A)	Vested in year %	Forfeited in year % (B)
<b>2012</b>			
<b>Executive Director</b>			
MA Grant	–	0%	100%
<b>Executives</b>			
C Parry	–	0%	100%
P Balka	61,500	74%	26%
D George	8,200	86%	14%
D Forsyth	22,600	91%	9%
P Smith	–	0%	100%
B Stockdale	61,250	87%	13%
L Skoptsov	57,744	80%	20%
J Brooker	–	0%	100%
<b>2011</b>			
<b>Executive Directors</b>			
MA Grant	169,063	78%	22%
D Forsyth	9,900	55%	45%
<b>Executives</b>			
P Balka	59,900	76%	24%
P Smith	14,100	60%	40%
B Stockdale	35,400	95%	5%
N Amaya	41,395	86%	14%
L Skoptsov	24,761	47%	53%
J Brooker	36,405	77%	23%

A. Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on the achievement of personal goals and the satisfaction of specified performance criteria. No amounts vest in future financial years in respect of the STI bonus scheme for the 2012 financial year.

B. The amounts forfeited are due to the performance or service criteria not being met in relation to the current financial year.

## (j) Share Options

Details on options over ordinary shares in the Company that were granted as compensation for no consideration to each key management person, including the five most highly remunerated executives of the company and Group, during the reporting period and details on options that vested during the reporting period were as follows:

	Number of options granted during year	Grant date	Fair value of option at grant date \$	Exercise price per option \$	Vesting date start	Vesting date finish	Expiry date	Option vesting performance hurdle \$	Options vested in year	
									No.	%
<b>2012</b>										
<b>Directors</b>										
AJ Manini	1,500,000	28/03/12	0.127	0.750	28/03/12	28/03/14	28/03/17	0.000	-	-
OL Hegarty	1,000,000	28/03/12	0.127	0.750	28/03/12	28/03/14	28/03/17	0.000	-	-
B Jamieson	1,000,000	28/03/12	0.127	0.750	28/03/12	28/03/14	28/03/17	0.000	-	-
<b>Executives</b>										
C Parry	2,000,000	12/11/12	0.058	0.250	12/11/12	12/11/13	12/11/17	0.000	-	-
	2,000,000	12/11/12	0.045	0.500	12/11/12	12/11/13	12/11/17	0.000	-	-
	2,000,000	12/11/12	0.038	0.750	12/11/12	12/11/14	12/11/17	0.000	-	-
	2,000,000	12/11/12	0.032	1.000	12/11/12	12/11/14	12/11/17	0.000	-	-
M Grant	2,049,877	01/02/12	0.144	0.400	01/02/12	01/02/13	01/02/17	0.750	-	-
P Balka	562,000	22/02/12	0.160	0.500	22/02/12	22/02/14	22/02/17	0.000	-	-
D Forsyth	103,000	22/02/12	0.160	0.500	22/02/12	22/02/14	22/02/17	0.000	-	-
P Smith	229,000	22/02/12	0.160	0.500	22/02/12	22/02/14	22/02/17	0.000	-	-
	500,000	22/10/12	0.063	0.195	22/10/12	22/10/13	22/10/17	0.234	-	-
		17/10/11	0.157	0.415	17/10/11	17/10/12	17/10/16	0.000	500,000	100
B Stockdale	120,000	22/02/12	0.160	0.500	22/02/12	22/02/14	22/02/17	0.000	-	-
	250,000	14/05/12	0.130	0.320	14/05/12	14/05/13	14/05/17	0.750	-	-
L Skoptsov	560,000	22/02/12	0.160	0.500	22/02/12	22/02/14	22/02/17	0.000	-	-
J Brooker	286,000	22/02/12	0.160	0.500	22/02/12	22/02/14	22/02/17	0.000	-	-
<b>2011</b>										
<b>Directors</b>										
B Jamieson*	1,000,000	17/03/11	0.292	0.425	17/03/11	29/08/12	17/03/16	0.625	-	-
<b>Executives</b>										
M Grant	2,039,000	01/02/11	0.259	0.500	01/02/11	01/02/12	01/02/16	0.625	-	-
P Smith	500,000	17/10/11	0.157	0.415	17/10/11	17/10/12	17/10/16	0.000	-	-
B Stockdale*	250,000	02/05/11	0.285	0.425	02/05/11	29/08/12	02/05/16	0.625	-	-

\* The performance period for these Options granted in 2011 were extended for a further 12 month period.  
The fair values of the extension to the Option is \$0.14 per option.

The amounts of these share options have been fair valued at the date of grant using an independent valuation firm.

It is a vesting condition that the holder remains an employee at the time of vesting.

Further details of the Option Plan are included in note 26.

# DIRECTORS' REPORT (CONTINUED)

For the year ended 31 December 2012

## 11. Remuneration report – audited (CONTINUED)

### (k) Analysis of Movement in Share Options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person and each of the five named Company executives and relevant Group executives.

	Value of options granted during year \$	Value of options exercised in year \$	Value of options lapsed in year \$	Remuneration consisting of options for the year %
<b>2012</b>				
<b>Directors</b>				
AJ Manini	378,537	–	–	77.1
OL Hegarty	231,519	–	–	69.4
B Jamieson	141,000	–	–	69.5
C Wiggill	–	–	–	–
<b>Key Management Personnel</b>				
C Parry	346,000	–	–	57.6
M Grant	295,182	–	823,283	26.3
P Balka	129,676	–	–	20.1
D George	–	–	–	0.0
D Forsyth	87,495	–	–	43.9
P Smith	68,140	–	146,640	13.1
<b>Other</b>				
L Skoptsov	89,600	–	–	10.8
B Stockdale	55,200	–	–	25.8
<b>2011</b>				
<b>Directors</b>				
B Jamieson	292,200	–	–	88.8
<b>Key Management Personnel</b>				
M Grant	528,101	–	–	53.5
P Smith	78,500	–	–	14.2
B Stockdale	71,250	–	–	20.3

No shares were issued as a result of the exercise of options during the year ended 31 December 2012.

For details on the valuation of options, including models and assumptions used, refer to note 26.

## (I) Analysis of options over equity instruments granted as compensation

Details of vesting profiles of the options over ordinary shares in the Company granted as remuneration to each key management person and each of the named Company executives and relevant Group executives are detailed below.

	Options granted		Vested in year	Forfeited in year	Vesting date start	Vesting date finish
	Number	Grant date				
<b>Directors</b>						
A Manini	4,631,000	23/11/10	–	–	23/11/10	29/08/13
	3,000,000	20/12/10	–	–	20/12/10	29/08/13
	1,500,000	28/03/12	–	–	28/03/12	28/03/14
O Hegarty	2,315,500	23/11/10	–	–	23/11/10	29/08/13
	2,000,000	20/12/10	–	–	20/12/10	29/08/13
	1,000,000	28/03/12	–	–	28/03/12	28/03/14
B Jamieson	1,000,000	17/03/11	–	–	17/03/11	29/08/12
	1,000,000	28/03/12	–	–	28/03/12	28/03/14
<b>Executives</b>						
C Parry	2,000,000	12/11/12	–	–	12/11/12	12/11/13
	2,000,000	12/11/12	–	–	12/11/12	12/11/13
	2,000,000	12/11/12	–	–	12/11/12	12/11/14
	2,000,000	12/11/12	–	–	12/11/12	12/11/14
M Grant	2,039,000	01/02/11	–	2,039,000	01/02/11	01/02/12
	2,049,877	01/02/12	–	2,049,877	01/02/12	01/02/13
P Balka	694,650	23/11/10	–	–	23/11/10	29/08/13
	1,000,000	20/12/10	–	–	20/12/10	29/08/13
	562,000	22/02/12	–	–	22/02/12	22/02/14
D George	–	–	–	–	–	–
D Forsyth	1,852,400	23/11/10	–	–	23/11/10	29/08/13
	1,000,000	20/12/10	–	–	20/12/10	29/08/13
	103,000	22/02/12	–	–	22/02/12	22/02/14
P Smith	500,000	17/10/11	500,000	500,000	17/10/11	17/10/12
	229,000	22/02/12	–	229,000	22/02/12	22/02/14
	500,000	22/10/12	–	500,000	22/10/12	22/10/13
B Stockdale	250,000	02/05/11	–	–	02/05/11	29/08/12
	120,000	22/02/12	–	–	22/02/12	22/02/14
	250,000	14/05/12	–	–	14/05/12	14/05/13
L Skoptsov	560,000	22/02/12	–	–	22/02/12	22/02/14

This marks the end of the Remuneration Report.



## 12. Corporate Governance Statement

The Board of Directors are responsible for the corporate governance of the Company. The Board guides and monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The company has adopted systems of control and accountability as the basis for administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the highest standards of corporate governance commensurate with the Company's needs. To the extent that they are appropriate and applicable the Company has adopted the Principles of Good Corporate Governance Recommendations incorporating the 2010 Amendments as published by the ASX Corporate Governance Council. As the Company's activities develop in size, nature and scope, the Board will consider on an ongoing basis its corporate governance structures and whether they are sufficient given the Company's size and nature of operations.

The Company and its controlled entities together are referred to as the Group in this statement.

A description of the Group's corporate governance practices are set out below. These corporate governance practices have been in place since the Company was listed on the ASX on 29 August 2011. Copies of the corporate governance documents mentioned in this statement are available on the Company's website.

### Principle 1: Lay solid foundations for management and oversight

#### Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group. The Board exercises its powers and performs its obligations in accordance with the provisions of the Company's constitution and the *Corporations Act 2001*.

The Board is responsible for:

- charting the direction, policies, strategies and financial objectives of the Company and ensuring appropriate resources are available;
- monitoring the implementation of these policies and strategies and the achievement of financial objectives;
- monitoring compliance with control and accountability systems, regulatory requirements and ethical standards;
- ensuring the preparation of accurate financial reports and statements;
- reporting to shareholders and the investment community on the performance and state of the Company; and
- reviewing on a regular and continuing basis:
  - executive succession planning (in particular the CEO); and
  - executive development activities.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the CEO and senior executives as set out in the Group's Delegation Policy, which is available on the Company's website. These delegations of authority are reviewed on a regular basis.

#### Board committees

The Board has established two committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are the Nomination and Remuneration Committee and the Audit, Risk and Compliance Committee. The committee structure and membership is reviewed regularly.

Each committee has its own written charter setting out its role and responsibilities, composition, structure, and meeting requirements. These charters are subject to regular review and are available on the Company website. All matters determined by committees are submitted to the full Board as recommendations for Board decisions.

Minutes of committee meetings are tabled at subsequent board meetings. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committee.

#### Management Performance Evaluation

The Board, in conjunction with the Nomination and Remuneration Committee, is responsible for approving the performance objectives and measures for the CEO and other senior executives and providing input into the evaluation of performance against them. The performance evaluation process for senior executives and management has been established. In accordance with that process a performance evaluation of senior executives and management has been completed for the 2012 financial year.

### Principle 2: Structure of the Board

#### Composition of the Board

The names of the Directors of the Company in office at the date of this report, specifying which are independent, are set out in the Directors' report. At the date of this report the Board consists of one independent Non-executive Director, two Non-executive Directors, and one executive Chairman. The composition of the Board is determined in accordance with the following principles outlined in the Board Charter:

- a minimum of three Directors;
- the intention that the majority of Directors will be independent within two years of listing on the ASX; and
- the Board is required to undertake an annual performance evaluation and consider the appropriate mix of skills required by the Board to maximise its effectiveness and its contribution to the Group.

The Board considers the mix of skills and diversity of Board members when assessing the composition of the Board.

At the date of this report the Board does not meet the Good Corporate Governance Recommendations (“Recommendations”) in that the majority of Directors should be independent, and that the Chairman should be independent. Given the start-up nature of the Company and the experience of the Directors, the Board considers the composition of the Board, and the non-independent status of the Chairman to be appropriate at this time, and is taking steps to increase the number of independent Directors on the Board.

#### **Director Independence**

The Board has adopted specific principles in relation to Directors’ independence. These state that when determining independence, a Director must be a non-executive and the Board should consider whether the Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is or has been employed in an executive capacity by the Company of any other Group member, within three years before commencing to serve on the Board;
- within the last three years has been a principal of a material professional advisor or a material consultant to the Company or any other Group member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or any other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has a material contractual relationship with the Company or other Group member other than a Director of the Company.

Family ties and cross-directorships may be relevant in considering interests and relationships which may compromise independence, and should be disclosed by Directors to the Board.

The Board regularly reviews the independence of each Director in light of interests disclosed and will disclose any change to the ASX, as required by the ASX Listing Rules.

#### **Independent Professional Advice**

All Directors may obtain independent professional advice, at the Company’s cost, in carrying out their duties and responsibilities. Prior approval from the Chairman or the Board is required before seeking independent professional advice.

#### **Chairman**

The Board elects one of the Non-executive Directors to be Chairman. The Chairman is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board’s relationship with the Company’s senior executives. The Recommendations note that the Chairman should be an independent Director; however this recommendation is currently not satisfied. The current Chairman is Mr Antony Manini, who has been Chairman since 8 October 2010. The role of Chairman became an Executive role on 12 November 2012. The role of the Chairman is separate from that of the Chief Executive Officer. The CEO is responsible for implementing Group strategies and policies.

#### **Orientation Program**

The orientation program provided to new Directors and senior executives enables them to actively participate in Board decision making as soon as possible. It ensures that they have a full understanding of the Group’s financial position, strategies operations, culture, values and risk management policies. Directors have the opportunity to visit the Group’s business operations and meet with management to gain a better understanding of the Group’s operations. The Group also supports Directors to undertake continuing education relevant to the discharge of their obligations as Directors of the Group.

#### **Nomination and Remuneration Committee**

The Nomination and Remuneration Committee consists of two Non-executive Directors, one of whom is independent, and the Executive Chairman. The Committee has a documented charter, approved by the Board which is available on the Company’s website. Details of the qualifications of members of the Nomination and Remuneration Committee and their attendance at meetings of the Committee are set out in the Directors’ Report. The Chairman of the Committee is Mr Brian Jamieson, an independent Non-executive Director.

The Nomination and Remuneration Committee operates in accordance with its charter, and the main responsibilities of the nomination activities of the Committee are to:

- review and make recommendations to the Board relating to the remuneration of the Directors and the CEO;
- assess the necessary and desirable competencies of Board members;
- review Board succession planning;
- make recommendations to the Board regarding the appointment and re-election of Directors and the CEO;
- oversee succession planning, selection and appointment practices for management and employees of the Group;
- develop a process for the evaluation of the performance of the Board, its committees and Directors; and
- consider strategies to address Board diversity and the Company’s performance in respect of the Company’s Diversity Policy.

The Committee is also responsible for considering and articulating the time needed to fulfil the role of Chairman and Non-executive Directors. One new Non-executive Director, Mr Craig Wiggill has been appointed during the year ended 31 December 2012.

A performance evaluation of the Board, its committees and the Directors has not taken place during the financial year ended 31 December 2012. The Board considers that due to the size of the Company and of the Board, the start-up nature of the Company, and the relatively short “Public” life of the Board, a formal review of performance is not appropriate at this point in time.

## 12. Corporate Governance Statement (CONTINUED)

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

#### Code of Conduct

The Company has developed a Code of Conduct which has been endorsed by the Board and applies to all Directors, employees and contractors. The Code of Conduct is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour, professionalism and business ethics necessary to maintain confidence in the Group's integrity.

In summary the Code of Conduct requires that at all times all Group personnel act with utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Group policies.

#### Whistleblowers Policy

The Company's Whistleblowers Policy encourages employees and contractors to report concerns in relation to illegal, unethical or improper conduct without fear of reprisal if it is reported in good faith. The Company commits to absolute confidentiality and fairness in all matters raised.

#### Securities Trading

Directors and employees are allowed to purchase and sell shares in the Group provided they comply with the provisions of the Group's Securities Trading Policy. The trading policy prohibits Directors and employees and their associates from trading in Group securities when they are in possession of price sensitive information which is not publicly available or during "blackout" periods.

Directors and restricted employees must seek prior written approval before undertaking any trading in Company securities. The Directors and employees must also advise the Company Secretary if they intend to enter into, or have entered into, a margin lending or other security arrangement affecting Company securities. The Company Secretary will advise the ASX of any transactions conducted by Directors in relation to the Company securities. A register of interests is maintained which record security holdings in the Company by Directors and employees.

#### Workplace Diversity

The Board is committed to having an appropriate blend of diversity on the Board, and in the Group's senior executive positions. The Group values diversity and recognises the benefits it can bring to the Group's ability to achieve its goals. The Group has adopted a diversity policy which outlines the Group's diversity objectives in relation to gender, age, cultural background and ethnicity. The Policy includes a requirement for the Company to implement measurable objectives within two years from incorporation to achieve gender diversity, and for the Board to assess annually both the objectives and the Group's progress in achieving them. The Group has not established these measurable gender objectives at 31 December 2012.

As at 31 December 2012, women comprised 24% (2011: 25%) of employees throughout the Group, and occupied no senior management positions. There are currently no female members of the Board.

Copies of the Code of Conduct, the Whistleblowers Policy, the Diversity Policy and the Securities Trading Policy are available on the Company's website.

### Principle 4: Safeguard integrity in financial reporting

#### Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee consists of two Non-executive Directors, of whom one is independent, and the Executive Chairman. The Chairman of the Committee is an independent Non-executive Director, and is not Chair of the Board. The membership of the Committee does not fully meet the Good Corporate Governance Recommendations ("Recommendations") in that the Committee does not consist of a majority of independent Directors. Given the size of the Group and the Board, and the start up nature and straight forward structure of the Group, the Directors consider that the Audit, Risk and Compliance Committee is of sufficient size, independence and technical expertise to discharge its mandate effectively.

All members of the Committee are financially literate and have an appropriate understanding of the mining industry. The Chairman, Mr Jamieson has relevant qualification and experience by virtue of being a Chartered Accountant, a former partner of a major accounting firm, and is a director on other ASX listed companies.

The Audit, Risk and Compliance Committee has a documented charter, approved by the Board. All members should be Non-executive Directors, and the Chairman should be independent. Details of the qualifications of members of the Audit, Risk and Compliance Committee and their attendance at meetings of the Committee are set out in the Directors' report. The Charter is available on the Company website and includes requirements for the Committee to consider the selection and appointment of the external auditor, and for the rotation of external audit engagement partners.

The main responsibilities of the Committee are to:

- review, assess and make recommendations to the Board on annual and half-year financial reports and all other financial information released to the market;
- assist the Board in reviewing the effectiveness of the Group's internal control environment covering;
  - effectiveness and efficiency of operations;
  - reliability of financial reporting; and
  - compliance with applicable laws and regulations.
- oversee the effective operation of the risk management framework;
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess the performance of the auditor;

- consider the independence and competence of the external auditor on an ongoing basis; and
- review and approve the level of non-audit services provided by the external auditors and ensure that it does not adversely impact on auditor independence.

In fulfilling its responsibilities, the Audit, Risk and Compliance Committee:

- receives regular reports from management and the external auditor;
- meets with the external auditor at least twice a year without management being present, or more frequently if necessary;
- reviews the processes in place to support the CEO and CFO certification to the Board;
- reviews any significant disagreements between the auditors and management, irrespective of whether any have been resolved; and
- provides the external auditors with a clear line of direct communication at any point in time to either the Chair of the Audit, Risk and Compliance Committee or the Chairman of the Board.

The Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

#### **CEO and CFO certification**

The Chief Executive Officer and the Chief Financial Officer have declared in writing to the Board in accordance with Section 295 of the *Corporations Act 2001* that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the financial year ended 31 December 2012 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. The statement is required annually.

The Board has received and is satisfied with certification provided by the CEO and CFO that the Group's risk management and internal control systems are sound and operating effectively in all material aspects in relation to financial reporting risks for the financial year ended 31 December 2012.

#### **External auditor**

The role of the external auditor is to provide an independent opinion that the financial reports are true and fair and comply with applicable accounting standards.

The Company and the Committee policy is to appoint external auditors who clearly demonstrate quality and independence. KPMG has provided an independence declaration to the Board for the financial year ended 31 December 2012. The Committee has considered the nature of the non-audit and assurance related services provided by the external auditor during the year and

determined that the services provided, and the amount paid for those services, are compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Committee has examined detailed material provided by the external auditor and by management and has satisfied itself that the standards of auditor independence and associated issues are fully complied with.

The roles of lead partner and review audit partner are rotated every five years.

The external auditor will attend the annual general meeting and will be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

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

The Company has established written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities. All information disclosed to the ASX is posted on the Company's website as soon as it is disclosed to the ASX.

The Company Secretary is responsible for communications with the ASX and compliance with the continuous disclosure requirements in the ASX Listing Rules. This role also oversees and coordinates information disclosure to analysts, brokers, shareholders, media and to the general public.

The Company's continuous disclosure policy is available on the Company's website.

### **Principle 6: Shareholder communications**

The Company places a high priority on communications with shareholders and aims to provide all shareholders with comprehensive, timely and equal access to balanced information about Group activities so that they can make informed investment decisions and provide undivided support to the Group. Principal communications to investors are through the provision of the annual report, financial statements, and market announcements.

The Company website enables users to provide feedback and has an option for shareholders to register their email address for direct email updates on Group matters.

The Company's communications policy is available on the Company's website.

## 12. Corporate Governance Statement (CONTINUED)

### Principle 7: Recognise and manage risk

The Board is responsible for satisfying itself that management has developed and implemented a sound system for risk management and internal control. The Board regards managing the risks that affect the Group's businesses as a fundamental activity, as they influence the Group's performance, reputation and success. Detailed work on the management of risk is delegated to the Audit, Risk and Compliance Committee and reviewed by the Board. The Committee recommends any actions it deems necessary to the Board for its consideration.

The Committee is responsible for ensuring that there are adequate policies in relation to risk management, compliance and internal control systems. The Committee monitors the Company's risk management by overseeing management's actions in the evaluation, management, monitoring and reporting of material operational, financial, compliance and strategic risks. The Board and the Committee receive regular reports from management on the effectiveness of the Group's management of material business risks. The Company has adopted a Risk Management Policy which is available on the Company's website.

### Principle 8: Remunerate fairly and responsibly

The Nomination and Remuneration Committee operates in accordance with its charter which is available on the Company website. The Nomination and Remuneration Committee advises the Board on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive Directors, other senior executives and Non-executive Directors.

The Nomination and Remuneration Committee is chaired by an independent Director and has three members as recommended, however the Committee does not consist of a majority of independent Directors. Given the size of the Group and the Board, and the start-up nature and straightforward structure of the Group, the Directors consider the impact of this to be minimal, and the current structure to be sufficient.

The structure of the remuneration of Non-executive Directors is distinguished from that of executive Directors and senior executives, however, Board members are entitled to options as set out in this Annual Report having regard to the size of the Company's management team and the minimal fees paid.

The Nomination and Remuneration Committee also assumes responsibility for overseeing succession planning.

Further information on Directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Remuneration Report which forms a part of the Directors' report. Details of the qualifications of members of the Nomination and Remuneration Committee and their attendance at meetings of the Committee are set out in the Directors' report.

## 13. Indemnification and insurance of Officers

The Company provides insurance to cover legal liability and expenses for the Directors and Executive Officers of the Company. The Directors and Officers Liability Insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the Officers in their capacity as Officers. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

The Company has entered into an agreement with the Directors and certain Officers to indemnify these individuals against any claims and related expenses, which arise as a result of their work in their respective capacities.

The Company has not provided any insurance or indemnity for the auditor of the Company.

## 14. Environmental Regulation and Performance

The Group operations are subject to significant environmental regulation in respect of its exploration activities. There have been no reports of breaches of environmental regulations during the financial year to 31 December 2012, or to the date of this report.

## 15. Audit and non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important. Details of the amounts paid or payable to KPMG, the Group's auditor for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit, Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in note 38, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Board to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants'.



Details of the amounts paid to the auditor, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

	<b>31 December 2012 \$</b>	31 December 2011 \$
AUDIT SERVICES:		
Audit and review of financial reports (KPMG Australia)	<b>240,000</b>	315,000
Audit and review of financial reports (Overseas KPMG firms)	<b>55,071</b>	66,392
	<b>295,071</b>	381,392
OTHER AUDITORS – NON-KPMG FIRMS		
Audit and review of financial reports	<b>24,912</b>	–
	<b>319,983</b>	381,392
SERVICES OTHER THAN STATUTORY AUDIT		
<b>Other assurance services</b>		
Investigating accountants report services	–	828,510
<b>Other services</b>		
Taxation compliance services (KPMG Australia)	<b>20,000</b>	28,500
Taxation compliance services (Overseas KPMG firms)	<b>6,015</b>	33,338
	<b>26,015</b>	890,348
<b>TOTAL SERVICES PROVIDED</b>	<b>345,998</b>	1,271,740

## 16. Proceedings on behalf of the Company

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

## 17. Lead Auditor's Independence Declaration

The lead auditor's independence declaration is set out on page 90 and forms part of the Directors' report for the year ended 31 December 2012.

This report is made in accordance with a resolution of the Directors

Dated at Melbourne this 8th day of March 2013.

Signed in accordance with a resolution of the Directors:



**Antony Manini**  
Chairman

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	31 December 2012 \$'000	31 December 2011 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	14	<b>8,528</b>	21,030
Trade and other receivables	16	<b>907</b>	2,127
Prepayments		<b>1,960</b>	4,078
Other current assets		<b>44</b>	–
<b>TOTAL CURRENT ASSETS</b>		<b>11,439</b>	27,235
<b>NON-CURRENT ASSETS</b>			
Deferred exploration, evaluation and development	17	<b>18,619</b>	14,289
Property, plant and equipment	18	<b>4,168</b>	3,859
Intangible assets	19	<b>108,657</b>	110,224
<b>TOTAL NON-CURRENT ASSETS</b>		<b>131,444</b>	128,372
<b>TOTAL ASSETS</b>		<b>142,883</b>	155,607
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	<b>1,300</b>	2,806
Employee benefits	21	<b>605</b>	503
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,905</b>	3,309
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	22	<b>21,996</b>	20,101
Royalty agreement liability	23	<b>12,330</b>	16,872
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>34,326</b>	36,973
<b>TOTAL LIABILITIES</b>		<b>36,231</b>	40,282
<b>NET ASSETS</b>		<b>106,652</b>	115,325
<b>EQUITY</b>			
Share capital	24	<b>73,565</b>	64,406
Reserves	25(a)	<b>2,922</b>	2,440
Retained earnings/(accumulated losses)	25(b)	<b>(2,722)</b>	17,057
<b>Total equity attributable to equity holders of the Company</b>		<b>73,765</b>	83,903
Non-controlling interest		<b>32,887</b>	31,422
<b>TOTAL EQUITY</b>		<b>106,652</b>	115,325

The notes on pages 44 to 88 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	31 December 2012 \$'000	31 December 2011 Restated* \$'000
CONTINUING OPERATIONS			
Other income	9	19	29,085
Exploration and evaluation expenses		(44)	(1,050)
Share based payments	26	(859)	(1,692)
Administrative expenses	10	(6,693)	(4,134)
Gain/(loss) on revaluation of royalty agreement liability	23	4,228	(6,757)
<b>RESULTS FROM OPERATING ACTIVITIES</b>		<b>(3,349)</b>	15,452
Net foreign exchange gain/(loss)	11	(137)	(595)
Finance income	11	365	654
<b>NET FINANCE INCOME/(EXPENSE)</b>		<b>228</b>	59
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b>(3,121)</b>	15,511
Income tax (expense)/benefit	12	(2,250)	(1,383)
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS</b>		<b>(5,371)</b>	14,128
DISCONTINUED OPERATION			
(Loss) from discontinued operation (net of tax)	8	(13,039)	(1,287)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>(18,410)</b>	12,841
OTHER COMPREHENSIVE INCOME			
Foreign currency translation differences for foreign operations		(377)	1,906
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(18,787)</b>	14,747
OPERATING PROFIT IS ATTRIBUTABLE TO:			
Owners of the Company		(19,779)	17,643
Non-controlling interest		1,369	(4,802)
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>(18,410)</b>	12,841
TOTAL COMPREHENSIVE INCOME IS ATTRIBUTED TO:			
Owners of the Company		(20,156)	19,549
Non-controlling interest		1,369	(4,802)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(18,787)</b>	14,747
EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)			
basic earnings/(loss) per share (cents)	13	(5.10)	5.77
diluted earnings/(loss) per share (cents)	13	(5.10)	5.42
EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE) – CONTINUING OPERATIONS			
basic earnings/(loss) per share (cents)	13	(1.74)	6.19
diluted earnings/(loss) per share (cents)	13	(1.74)	5.82

\* Refer note 8.

The notes on pages 44 to 88 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Notes	Share Capital \$'000	Retained Earnings \$'000	Share based payments reserve \$'000	Foreign Exchange Reserve \$'000	Total \$'000	Non-controlling Interest \$'000	Total \$'000
<b>BALANCE AS AT 1 JANUARY 2012</b>		64,406	17,057	1,768	672	83,903	31,422	115,325
TOTAL COMPREHENSIVE INCOME PROFIT OR (LOSS)	25	-	(19,779)	-	-	(19,779)	1,369	(18,410)
<i>Other comprehensive income</i>								
Foreign currency translation differences for foreign operations	25	-	-	-	(377)	(377)	-	(377)
Total other comprehensive income		-	-	-	(377)	(377)	-	(377)
Total comprehensive income for the period		-	(19,779)	-	(377)	(20,156)	1,369	(18,787)
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY								
Issue of ordinary shares	24	9,677	-	-	-	9,677	-	9,677
Costs of raising equity	24	(518)	-	-	-	(518)	-	(518)
Share based payment transactions	26	-	-	859	-	859	-	859
Acquisition of subsidiary with non-controlling interests		-	-	-	-	-	96	96
Total transactions with owners		9,159	-	859	-	10,018	96	10,114
<b>BALANCE AT 31 DECEMBER 2012</b>		73,565	(2,722)	2,627	295	73,765	32,887	106,652

	Notes	Share Capital \$'000	Retained Earnings \$'000	Share based payments reserve \$'000	Foreign Exchange Reserve \$'000	Total \$'000	Non-controlling Interest \$'000	Total \$'000
<b>BALANCE AS AT 1 JANUARY 2011</b>		13,181	(586)	76	(1,234)	11,437	-	11,437
TOTAL COMPREHENSIVE INCOME PROFIT OR (LOSS)	25	-	17,643	-	-	17,643	(4,802)	12,841
<i>Other comprehensive income</i>								
Foreign currency translation differences for foreign operations	25	-	-	-	1,906	1,906	-	1,906
Total other comprehensive income		-	-	-	1,906	1,906	-	1,906
Total comprehensive income for the period		-	17,643	-	1,906	19,549	(4,802)	14,747
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY								
Issue of ordinary shares	24	59,870	-	-	-	59,870	-	59,870
Costs of raising equity	24	(8,645)	-	-	-	(8,645)	-	(8,645)
Share based payment transactions	26	-	-	1,692	-	1,692	-	1,692
Acquisition of subsidiary with non-controlling interests	36	-	-	-	-	-	36,224	36,224
Total transactions with owners		51,225	-	1,692	-	52,917	36,224	89,141
<b>BALANCE AT 31 DECEMBER 2011</b>		64,406	17,057	1,768	672	83,903	31,422	115,325

The notes on pages 44 to 88 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Note	31 December 2012 \$'000	31 December 2011 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		–	–
Cash paid to suppliers and employees		<b>(3,534)</b>	(8,530)
Income taxes paid		<b>(12)</b>	–
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	15	<b>(3,546)</b>	(8,530)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Exploration and evaluation expenditure		<b>(14,311)</b>	(8,221)
Acquisition of property, plant and equipment		<b>(3,411)</b>	(1,924)
Disposal of discontinued operation, net of cash disposal		<b>(43)</b>	–
Acquisition of a subsidiary (net of cash acquired)		<b>(380)</b>	–
Cash acquired in a business combination	36	–	286
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>		<b>(18,145)</b>	(9,859)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds of issue of shares		<b>9,677</b>	55,500
Share issue costs		<b>(518)</b>	(8,764)
Repayment of loans to related parties – TRM		–	(5,250)
Loans made to associated entities		–	(2,071)
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>		<b>9,159</b>	39,415
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(12,532)</b>	21,026
Cash and cash equivalents at beginning of the period		<b>21,030</b>	4
Effects of exchange rate changes on cash and cash equivalents		<b>30</b>	–
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	14	<b>8,528</b>	21,030

The notes on pages 44 to 88 are an integral part of these consolidated financial statements.

## 1. Reporting entity

Tigers Realm Coal Limited (the "Company" or "TIG") is a company domiciled in Australia. The address of the Company's registered office is Level 7, 333 Collins St, Melbourne, 3000. The consolidated financial statements of the Company as at and for the year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities. The Group is a for-profit entity and primarily is involved in coal exploration and mining development.

## 2. Basis of preparation

### (a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 8 March 2013.

### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities which are carried at fair value and share based payment expenses which are recognised at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

### (c) Going concern basis of accounting

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

For the year ended 31 December 2012 the Group had a net loss of \$18,410 thousand (2011 profit: \$12,841 thousand) and had net equity of \$106,652 thousand (2011: \$115,325 thousand). As at 31 December 2012 the Group had cash and cash equivalents of \$8,528 thousand (2011: \$21,030 thousand). The Group had current assets of \$11,439 thousand (2011 \$27,235 thousand) and current liabilities of \$1,905 thousand (2011: \$3,309 thousand).

During the year ended 31 December 2012 the cash outflow from operations was \$3,546 thousand (2011: outflows of \$8,530 thousand). There were cash outflows from investing activities of \$18,145 thousand for the year (2011: outflows of \$9,859 thousand).

During the year ended 31 December 2012 the Company completed the following fund raising activities to meet its working capital requirements:

- On 11 July 2012 the Company concluded a placement of fully paid ordinary shares to raise gross proceeds of \$8,923 thousand at a price of \$0.18 per share.

- On 10 August 2012 the Company completed a Share Purchase Plan for shareholders in Australia and New Zealand. The Share Purchase Plan raised gross proceeds of \$754 thousand through the issue of fully paid ordinary shares at an issue price of \$0.16 per share.

On 22 February 2013 the Company concluded a two tranche placement of 106,000,000 fully paid ordinary shares to raise gross proceeds of approximately \$21,200 thousand at a price of \$0.20 per share. The placement price represents a 7.3% discount to the volume weighted average price over the five days trading up to and including 19 February 2013.

The placement is organised in two tranches, with the initial tranche of \$12,500 thousand being fully completed, with 62,733,452 shares issued on 1 March 2013. The second tranche of \$8,700 thousand for 43,266,548 shares is subject to shareholder approval, which will be sought at the Annual General Meeting on 23 April 2013. As part of the placement the Directors subscribed for 1,500,000 shares. These shares are also subject to shareholder approval which will be sought at the Annual General Meeting.

The Directors are satisfied with the Group's current financing position and are of the view that the continued application of the going concern basis of accounting is appropriate due to the following factors:

- Management has reviewed the Group's consolidated cashflow requirements and has satisfied themselves that there are adequate support in place to meet the planned corporate activities and working capital requirements for at least 12 months following the date of this report;
- In the event that exploration and operating activities exceed the planned cashflow forecasts, or continue beyond 12 months following the date of this report, the Group has the ability to raise additional funds, pursuant to the *Corporations Act 2001*;
- The ability of the Group to scale back certain parts of their exploration activities if required; and
- The Group retains the ability, if required, to wholly or in part dispose of interests in mineral exploration and development assets.

The Directors believe that current cash on hand plus the proceeds from the capital raising completed subsequent to year end will be sufficient to:

- Fund corporate expenses and other general working capital requirements through to at least 31 March 2014;
- Fund the completion of the Amaam pre-feasibility study; and
- Complete further drilling and technical studies at its Amaam Project and at its Amaam North Project.

The ability of the Group to fund the ongoing working capital requirements of the Group beyond 31 March 2014 is uncertain. A material uncertainty exists in regards to the ability of the Group to continue to operate as a going concern beyond 31 March 2014 and, therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. There can be no assurance that the Group will be able to obtain or access additional funding



when required, or that the terms associated with the funding will be acceptable to the Directors. If the Group is unable to obtain such additional funding, it may be required to reduce the scope of its operations, which could adversely affect its business, financial condition and operating results.

#### **(d) Functional and presentation currency**

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and the items included in the financial statements of each entity are measured using that functional currency.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

#### **(e) Use of estimates and judgements**

The preparation of financial statements in conformity with accounting standards issued by the AASB requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial period and that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- note 17 – deferred exploration, evaluation and development
- note 19 – intangible assets (goodwill and mineral rights)
- note 23 – royalty agreement liability

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- note 3(a)(i) business combinations
- note 36 – acquisition of business

### **3. Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities.

Certain comparative amounts in the consolidated statement of comprehensive income have been re-presented as if an operation discontinued during the current year had been discontinued from the start of the comparative period.

#### **(a) Basis of consolidation**

##### **(i) Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange. Acquisition costs are as expensed as incurred, and included in profit and loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Group's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for in equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Subsequent to acquisition date, transactions with non-controlling interests that do not result in a loss of control are accounted for as transactions with equity owners of the Group. Any difference between the amount of the adjustment to the non-controlling interest and any consideration paid or received is recognised as a separate reserve within equity.

If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

## 3. Significant accounting policies

### (CONTINUED)

Acquired mineral rights comprise identifiable exploration and evaluation assets including mineral reserves and mineral resources acquired as part of a business combination are recognised at fair value at the date of acquisition.

The acquired mineral rights will be reclassified as mine property and development from commencement of development and amortised when commercial production commences on a unit of production basis over the estimated economic reserve of the mine.

The Group has applied estimates and judgements in order to determine the fair value of assets acquired and liabilities and contingent liabilities assumed by way of a business combination.

The assets, liabilities and contingent liabilities recognised at acquisition date are recognised at fair value. In determining fair value the consolidated entity has utilised valuation methodologies including discounted cash flow analysis. The assumptions made in performing this valuation include assumptions as to discount rates, foreign exchange rates, commodity prices, the timing of development, capital costs, and future operating costs. Any significant change in key assumptions may cause the acquisition accounting to be revised including recognition of goodwill or a discount on acquisition. Additionally, the determination of the acquirer and the acquisition date also require significant judgement to be made by the Group.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

#### (ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements of the Group from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so reduces the non-controlling interests below zero.

#### (iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## (b) Foreign currency

### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on the retranslation are recognised in profit or loss, except for differences arising from the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised in other comprehensive income.

### (ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the functional currency at exchange rates at reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportional share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant portion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

## (c) Financial instruments

### (i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: trade and other receivables.

#### • Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

#### • Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

### (ii) Non-derivative financial liabilities

The Group initially recognises non-derivative financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

The Group has the following non-derivative financial liabilities: trade and other payables.

#### • Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods and services provided to the Group prior to the end of the reporting period and are stated at amortised cost. The amounts are unsecured and are usually paid within 30 days of recognition.

### (iii) Share capital

#### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

## (d) Property, plant and equipment

### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

### (ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

### (iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

- Land & buildings 20 years
- Plant & equipment 5 – 10 years
- Fixtures & fittings 5 – 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## (e) Intangible assets

### (i) Exploration, evaluation and development assets

Exploration, evaluation and development costs, including the costs of acquiring licences, are capitalised as deferred exploration, evaluation and development assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the income statement.

Exploration, evaluation and development assets are only recognised if the rights to the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or

## 3. Significant accounting policies

### (CONTINUED)

- 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, evaluation and development costs, including the costs of acquiring licences, are capitalised as deferred exploration, evaluation and development assets are assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability; and
- facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Expenditure which no longer satisfies the above policy is written off. In addition, a provision is raised against expenditure where the Directors are of the opinion that the carried forward net cost may not be recoverable under the above policy. The increase in the provision is taken to the profit or loss for the year.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, any expenditure carried forward in respect of that area is written off in the period in which the decision to abandon is made, firstly against any existing provision for that expenditure, with any remaining balance being charged to earnings. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they are not expected to be recoverable in the future.

Expenditure is not carried forward in respect of an area of interest/mineral resource unless the Group's right to tenure to that area of interest is current.

#### (ii) Mineral Rights

Acquired mineral rights comprise identifiable exploration and evaluation assets including mineral reserves acquired as part of a business combination and are recognised at fair value at the date of acquisition. The mineral rights will be reclassified as mine property and development from commencement of development and amortised when commercial production commences on a unit of production basis over the estimated economic reserve of the mine.

The mineral rights are subject to impairment testing in accordance with the Group's policy for exploration, evaluation and development assets.

#### (iii) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition refer note 3(a)(i) (business combinations).

Goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised, however its carrying value is assessed annually against its recoverable amount, as explained below under note 3(f) Impairment. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

#### (iv) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

#### (v) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss as incurred.

#### (vi) Amortisation

Except for goodwill and mineral rights, intangible assets are amortised on a straight line basis in profit or loss over the estimated useful lives, from the date they are available for use. The estimated useful lives for the current and comparative years for computer software is three to five years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

## (f) Impairment

#### (i) Non-derivative financial assets (including receivables)

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be measured reliably.

All impairment losses are recognised in profit or loss. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

**(ii) Non-financial assets**

The carrying amounts of the Group's non-financial assets except for exploration, evaluation and development assets and mineral rights, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date. For exploration, evaluation and development assets and mineral rights an impairment assessment takes place when facts and circumstances suggest that the carrying amount may exceed its recoverable amount.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest groups of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying value of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(g) Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

**(i) Restoration and rehabilitation provision**

The Group has obligations to restore and rehabilitate certain areas of property. Provisions for the cost of rehabilitation programs are recognised at the time that environmental disturbance occurs (or is acquired). On an ongoing basis, additional disturbances will be recognised as a rehabilitation liability.

**(h) Employee benefits**

**(i) Short term employee benefits**

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within twelve months of the reporting date represent obligations resulting from employee's services provided to reporting date, and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at the reporting date, including related on-costs, such as workers' compensation insurance and payroll tax.

A liability is recognised for the amount expected to be paid under short-term incentive bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

**(ii) Share-based payment transactions**

Equity-based compensation is recognised as an expense in respect of the services received, or as capitalised exploration expenditure as appropriate.

The fair value of options granted is recognised as an asset or expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees became unconditionally entitled to the options. The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the options, the vesting and performance criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

**(i) Revenue recognition**

Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

Revenues are recognised at fair value of the consideration received net of the amount of GST. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenue.



## 3. Significant accounting policies

(CONTINUED)

### (j) Finance income and finance costs

Finance income comprises interest income on funds loaned to equity accounted investees and funds invested. Interest income is recognised as it accrues in profit and loss, using the effective interest rate method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

### (k) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### (l) Income Tax

#### (i) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (ii) Tax consolidation

The Company and its wholly-owned Australian resident entity are part of a tax consolidated group. As a consequence all members of the tax consolidated group are taxed as a single entity. The head entity within the tax consolidated group is Tigers Realm Coal Limited.

#### (iii) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.



## **(m) Earnings per share**

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The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

## **(n) Segment reporting**

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The Group determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities which incur expenses. An operating segment's expenditures are reviewed regularly by the Chief Executive Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment expenditure that is reported to the Chief Executive Officer includes items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

Segment capital expenditure is the total cost incurred during the period on exploration and evaluation, and to acquire property, plant and equipment and intangible assets other than goodwill.

## **(o) Discontinued operations**

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Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale or distribution, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

## **4. New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

### **(a) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)**

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AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009) financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB9 and add new requirements to address impairment of financial assets and hedge accounting.

AASB 9 Financial Instruments becomes mandatory for the Group's 2015 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

### **(b) AASB 12 Disclosure of Interests in Other Entities (2011)**

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AASB 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for its interests in subsidiaries in comparison with the existing disclosures. AASB 12 requires the disclosure of information about the nature, risks and financial effects of these interests. AASB 12 is mandatory for the Group's 2013 consolidated financial statements.

### **(c) AASB 13 Fair Value Measurement (2011)**

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AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout the Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The Group is currently reviewing its methodologies in determining fair values (refer Note 5). AASB 13 is mandatory for the Group's 2013 consolidated financial statements.

## 5. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value for financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### (a) Trade and other receivables

The fair value, which is determined for disclosure purposes, is calculated based on the present value of future cash flows, discounted at the market rate of interest at the reporting date.

### (b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

### (c) Royalty Agreement liability

The fair value of option liabilities is determined using the Black Scholes option valuation methodology, adjusted for the level of risk assumed in the option. The fair values of the royalty agreement liability are based on a discounted cash flow estimate for the underlying mining project which included various assumptions about the life of the mine including commodity prices, exchange rates, grade of resources, capital expenditure, operating costs, production recovery rates, depreciation rates, and tax rates; and is discounted at the Group's cost of equity at the reporting date.

### (d) Share-based payment transactions

Equity-based compensation is recognised as an expense in respect of the services received, or as capitalised exploration expenditure as appropriate.

The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value is measured using a Black-Scholes or Monte-Carlo Simulation Model. Measurement inputs include value on measurement date, exercise price of the instrument, expected volatility (based on comparable companies), expected life of the instruments, expected dividends and the risk free interest rate. Service conditions attached to the transactions are not taken into account in determining fair value.

## 6. Financial risk management

### (a) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit, Risk and Compliance Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board.

The Group has established a Risk Management Policy to provide a framework for the management of risk within the Group. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Group has exposure to the following risks from its operations and use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

#### (i) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

#### (ii) Liquidity risk

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

(iii) **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. For the Group currency risk arises from transactions in foreign currencies, predominantly US Dollars (USD), Russian roubles (RUB) and Colombian Pesos (COP). For the Group interest rate risk arises from the exposure to Australian cash deposit rates relating to cash and cash equivalents. For the Group commodity price risk arises from the valuation of the Royalty Agreement Liability.

(iv) **Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure and from external factors other than credit, liquidity and market risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Group's senior management. This responsibility is supported by the development of the Group Policies and Code of Conduct.

## (b) **Capital management**

The Company and Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration, evaluation and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, or issue new shares. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities and currently has no external borrowings.

The Board has not set a target for employee ownership of the Company's ordinary shares.

The Board has not yet set a debt to capital target for the Group.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## 7. **Segment reporting**

The Group has three reportable segments, as described below, which are the Group's main mineral exploration projects. The Group has identified these segments based on the internal reports used and reviewed by the Group's Chief Executive Officer, (the chief operating decision maker) in assessing the performance and determining the allocation of resources.

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 3 to the accounts and in the prior period. The activities of the Group are managed in three reportable operating segments.

<b>Amaam Project</b>	The Amaam Project is located in the Bering Basin in Chukotka province, Russia and consists of the Amaam tenement and the Amaam North tenement.
<b>Landazuri Project (Discontinued)</b>	The Landazuri Project in Colombia was located 200 km NNE of Bogota. This segment was discontinued in June 2012 when the Group withdrew from the Project.
<b>Other</b>	Consists of corporate and office expenses primarily incurred at the Group's Melbourne offices, and other costs, including the costs of closing and liquidating non-operating entities (Indonesia and Spain).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

## 7. Segment reporting (CONTINUED)

Management monitors the expenditure outlays of each segment for the purpose of cost control and making decisions about resource allocation. The Group's administration and financing functions are managed on a group basis and are not allocated to the reportable segments.

	Amaam Project \$'000	Landazuri Project (Discontinued) \$'000	Other \$'000	Total \$'000
<b>31 DECEMBER 2012</b>				
TOTAL SEGMENT REVENUE (INCLUDING INTEREST REVENUE)	19	–	365	384
SEGMENT EXPENSE	–	(13,031)	(7,569)	(20,600)
Depreciation and amortisation	–	(8)	(27)	(35)
SEGMENT RESULT	19	(13,039)	(7,231)	(20,251)
SEGMENT ASSETS	133,637	–	718	134,355
Segment assets include:				
Additions to non-current assets	16,496	–	255	16,751
SEGMENT LIABILITIES	(23,170)	–	(731)	(23,901)
<b>31 DECEMBER 2011</b>				
TOTAL SEGMENT REVENUE (INCLUDING INTEREST REVENUE)	–	–	654	654
SEGMENT EXPENSE	(667)	(1,286)	(6,207)	(8,160)
Depreciation and amortisation	–	(1)	(2)	(3)
SEGMENT RESULT	(667)	(1,287)	(5,555)	(7,509)
SEGMENT ASSETS	121,935	11,930	712	134,577
Segment assets include:				
Additions to non-current assets	121,023	6,685	712	128,420
SEGMENT LIABILITIES	(22,081)	(313)	(1,016)	(23,410)

	<b>31 December 2012 \$'000</b>	31 December 2011 \$'000
THE RECONCILIATION OF THE SEGMENT RESULT TO THE PROFIT/(LOSS) BEFORE INCOME TAX IS AS FOLLOWS:		
SEGMENT RESULT	<b>(20,251)</b>	(7,509)
Net foreign exchange gain/(loss)	<b>(137)</b>	(595)
Gain on fair value of investment	–	29,085
Gain/(loss) on revaluation of royalty agreement liability	<b>4,228</b>	(6,757)
Elimination of discontinued operation	<b>13,039</b>	1,287
<b>RESULT BEFORE INCOME TAX</b>	<b>(3,121)</b>	15,511
THE RECONCILIATION OF THE SEGMENT ASSETS TO TOTAL ASSETS IS AS FOLLOWS:		
SEGMENT ASSETS	<b>134,355</b>	134,577
Cash and cash equivalents	<b>8,528</b>	21,030
<b>TOTAL ASSETS PER CONSOLIDATED STATEMENT OF FINANCIAL POSITION</b>	<b>142,883</b>	155,607

### Geographical information

The Group manages its business on a worldwide basis but holds assets in two geographic segments, Europe & Russia, and Australasia.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the segment. Segment assets are based on the geographical location of the assets.

	2012		2011	
	Revenues \$'000	Non-current assets \$'000	Revenues \$'000	Non-current assets \$'000
Europe & Russia	<b>19</b>	<b>131,160</b>	–	116,695
Americas	–	–	–	11,615
Australasia	<b>365</b>	<b>284</b>	654	62
<b>TOTAL</b>	<b>384</b>	<b>131,444</b>	654	128,372

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

## 8. Discontinued operation

In June 2012 following the completion of a strategic review of the Group's exploration project portfolio, the Group withdrew from the farm-in option agreements relating to the tenements underlying the Landazuri Project, effectively ending its involvement in operations in Colombia. This will enable the Group to focus its resources on the Amaam project in Russia, which management expects will deliver greater shareholder value.

The Group has ceased all operations in Colombia, and is in the process of liquidating its corporate entity in Colombia. The Landazuri segment was not a discontinued operation or classified as held for sale as at 31 December 2011 and the comparative statement of comprehensive income has been restated to present the discontinued operation separately from continuing operations.

	2012 \$'000	2011 \$'000
RESULTS OF DISCONTINUED OPERATION		
Revenue	–	–
Expenses	(197)	(1,287)
RESULTS FROM OPERATING ACTIVITIES	(197)	(1,287)
Tax	–	–
RESULTS OF OPERATING ACTIVITIES, NET OF TAX	(197)	(1,287)
Impairment adjustment for discontinued operation	(12,842)	–
Tax on impairment of discontinued operation	–	–
LOSS FOR THE YEAR	(13,039)	(1,287)
Basic loss per share (cents)	(3.36)	(0.42)
Diluted loss per share (cents)	(3.36)	(0.42)

The loss from the discontinued operation of \$13,039 thousand (2011: loss of \$1,287 thousand) is attributable entirely to the owners of the company. Of the loss from continuing operations of \$5,371 thousand (2011: profit of \$14,128 thousand), a loss of \$6,740 thousand is attributable to the owners of the Company (2011: profit of \$18,930 thousand). There is an unrecognised deferred tax asset of \$3,912 thousand (2011: \$386 thousand) which arises as a result of the discontinuation of the Landazuri Project.

	2012 \$'000	2011 \$'000
CASH FLOWS FROM (USED IN) DISCONTINUED OPERATION		
Net cash from/(used in) operating activities	(197)	(1,286)
Net cash from/(used in) investing activities	(1,504)	(5,584)
Net cash flows for the period	(1,701)	(6,870)
EFFECT OF CLOSURE ON THE FINANCIAL POSITION OF THE GROUP		
Property, plant and equipment	(1)	
Fixed assets	(498)	
Prepayments	(3)	
Deferred exploration, evaluation and development	(12,340)	
Net assets and liabilities	(12,842)	
Consideration received, satisfied in cash	–	
Cash and cash equivalents disposed of	(43)	
Net cash outflow	(43)	



## 9. Other income

	Note	31 December 2012 \$'000	31 December 2011 \$'000
Gain on fair value of investment	36	–	29,085
Other income		19	–
<b>OTHER INCOME</b>		<b>19</b>	<b>29,085</b>

## 10. Expenses

	31 December 2012 \$'000	31 December 2011 Restated \$'000
<b>Administration expenses</b>		
Wages and salaries, including superannuation contributions	(2,803)	(811)
Contractors and consultants fees	(1,461)	(1,608)
Corporate travel costs	(920)	(270)
Accounting and audit fees	(303)	(502)
Other	(1,206)	(943)
<b>TOTAL ADMINISTRATION EXPENSE</b>	<b>(6,693)</b>	<b>(4,134)</b>

## 11. Finance income/(expenses)

<b>Finance income/(expense)</b>		
Net foreign exchange gain/(loss)	(137)	(595)
<b>FINANCE EXPENSE</b>	<b>(137)</b>	<b>(595)</b>
Finance income – external interest income	365	482
Finance income – related party interest income receivable	–	172
<b>FINANCE INCOME</b>	<b>365</b>	<b>654</b>
<b>NET FINANCE INCOME/(EXPENSE)</b>	<b>228</b>	<b>59</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

## 12. Income tax expense

A reconciliation between tax expense and the product of accounting profit multiplied by Australia's domestic tax rate for the years ended 31 December 2012 and 2011 is set out below

	<b>31 December 2012 \$'000</b>	31 December 2011 Restated \$'000
Profit/(loss) before tax from continuing operations	<b>(3,121)</b>	15,511
Loss before tax before tax from discontinued operations	<b>(13,039)</b>	(1,287)
	<b>(16,160)</b>	14,224
Income tax using the domestic corporation tax rate of 30%	<b>(4,848)</b>	4,267
CHANGES IN INCOME TAX EXPENSE DUE TO:		
Effect of tax rates in foreign jurisdictions	<b>(707)</b>	(4,187)
Exempt income – fair value gain on investment	–	(2,908)
Exempt income – other	<b>(176)</b>	–
Non-deductible expenses-royalty liability	<b>(423)</b>	676
Non-deductible expenses-other	<b>4,220</b>	192
Other – accrued interest	<b>217</b>	–
Current period tax losses for which no deferred tax asset was recognised	<b>3,967</b>	3,343
<b>TOTAL INCOME TAX EXPENSE (BENEFIT) ON PRE-TAX NET PROFIT</b>	<b>2,250</b>	1,383
CURRENT TAX EXPENSE	<b>12</b>	–
DEFERRED TAX EXPENSE	<b>2,238</b>	1,383
<b>TOTAL INCOME TAX EXPENSE</b>	<b>2,250</b>	1,383

### Unrecognised deferred tax assets

Net deferred tax assets have not been recognised in respect of the following:		
Tax losses	<b>11,380</b>	3,354
<b>TOTAL TAX ASSETS NOT RECOGNISED</b>	<b>11,380</b>	3,354

The tax losses incurred in Australia do not expire under current tax legislation. In the overseas jurisdictions the tax losses can be carried forward for varying periods. Deferred tax assets have not been recognised for deductible temporary differences or carried forward tax losses where it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

## 13. Earnings/(loss) per share

		<b>31 December 2012 cents</b>	31 December 2011 cents
	Note		
<b>EARNINGS/(LOSS) PER SHARE</b>			
Basic earnings/(loss) per share – cents	a	<b>(5.10)</b>	5.77
Diluted earnings/(loss) per share – cents	b	<b>(5.10)</b>	5.42
<b>EARNINGS/(LOSS) PER SHARE – CONTINUING OPERATIONS</b>			
Basic earnings/(loss) per share – cents	a	<b>(1.74)</b>	6.19
Diluted earnings/(loss) per share – cents	b	<b>(1.74)</b>	5.82

## (a) Basic earnings/(loss) per share

The calculation of basic earnings per share (EPS) at 31 December 2012 was based on the loss attributable to ordinary equity holders of the Company of \$19,779 thousand (2011: profit of \$17,643 thousand) and a weighted average number of ordinary shares outstanding during the period ended 31 December 2012 of 387,940,517 (2011: 306,024,788).

## (b) Diluted earnings/(loss) per share

The calculation of diluted earnings per share at 31 December 2012 is the same as basic earnings per share. The Company had issued 41,496,650 options over ordinary share. The options over ordinary share could potentially dilute basic earnings per share in the future; however, they have been excluded from the calculation of diluted earnings per share because they are anti-dilutive for the reporting period.

## 14. Cash and cash equivalents

	31 December 2012 \$'000	31 December 2011 \$'000
Bank balances	8,528	21,030
CASH AND CASH EQUIVALENTS	8,528	21,030

All cash and cash equivalents are available for use by the Group.

## 15. Reconciliation of cash flows from operating activities

	31 December 2012 \$'000	31 December 2011 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) for the period	(18,410)	12,841
Adjustments for non-cash items:		
Unrealised foreign exchange	137	595
Share based payments	859	1,693
Interest income	–	(172)
Exploration and evaluation expenditure	44	–
Gain on fair value of investment	–	(29,085)
Administration expenditure	197	–
Discontinued operation	12,842	–
Loss on revaluation of royalty agreement liability	(4,228)	6,757
Income tax expense/(benefit)	2,238	1,383
	(6,321)	(5,988)
CHANGES IN WORKING CAPITAL		
(Increase )/decrease in trade and other receivables	907	(73)
(Increase )/decrease in prepayments	2,426	(4,078)
(Decrease)/increase in trade and other payables	(558)	1,609
NET CASH FROM (USED IN) FROM OPERATING ACTIVITIES	(3,546)	(8,530)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

## 16. Trade and other receivables

	Note	31 December 2012 \$'000	31 December 2011 \$'000
Other receivables		907	1,705
Receivables due from related parties – TRM	31	–	422
		907	2,127
Current		907	2,127

## 17. Deferred exploration, evaluation and development

	31 December 2012 \$'000	31 December 2011 \$'000
COST		
Opening balance	14,289	6,157
Expenditure incurred	16,670	8,132
Discontinued operation	(12,340)	–
EXPLORATION, EVALUATION AND DEVELOPMENT	18,619	14,289
Impairment	–	–
TOTAL EXPLORATION, EVALUATION AND DEVELOPMENT	18,619	14,289

The Group's accounting policy is to capitalise expenditure on exploration, evaluation and development on an area of interest basis. The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective area of interest.

The Landazuri Project in Colombia has been discontinued, and as a consequence the deferred exploration, evaluation and development relating to Landazuri has been taken to the profit or loss (refer note 8).

## 18. Property, plant and equipment

	Land & Buildings \$'000	Plant & Equipment \$'000	Fixtures & Fittings \$'000	Total \$'000
<b>31 DECEMBER 2012</b>				
<i>Cost</i>				
AS AT 1 JANUARY 2012	3,828	33	1	3,862
Additions	–	1,032	239	1,271
Disposals	(498)	(2)	–	(500)
Transfers	(97)	97	–	–
Effect of movement in exchange rates	62	1	–	63
AS AT 31 DECEMBER 2012	3,295	1,161	240	4,696
<i>Depreciation and impairment</i>				
AS AT 1 JANUARY 2012	–	(3)	–	(3)
Depreciation charge for the period	(428)	(88)	(9)	(525)
Disposals	–	1	–	1
Effect of movement in exchange rates	–	(1)	–	(1)
AS AT 31 DECEMBER 2012	(428)	(91)	(9)	(528)
NET BOOK VALUE: AT 31 DECEMBER 2012	2,867	1,070	231	4,168
<b>31 DECEMBER 2011</b>				
<i>Cost</i>				
AS AT 1 JANUARY 2011	–	–	–	–
Additions	3,828	33	1	3,862
Disposals	–	–	–	–
Effect of movement in exchange rates	–	–	–	–
AS AT 31 DECEMBER 2011	3,828	33	1	3,862
<i>Depreciation and impairment</i>				
AS AT 1 JANUARY 2011	–	–	–	–
Depreciation charge for the period	–	(3)	–	(3)
Disposals	–	–	–	–
Effect of movement in exchange rates	–	–	–	–
AS AT 31 DECEMBER 2011	–	(3)	–	(3)
NET BOOK VALUE: AT 31 DECEMBER 2011	3,828	30	1	3,859

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

## 19. Intangible assets

Note	Goodwill \$'000	Mineral Rights \$'000	Other \$'000	Total \$'000
<b>31 DECEMBER 2012</b>				
<i>Cost</i>				
AS AT 1 JANUARY 2012	20,227	89,951	46	110,224
Additions	-	-	7	7
Additions – acquisition of subsidiary	-	531	-	531
Effect of movement in exchange rates	(384)	(1,709)	-	(2,093)
AS AT 31 DECEMBER 2012	19,843	88,773	53	108,669
<i>Amortisation and impairment</i>				
AS AT 1 JANUARY 2012	-	-	-	-
Amortisation charge for the period	-	-	(12)	(12)
AS AT 31 DECEMBER 2012	-	-	(12)	(12)
NET BOOK VALUE: AT 31 DECEMBER 2012	19,843	88,773	41	108,657
<b>31 DECEMBER 2011</b>				
<i>Cost</i>				
AS AT 1 JANUARY 2011	-	-	-	-
Additions	-	-	46	46
Acquisition of Eastshore	36	19,258	85,641	104,899
Effect of movement in exchange rates	969	4,310	-	5,279
AS AT 31 DECEMBER 2011	20,227	89,951	46	110,224
<i>Amortisation and impairment</i>				
AS AT 1 JANUARY 2011	-	-	-	-
Amortisation charge for the period	-	-	-	-
AS AT 31 DECEMBER 2011	-	-	-	-
NET BOOK VALUE: AT 31 DECEMBER 2011	20,227	89,951	46	110,224

Other intangible assets consist of computer software.

On 18 January 2012 the Group completed the acquisition of an additional Bering Basin coking coal tenement in far eastern Russia at Amaam North. This Amaam North tenement is 30 kilometres north of the Group's existing tenement at Amaam. The Group has acquired an 80% interest in Rosmiro Investments Limited which, through its wholly owned subsidiary Beringpromugol LCC, holds the Amaam North tenement, for consideration of \$385 thousand (US\$400 thousand). This acquisition has resulted in the addition of \$531 thousand of mineral rights.

The Mineral Rights acquired as part of business combinations will be amortised (as an expense) in the consolidated statement of comprehensive income over the life of the relevant areas of interest from the commencement of commercial production. The mineral rights intangible asset will be subject to impairment testing in accordance with the Group's accounting policy for exploration, evaluation and development assets.

In 2011 Goodwill was accounted for as a direct result of the transaction which took place on 6 May 2011, whereby Tigers Realm Coal (Cyprus) Pty Ltd ("TRC Cyprus"), Eastshore Coal Holding Ltd ("Eastshore"), Bering Coal Investments Ltd ("Bering") and Siberian Tigers International Corporation ("Siberian") executed a series of agreements in relation to the management of Eastshore, CJSC Northern Pacific Coal Company ("NPCC") and the Russian subsoil licenses being the Dalniy Subsoil License (Russian subsoil license numbered AND 13868 TP) and the Zapadniy Subsoil License (Russian subsoil license numbered AND 13867 TP). As a result of these agreements TRC Cyprus became entitled to appoint the majority of the members of the board of Eastshore (i.e. three out of five), providing it with the power to govern the financial and operating policies of Eastshore so as to obtain the benefits from Eastshore's activities. As a result the Group has consolidated Eastshore and its subsidiary NPCC, from 6 May 2011.



Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable assets acquired and liabilities and contingent liabilities assumed of the acquired subsidiary at the date of acquisition. Refer to note 36 which relates to the business combination for support regarding the calculation of goodwill.

Applying AASB 3 *Business Combinations*, the fair value of the consideration has been measured as the fair value of TIG's existing 40% equity interest in Eastshore as at 6 May 2011, plus the fair value of loans made by TIG to Eastshore as at 6 May 2011, plus the fair value as at 6 May 2011 of TIG's 40% attributable share of the option inherent in the Eastshore Transaction, whereby Bering may choose to fund its proportion of the expenditure after completion of the bankable feasibility study or have its interest diluted in return for a royalty stream.

## (i) Impairment testing for goodwill

Goodwill is allocated to the Group's cash generating units (CGUs) identified according to the Group's operating segments for impairment testing purposes.

	<b>31 December 2012 \$'000</b>	31 December 2011 \$'000
Segment		
Amaam Project	<b>19,843</b>	20,227
Landazuri Project (Discontinued)	–	–
	<b>19,843</b>	20,227

In assessing whether an impairment adjustment is required for the carrying value of an asset, its carrying value is compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. It is management's intention to continue to develop the Amaam Project. Consequently, unless indicated otherwise, the recoverable amount used in assessing asset impairment is the value in use.

The Group estimates the value in use of the Amaam Project using a discounted cash flow model. The calculation of value in use is most sensitive to a number of assumptions, including short and long term commodity prices, foreign exchange rates, production volumes, capital expenditure, operating costs and discount rates. These assumptions can change over short periods of time which can have a significant impact on the carrying value of assets.

Detailed development plans are constructed by management for each project utilising detailed life of mine plans based on estimated production volumes and operating costs. Management believes that no reasonably possible change in the assumptions would cause the carrying amount of goodwill and other non-current assets to exceed their recoverable amount.

The future cash flows are adjusted for risks specific to the asset and discounted using a pre-tax discount rate of 15.97% (2011: 15.7%). This discount rate is derived from the Group's post-tax weighted average cost of capital. Management also believes that currently, there is no reasonably possible change in the discount rate, estimated coking coal price, and future operating costs which would reduce the Group's excess of recoverable amount over the carrying amounts of the individual CGUs to zero.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

## 20. Trade & other payables

	<b>31 December 2012 \$'000</b>	31 December 2011 \$'000
Payables due to related parties – TRM	–	166
Other trade payables and accrued expenses	<b>1,300</b>	2,640
	<b>1,300</b>	2,806
Current	<b>1,300</b>	2,806
	<b>1,300</b>	2,806

## 21. Employee Benefits

Annual Leave	<b>82</b>	24
Provision for annual bonus	<b>523</b>	479
	<b>605</b>	503

## 22. Deferred Tax Liabilities

The balance comprises temporary differences attributable to:		
Exploration and evaluation assets	<b>4,348</b>	2,111
Mineral rights acquired	<b>17,128</b>	17,128
Effect of movements in exchange rates	<b>520</b>	862
<b>TOTAL DEFERRED TAX LIABILITIES RECOGNISED</b>	<b>21,996</b>	20,101
Deferred tax liabilities to be settled in within 12 months	–	–
Deferred tax liabilities to be settled after 12 months	<b>21,996</b>	20,101
<b>TOTAL DEFERRED TAX LIABILITIES RECOGNISED</b>	<b>21,996</b>	20,101
<b>MOVEMENT IN DEFERRED TAX LIABILITY</b>		
At beginning of period	<b>20,101</b>	62
Exploration and evaluation assets	<b>2,237</b>	2,111
Mineral rights acquired	–	17,128
Accrued interest	–	(62)
Effects of movement in exchange rates	<b>(342)</b>	862
<b>AT END OF PERIOD</b>	<b>21,996</b>	20,101

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

## 23. Royalty Agreement Liability

	<b>31 December 2012 \$'000</b>	31 December 2011 \$'000
Opening balance of royalty agreement liability	<b>16,872</b>	9,532
Fair value adjustment to royalty agreement liability	<b>(4,228)</b>	6,757
Effect of movement in exchange rates	<b>(314)</b>	583
<b>TOTAL ROYALTY AGREEMENT LIABILITY RECOGNISED AT END OF YEAR</b>	<b>12,330</b>	16,872

The royalty agreement liability arose as a consequence of the shift in control of Eastshore to TRC Cyprus on 6 May 2011 and the resulting consolidation of Eastshore and its 100% owned subsidiary, NPCC.

Applying AASB 3 *Business Combinations* the fair value of the consideration for Eastshore is measured as the fair value of TIG's existing 40% equity interest in Eastshore at 6 May 2011, and in addition, the fair value of the option inherent in the Bering Royalty Agreement, whereby Bering may choose to fund its proportion of the expenditure after completion of the bankable feasibility study or to have its interest diluted in return for a royalty stream.

With regards to the Bering Royalty Agreement, prior to 6 May 2011, TRC Cyprus held a 40% interest in Eastshore and had a right to subscribe for shares equivalent to an additional 40% interest in two tranches subject to achievement of certain milestones, the final milestone being completion of a bankable feasibility study in respect of the area of the Russian Subsoil Licenses or any other subsoil license issued to Eastshore or its controlled subsidiaries ("the Eastshore Group"). If Bering fails to fund its proportion of expenditure after completion of the bankable feasibility study, its remaining 20% shareholding may be diluted in exchange for a maximum royalty of 2% of gross sales revenue from the sale of coal produced from the area of a license held by a member of the Eastshore Group.

The option inherent in the Bering Royalty Agreement whereby Bering may choose to fund its proportion of expenditure after completion of the bankable feasibility study or to have its interest diluted in return for a royalty stream, is deemed to be part of the consideration for TIG obtaining control of Eastshore. As such, the option is recorded as consideration at fair value in relation to the acquisition.

TIG has used the Black and Scholes formula to value the royalty agreement liability, based on the parameters set out in the table below:

Valuation Date	<b>31 December 2012</b>	31 December 2011
Expiry Date	<b>1 January 2014</b>	1 January 2014
Current price (US\$m) (a)	<b>31.30</b>	30.29
Exercise price of option (US\$m) (b)	<b>36.66</b>	37.33
Time to expiration (days)	<b>366</b>	732
Volatility (%/100) (c)	<b>80%</b>	80%
Risk free rate (%/100) (d)	<b>2.54%</b>	1.90%

(a) 20% of the value of the Amaam Project, post 3% royalty

(b) Net Present Value of Bering royalty stream

(c) Estimated share price volatility based on volatility of comparable public companies.

(d) 20 Year US bond yield

At 31 December 2012 the fair value of the liability was revalued to \$12,330 thousand (2011: \$16,872 thousand). This resulted in a profit being taken to the statement of comprehensive income for the year ended 31 December 2012 of \$4,228 thousand (2011: loss of \$6,757 thousand). The fair value was recalculated based on information available at 31 December 2012. The Bering option will be re-valued at each future balance date with any resulting movement being recognised as a gain or loss in the statement of comprehensive income.

Due to the inherent uncertainties arising from Bering's option to dilute its interest in return for a royalty stream after the completion of the bankable feasibility study, management cannot reliably estimate the timing of any expected outflows of cash if any.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

## 24. Share capital

### (i) Movements in shares on issue:

	No of shares	Issue price \$	\$'000
OPENING BALANCE AT 1 JANUARY 2011	244,200,000		13,181
Issue of ordinary shares	44,739,170	0.50	22,370
Issue of ordinary shares – Initial Public Offer	75,000,000	0.50	37,500
<b>ORDINARY SHARES CLOSING BALANCE AT 31 DECEMBER 2011</b>	<b>363,939,170</b>		<b>73,051</b>
OPENING BALANCE 1 JANUARY 2012	<b>363,939,170</b>		<b>73,051</b>
Issue of ordinary shares – placement	<b>49,574,472</b>	<b>0.18</b>	<b>8,923</b>
Issue of ordinary shares – Share Purchase Plan	<b>4,709,375</b>	<b>0.16</b>	<b>754</b>
<b>CLOSING BALANCE AT 31 DECEMBER 2012</b>	<b>418,223,017</b>		<b>82,728</b>
LESS COSTS OF RAISING EQUITY			
Opening balance			<b>(8,645)</b>
Costs incurred in the period			<b>(518)</b>
Closing balance			<b>(9,163)</b>
<b>CLOSING SHARE CAPITAL BALANCE AT 31 DECEMBER 2012</b>			<b>73,565</b>

The Company does not have authorised capital or par value in respect of its issued shares. All issued share are fully paid. All shares rank equally with regard to the Company's residual assets.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

#### Issue of ordinary shares

On 11 July 2012 the Company concluded a placement of fully paid ordinary shares to raise gross proceeds of \$8,923,408 at a price of \$0.18 per share. The placement price represented a 5% discount to the volume weighted average price over the five days trading up to and including 6 July 2012.

On 10 August 2012 the Company completed a Share Purchase Plan for shareholders in Australia and New Zealand. The Share Purchase Plan raised gross proceeds of \$753,500 through the issue of fully paid ordinary shares at an issue price of \$0.16 per share.

(ii) **Movements in options on issue:**

	<b>Date of issue</b>	<b>Number of options</b>	<b>Exercise price \$</b>	<b>Expiry date</b>
OPENING BALANCE AS AT 1 JANUARY 2011		26,782,300		
Issue of options	1 February 2011	2,039,000	0.500	1 February 2016
Issue of options	17 March 2011	1,000,000	0.425	17 March 2016
Issue of options	2 May 2011	250,000	0.425	2 May 2016
Issue of options	17 October 2011	750,000	0.415	17 October 2016
CLOSING BALANCE AS AT 31 DECEMBER 2011		<b>30,821,300</b>		
OPENING BALANCE AS AT 1 JANUARY 2012		<b>30,821,300</b>		
Issue of options	1 February 2012	<b>2,049,877</b>	0.400	1 February 2017
Issue of options	22 February 2012	<b>2,909,000</b>	0.500	22 February 2017
Issue of options	28 March 2012	<b>3,500,000</b>	0.750	28 March 2017
Issue of options	14 May 2012	<b>250,000</b>	0.320	14 May 2017
Issue of options	12 July 2012	<b>250,000</b>	0.250	12 July 2017
Issue of options	27 July 2012	<b>300,000</b>	0.500	27 July 2017
Issue of options	22 October 2012	<b>500,000</b>	0.195	22 October 2017
Issue of options	12 November 2012	<b>2,000,000</b>	0.250	12 November 2017
Issue of options	12 November 2012	<b>2,000,000</b>	0.500	12 November 2017
Issue of options	12 November 2012	<b>2,000,000</b>	0.750	12 November 2017
Issue of options	12 November 2012	<b>2,000,000</b>	1.000	12 November 2017
Options forfeited		<b>(7,083,527)</b>		
CLOSING BALANCE AS AT 31 DECEMBER 2012		<b>41,496,650</b>		

(iii) **Capital Management**

Management controls the capital of the Group in order to maintain stable cash reserves, manage capital raising requirements, and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital and current and financial liabilities. There is no non-current external debt. There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's cashflow and capital requirements and responds to those needs. These responses include management of capital projects, acquisition of mineral licences, reduction of expenditure, and sourcing of further funds.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

## 25. Reserves and accumulated losses

### (a) Reserves

	Note	31 December 2012 \$'000	31 December 2011 \$'000
Share based payments reserve		2,627	1,768
Foreign currency translation reserve		295	672
<b>TOTAL RESERVES</b>		<b>2,922</b>	2,440
<b>MOVEMENTS</b>			
<b>SHARE BASED PAYMENTS RESERVE</b>			
Opening balance		1,768	76
Share options expense arising during the year	26	859	1,692
Closing balance		2,627	1,768
<b>FOREIGN CURRENCY TRANSLATION RESERVE</b>			
Opening balance		672	(1,234)
Currency translation differences arising during the year		(377)	1,906
Closing balance		295	672

#### Share based payments reserve

The share based payments reserve is used to recognise the value of options issued but not exercised.

#### Foreign currency translation reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign controlled entities.

### (b) Retained earnings/(accumulated losses)

	31 December 2012 \$'000	31 December 2011 \$'000
Retained earnings/(accumulated losses) at the beginning of the year	17,057	(586)
Net profit/(loss) attributable to members of the Company	(19,779)	17,643
<b>RETAINED EARNINGS/(ACCUMULATED LOSSES) AT THE END OF THE YEAR</b>	<b>(2,722)</b>	17,057

## 26. Share based payments

### (a) Recognised share based payment expense

	31 December 2012 \$'000	31 December 2011 \$'000
Expense arising from equity settled share based payment transactions	859	1,692

### (b) Description of share-based payment arrangements

In 2010 the Company established the Staff Option Plan as part of the Group's Long Term Incentive Plan to assist in the attraction, motivation and retention of senior executives and employees and to encourage their personal commitment to the Company. The plan forms a necessary part of the competitive packages offered by the Company in-light of the markets in which it operates. The plan also creates an ownership mindset among participants and ensures business decisions and strategic planning has regard to the Company's long term performance and growth. There a number of different performance hurdles, exercise prices and vesting conditions dependent on the individual's position held. There have been no cancellations or modification to the Staff Option Plan since it was established in 2010.

The Staff Option Plan offers individuals the opportunity to acquire options over fully paid ordinary shares in the Company. Share options granted under the plan carry no dividend or voting rights. When exercised, each option is convertible into one ordinary share subject to satisfying vesting conditions and performance criteria. The shares when issued rank pari passu in all respects with previously issued fully paid ordinary shares. Option holders cannot participate in new issues of capital which may be offered to shareholders prior to exercise.

A fair value of these options is assessed at grant date using a Monte Carlo simulation model in accordance with AASB2 *Share-based Payments*. The options vest and expire at dates set out in the terms of the grant. The options cannot be transferred and are not quoted on the ASX.

### (c) Summary of options granted under the Option Plan

The options outstanding at 31 December 2012 have an exercise price in the range of \$0.078 to \$1.00 (2011: \$0.078 to \$0.500). The weighted average remaining contractual life for options outstanding at 31 December 2012 is 3.51 years (2011: 3.97 years). The weighted average fair value of options granted during the year was \$0.091 (2011: \$0.250). There are 250,000 vested and exercisable options at 31 December 2012 (2011: nil vested and nil exercisable). No options were exercised in 2012 or 2011.

#### Movements in outstanding options

	2012		2011	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance at the beginning of the year	30,821,300	0.166	26,782,300	0.122
Granted	17,758,877	0.579	4,039,000	0.461
Forfeited	(7,083,527)	0.372	–	–
Exercised	–	–	–	–
<b>BALANCE AT THE END OF THE YEAR</b>	<b>41,496,650</b>	<b>0.308</b>	30,821,300	0.166
<b>VESTED AND EXERCISABLE AT YEAR END</b>	<b>250,000</b>	<b>0.415</b>	–	–



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

## 26. Share based payments (CONTINUED)

Details of the share options outstanding at 31 December 2012 are detailed below:

	2012		2011	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Granted – 23 November 2010	15,587,650	0.078	16,782,300	0.078
Granted – 20 December 2010	10,000,000	0.195	10,000,000	0.195
Granted – 1 February 2011	–	–	2,039,000	0.500
Granted – 17 March 2011	1,000,000	0.425	1,000,000	0.425
Granted – 2 May 2011	250,000	0.425	250,000	0.425
Granted – 17 October 2011	250,000	0.415	750,000	0.415
Granted – 22 February 2012	2,109,000	0.500		
Granted – 28 March 2012	3,500,000	0.750		
Granted – 14 May 2012	250,000	0.320		
Granted – 12 July 2012	250,000	0.250		
Granted – 27 July 2012	300,000	0.500		
Granted – 12 November 2012	2,000,000	0.250		
Granted – 12 November 2012	2,000,000	0.500		
Granted – 12 November 2012	2,000,000	0.750		
Granted – 12 November 2012	2,000,000	1.000		
<b>BALANCE AT THE END OF THE YEAR</b>	<b>41,496,650</b>	<b>0.320</b>	30,821,300	0.166

The share options originally granted prior to the Initial Public Offer on 29 August 2011 were granted with a performance period of 12 months from the date of the IPO, with the ability for the Directors to extend the performance period for a further 12 month period. The Directors have extended the performance period of these options for a further 12 month period to 29 August 2013. As a consequence of this decision these share options have been revalued in accordance with accounting standard requirements. The inputs for the measurement of the fair values of these share options is included in note 26(d) below.

### (d) Inputs for the measurement of grant date fair values

The grant date fair values of the options granted through the Staff Option Plan utilised a Monte Carlo simulation model which allows for incorporation of the performance hurdles that must be met before the share based payment vests to the holder. Expected volatility is estimated by considering historic average share price volatility. As the Company listed on 29 August 2011 there is insufficient daily share price data to undertake meaningful historic price volatility analysis of the Company's shares. Therefore share price volatility has been based on the historical volatility of a group of comparable companies, based on their principal activities, for volatility estimation purposes. The volatility rate used on all valuations has been 80%. The expected dividend yield used in the valuation process has been 0%. The early exercise provision has been measured using a sell multiple of two times the exercise price. The post-vesting withdrawal rate used in the valuation of the options is 0%. The risk free rate is derived from the yield on Australian Government Bonds of appropriate terms. All options granted under the Staff Option Plan are for a five year term.

The inputs used in the measurement of the fair values at grant date of the options granted under the Staff Option Plan are outlined below:

Option Grant Date	Fair value at grant date	Share price at grant date	Exercise price	Performance hurdle	Performance period	Expiry date	Risk free interest rate
23 Nov 2010	\$0.071	\$0.115	\$0.078	A	F	23 Nov 2015	5.27%
(extension)	\$0.027	\$0.165	\$0.078	A	G	23 Nov 2015	2.62%
20 Dec 2010	\$0.052	\$0.115	\$0.195	A	F	20 Dec 2015	5.34%
(extension)	\$0.021	\$0.165	\$0.195	A	G	20 Dec 2015	2.62%
1 Feb 2011	\$0.259	\$0.500	\$0.500	A	H	1 Feb 2016	5.23%
17 Mar 2011	\$0.292	\$0.500	\$0.425	A	F	17 Mar 2016	5.32%
(extension)	\$0.014	\$0.165	\$0.425	A	G	17 Mar 2016	2.63%
2 May 2011	\$0.285	\$0.500	\$0.425	A	F	2 May 2016	5.25%
(extension)	\$0.014	\$0.165	\$0.425	A	G	2 May 2016	2.64%
17 Oct 2011	\$0.157	\$0.330	\$0.415	C	H	17 Oct 2016	4.13%
1 Feb 2012	\$0.144	\$0.310	\$0.400	B	H	1 Feb 2017	3.27%
22 Feb 2012	\$0.160	\$0.325	\$0.500	D	I	22 Feb 2017	3.76%
28 Mar 2012	\$0.127	\$0.310	\$0.750	D	I	28 Mar 2017	3.71%
14 May 2012	\$0.130	\$0.250	\$0.320	B	H	14 May 2017	2.77%
12 Jul 2012	\$0.081	\$0.180	\$0.250	A	H	12 Jul 2017	2.33%
27 Jul 2012	\$0.055	\$0.155	\$0.500	A	I	27 Jul 2017	2.55%
22 Oct 2012	\$0.063	\$0.140	\$0.195	E	H	22 Oct 2017	2.65%
12 Nov 2012	\$0.058	\$0.140	\$0.250	C	H	22 Nov 2017	2.68%
12 Nov 2012	\$0.045	\$0.140	\$0.500	C	H	22 Nov 2017	2.68%
12 Nov 2012	\$0.038	\$0.140	\$0.750	D	I	22 Nov 2017	2.68%
12 Nov 2012	\$0.032	\$0.140	\$1.000	D	I	22 Nov 2017	2.68%

**Note**

- A. Performance hurdle: options vest if share price exceeds 125% of IPO (i.e. \$0.625) price during performance period.
- B. Performance hurdle: options vest if share price exceeds 150% of IPO (i.e. \$0.750) price during performance period.
- C. Performance hurdle: options vest 12 months after grant date.
- D. Performance hurdle: options vest 24 months after grant date.
- E. Performance hurdle: options vest if share price exceeds 150% of weighted average share price in pricing period (i.e.\$0.234).
- F. Performance period: 12 months after Initial Public Offer date.
- G. Performance period: 24 months after Initial Public Offer date.
- H. Performance period: 12 months after grant date.
- I. Performance period: 24 months after grant date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

## 27. Financial instruments

The Group holds the following financial instruments:

	31 December 2012 \$'000	31 December 2011 \$'000
FINANCIAL ASSETS		
Cash and cash equivalents	8,528	21,030
Trade and other receivables	907	2,127
	<b>9,435</b>	23,157
FINANCIAL LIABILITIES – CURRENT		
Trade and other payables	1,300	2,806

### (a) Credit risk

#### Exposure to credit risk

Management monitors the exposure to credit risk on an ongoing basis. The maximum exposure to credit risk on financial assets which have been recognised on the balance sheet are generally the carrying amount, net of any provisions. Current receivables net of provision for doubtful receivables are not overdue or in default. The Company does not require collateral in respect of financial assets.

The Group has treasury policies in place for deposit transactions to be conducted with financial institutions with a minimum credit rating. At reporting date, cash is held with reputable financial institutions which all meet the Company's minimum credit rating required by the approved treasury policy.

	Carrying amount	
	2012 \$'000	2011 \$'000
Cash and cash equivalents	8,528	21,030
Trade and other receivables	907	2,127
	<b>9,435</b>	23,157

#### Geographical information

The Group's maximum exposure to credit risk for Trade and other receivables at the reporting date by geographical region was:

Europe and Russia	871	1,347
Americas	–	312
Australasia	36	468
	<b>907</b>	2,127

#### Counterparty information

The Group's maximum exposure to credit risk for Trade and other receivables at the reporting date by type of counterparty was:

Related party	–	422
Other	907	1,705
	<b>907</b>	2,127

### Impairment losses

The ageing of the Group's Trade and other receivables at the reporting date was:

	Gross 2012 \$'000	Impaired 2012 \$'000	Gross 2011 \$'000	Impaired 2011 \$'000
Not past due	907	–	2,127	–
Past due 0-30 days	–	–	–	–
Past due 31-120 days	–	–	–	–
Past due 121 days to one year	–	–	–	–
More than one year	–	–	–	–
	907	–	2,127	–

There was no provision for impairment at 31 December 2012 (2011: \$nil); therefore there has been no movement in the provision for impairment for the year ended 31 December 2012.

## (b) Liquidity risk

### Exposure to liquidity risk

Management monitors the exposure to liquidity risk on an on-going basis. Prudent liquidity risk management implies maintaining sufficient cash reserves to meet the on-going operational requirements of the business. It is the Group's policy to maintain sufficient funds in cash and cash equivalents. Furthermore, the Group monitors its cash requirements and raises appropriate funding as and when required to meet such planned expenditure.

The following are the contractual maturities of financial liabilities.

	Carrying amount \$'000	Con- tractual cashflows \$'000	6 mths or less \$'000	6-12 mths \$'000	1-2 yrs \$'000	2-5 yrs \$'000	More than 5 yrs \$'000
<b>31 DECEMBER 2012</b>							
NON-DERIVATIVE FINANCIAL LIABILITIES							
Trade and other payables	1,300	1,300	1,300	–	–	–	–
	1,300	1,300	1,300	–	–	–	–
<b>31 DECEMBER 2011</b>							
NON-DERIVATIVE FINANCIAL LIABILITIES							
Trade and other payables	2,806	2,806	2,806	–	–	–	–
	2,806	2,806	2,806	–	–	–	–

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

## 27. Financial instruments (CONTINUED)

### (c) Market risk

#### (i) Currency risk

##### Exposure to currency risk

Management monitors the exposure to currency risk on an ongoing basis. The Group operates internationally and are exposed to foreign exchange risk arising from various currencies, primarily with respect to the US dollar and the Russian Rouble ('RUB'). In 2011 the Group was also exposed to foreign exchange risk from the Colombian Peso ('COP').

The Group's exposure to foreign currency risk was as follows:

	USD 2012 '000	RUB 2012 '000	USD 2011 '000	RUB 2011 '000	COP 2011 '000
Cash and cash equivalents	2,007	28	5,536	21	120
Receivables	-	910	-	1,347	311
Trade and other payables	(23)	(929)	-	(1,979)	(313)
Gross exposure	1,984	9	5,536	(611)	118
Forward exchange contracts	-	-	-	-	-
Net exposure	1,984	9	5,536	(611)	118

##### Exchange rates used

The following significant exchange rates were applied during the year relative to 1AUD:

	Average rate		Reporting date spot rate	
	2012	2011	2012	2011
AUD				
USD 1	0.9658	0.9687	0.9640	0.9827
RUB 1	0.0310	0.0329	0.0316	0.0305
COP 1	0.0005	0.0005	0.0005	0.0005

##### Sensitivity analysis

A strengthening of the AUD, as indicated below, against the USD, RUB and COP at 31 December 2012 would have decreased profit and loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Strengthening		Weakening	
	Equity \$'000	Profit or loss \$'000	Equity \$'000	Profit or loss \$'000
<b>31 DECEMBER 2012</b>				
USD (10% movement)	220	220	(180)	(180)
RUB (10% movement)	1	1	(1)	(1)
COP (10% movement)	-	-	-	-
<b>31 DECEMBER 2011</b>				
USD (10% movement)	615	615	(503)	(503)
RUB (10% movement)	(68)	(68)	56	56
COP (10% movement)	13	13	(11)	(11)

#### (ii) Market price risk

Management monitors the exposure to commodity price risk on an on-going basis. The Group does not have any direct commodity price risk relating to its financial assets or liabilities.

(iii) **Interest rate risk**

**Exposure to interest rate risk**

Management monitors the exposure to interest rate risk on an ongoing basis. The Group's exposure to interest rate risk relates primarily to its cash and cash deposits. At the reporting date the interest rate profile of the company's and the Group's interest bearing financial instruments was:

	Carrying amount	
	2012 \$'000	2011 \$'000
Fixed rate instrument		
Financial assets	-	-
Financial liabilities	-	-
	-	-
Variable rate instruments		
Financial assets		
Cash and cash equivalents	8,528	21,030
Financial liabilities	-	-
	8,528	21,030

**Interest rates used**

The following significant interest rates have been applied.

	Average rate %	Reporting date spot rate %
<b>2012</b>		
Australian cash deposit rate	3.64	3.00
<b>2011</b>		
Australian cash deposit rate	4.69	4.25

**Sensitivity analysis**

An increase in interest rates, as indicated below, at balance dates would have increased equity and profit and loss by the amounts shown below. This analysis is based on interest rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular exchange rates, remain constant. A reduction in the interest rates would have had the equal but opposite effect to the amounts shown below, on the basis that all other variables remain constant.

	Group	
	Equity \$'000	Profit or loss \$'000
<b>31 DECEMBER 2012</b>		
Australian cash deposit rate (100 basis points increase)	17	17
<b>31 DECEMBER 2011</b>		
Australian cash deposit rate (100 basis points increase)	25	25

(d) **Fair values**

The fair values of financial assets and liabilities are the same as their carrying amounts shown in the statement of financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

## 28. Operating Leases

### Leases as lessee

	31 December 2012 \$'000	31 December 2011 \$'000
NON-CANCELLABLE OPERATING LEASE RENTALS ARE PAYABLE IN:		
Less than one year	162	123
Between one and five years	–	55
More than five years	–	2
	162	180
LEASE EXPENSE RECOGNISED IN PROFIT OR LOSS		
Operating lease expense	–	–
	–	–

The Group leases office space under operating leases.

## 29. Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group is required to perform minimum exploration work to meet the minimum expenditure requirements. The minimum exploration work required to be performed to maintain tenure in the exploration licences granted in Russia is the performance of a minimum number of drilling metres to be performed over the life of each exploration licence. These obligations are expected to be fulfilled in the normal course of operations. Mining interests may be relinquished or joint ventured to reduce this amount. The various country governments have the authority to defer, waive or amend the minimum expenditure requirements.

There are no other commitments as at reporting date.

## 30. Contingencies

The Directors are of the opinion that there are no contingent liabilities or contingent assets as at 31 December 2012, and none were incurred in the interval between the year-end and the date of this report.

## 31. Related parties disclosure

### (a) Identity of related parties

The Group has a related party relationship with its subsidiaries (refer note 33), key management personnel ('KMP') (refer note 32) and Tigers Realm Minerals Limited ('TRM'). TRM is a related party as TRM is a substantial shareholder of the Company and as the Group transacted with TRM in the reporting period. Pursuant to a services agreement dated 27 May 2011, TIG has a services agreement with TRM for the provision of services including the secondment of staff and the provision of office accommodation.

As a result of the 6 May 2011 event that took place in relation to the control of Eastshore Coal Holdings Limited (formerly Zinodol Coal Holdings Limited), this particular entity is no longer equity accounted for but consolidated along with its 100% owned subsidiary Northern Pacific Coal Corporation (NPCC).



## (b) Other related party transactions

In AUD	Note	Transactions value period ended 31 December 2012 \$	Balance outstanding as at 31 December 2012 \$	Transactions value period ended 31 December 2011 \$	Balance outstanding as at 31 December 2011 \$
GROUP					
TRM services provided	(i)	(1,778,472)	(27,500)	(3,648,587)	(165,817)
Prepayment to TRM	(ii)	–	207,270	–	–
Payment to Director	(iii)	(6,502)	–	–	–
Trade receivable from TRM		–	–	421,749	421,749
Shares issued to TRM	(iv)	–	–	4,369,585	–

### Notes

- (i) The Group has a payable to TRM. This outstanding balance is priced on an arms-length basis and is expected to be settled in cash within 12 months of the reporting date. These balances are unsecured.
- (ii) The Group has a prepayment to TRM for services under the service agreement. This prepayment balance is priced on an arms-length basis and is expected to be utilised within 12 months of the reporting date. These balances are unsecured.
- (iii) The Company has signed a 12 month Consultancy Agreement to the value of GBP 50,000 with Thukela Resources Ltd, the nominated consultancy company of the Director, Mr Craig Wiggill. This amount represents the amount paid in full for services provided under that Consultancy Agreement.
- (iv) On 12 August 2011 the Company issued 8,739,170 ordinary shares to settle the outstanding payable to TRM of \$4,369,585 prior to the Company listing on the ASX.

## 32. Key Management Personnel Disclosures

The following were key management personnel of the Company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period.

Name	Position	Commencement Date	
<b>Non-executive Directors</b>			
Owen Hegarty	Director (Non-executive)	8 October 2010	
Brian Jamieson	Independent Director (Non-executive)	25 February 2011	
Craig Wiggill	Director (Non-executive)	20 November 2012	
<b>Executive Directors</b>			
Antony Manini	Executive Chairman	8 October 2010	
Martin Grant	Managing Director and Chief Executive Officer	7 March 2011 1 February 2011	Resigned 12 November 2012
<b>Senior Executives</b>			
Craig Parry	Chief Executive Officer	12 November 2012	
Peter Balka	Chief Operating Officer	1 January 2011	
David George	Manager Investor Relations	5 October 2012	
David Forsyth	Company Secretary	8 October 2010	
Paul Smith	Chief Financial Officer	17 October 2011	Ceased 30 November 2012

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

## 32. Key Management Personnel Disclosures (CONTINUED)

### (a) Compensation of key management personnel

The key management personnel compensation included in "Administration expenses" (see Note 10) "Deferred exploration, evaluation and development" (see Note 17) and "Share-based payments" (see Note 26) and is as follows:

	2012 \$	2011 \$
Short-term employee benefits	1,423,955	1,277,192
Post-employment benefits	109,041	104,249
Long-term employment benefits	–	–
Termination benefits	581,635	–
Share-based payments	1,273,791	1,295,931
	3,388,422	2,677,372

### (b) Key management personnel compensation disclosures

Information regarding individual Directors' and executives, compensation and some equity instrument disclosures as permitted by Corporation Regulation 2M.3.03 and 2M.6.04 are provided in the Remuneration Report; Section 11 of the Directors' Report.

### (c) Key management personnel and director transactions

A number of key management persons hold positions in TRM that result in them having control or significant influence over the financial or operating policies of TRM. The terms and conditions of those transactions with TRM were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with non-key management personnel related entities on an arms-length basis.

The aggregate value of transactions and outstanding balances relating to transactions with TRM are disclosed in Note 31(b) above.

## (d) Movements in options

The movement during the reporting period in the number of options over ordinary shares in Tigers Realm Coal Limited shares held directly, indirectly, or beneficially by the key management personnel and their related entities are set out below.

Name	Held at 1 January	Granted as remun- eration	Exercised during year	Forfeited during year	Held at 31 December	Vested at 31 December		
						Total	Exercisable	Not exercisable
<b>2012</b>								
<b>Directors</b>								
AJ Manini	7,631,000	1,500,000	-	-	9,131,000	-	-	-
OL Hegarty	4,315,500	1,000,000	-	-	5,315,500	-	-	-
B Jamieson	1,000,000	1,000,000	-	-	2,000,000	-	-	-
C Wiggill <sup>1</sup>	-	-	-	-	-	-	-	-
MA Grant <sup>2</sup>	2,039,000	2,049,877	-	4,088,877	-	-	-	-
<b>Other key management personnel</b>								
C Parry <sup>1</sup>	2,852,400	8,000,000	-	-	10,852,400	-	-	-
P Balka	1,694,650	562,000	-	-	2,256,650	-	-	-
D George <sup>1</sup>	-	-	-	-	-	-	-	-
D Forsyth	2,852,400	103,000	-	-	2,955,400	-	-	-
P Smith <sup>3</sup>	500,000	729,000	-	1,229,000	-	-	-	-
<b>2011</b>								
<b>Directors</b>								
AJ Manini	7,631,000	-	-	-	7,631,000	-	-	-
OL Hegarty	4,315,500	-	-	-	4,315,500	-	-	-
B Jamieson	-	1,000,000	-	-	1,000,000	-	-	-
MA Grant	-	2,039,000	-	-	2,039,000	-	-	-
D Forsyth	2,852,400	-	-	-	2,852,400	-	-	-
<b>Other key management personnel</b>								
P Smith	-	500,000	-	-	500,000	-	-	-
P Balka	1,694,650	-	-	-	1,694,650	-	-	-
B Stockdale	-	250,000	-	-	250,000	-	-	-

1. Appointed during the year ended 31 December 2012.

2. Resigned during the year ended 31 December 2012.

3. Employment ceased during the year ended 31 December 2012.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

## 32. Key Management Personnel Disclosures (CONTINUED)

### (e) Movements in shares

The movement in the number of Tigers Realm Coal Limited shares held directly, indirectly, or beneficially by the key management personnel and their related entities are set out below.

	Balance at 1 January	Acquisitions	Sales	Other Changes	Balance at 31 December
<b>2012</b>					
<b>Directors</b>					
AJ Manini	17,703,631	1,733,552	–	–	19,437,183
OL Hegarty	13,434,336	2,777,778	–	–	16,212,114
B Jamieson	400,000	371,528	–	–	771,528
C Wiggill <sup>1</sup>	–	–	–	–	–
MA Grant <sup>2</sup>	200,000	280,000	–	(480,000)	–
<b>Other key management personnel</b>					
C Parry <sup>1</sup>	3,553,055	520,006	–	–	4,073,061
P Balka	404,197	93,750	–	–	497,947
D George <sup>1</sup>	–	–	–	–	–
B Stockdale	–	–	–	–	–
D Forsyth	9,042,061	72,500	–	–	9,114,561
P Smith <sup>3</sup>	–	–	–	–	–
<b>Other executives</b>					
L Skoptsov	–	–	–	–	–
<b>2011</b>					
<b>Directors</b>					
AJ Manini	17,657,183	46,448	–	–	17,703,631
OL Hegarty	9,934,336	3,500,000	–	–	13,434,336
B Jamieson	–	400,000	–	–	400,000
MA Grant	–	200,000	–	–	200,000
D Forsyth	8,942,061	100,000	–	–	9,042,061
<b>Other key management personnel</b>					
P Smith	–	–	–	–	–
P Balka	324,197	80,000	–	–	404,197
B Stockdale	–	–	–	–	–
<b>Other executives</b>					
N Amaya	–	50,000	–	–	50,000
L Skoptsov	–	–	–	–	–

1. Appointed during the year ended 31 December 2012.

2. Resigned during the year ended 31 December 2012.

3. Employment ceased during the year ended 31 December 2012.

## 33. Group entities

### Significant subsidiaries

	Note	Country of Incorporation	Ownership Interest	
			2012	2011
PARENT ENTITY				
Tigers Realm Coal Limited		Australia		
SUBSIDIARIES				
TR Coal International Limited		Australia	<b>100%</b>	100%
Tigers Realm Coal (Cyprus) Pty Ltd		Cyprus	<b>100%</b>	100%
Tigers Realm Coal Finance (Cyprus) Pty Ltd		Cyprus	<b>100%</b>	–
Eastshore Coal Holding Pty Limited		Cyprus	<b>40%</b>	40%
Northern Pacific Coal Company		Russia	<b>40%</b>	40%
Rosmiro Investments Limited	19	Cyprus	<b>80%</b>	–
Beringpromugol LLC	19	Russia	<b>80%</b>	–
Beringtranscoal LLC		Russia	<b>46%</b>	–
TR Coal Holdings Spain SL		Spain <sup>2</sup>	–	100%
Tigers Realm Coal Spain, SL		Spain	<b>100%</b>	100%
Tigers Coal Singapore No. 1 PTE Limited		Singapore <sup>1</sup>	<b>100%</b>	100%
PT Tigers Realm Coal Indonesia		Indonesia <sup>1</sup>	<b>100%</b>	100%

1. Currently in liquidation.

2. Liquidated in the period.

Eastshore Coal Holding Pty Limited and its 100% owned subsidiary Northern Pacific Coal Corporation (NPCC), have been consolidated from 6 May 2011. A series of agreements were executed on this date, which resulted in TRC Cyprus being entitled to appoint the majority of the members of the board of Eastshore (i.e. three out of five), which in turn provided it with the power to govern the financial and operating policies of Eastshore so as to obtain the benefits from Eastshore's activities. As a result the Group has consolidated Eastshore and its subsidiary NPCC, from 6 May 2011.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

## 34. Parent entity disclosures

As at, and throughout the financial year ended 31 December 2012 the parent entity of the Group was Tigers Realm Coal Limited. Information relating to the parent entity follows.

	31 December 2012 \$'000	31 December 2011 \$'000
RESULTS OF PARENT ENTITY		
(Loss) for the period	(494)	(1,286)
Total comprehensive income	(494)	(1,286)
FINANCIAL POSITION OF PARENT ENTITY		
Current assets	6,373	–
Total assets	74,412	65,355
Current liabilities	–	–
Total liabilities	–	–
NET ASSETS	74,412	65,355
TOTAL EQUITY OF THE PARENT ENTITY COMPRISING		
Share capital	73,565	64,406
Reserves	2,627	1,768
Retained earnings/(loss)	(1,780)	(820)
TOTAL EQUITY	74,412	65,355

### Contingent liabilities of the parent entity

The parent entity has contingent liabilities arising from its guarantees to each creditor of Tigers Realm Coal International Limited under the Deed of Cross Guarantee as discussed in note 35.

### Capital commitments of the parent entity

There is no capital expenditure contracted for by the parent entity but not recognised as liabilities.

## 35. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and directors' reports.

It is a condition of a Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The entities subject to the Deed of Cross Guarantee are:

- Tigers Realm Coal Limited; and
- TR Coal International Limited.

The Deed of Cross Guarantee was established on 22 November 2012.

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee for the year ended 31 December 2012 is set out below.

**Statement of comprehensive income and retained earnings**

	<b>31 December 2012 \$'000</b>
CONTINUING OPERATIONS	
Other income	–
Exploration and evaluation expenses	–
Share based payments	<b>(859)</b>
Administrative expenses	<b>(6,994)</b>
Loss on revaluation of Royalty Option Liability	–
<b>RESULTS FROM OPERATING ACTIVITIES</b>	<b>(7,853)</b>
Net foreign exchange gain/(loss)	<b>(27)</b>
Finance income	<b>1,459</b>
<b>NET FINANCE INCOME/(EXPENSE)</b>	<b>1,432</b>
<b>GAIN/(LOSS) BEFORE INCOME TAX</b>	<b>(6,421)</b>
Income tax (expense)/benefit	–
<b>GAIN/(LOSS) FROM CONTINUING OPERATIONS</b>	<b>(6,421)</b>
DISCONTINUED OPERATION	
Loss from discontinued operation (net of tax)	<b>(13,039)</b>
<b>GAIN/(LOSS) AFTER INCOME TAX</b>	<b>(19,460)</b>
OTHER COMPREHENSIVE INCOME	
Foreign currency translation differences for foreign operations	–
Income tax on other comprehensive income	–
<b>TOTAL COMPREHENSIVE GAIN/(LOSS) FOR THE PERIOD</b>	<b>(19,460)</b>
Retained earnings at beginning of year	<b>(5,319)</b>
Transfers to and from reserves	–
<b>RETAINED EARNINGS AT END OF YEAR</b>	<b>(24,779)</b>
GAIN/(LOSS) IS ATTRIBUTABLE TO:	
Owners of the Company	<b>(24,779)</b>
<b>GAIN/(LOSS) FOR THE PERIOD</b>	<b>(24,779)</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

## 35. Deed of cross guarantee (CONTINUED)

	31 December 2012 \$'000
CURRENT ASSETS	
Cash and cash equivalents	6,923
Trade and other receivables	36
Prepayments	360
<b>TOTAL CURRENT ASSETS</b>	<b>7,319</b>
NON-CURRENT ASSETS	
Related party receivables	40,489
Deferred exploration, evaluation and development	2,776
Property, Plant and Equipment	244
Intangible assets	41
<b>TOTAL NON-CURRENT ASSETS</b>	<b>43,550</b>
<b>TOTAL ASSETS</b>	<b>50,869</b>
CURRENT LIABILITIES	
Trade and other payables	346
Employee provisions	361
<b>TOTAL CURRENT LIABILITIES</b>	<b>707</b>
NON-CURRENT LIABILITIES	
Deferred tax liabilities	–
Royalty agreement liability	–
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>707</b>
<b>NET ASSETS</b>	<b>50,162</b>
EQUITY	
Share capital	73,565
Reserves	1,376
Retained earnings	(24,779)
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>	<b>50,162</b>

## 36. Acquisition of business

There were no business combinations completed during the year ended 31 December 2012.

### Prior Period

On 6 May 2011, Tigers Realm Coal (Cyprus) Pty Ltd ("TRC Cyprus"), Eastshore Coal Holding Ltd ("Eastshore"), Bering Coal Investments Ltd ("Bering") and Siberian Tigers International Corporation ("Siberian") executed a series of agreements in relation to the management of Eastshore, CJSC Northern Pacific Coal Company ("NPCC") and the Russian subsoil licenses being the Dalniy Subsoil License (Russian subsoil license numbered AND 13868 TP) and the Zapadny Subsoil License (Russian subsoil license numbered AND 13867 TP). As a result of these agreements TRC Cyprus is entitled to appoint the majority of the members of the board of Eastshore (i.e. three out of five), providing it with the power to govern the financial and operating policies of Eastshore so as to obtain the benefits from Eastshore's activities. As a result the Group has consolidated Eastshore and its subsidiary NPCC from 6 May 2011. Two of the agreements may give rise to future royalty obligations for Eastshore as follows:

- Bering Royalty Agreement: Prior to 6 May 2011, TRC Cyprus held a 40% interest in Eastshore and had a right to subscribe for shares equivalent to an additional 40% interest in two tranches subject to achievement of certain milestones, the final milestone being completion of a bankable feasibility study in respect of the area of the Russian Subsoil Licenses or any other subsoil license issued to Eastshore or its controlled subsidiaries ("the Eastshore Group"). If Bering fails to fund its proportion of expenditure after completion of the bankable feasibility study, its remaining 20% shareholding will be diluted in exchange for a maximum royalty of 2% of gross sales revenue from the sale of coal produced from the area of a license held by a member of the Eastshore Group.
- Siberian Royalty Agreement: Under this agreement, Siberian is entitled to a royalty of 3% of gross sales revenue from the sale of coal produced from the area of the Zapadny Subsoil License. The royalty payable under the Siberian Royalty Agreement is in substance a "finder's fee" payable to Siberian in compensation for originating the project. Accordingly, it will be accounted for as an acquisition related cost under AASB 3 *Business Combinations* and recognised as an expense in the period incurred. Further, as the royalty is contingent on the sale of coal produced from the area of the Zapadny Subsoil License, it will not be given accounting recognition until such sales occur or it is subject to early settlement by mutual agreement between the parties.

The Group has accounted for the acquisition of control of Eastshore as a business combination effective 6 May 2011. In accounting for the business combination, the Group has recognised and measured the fair value of the consideration, the fair value of the assets acquired and liabilities and contingent liabilities assumed, and the resulting non-controlling interest, at that date.

Under AASB 3 *Business Combinations*, the fair value of the consideration is measured as:

- (a) the fair value of the Group's existing 40% equity interest in Eastshore at 6 May 2011, which has been valued at \$29,085 thousand, as the acquisition date fair value of the acquirer's interest in the acquiree is substituted for the consideration when no consideration is paid; and,
- (b) the fair value of loans made by TIG to Eastshore as at 6 May 2011 valued at \$14,322 thousand; and,
- (c) the fair value of the option inherent in the Bering Royalty Agreement whereby Bering may choose to fund its proportion of expenditure after completion of the bankable feasibility study or to have its interest diluted in return for a royalty stream, ("Bering Option") valued at \$9,533 thousand at 6 May 2011. The Bering Option was subsequently re-valued to \$16,872,332 as at 31 December 2011. The movement consisted of \$6,757 thousand being reflected in the statement of comprehensive income and \$583 thousand in the foreign currency translation reserve which represented the revaluation of the 6 May 2011 value.

The Group's existing 40% equity interest in Eastshore had a carrying value of nil and accordingly its re-measurement to fair value as part of the consolidation of the Eastshore group, which as at 6 May 2011 comprised Eastshore and its controlled entity, NPCC, resulted in the recognition of a profit in the consolidated financial statements. Additionally the fair value of the assets, liabilities and contingent liabilities of Eastshore and its controlled entity, NPCC the related deferred tax impacts and the non-controlling interest of 60% held by Bering measured as its proportionate interest in the fair value of the identifiable assets, liabilities and contingent liabilities of Eastshore and its controlled entity NPCC, were recognised in the consolidated financial statements. Any excess of the fair value of the consideration over the fair value of the assets acquired and liabilities and contingent liabilities assumed (including related deferred tax impacts), after taking into account the non-controlling interest therein, was recognised as goodwill. The loan balances receivable from NPCC at 6 May 2011, were eliminated in the consolidated financial statements as post consolidation of Eastshore and its controlled entity, NPCC, these balances were intra-group balances within the Group.

The net effect of the above transactions is an increase in net assets of \$69,906 thousand, an increase in retained earnings of \$29,085 thousand (excluding the fair value adjustment of \$6,757 thousand that took place on 31 December 2011) and recognition of a non-controlling interest of \$36,224 thousand (\$31,422 thousand as at 31 December 2011). The majority of the increase in net assets is attributable to mineral rights (an intangible asset) which will be amortised (as an expense) in the consolidated statement of comprehensive income over the life of the relevant areas of interest from the commencement of commercial production.

The mineral rights intangible asset will be subject to impairment testing in accordance with the Group's accounting policy for exploration, evaluation and development assets. Any movements in the fair value of the option inherent in the Bering Royalty Agreement between 6 May 2011 and its expiry will be recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

## 36. Acquisition of business (CONTINUED)

The fair values of identifiable assets and liabilities of Eastshore and its subsidiaries as at the date of acquisition were:

	Carrying Value acquisition date \$'000	Fair Value at acquisition date \$'000
<b>ASSETS</b>		
Cash and cash equivalents	286	286
Other current assets	399	399
Trade and other receivables	1,903	1,903
Property, plant and equipment	19	19
Exploration, evaluation and development	8,936	–
Mineral rights (including exploration, evaluation and development)	–	85,641
<b>TOTAL ASSETS</b>	<b>11,543</b>	<b>88,248</b>
<b>LIABILITIES</b>		
Trade and other payables	(572)	(572)
Deferred tax liabilities	(642)	(17,770)
<b>TOTAL LIABILITIES</b>	<b>(1,214)</b>	<b>(18,342)</b>
<b>TOTAL IDENTIFIABLE NET ASSETS AT FAIR VALUE</b>		<b>69,906</b>
Gain on fair value of business acquired		29,085
Interest-bearing liabilities		14,322
Royalty agreement liability		
Royalty agreement liability recognised by Eastshore Group		9,533
Non-controlling interest in Bering Option liability		(5,720)
Sub-total: Royalty agreement liability		3,813
<b>CONSIDERATION</b>		<b>47,220</b>
Cash paid		–
<b>TOTAL CONSIDERATION</b>		<b>47,220</b>
Non-controlling interest in assets acquired		41,944
Fair value of identifiable net assets		(69,906)
Total consideration		47,220
Goodwill		19,258
Non-controlling interest in consideration (Royalty agreement liability)		(5,720)
Non-controlling interest in net assets acquired		41,944
Net non-controlling interest		36,224
The cash flow on acquisition is as follows:		
Net cash acquired with the subsidiary		286
Cash paid		–
<b>NET CONSOLIDATED CASH INFLOW</b>		<b>286</b>

From the date of acquisition, Eastshore and its subsidiaries contributed nil to the Group revenue and a \$278 thousand gain to the overall Group gain of \$12,841 thousand. If the acquisition of Eastshore and its subsidiaries had been completed at the beginning of the annual reporting period, the consolidated statement of comprehensive income would have included nil revenue and a loss of \$5 thousand.

The fair values are based on a discounted cash flow estimate for the Amaam Project at the date of acquisition which included various assumptions about the life of the mine including commodity prices, exchange rates, grade of resources, capital expenditure, operating costs, production recovery rates, depreciation rates, and tax rates.

The fair value of the Bering Option liability was determined via Black and Scholes option valuation methodology and was also impacted by the level of risk assumed in the agreement. The Bering Option has the characteristics of a put option over the balancing 20% of the shares in NPCC.

The fair value of the Bering Option liability will be re-valued at each reporting date and the adjustment recognised in the profit or loss.

The deferred tax liability balance arises as a result of the requirement to recognise the difference between the fair value of the assets and liabilities acquired and their tax bases.

The goodwill will be tested annually for impairment and if evident, the impairment will be recognised in the profit or loss.

There were nil transaction costs in relation to this acquisition.

## 37. Subsequent events

Subsequent to 31 December 2012 the following events have occurred which are items, transactions or events considered to be of a material or unusual nature, which in the opinion of the Directors of the Company, are likely to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years:

- On 22 February 2013 the Company concluded a placement of 106,000,000 fully paid ordinary shares to raise gross proceeds of approximately \$21,200 thousand at a price of \$0.20 per share. The placement price represents a 7.3% discount to the volume weighted average price over the five days trading up to and including 19 February 2013. The placement is organised in two tranches, with the initial tranche of \$12,500 thousand being fully completed, with 62,733,452 shares issued on 1 March 2013. The second tranche of \$8,700 thousand for 43,266,548 is subject to shareholder approval, which will be sought at the Annual General Meeting on 23 April 2013. As part of the placement the Directors subscribed for 1,500,000 shares. These shares are also subject to shareholder approval which will be sought at the Annual General Meeting. These proceeds will be used to fund drilling and technical studies at Amaam, for drilling and technical studies at Amaam North, and for corporate costs and working capital for the period to March 2014.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2012

## 38. Auditors' Remuneration

	<b>31 December 2012 \$'000</b>	31 December 2011 \$'000
AUDIT SERVICES:		
Audit and review of financial reports (KPMG Australia)	<b>240</b>	315
Audit and review of financial reports (Overseas KPMG firms)	<b>55</b>	66
	<b>295</b>	381
OTHER AUDITORS – NON-KPMG FIRMS		
Audit and review of financial reports	<b>25</b>	–
	<b>320</b>	381
SERVICES OTHER THAN STATUTORY AUDIT		
<i>Other assurance services</i>		
Investigating accountants report services	–	829
<i>Other services</i>		
Taxation compliance services (KPMG Australia)	<b>20</b>	29
Taxation compliance services (Overseas KPMG firms)	<b>6</b>	33
	<b>26</b>	891
<b>TOTAL SERVICES PROVIDED</b>	<b>346</b>	1,272

# DIRECTORS' DECLARATION

For the year ended 31 December 2012

1. In the opinion of the Directors of Tigers Realm Coal Limited ('the Company'):
  - (a) the consolidated financial statements and the Remuneration report, identified within the Directors' report, are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
  - (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.
2. There are reasonable grounds to believe that the Company and the group entities identified in note 35 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.
3. The Directors have been given the declarations required by Section 259A of the *Corporations Act 2001* from the chief executive officer and the chief financial officer for the financial year ended 31 December 2012.
4. The Directors draw attention to note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Dated at Melbourne this 8th day of March 2013.



**Antony Manini**  
Chairman

# LEAD AUDITOR'S INDEPENDENCE DECLARATION

Under Section 307C of the Corporations Act 2001



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

To: the directors of Tigers Realm Coal Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2012 there have been:

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

KPMG

KPMG

Michael Bray  
*Partner*

Melbourne

8 March 2013

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## Independent auditor's report to the members of Tigers Realm Coal Limited

### Report on the financial report

We have audited the accompanying financial report of Tigers Realm Coal Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2012, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 38 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation 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 2a, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

#### *Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

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## *Independence*

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

## *Auditor's opinion*

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2a

## *Emphasis of matter: Material uncertainty regarding continuation as a going concern*

Without modification to the audit opinion expressed above, attention is drawn to the following matter. As stated in note 2(c) in the financial report, there is material uncertainty as to whether the group will be able to continue as a going concern and, therefore, whether it will be able to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

## **Report on the remuneration report**

We have audited the Remuneration Report included in paragraph 10 of the directors' report for the year ended 31 December 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 auditing standards.

## *Auditor's opinion*

In our opinion, the remuneration report of Tigers Realm Coal Limited for the year ended 31 December 2012, complies with Section 300A of the *Corporations Act 2001*.

Michael Bray  
Partner

Melbourne  
8 March 2013

## 1. Top 20 Shareholders as at 6 March 2013

		Number of Shares	% of Total
1	Tigers Realm Minerals Pty Ltd	119,832,920	24.92%
2	Professor Bruce Nathaniel Gray	54,025,609	11.23%
3	JP Morgan Nominees Australia Limited <Cash Income A/C>	18,942,510	3.94%
4	Lodestone Equities Limited	16,666,667	3.47%
5	Shimmering Bronze Pty Limited	15,712,114	3.26%
6	Namarong Investments Pty Ltd <The Hansen Investment A/C>	14,570,241	3.03%
7	Nefco Nominees Pty Ltd	12,700,000	2.64%
8	Antman Holdings Pty Limited	11,867,943	2.47%
9	Foremost Management Services Pty Limited <Super Fund A/C>	8,924,694	1.86%
10	Pine Ridge Holdings Pty Ltd <Pine Ridge Superannuation Fund A/C>	8,333,334	1.73%
11	HSBC Custody Nominees (Australia) Limited	7,706,106	1.60%
12	AJM Investco Pty Limited <Manini Family Super Fund A/C>	7,569,240	1.57%
13	HSBC Custody Nominees (Australia) Limited – A/C 2	7,441,680	1.55%
14	Professor Bruce Nathaniel Gray	6,000,000	1.25%
15	GP Securities Pty Ltd	5,789,240	1.20%
16	UBS Wealth Management Australia Nominees Pty Ltd	5,494,884	1.14%
17	Swerdna Nominees Pty Ltd <The Andrews Family A/C>	5,360,000	1.11%
18	Asipac Group Pty Limited	4,506,278	0.94%
19	Virtual Menu Pty Ltd <Garry Mckenzie Family A/C>	4,275,000	0.89%
20	Sennen Trove Pty Ltd <Beta Super Fund A/C>	4,167,499	0.87%
<b>TOTAL FOR TOP 20:</b>		<b>339,885,959</b>	<b>70.67%</b>

## 2. Voting rights of ordinary shares

On a show of hands one vote for each shareholder, and

On a poll, one vote for each fully paid ordinary share

## SHAREHOLDER INFORMATION (CONTINUED)

For the year ended 31 December 2012

### 3. Distribution of Shareholders and Shareholdings as at 6 March 2013

Holding & Distribution	No. of Holders	Securities	%
1 to 1000	16	3,740	0.00
1001 to 5000	66	212,007	0.04
5001 to 10000	74	627,284	0.13
10001 to 1000000	400	17,949,502	3.74
1000001 and Over	237	462,163,936	96.09
<b>TOTAL</b>	<b>793</b>	<b>480,956,469</b>	<b>100.00</b>

### 4. Tigers Realm Coal Substantial Shareholders as at 6 March 2013

	No. of Shares	% of Total
Tigers Realm Minerals Pty Ltd	119,832,920	24.92%
Bruce N Gray	68,358,943	14.21%

### 5. Shareholdings of less than a marketable parcel as at 6 March 2013

34 holders holding a total of 33,421 shares

### 6. Restricted Securities as at 6 March 2013

141,994,989 Ordinary Shares in Escrow until 29 August 2013

15,798,900 Unlisted options in Escrow until 29 August 2013

### 7. Unquoted Securities as at 6 March 2013

45,678,650 Unlisted options on issue

### 8. Compliance with Listing rule 1.3.2 (b)

The Company confirms that it used its cash, and assets in a form readily convertible to cash, from the time of admission on 29 August 2011 to 31 December 2012 in a way consistent with its business objectives.

## DIRECTORS

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Antony Manini (Chairman)  
Owen Hegarty  
Brian Jamieson  
Craig Wiggill

## COMPANY SECRETARY

---

David Forsyth

## PRINCIPAL & REGISTERED OFFICE

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Level 7, 333 Collins St  
Melbourne, Victoria, 3000

Tel: 03 8644 1300

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Email: [investorrelations@tigersrealmcoal.com](mailto:investorrelations@tigersrealmcoal.com)

## AUDITORS

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147 Collins Street  
Melbourne, Victoria 3000

## BANKERS

---

ANZ Banking Group Limited  
100 Queen St,  
Melbourne, Victoria 3000

## LEGAL ADVISORS

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Clayton Utz  
Level 18, 333 Collins St  
Melbourne, Victoria 3000

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