



ANNUAL REPORT 2013



BREAKER
Resources NL

ABN: 87 145 011 178



CORPORATE **DIRECTORY**

BOARD OF DIRECTORS

Mr Thomas Sanders

Executive Chairman

Mr Mark Edwards

Non-Executive Director

Mr Michael Kitney

Non-Executive Director

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SECURITIES EXCHANGE LISTING

Shares and Listed Options in Breaker Resources NL are quoted on ASX Limited (codes: BRB and BRBO respectively). The Home Exchange is Perth, Western Australia.

ABN 87 145 011 178

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CHAIRMAN'S LETTER

Dear Shareholder,

Over the last year Breaker Resources NL (**Breaker** or **Company**) has been actively targeting large new gold discoveries in Western Australia's Eastern Goldfields Superterrane (**EGST**), one of the world's richest gold provinces.

The year has been a successful one and the Company is positioned for near-term discovery as a direct result. Surprisingly, the eastern half of the EGST is largely unexplored but this is changing in the wake of new discoveries, new research and new technology that is able to cost-effectively see through transported cover. Breaker is at the forefront of these developments by positioning itself early and pegging key structural targets and retaining a strategic tenement holding on the largest geological faults in the region.

After completing aeromagnetic surveys to enable detailed structural evaluation in mid-2012, Breaker undertook modern multi-element auger soil surveys over all of its Projects to screen for large gold deposit signatures. These soil surveys were effective in seeing through the sand cover and led to the identification of seven new large +10-20km gold-in-soil anomalies on seven of the eight projects that formed the basis of the Company's IPO. Encouragingly, the larger gold-in-soil anomalies are coherent and associated with identifiable structures and gold pathfinder metals.

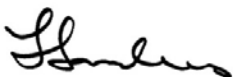
The size and magnitude of the gold-in-soil anomaly at the Dexter Project has not previously been documented in an area of similar transported cover in Western Australia; it follows that the bedrock gold source may also be large. To have this many large undrilled gold-in-soil anomalies in a major gold province is uncommon and has resulted in an enviable portfolio of high-priority gold targets for Breaker to explore in its own right, or joint venture where beneficial, as it builds an innovative gold business.

To evaluate the main gold-in-soil anomaly at the Dexter Project, Breaker undertook 23,073m of aircore drilling and identified two discrete areas of secondary gold enrichment in the weathered zone (peak grades of 3m at 7.5g/t gold). Initial reverse circulation (**RC**) drilling (8,426m) to test below the secondary mineralisation indicates that gold in the weathered zone has moved geochemically downslope from the bedrock source(s). Scout RC drilling at the Three Bears Prospect has confirmed that pyrite, gold and alteration all increase to the south along the Dexter Shear Zone, suggesting the bedrock source responsible for shedding the large amounts of secondary gold is to the south. The Company has planned drilling to follow the gold southwards and discovery may be one drill program away.

Our main focus in the upcoming year is on discovery at the Dexter Project. We will also evaluate high priority gold-in-soil targets at the Attila West and Mt Gill Projects where the transported cover is thin. From a risk management perspective, Breaker uses modern exploration tools that can identify gold alteration systems quickly and cheaply using wide drill hole spacing. In recent years, these tools have revolutionised exploration under transported cover and Breaker is well poised to benefit.

In closing, the Breaker team has laid the foundations for an innovative gold business and on behalf of the Board I would like to thank Breaker's staff and management for their professionalism and dedication in making this happen. I encourage you to share in our excitement as we unlock the gold potential of the forgotten eastern half of Australia's premier gold province.

Yours sincerely



Tom Sanders
Chairman

REVIEW OF ACTIVITIES

Project Overview

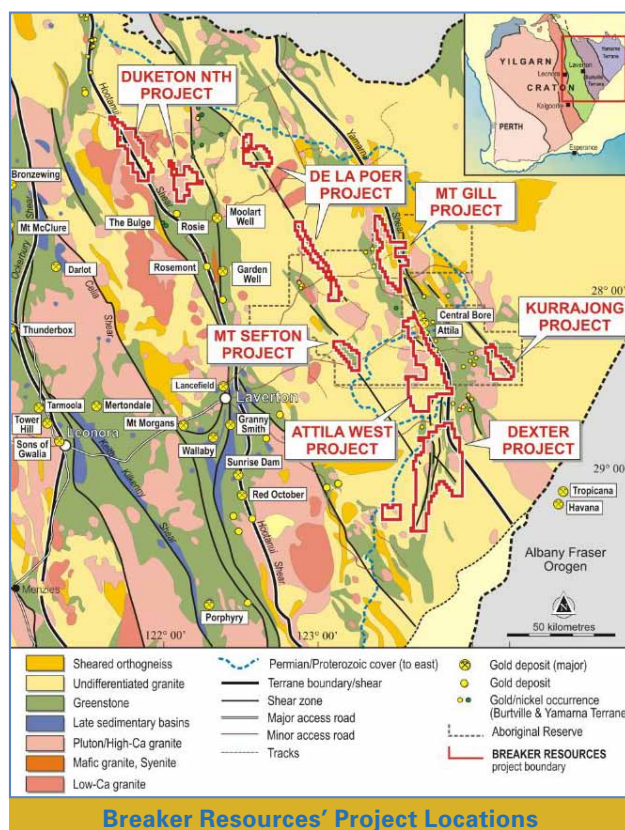
Breaker Resources NL is an Australian explorer focused on the discovery of new gold deposits in the largely unexplored eastern half of Western Australia's Eastern Goldfields Superterrane, which accounts for 75% of Australia's gold endowment. Breaker is one of the largest tenement holders in the EGST and currently has a 100% interest in seven exploration projects with a total area of ~4,055km². In the course of the year, Breaker applied for six new tenements to cover newly-identified gold-in-soil anomalies.

The Company's projects target key structural positions on major crustal faults known to be instrumental in the formation of world class gold deposits in the well-explored western part of the EGST. Breaker's primary focus is on the Dexter, Attila West and Mt Gill Projects on the Yamarna Shear Zone. The Company's main exploration tool is the drill rig guided by modern, multi-element geochemistry and infrared reflectance technology that enables cost-effective identification of large gold alteration systems on a wide drill hole spacing.

During 2012/13 Breaker completed multi-element auger soil sampling over all of its Projects to screen for large gold deposit signatures. These programs successfully identified seven new +10-20km gold-in-soil anomalies on seven projects, validating the Company's structural targeting approach and confirming the ability of Breaker's geochemical techniques to see through sand cover.

The gold-in-soil anomaly at the Dexter Project is particularly robust and large (up to 0.3g/t gold, 17g/t silver). Aircore drilling completed to scope the anomaly identified two discrete zones of sub-surface, secondary (redox) gold mineralisation at the Three Bears and Tallows Prospects with a peak grade of 3m at 7.5g/t gold.

RC drilling (8,426m) to test the prospects established that gold in the weathered zone has moved downslope from the bedrock source(s). Follow-up RC drilling at the Three Bears Prospect, aimed at locating the bedrock source upslope of the initial area tested, encountered enhanced pyrite, gold and alteration on the Dexter Shear Zone which increases in intensity to the south. Breaker now plans follow-up drilling to trace the gold south to where the main bedrock source is believed to be located. Other works completed at the Company's projects during 2012/13 include an aeromagnetic/radiometric survey, a trial ground electromagnetic survey and considerable data interpretation and analysis. Heritage surveys were completed at the Attila West, Mt Gill and Kurrajong Projects.



Dexter Gold Project

The 1,360km² Dexter Gold Project is located 140km south-southeast of Laverton in the southern part of the Burtville and Yamarna Terranes, 80km northwest of the Tropicana gold deposit. The Project straddles the intersection of the Yamarna and Dexter Shear Zones and includes 27km of the Yamarna Shear Zone and 60km of the Dexter Shear Zone. Thin aeolian sand and transported weathered Permian sediment overly the prospective Archean basement rocks and prior to Breaker's activities, the Project was essentially unexplored.

The Dexter Gold Project is Breaker's main focus due to the size and magnitude of the gold-in-soil anomaly which to the Company's knowledge has not been documented in similar areas of transported cover in Western Australia. Activities at Dexter during the reporting period included reconnaissance and infill multi-element auger soil sampling, aircore drilling and RC drilling, together with interpretation of aeromagnetic data.

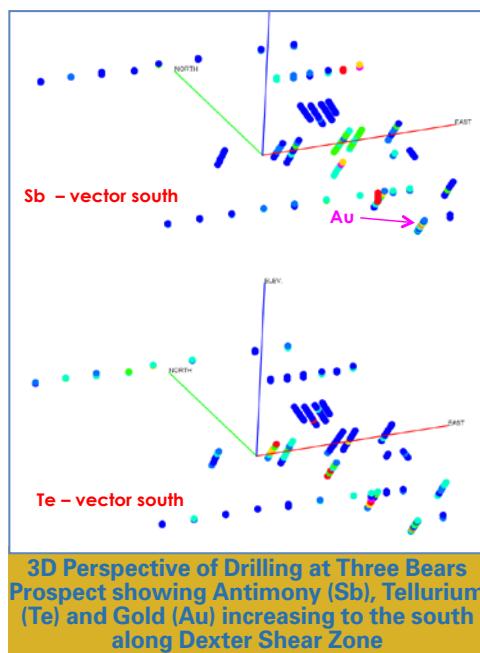
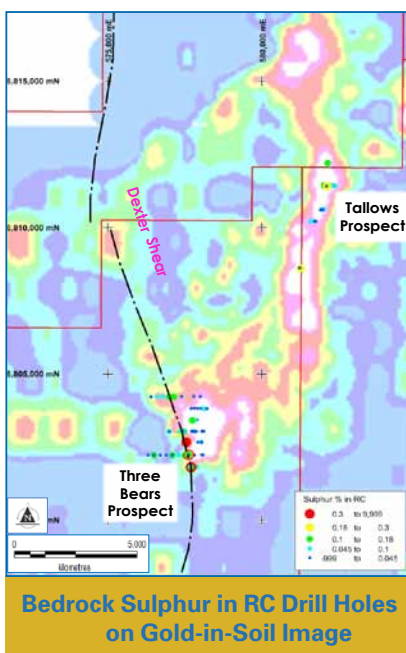
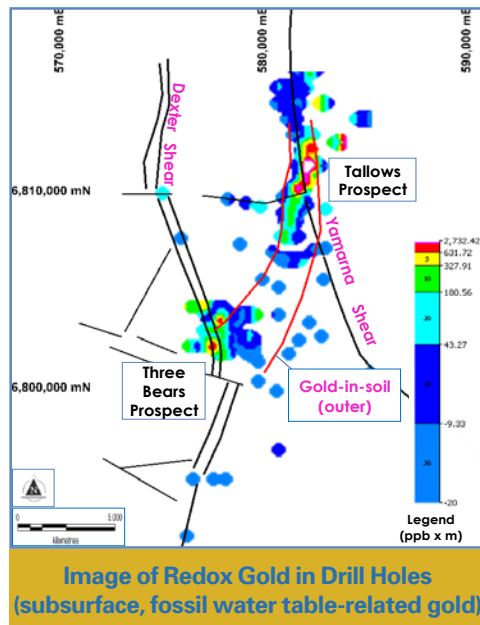
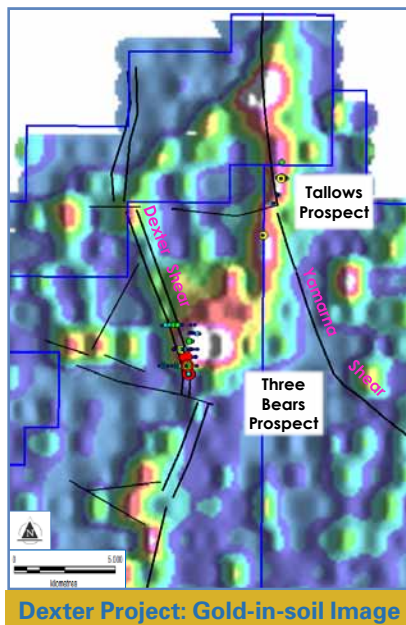
Subsequent to year end, two new exploration licence applications were submitted to secure prospective ground along the western boundary of the Project, and to cover a discrete magnetic feature identified 15km to the west (ELA 39/1744 and ELA 39/1745).

Auger Soil Sampling

The reconnaissance (1,600m x 400m) auger soil sampling identified a previously unknown gold trend with peak soil values up to 50ppb gold in several coherent anomalies over a 25km-long strike length with associated pathfinder gold elements including mercury, copper, zinc and silver. The strike length of the anomaly was subsequently increased to 32km following extension of the auger sampling to the north into the newly granted E38/2695, whilst remaining open to the south.

An infill (400m x 100m) auger soil program, targeting the northern half of the 32km-long soil anomaly, defined two priority prospects, each with different and distinct auriferous element signatures consistent with an Archean bedrock source. The Three Bears Prospect, situated adjacent to the Dexter Shear Zone, comprises three anomalies up to 6km long in total with peak values of 298ppb gold and 17,415ppb silver. The Tallows Prospect, situated adjacent to the Yamarna Shear Zone, comprises a 14km-long anomaly with peak values of 130ppb gold.

In June/July 2013, reconnaissance auger soil sampling (1,600m x 400m) was extended to the south on the Dexter Shear Zone for a distance of 35km, and to as yet unsampled parts of E38/2695 to the north.



REVIEW OF **ACTIVITIES** CONTINUED

Aircore Drilling

A 23,073m aircore drill program, comprising 8,626m at the Three Bears Prospect and 14,447m at the Tallows Prospect, was completed in March 2013 with the objective of scoping the prospects' anomalies in preparation for RC drilling. The drilling was conducted on a line spacing of 400m to 1,200m and a vertical drill hole spacing of 80m, closing to 40m in selected areas. Permian cover varied from 25m to 75m in thickness with approximately 65% of the drill holes reaching definitive bedrock. Penetration of fresh Archean bedrock was limited (generally <1m) and bottom-of-hole samples assaying up to 0.9g/t gold typically included some weathered material.

The aircore program identified two discrete zones of secondary (redox) gold enrichment in the weathered zone at the Three Bears and Tallows Prospects with a peak grade of 3m at 7.5g/t gold developed at a depth of 30m to 70m. These areas of redox gold enrichment occur in discrete areas within a larger coherent "channel" of gold-in-soil enrichment adjacent to the Dexter and Yamarna Shear Zones, suggesting restricted (Archean) bedrock sources consistent with recent research models. Bottom-of-hole bedrock geochemistry indicates anomalous levels of gold pathfinder elements including arsenic, tungsten, selenium and tellurium. Hematite- and sericite-altered syenite rocks were encountered at both prospects confirming a deep mantle link, considered a prerequisite in the formation of many large gold deposits.



Aircore Drilling at Dexter

Reverse Circulation Drilling

An 8,426m RC drill program was completed in early July 2013 to test the bedrock below sub-surface redox gold enrichment identified in the weathered zone in the aircore program. The drill program consisted of 39 completed drill holes at the Three Bears Prospect (5,513m) and a further 13 drill holes (2,659m) at the Tallows Prospect. The RC drilling was partly funded by a grant from the WA Government's Exploration Incentive Scheme.

At the Three Bears Prospect, initial drilling below areas of sub-surface redox gold intersected sericite- and hematite-altered syenite and granodiorite rocks. However, anomalous gold was restricted to the zone of weathering, indicating that the redox gold enrichment has moved geochemically downhill from the inferred bedrock source.

To assist in locating the bedrock source of the gold, 25 vertical "stratigraphic" drill holes (2,307m) were also completed upslope to the west of the initial area drilled in order to obtain a broader footprint of the redox gold enrichment, and to clarify the extent and nature of bedrock alteration. This drilling identified a 400m-wide zone of sheared and altered amphibolite on the Dexter Shear Zone with pyrite increasing noticeably to the south. A further seven angled RC drill holes (1,486m) were then drilled tracing the 400m-wide zone of sulphide-altered amphibolite along the Dexter Shear Zone to the south.

The final RC drill hole at Three Bears situated on the southern-most RC/aircore drill traverse intersected narrow 1m zones of anomalous gold assaying up to 0.3g/t in fresh pyrite-rich bedrock, suggesting that the inferred bedrock gold source is further south. This is consistent with elevated redox gold enrichments along the Dexter Shear, and converging tungsten and sulphur trends from bottom-of-hole aircore geochemistry. Gold and silver soil anomalies also converge in the area.

At the Tallows Prospect, 13 broadly spaced RC drill holes (2,659m) were completed over a 4km strike length to test the bedrock below areas of redox gold enrichment, developed at a depth of 30m to 60m over a 7km distance. These holes intersected hematite-altered granodiorite and syenite with localised areas of pyrite and sericite alteration. Anomalous gold was found to be restricted to the weathered zone suggesting that the redox gold enrichment is displaced from the inferred bedrock source, which is interpreted to be close to the area drilled, potentially in the Yamarna Shear Zone.

Due to the large dimensions of the target areas involved, a decision was made to focus most of the RC drilling on the Three Bears Prospect where a tighter drill density enabled more detailed analysis.

Further RC drilling is planned at the Three Bears Prospect to trace the bedrock gold to the south, and at the Tallows Prospect to test the Yamarna Shear Zone.



RC Drilling at Dexter

Attila West Gold Project

The Attila West Project is located 130km east-northeast of Laverton and approximately 2km west of the 1Moz Attila Trend gold resource. The Project comprises three tenements with an overall area of 792km².

Attila West has a favourable setting for gold mineralisation based on the interaction between a large domal granite intrusion in the central part of the Project, the Yamarna Shear Zone and the Mt Venn and Isolated Hills greenstone belts in the footwall of the Yamarna Shear Zone. Several large east-west structures, known to have a spatial association with gold in the area, are also apparent. The Attila West Project is dominated by thin wind-blown sand cover over residual Archean basement in the northern half of the Project, and thin Permian cover in the southern half (generally <10m). Historical exploration is limited and the vast majority of the Project is unexplored.

Breaker flew a detailed aeromagnetic/radiometric survey in mid-2012 and, to scan for large gold deposits, subsequently completed a multi-element reconnaissance auger soil program, comprising 1,375 samples on a 1,600m x 400m pattern. The soil program successfully identified a series of large, coherent gold-in-soil anomalies which cluster around the margin of the large granite in the central Project area. The anomalies are associated with elevated gold pathfinder elements, including molybdenum, arsenic, bismuth and silver, which enhance their prospectivity.

REVIEW OF **ACTIVITIES** CONTINUED

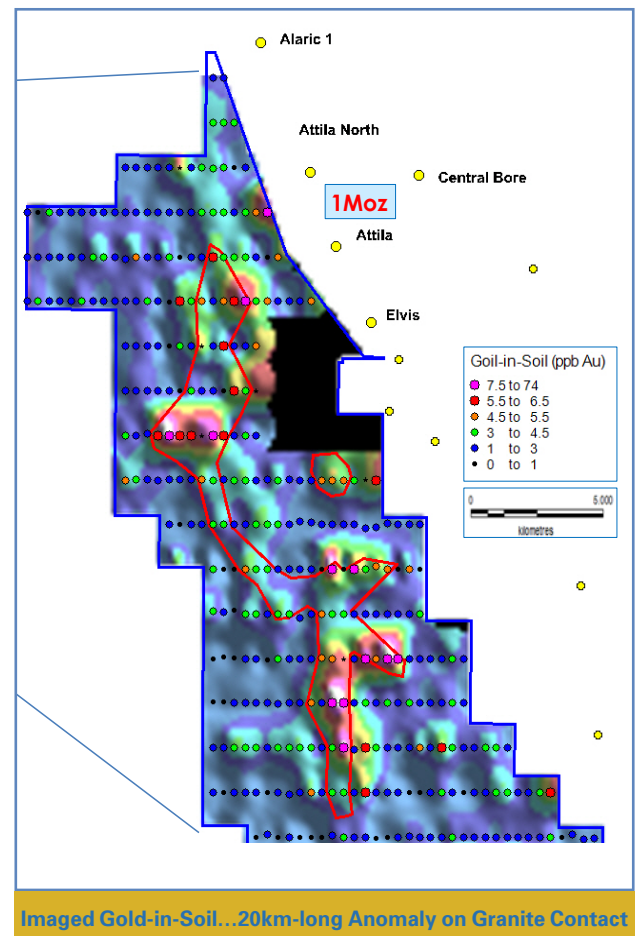
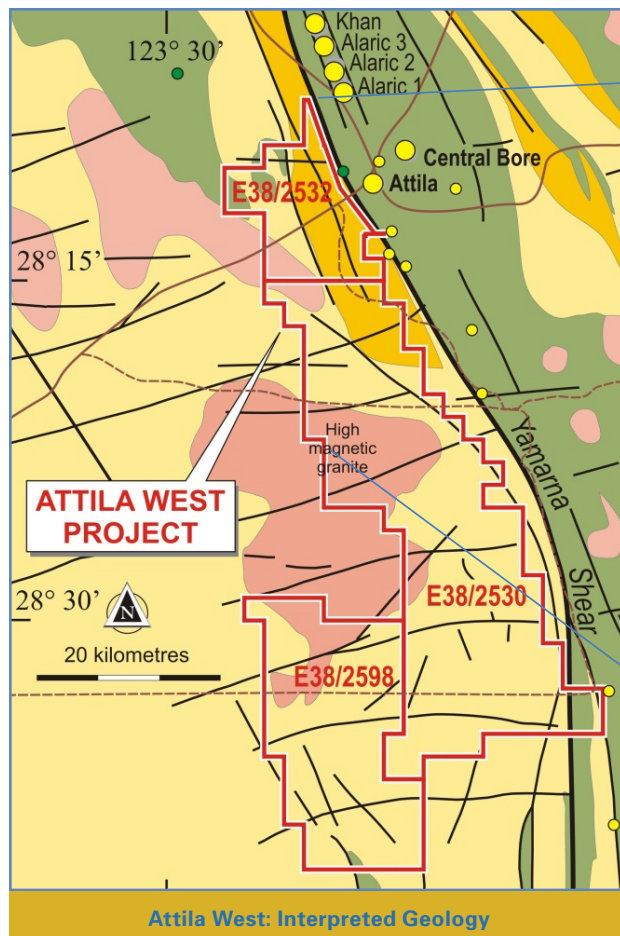
The largest (northern) soil anomaly extends over a distance of 20km and is up to 2.5km in width with peak values of 12ppb gold and 2,068ppb silver (2g/t). This anomaly is partially coincident with the northern margin of the magnetic granite and the Mt Venn greenstone belt, and trends to the north along the greenstone belt in the vicinity of several east-west faults.

The southern soil anomalies are smaller in size but locally higher in magnitude (maximum dimension of 12km x 2km; up to 73ppb gold). These anomalies are typically associated with magnetic discontinuities, including east-west trending faults and low magnetic zones marginal to the magnetic granite, interpreted as partially consumed remnants of the Isolated Hills greenstone belt.

The Attila West soil anomalies identified are potentially significant as they are large and cohesive, despite the sand dune country, and are associated with elevated gold pathfinder metals in good structural setups. The soil anomalies are comparable in magnitude to those encountered in similar settings at other early stage exploration projects in the region that led to subsequent gold discovery.

Subsequent to year end, areas of low prospectivity were surrendered based on the results of the auger soil program. Ground follow-up is in progress in preparation for heritage clearance and drilling. Selective infill (400m x 100m) auger soil sampling will be completed as required to assist drill targeting.

In June 2013 Breaker was awarded a grant of \$150,000 for co-funding of drilling at the Attila West Project under the WA Government's Exploration Incentive Scheme. Breaker will be required to match the funding grant on a dollar-for-dollar basis on direct drilling costs.

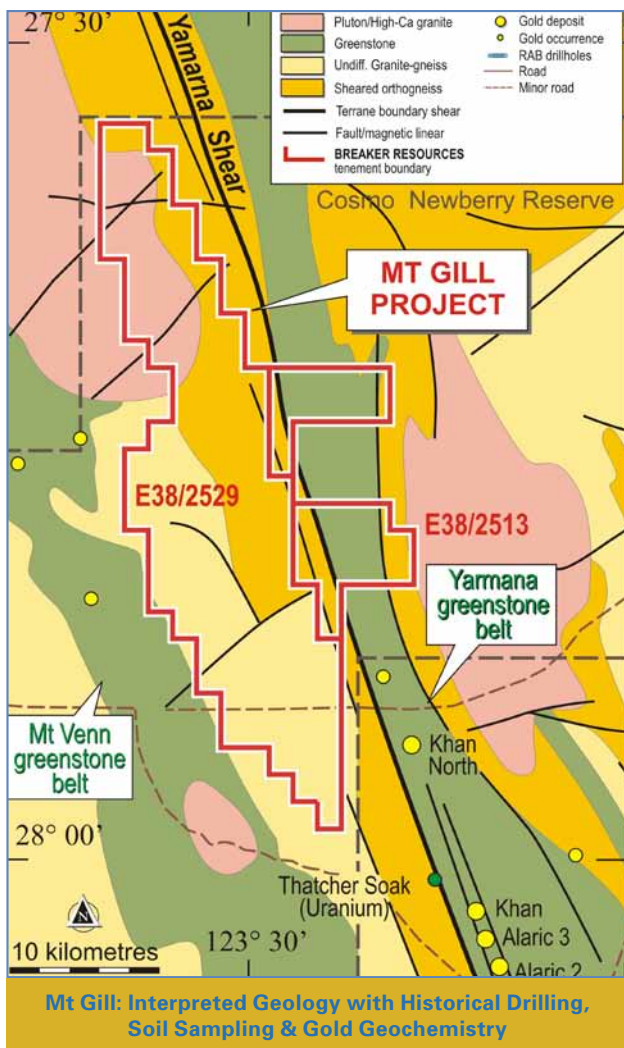


Mt Gill Gold Project

The Mt Gill Project, located 135km northeast of Laverton, comprises two exploration licences situated 12km along strike from the Khan North gold deposit and 30km along strike from the Attila-Alaric-Central Bore gold deposits. The Project includes 35km of the Yamarna Shear Zone and 17km of the Yamarna greenstone belt. The regolith is dominated by extensive thin aeolian sand overlying Archean bedrock; mixed outcrop, colluvium and sand cover are present to the east of the Yamarna Shear.

During 2012/13 Breaker completed a multi-element reconnaissance auger soil program, comprising 770 samples on a 1,600m x 400m pattern, to scan for large gold deposits. The soil program successfully identified multiple gold-in-soil anomalies in four distinct areas associated with variably anomalous arsenic, copper, silver and antimony. The results are potentially significant and display reasonable continuity on known structures on a wide sample spacing in a regolith dominated by wind-blown sand. The results highlight the unexplored gold potential in the footwall area of the Yamarna Shear as well as in more obvious areas to the east of the Yamarna Shear.

The southern area gold-in-soil anomalies are associated with an arcuate magnetic low in sand dune country in the footwall of the Yamarna Shear. At +3ppb gold, the soil anomaly extends over 25km with smaller areas of +6 ppb gold, and a peak value of 25ppb gold. The arcuate magnetic low separates a mafic complex to the west, from granite gneiss to the east. The inferred mafic complex was identified from strongly anomalous chrome and nickel values obtained in the soil survey.



The northern area soil anomalies are also in sand dune country in the footwall of the Yamarna Shear. Although lower in magnitude (peak value of 8ppb gold), the soil anomalies have a spatial association with a domal granite intrusion.

The eastern area soil anomalies are located on the Yamarna Shear and Yamarna greenstone belt along strike from the Khan North and Attila gold deposits. The Yamarna Shear anomalies have an overall strike length of 14km with a peak value of 57ppb gold. The Yamarna greenstone belt anomalies have an overall strike length of 7km with a peak value of 63ppb gold. Residual soils to the east of the Yamarna Shear are more widespread and as a result, the background gold values are higher.

Aircore and RC drilling of higher priority gold-in-soil anomalies is planned to evaluate the soil results. Selective infill (400m x 100m) auger soil sampling will be completed as required to assist drill targeting.

Based on the results of the auger soil program, and subsequent to year end, parts of the Project considered unprospective (or inaccessible due to native title sensitivities) were surrendered, reducing the overall area of the Project from 518km² to 445km².

REVIEW OF ACTIVITIES CONTINUED

Duketon North Gold Project

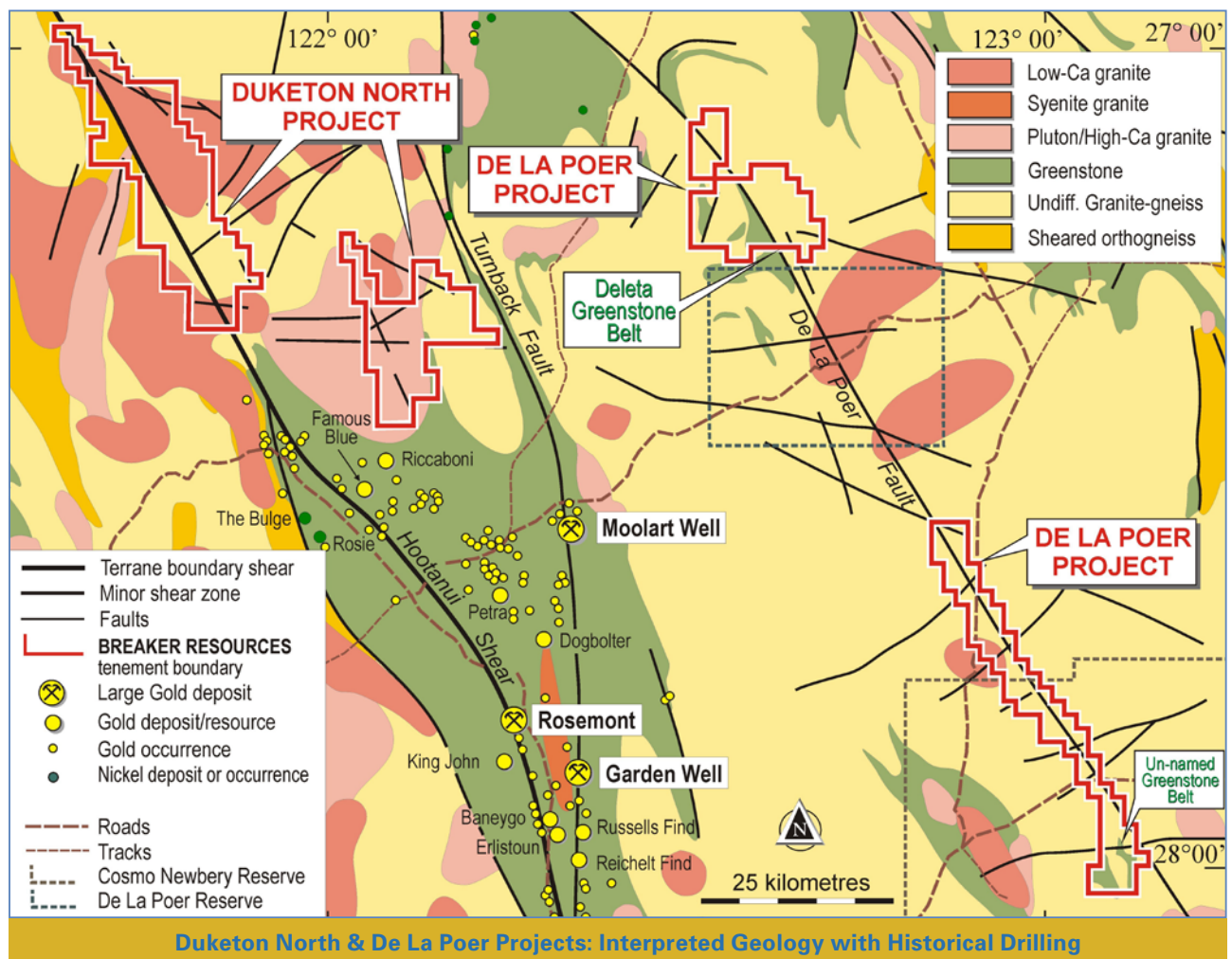
The Duketon North Project, located 160km north-northwest of Laverton, is situated 50km north of the 10Moz Moolart Well/Garden Well/Rosemont gold camp. The Project comprises three granted tenements and three tenement applications with an overall area of 627km². The Project targets gold associated with a 42km strike length of the Hootanui Shear, a major fault zone that separates the Kurnalpi and Burtville Terranes.

Outcrop is limited and the regolith is dominated by thin (<2m) wind-blown sand cover overlying Archean basement. Geochemistry has not previously been undertaken and historical drilling is limited to a single line of drill holes on a 3km spacing undertaken by BHP Minerals Pty Ltd in the mid-1990s.

The Company completed a detailed +6,000 line km aeromagnetic/radiometric survey in July 2012 to provide baseline data for structural interpretation. To scan for large gold deposit signatures, Breaker then undertook a reconnaissance multi-element auger soil sampling program, comprising 932 samples on a 1,600m x 400m pattern over the entire Project.

The reconnaissance soil program successfully identified 17 gold-in-soil anomalies many of which have a spatial association with a number of prominent structural positions. The gold-in-soil anomalies have a peak value of 10ppb gold which is comparable to soil anomalies associated with the Moolart Well (3 to 7ppb gold) and Garden Well (3 to 25ppb gold) deposits. The anomalies have a spatial association with a number of prominent structural features, including the Hootanui Shear Zone, and are locally associated with gold pathfinder elements including tungsten, antimony, arsenic and tellurium.

A program of infill auger soil sampling commenced in late-May 2013, targeting higher priority soil anomalies identified by the reconnaissance soil sampling. The program comprised 2,130 samples on a 400m x 100m pattern and was completed in late-July 2013. Aircore and RC drilling is scheduled to be undertaken during 2013/14 subject to assay results.



De La Poer Gold Project

The 455km² De La Poer Project is located in the Burtville Terrane, 130km northeast of Laverton and 50km east of the 10Moz Moolart Well/Garden Well/Rosemont gold camp. The Project targets gold adjacent to the De La Poer Fault and includes the Deleta greenstone belt, initially identified in 1999. The De La Poer Project is largely unexplored and is dominated by thin sand cover over Archean basement.

Reconnaissance auger soil sampling completed in February 2013 identified seven gold-in-soil anomalies of potential interest. The anomalies are up to 10km in length with gold values up to 8ppb which is comparable to early stage soil results in the area which have led to discovery. The anomalies are potentially significant based on tenor, coherence and location with respect to structural features and the presence of locally elevated gold pathfinder elements, including arsenic, molybdenum and bismuth.

Planned activities for 2013/14 include scout aircore drilling of selected gold-in-soil anomalies to assess bedrock alteration followed by selective infill auger soil sampling as required to facilitate drill targeting.

In May 2013, one new exploration licence application was made to cover potential extensions of a gold-in-soil anomaly outlined by the reconnaissance soil sampling and in July 2013, selected parts of the Project deemed unprospective, or inaccessible due to environmental concerns, were surrendered.

Kurrajong Gold Project

The Kurrajong Project is located in the Yamarna Terrane, 175km east-northeast of Laverton and consists of one granted tenement with an overall area of 217km². The Project targets the intersection of a domal granite intrusion and a major fault in the southern part of the Dorothy Hills greenstone belt. The geomorphology is dominated by wind-blown sand dunes in an area of Permian cover. Historical gold-in-soil values of up to 45ppb gold were identified in sand by WMC Ltd in 1997 but no drilling was undertaken.

Breaker completed a reconnaissance (1,600m x 400m) multi-element auger soil sampling program in the north-western part of the Project in December 2012. The soil program successfully identified a coherent 12km gold-in-soil anomaly associated with elevated mercury, silver, molybdenum and copper (peak value of 24ppb gold, 1,574 ppb silver). The soil anomaly is coincident with the apex of a domal granite intrusion and extends to the northwest adjacent to a major fault.

Planned activities for 2013/14 include an initial wide-spaced aircore or RC drilling program to test for alteration of Archean bedrock below areas of anomalism followed by selective infill auger soil sampling as required to facilitate detailed RC drill targeting.

Subsequent to year end, the eastern part of the Kurrajong Project was surrendered based on an assessment of the thickness of transported cover by an independent geophysicist. The Kurrajong North Prospect was surrendered in April 2013 as native title heritage sensitivities precluded field access.

Mt Sefton Gold Project

The 211km² Mt Sefton Project is located 80km east-northeast of Laverton and 50km along strike from historic gold mineralisation at Cosmo Newberry. The Mt Sefton Project targets gold mineralisation in a small, previously undrilled greenstone belt situated within a large zone of deformation termed the Sefton Lineament.

In May 2013, a reconnaissance multi-element auger program was conducted on a 1,600m x 400m pattern to scan for large gold deposit signatures. Several gold-in-soil anomalies were identified, the largest of which extends for 20km at +4ppb gold and 3,075ppb silver. Pathfinder elements including arsenic and molybdenum are locally anomalous. Analysis of the results is continuing however likely activities in 2013/14 include a heritage survey and aircore drilling.

REVIEW OF **ACTIVITIES** CONTINUED



Mt Sefton Landscape

Breaker Field Activities

Kingston Gold Project

The Kingston Project is located in the Yamarna Terrane, 200km north-northeast of Laverton and targets gold and nickel mineralisation in a previously undrilled 35km-long Archean greenstone belt near the northern margin of the Yilgarn Craton. Historical exploration indicated Paleoproterozoic and Permian cover rocks up to 200m in thickness.

A trial ground electromagnetic survey undertaken in July 2012 determined that ground or airborne time-domain electromagnetic methods would not be viable due to the thickness of cover rocks. Results from a selective program of multi-element auger soil sampling in May 2013 did not identify any significant geochemical signatures. Given the auger results, and the considerable depth of cover, no future work could be justified and the Kingston Project was surrendered in July 2013.

Competent Person Statement

The information contained in this report that relates to exploration results and geological information is based on information compiled by Mr Tom Sanders, an officer of Breaker Resources NL whose services have been engaged by Breaker on an 80% of full time basis. Mr Sanders is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activities which he is undertaking to qualify as a Competent Person as defined in the December 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code). Mr Sanders consents to the inclusion in this report of the information based on his work in the form and context in which it appears.



TENEMENT SCHEDULE

The following is a summary of tenements held by Breaker Resources NL as at 30 June 2013.

Project	Tenement Number	Status	Percentage Held/Earning %
Attila West	E38/2530	Granted	100
	E38/2532	Granted	100
	E38/2598	Granted	100
	E38/2604	Application ⁽ⁱ⁾	100
De La Poer	E38/2516	Granted	100
	E38/2517	Granted	100
	E38/2518	Granted	100
	E38/2519	Granted	100
	E38/2520	Granted	100
	E38/2853	Application	100
Dexter	E38/2695	Granted	100
	E39/1611	Granted	100
	E39/1614	Granted	100
	E39/1744	Application	100
	E39/1745	Application	100
Duketon North	E38/2511	Granted	100
	E38/2512	Granted	100
	E38/2852	Application	100
	E38/2854	Application	100
	E38/2855	Application	100
	E53/1592	Granted	100
Kingston	E38/2521	Granted ⁽ⁱⁱ⁾	100
Kurrajong	E38/2531	Granted	100
	E38/2537	Application ⁽ⁱⁱⁱ⁾	100
Mt Gill	E38/2513	Granted	100
	E38/2529	Granted	100
Mt Sefton	E38/2514	Granted	100

(i) Application withdrawn 19 July 2013

(ii) Tenement surrendered 19 July 2013

(iii) Application withdrawn 23 July 2013

CORPORATE GOVERNANCE STATEMENT

Breaker Resources NL has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. The goals of the corporate governance process are to:

- maintain and increase shareholder value;
- ensure a prudential and ethical basis for the Company's conduct and activities; and
- ensure compliance with the Company's legal and regulatory objectives.

Further information about the Company's corporate governance practices including the relevant information on the Company's charters, Code of Conduct and other policies and procedures is set out on the Company's website at www.breakerresources.com.au.

The Board of Directors

Role of the Board

The Board's primary role is to represent shareholders and to promote and protect the interests of the Company. To fulfil this role, the Board is responsible for:

- developing initiatives for profit and asset growth, setting strategic operational and financial objectives and monitoring progress against these objectives;
- acting on behalf of, and being accountable to, the shareholders;
- identifying business risks and implementing actions to manage those risks and corporate systems to assure quality;
- reviewing the corporate, commercial and financial performance of the Company on a regular basis; and
- ensuring that there are effective corporate governance policies and practices in place.

The Company is committed to the circulation of relevant materials to directors in a timely manner to facilitate directors' participation in the Board discussions on a fully informed basis.

Composition of the Board

Election of directors is substantially the province of shareholders in general meeting however subject thereto, the Company is committed to the following principles:

- the Board is to comprise persons with a blend of skills, experience and attributes appropriate to the Company and its business; and
- the principal criterion for the appointment of new directors is their ability to add value to the Company and its business.

It is a priority of the Board to achieve an appropriate balance between independent and non-independent representation. The Board will endeavour to ensure that there is a majority of independent directors at any time. In determining whether or not directors are independent, the Board applies the criteria as set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current composition is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Constitution of the Company allows for a Board of between three (3) and 10 directors. A director (other than the managing director) may not retain office for more than three (3) years without submitting for re-election. At each annual general meeting a minimum of one (1) director must retire by rotation and be re-elected by shareholders if they are to continue as a director of the Company. Directors appointed during a year must seek re-election at the next annual general meeting.

The Board meets on an "as required" basis, but generally four (4) times a year in person with additional meetings being held by telephone conference.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Appointments to Other Boards

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

Independent Professional Advice

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

Corporate Governance

Continuous Review of Corporate Governance

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

ASX Corporate Governance Principles

Commensurate with the spirit of the Recommendations, the Company has followed each Recommendation where the Board has considered the Recommendation to be an appropriate benchmark for its corporate governance practices.

The table below lists each of the Recommendations and whether the Company was in compliance with the Recommendations as at 30 June 2013. Where the Company considers that it is divergent from the Recommendations, or that it is not practical to comply, there is an explanation of the Company's reasons provided.

Principle	Complied	Comment
1. Lay solid foundations for management and oversight		
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions	✓	The Company's Corporate Governance Manual (CGM) includes a Board charter which discloses the specific responsibilities of the directors (available on the Company's website). The Board delegates responsibility for the day-to-day operations and administration of the Company to the Managing Director (or equivalent – ie. Executive Chairman (EC)).
1.2 Companies should disclose the process for evaluating the performance of senior executives	✓	The Company's CGM includes a section on performance evaluation practices adopted by the Company. The remuneration committee is charged with the periodic review of the job description and performance of the EC according to agreed performance parameters. The committee also reviews the performance and remuneration of senior staff following recommendations from the EC.
1.3 Companies should provide the information indicated in the Guide to Reporting on Principle 1	✓	No formal performance evaluation of senior executives has taken place to date, due to their relatively short tenure with the Company. The Company is not aware of any departure from Recommendations 1.1, 1.2 and 1.3.

Principle	Complied	Comment
2. Structure the Board to add value		
2.1 A majority of the Board should be independent directors	✓	The Board comprises three (3) directors, of whom two (2) are independent (Mark Edwards and Mike Kitney).
2.2 The chair should be an independent director	✗	The chair is currently a non-independent director (Tom Sanders). Given the Company's background, nature and size in the current stage of development, the Board believes that the existing structure is acceptable. It is the Company's intention to comply with this Recommendation at a time when warranted by the size of the Company and its activities.
2.3 The roles of the chair and chief executive officer (or equivalent) should not be exercised by the same individual	✗	The role of chair and chief executive officer is currently exercised by the same individual. The Company will appoint an independent director to assume the role of chair when the chair is unable to act in that capacity as a result of a lack of independence.
2.4 The Board should establish a nomination committee	✓	A nomination committee is in place and comprises Tom Sanders, Mark Edwards and Mike Kitney. A copy of the committee charter is available on the Company's website, together with the Company's policy for the selection of directors.
2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors	✓	The Company's CGM includes a section on performance evaluation practices adopted by the Company. The chair reviews the performance of the Board, its committees and individual directors to ensure that the Company continues to have a mix of skills and experience necessary for the conduct of its activities.
2.6 Companies should provide the information indicated in the Guide to Reporting on Principle 2	✓	<p>The skills, experience and expertise of each director, and their respective periods of office, are set out in the Directors' Report contained within this Annual Report, as are details of directors' attendance at Board and committee meetings.</p> <p>A statement as to the Company's materiality threshold is disclosed in the Board charter (available on the Company's website). No formal performance evaluation of the Board, its committees and individual directors has taken place to date.</p> <p>The Company is not aware of any departure from Recommendations 2.1, 2.4, 2.5 and 2.6. Explanations relating to Recommendations 2.2 and 2.3 are provided.</p>

CORPORATE GOVERNANCE STATEMENT CONTINUED

Principle	Complied	Comment
3. Promote ethical and responsible decision making		
3.1 Companies should establish a code of conduct and disclose the code	✓	A code of conduct is incorporated within the Company's CGM and is available on the website. The code provides a framework for decisions and actions promoting ethical conduct in employment.
3.2 Companies should establish a policy concerning diversity and disclose the policy	✓	The Company's CGM includes a diversity policy (available on the Company's website) which has the objective of providing a fair and equitable workplace, free from discrimination related to age, gender, ethnic, cultural or other personal factors, in which diversity enhances the Company's performance and shareholder value.
3.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them	✗	Given the Company's size and stage of development as an exploration company, the Board does not think it is yet appropriate to include measurable objectives in relation to gender. As the Company grows and requires more employees, the Company will review this policy and amend as appropriate.
3.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board	✓	As at 30 June 2013, 17% of employees and 33% of senior executives were female. There are no female directors on the Company's Board.
3.5 Companies should provide the information indicated in the Guide to Reporting on Principle 3	✓	The Company is not aware of any departure from Recommendations 3.1, 3.2, 3.4 and 3.5. An explanation relating to Recommendation 3.3 is provided.

Principle	Complied	Comment
4. Safeguard integrity in financial reporting		
<p>4.1 The Board should establish an audit committee</p> <p>4.2 The audit committee should be structured so that it:</p> <ul style="list-style-type: none"> • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chair, who is not chair of the Board; • has at least three (3) members <p>4.3 The audit committee should have a formal charter</p> <p>4.4 Companies should provide the information indicated in the Guide to Reporting on Principle 4</p>	<p>✓</p> <p>✘</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>	<p>An audit committee is in place and comprises Mark Edwards, Mike Kitney and Tom Sanders.</p> <p>There are only three (3) directors in total on the Company's Board, two (2) of whom are non-executive directors. The cost of sourcing alternative directors to strictly comply with this Recommendation is considered to outweigh the potential benefits.</p> <p>The Board believes the current composition of the audit committee is both appropriate and acceptable at this stage of the Company's development.</p> <p>The audit committee comprises three (3) members, a majority of whom are independent directors and it is chaired by an independent director who is not the chair of the Board.</p> <p>A copy of the audit committee charter is available on the Company's website, together with the policy for the selection of external auditor.</p> <p>The names and qualifications of each audit committee member and details of their attendance at committee meetings are included in the Directors' Report of this Annual Report.</p> <p>The Company is not aware of any departure from Recommendations 4.1, 4.3 and 4.4. An explanation relating to Recommendation 4.2 is provided.</p>
5. Make timely and balanced disclosure		
<p>5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies</p> <p>5.2 Companies should provide the information indicated in the Guide to Reporting on Principle 5</p>	<p>✓</p> <p>✓</p>	<p>A continuous disclosure policy is incorporated within the Company's CGM and is available on the website.</p> <p>The Company is not aware of any departure from Recommendations 5.1 and 5.2.</p>

CORPORATE GOVERNANCE STATEMENT CONTINUED

Principle	Complied	Comment
6. Respect the rights of shareholders		
6.1 Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy	✓	A shareholder communication policy is incorporated within the Company's CGM and is available on the website. The Board encourages the attendance of shareholders at shareholders' meetings and sets the time and place of each shareholders' meeting to allow maximum attendance by shareholders.
6.2 Companies should provide the information indicated in the Guide to Reporting on Principle 6	✓	The Company is not aware of any departure from Recommendations 6.1 and 6.2.
7. Recognise and manage risk		
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	✓	The Company has established a risk committee which is responsible for overseeing and approving risk management strategy and policies, internal compliance and non-financial internal control. A copy of the risk committee charter is available on the Company's website, together with the Company's risk management policy.
7.2 The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	✓	The Company's risk management policy provides a framework for the risk management and internal control system. Senior executives are responsible for the establishment and maintenance of a risk register which is reviewed regularly by the risk committee and of reporting to the committee as to the effectiveness of the Company's management of its material business risks.
7.3 The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	✓	The Company's chief executive officer (or equivalent) and chief financial officer (or equivalent) have provided the Board with assurances in compliance with this Recommendation.
7.4 Companies should provide the information indicated in the Guide to Reporting on Principle 7	✓	The Company is not aware of any departure from Recommendations 7.1, 7.2, 7.3 and 7.4.

Principle	Complied	Comment
8. Remunerate fairly and responsibly		
8.1 The Board should establish a remuneration committee	✓	A remuneration committee is in place and comprises Mike Kitney, Mark Edwards and Tom Sanders. A copy of the remuneration committee charter is available on the Company's website, together with the Company's remuneration policy.
8.2 The remuneration committee should be structured so that it: <ul style="list-style-type: none"> • consists of a majority of independent directors • is chaired by an independent director • has at least three (3) members 	✓ ✓ ✓	The remuneration committee comprises three (3) members, a majority of whom are independent directors and is chaired by an independent director who is not the chair of the Board.
8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	✓	The structure of non-executive director remuneration is clearly distinguishable from that of executive directors and other senior executives. The level of remuneration packages and policies applicable to directors are detailed in the Remuneration Report which forms part of the Directors' Report in this Annual Report.
8.4 Companies should provide the information indicated in the Guide to Reporting on Principle 8	✓	<p>The names of each remuneration committee member and details of their attendance at committee meetings are included in the Directors' Report of this Annual Report.</p> <p>Non-executive directors are entitled to statutory superannuation. There are no other schemes for retirement benefits for non-executive directors.</p> <p>Directors are prohibited from entering into transactions which limit the risk of participating in unvested entitlements under any equity based remuneration scheme.</p> <p>The Company is not aware of any departure from Recommendations 8.1, 8.2, 8.3 and 8.4.</p>

DIRECTORS' REPORT

The directors of Breaker Resources NL (**Breaker**) herewith submit the financial report for the year ended 30 June 2013. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Information about Officeholders

Directors

The names of the directors of the Company during or since the end of the financial year and up to the date of this report are provided below. All of the directors held their positions for the entire financial year period unless otherwise stated.

Mr Thomas Sanders BSc (Geology); MSc (Mineral Economics); MAusIMM; FAICD

Executive Chairman (appointed 2 July 2010)

Tom Sanders is a geologist with 35 years' experience in the Australian mining industry including project generation, exploration, mining and corporate management with a strong emphasis on gold and nickel in Western Australia. Mr Sanders has published works on nickel and gold in WA, in addition to regional mineralisation studies on the East Kimberley region in WA under contract to the Geological Survey of Western Australia.

Following experience in nickel mining and exploration with Metals Exploration Limited, in 1983 Mr Sanders established a geological consultancy firm in WA's Eastern Goldfields. During his time in the Kalgoorlie region (until 2001) he worked with many ASX-listed companies and obtained mining experience on several underground and open pit gold and nickel operations. He has managed a large number of exploration projects, several of which he progressed into production.

In 1996, Mr Sanders founded Navigator Resources Limited and guided that company from initial project acquisition to ASX listing. He then oversaw the building of a two million ounce gold resource inventory through discovery and acquisition and established the Cummins Range rare earth resource. Subsequently, Mr Sanders was responsible for identifying and acquiring Breaker's projects.

During the past three (3) years Mr Sanders served as a non-executive director of Navigator Resources Limited (resigned 10 November 2009).

Mr Mark Edwards BJuris; LLB

Non-Executive Director (appointed 2 July 2010)

Mark Edwards is a solicitor with over 25 years of experience in resources and corporate law. He has advised a number of ASX-listed companies active in the resources sector and on a range of resources projects in Australia and overseas, including significant nickel, gold and iron ore projects. His professional work has involved him in many facets of the resources industry ranging from ASX listings, exploration and mining joint ventures to project development agreements and project financing.

During the past three (3) years, Mr Edwards has not served as a director on any other listed company.

Mr Michael Kitney Assoc. Met; Post Grad Dip (Extractive Metallurgy); MSc (Mineral Economics); MAusIMM

Non-Executive Director (appointed 2 July 2010)

Mike Kitney is an experienced process engineer with over 40 years' experience in the mining industry. He has participated in the development and construction of projects throughout Australia, Africa, SE Asia and the former Soviet Union.

Mr Kitney's particular strengths are in production and mineral processing management, all aspects of environmental management, project evaluation and assessment and management of interdisciplinary project teams. He brings to the Company vast project development expertise and practical experience in commissioning new projects.

Mr Kitney has previously held senior technical and project management positions with Alcoa Australia, Minproc Engineers Limited, Property Company of London plc, British Phosphate Commissioners, Nelson Gold Corporation Limited and Avocet Mining plc. He is currently the Chief Operating Officer of ASX-listed Kasbah Resources Limited.

During the past three (3) years, Mr Kitney has not served as a director on any other listed company.

Company Secretary

The names of the company secretary of the Company during or since the end of the financial year and up to the date of this report, and the term of their appointment, are provided below.

Mr Graeme Smith BEc; MBA; MComLaw; FCPA; FCSA; MAusIMM
Company Secretary (appointed 2 July 2010; resigned 1 December 2012)

Graeme Smith is a finance professional with over 20 years' experience in accounting and company administration. He graduated from Macquarie University with a Bachelor of Economics degree and has since received a Master of Business Administration and a Master of Commercial Law. He is a Fellow of both the Australian Society of Certified Practising Accountants and the Chartered Institute of Secretaries and Administrators.

Mr Smith has held chief financial officer and company secretary positions with various Australian mining and service companies. During the past three (3) years, Mr Smith has served as a non-executive director of ASX-listed Buxton Resources Limited (resigned 29 November 2010) and Genesis Minerals Limited (resigned 21 March 2012).

Miss Michelle Simson EMBA (Dist.)
Company Secretary (appointed 22 October 2012)

Michelle Simson has 18 years' administration experience, including the last 10 years in the mining industry working in both exploration and mining companies in the commodities of gold and uranium. She has previously held positions with Agincourt Resources Limited, Nova Energy Limited and Navigator Resources Limited and has completed an Executive Master of Business Administration with Distinction at the University of Western Australia. She is currently undertaking a Graduate Diploma in Applied Corporate Governance.

During the past three (3) years, Miss Simson has not served as a director on any other listed company.

Board Committee Membership

As at the date of this report, the Board has an Audit Committee, Nomination Committee, Remuneration Committee and a Risk Committee. All directors currently comprise membership of each of the committees and the chairmen of the respective committees are:

- Audit Committee: Mark Edwards
- Nomination Committee: Tom Sanders
- Remuneration Committee: Mike Kitney
- Risk Committee: Tom Sanders

Directors' Meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director is as follows:

Director	Board of Directors		Committee Meetings							
	Held	Present	Audit		Nomination		Remuneration		Risk	
			Held	Present	Held	Present	Held	Present	Held	Present
Tom Sanders	4	4	2	2	1	1	2	2	1	1
Mark Edwards	4	4	2	2	1	1	2	2	1	1
Mike Kitney	4	4	2	2	1	1	2	2	1	1

DIRECTORS' REPORT CONTINUED

Directors' Interests

The following table sets out each director's relevant interest in shares and options in shares of the Company or a related body corporate as at the date of this report.

Director	Fully paid ordinary shares	Listed share options	Unlisted share options
	Number	Number	Number
Tom Sanders	11,770,004	635,000	5,000,000
Mark Edwards	1,050,000	-	500,000
Mike Kitney	1,075,000	12,500	500,000

During and since the end of the financial year no share options have been granted to directors of the Company as part of their remuneration (2012: 6,000,000).

Directors' and Officers' Insurance

During the financial year, Breaker Resources NL paid a premium of \$10,713 to insure the directors and secretary of the Company. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings.

This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Corporate Structure

Breaker Resources NL is a no liability public company limited by shares, domiciled and incorporated in Australia.

Principal Activities

During the year the Company carried out exploration activities on its tenements with the objective of identifying gold and other economic mineral deposits.

Operational Review

Activities Review

A review of the exploration activities undertaken during the year is provided earlier in this report.

Financial Review

During the year total exploration expenditure incurred by the Company amounted to \$3,951,995 (2012: \$1,719,990). In line with the Company's accounting policies, all exploration expenditure is written off as it is incurred. Net administration expenditure incurred amounted to \$645,805 (2012: \$344,474). The Company's operating loss after income tax for the year ended 30 June 2013 is \$4,597,800 (2012: \$2,064,464).

At year end the Company held cash or similar reserves of \$2,250,187 (2012: \$6,981,610).

Operating Results for the Year

Summarised operating results are as follows:

	Revenues	Results
	\$	\$
Revenues and loss from ordinary activities before income tax expenses	314,418	(4,597,800)

Shareholder Return

Summarised shareholder return is as follows:

	2013	2012
	cents	cents
Basic loss per share	(8.3)	(9.8)

Dividends

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

Share Options

As at the date of this report, there are 29,650,000 unissued ordinary shares of Breaker Resources NL in respect of which options are outstanding. This number comprises:

Type of Option	Number	Exercise Price	Expiry Date
Listed (ASX: BRB)	21,250,000	\$0.25	31 December 2014
Unlisted	3,000,000	\$0.25	30 June 2016
Unlisted	3,000,000	\$0.30	30 June 2016
Unlisted	2,400,000	\$0.50	31 December 2016

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

Share Options Issued

The following options were issued by Breaker Resources NL during the financial year:

Type of Option	Number	Exercise Price	Expiry Date	Comment
Unlisted	2,500,000	\$0.50	31 December 2016	Employee options

Shares Issued on Exercise of Options

There were Nil shares issued due to the exercise of options during the financial year.

DIRECTORS' REPORT CONTINUED

Share Options that Expired/Lapsed

The following options expired or lapsed during the financial year:

Type of Option	Number	Exercise Price	Expiry Date	Comment
Unlisted	100,000	\$0.50	31 December 2016	Lapse – cessation of employment

Significant Changes in State of Affairs

During the financial year there were no significant changes in the state of affairs of the Company other than those referred to in the Financial Statements and notes thereto.

Subsequent Events

Subsequent to the balance sheet date, the Company surrendered approximately 1,166km² of the tenement area of its exploration projects. The exploration commitment has therefore reduced from \$1.71 million (refer to Note 16) to \$1.23 million.

Other than as stated above, there were no matters or circumstances arising since the end of the reporting period that have significantly affected, or may significantly affect the operations of the Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 30 June 2013.

Likely Developments and Expected Results

The Company expects to maintain the present status and level of activities and hence there are no likely developments in the entity's operations.

Environmental Regulations and Performance

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

Proceedings on Behalf of the Company

No persons have applied for leave pursuant to section 237 of the *Corporations Act 2001* to bring, or intervene in, proceedings on behalf of Breaker Resources NL.

Non-Audit Services

There were no non-audit services performed during the year by the auditors for the Company (or by another person or firm on the auditor's behalf).

Auditor's Independence Declaration

The Auditor's Independence Declaration is included on page 32 and forms part of the Directors' Report for the financial year ending 30 June 2013.

Remuneration Report

This Remuneration Report, which forms part of the Directors' Report, sets out information about the remuneration of Breaker Resources NL's key management personnel for the financial year ended 30 June 2013. The information provided in this report has been audited as per the requirements of section 308(3C) of the *Corporations Act 2001*.

The report is set out under the following main headings:

- Key management personnel;
- Principles used to determine the components and amount of compensation;
- Details of remuneration;
- Details of share-based compensation; and
- Details of service agreements and employment contracts.

Key Management Personnel

For the purposes of this report, key management personnel of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly. The key management personnel during the year included:

- Tom Sanders - *Executive Chairman*
- Mark Edwards - *Non-Executive Director*
- Mike Kitney - *Non-Executive Director*
- Alastair Barker - *Exploration Manager*
- Michelle Simson - *Manager Corporate Affairs/Company Secretary (appointed 22 October 2012)*

Principles Used to Determine the Components and Amount of Compensation

Remuneration Committee

The role of the Remuneration Committee is to assist the Company in fulfilling its corporate governance responsibilities relating to remuneration by reviewing and making appropriate recommendations on:

- remuneration packages of executive directors, non-executive directors and officers;
- employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed;
- recruitment, retention and termination policies and procedures for senior executives; and
- superannuation arrangements.

Remuneration Policy

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

The policy for determining the nature and amount of remuneration for senior executives of the Company is summarised below:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. The Board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.
- The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

DIRECTORS' REPORT CONTINUED

- Executives are also entitled to participate in the employee share and option arrangements.
- Where applicable, executives receive a superannuation guarantee contribution required by the government, which during the reporting period was 9% and since year end has increased to 9.25%. Some individuals may choose to sacrifice part of their salary to increase payments towards superannuation.
- All remuneration paid to key management personnel is valued at the cost to the Company and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by the key management personnel. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the annual general meeting. The remuneration pool limit is \$300,000 and is currently utilised to a level of \$80,000 per annum. The base fee paid to non-executive directors is \$40,000 per annum.

Fees for non-executive directors are not linked to the performance of the Company however to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee option plan, although any allocation must be approved by shareholders in general meeting. There is no retirement benefit plan for directors.

Performance Based Remuneration

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

Company Performance, Shareholder Wealth and Key Management Personnel Remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and key management personnel performance. Currently, this is facilitated through the issue of options to key management personnel to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth.

Use of Remuneration Consultants

The Company did not employ the services of any remuneration consultants during the financial year ended 30 June 2013.

Details of Remuneration

The key management personnel of the Company are disclosed above. Remuneration packages contain the following elements:

- Short-term employee benefits - cash salary and fees, cash bonuses, non-monetary benefits and other;
- Post-employment benefits - including superannuation and termination; and
- Share-based payments - shares and options granted.

The remuneration for each director and each of the other key management personnel of the Company during the year was as follows:

Key Management Personnel	Short-term		Post-employment		Share-based payments	Total \$
	Salary & Fees \$	Non-Monetary \$	Superannuation \$	Retirement Benefits \$	Options \$	
Tom Sanders						
• 2013	280,199	-	-	-	-	280,199
• 2012	57,375	-	-	-	103,200	160,575
Mark Edwards						
• 2013	40,111	-	-	-	-	40,111
• 2012	7,778	-	-	-	11,550	19,328
Mike Kitney						
• 2013	40,111	-	-	-	-	40,111
• 2012	7,778	-	-	-	11,550	19,328
Alastair Barker						
• 2013	234,487	-	-	-	85,000	319,487
• 2012	45,833	-	-	-	-	45,833
Michelle Simson						
• 2013 ⁽ⁱ⁾	139,732	-	17,926	-	201,340	358,998
• 2012	-	-	-	-	-	-

Notes

(i) Appointed 22 October 2012

No director or executive appointed during the year received a payment as part of his or her consideration for agreeing to hold the position.

Details of Share-Based Compensation

This section only refers to those shares and options issued as part of remuneration. As a result they may not indicate all shares and options held by directors or other key management personnel.

Shares

No shares in the Company were issued to key management personnel as part of their remuneration during the year (2012: Nil).

Options

Options were issued at no cost to key management personnel as part of their remuneration to align the interests of executives, directors and shareholders (2012: 6,000,000). The following options over ordinary shares of the Company were granted by Breaker Resources NL to key management personnel:

Key Management Personnel	Grant Date	Options Granted Number	Expiry Date	Exercise Price \$	Options' Value at Grant \$	Proportion of Remuneration as Options %
Alastair Barker	10 July 2012	1,000,000	31 December 2016	0.50	85,000	26.6
Michelle Simson	20 November 2012	1,000,000	31 December 2016	0.50	201,340	56.1

DIRECTORS' REPORT CONTINUED

Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at the grant date, the expected price volatility of the underlying shares, the expected dividend yield and the risk free interest rate for the term of the option. The model inputs for options granted during the period have been included in Note 19 of the Financial Statements.

There were no options exercised, sold or lapsed by key management personnel during the year (2012: Nil).

During the year, the following share-based payment arrangements for key management personnel were in existence:

Option Series	Grant Date	Expiry Date	Fair Value per Option at Grant cents	Vesting Date
60502	1 August 2011	30 June 2016	2.31	5 August 2011
60503	1 August 2011	30 June 2016	1.90	9 August 2011
60510	10 July 2012	31 December 2016	8.52	11 July 2012
60511	20 November 2012	31 December 2016	20.13	27 November 2012

Details of Service Agreements and Employment Contracts

Service agreements are in place between the Company and Executive Chairman Tom Sanders and Exploration Manager Alastair Barker. Manager Corporate Affairs/Company Secretary Michelle Simson is employed via contract. Details of these arrangements are provided below:

Service Agreement: Tom Sanders – *Executive Chairman*

- Term of agreement – Minimum two (2) years subject to termination provisions; commenced 18 April 2012 (subject to ASX listing).
- Annual consultancy fees of \$270,000 (inclusive of superannuation, plus GST, indexed to CPI as a minimum every calendar year) are paid to Goldfields Geological Associates, an entity controlled by Mr Sanders, for the provision of services by Mr Sanders on a minimum of 80% of fulltime basis.
- The agreement continues until terminated by either Goldfields Geological Associates or the Company. Subject to the *Corporations Act 2001* and the ASX Listing Rules, Mr Sanders is entitled to a minimum notice period of 12 months and the Company is entitled to a minimum notice period of three (3) months.
- Goldfields Geological Associates will be reimbursed for Breaker-related expenses, including office leasing and maintenance costs at cost, and other out-of-pocket expenses incurred on the Company's behalf.

Service Agreement: Alastair Barker – *Exploration Manager*

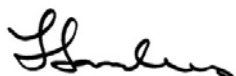
- Term of agreement – Minimum two (2) years subject to termination provisions; commenced 18 April 2012 (subject to ASX listing).
- Annual consultancy fees of \$220,000 (inclusive of superannuation, plus GST, indexed to CPI as a minimum every calendar year) are paid to Horizon Resources Pty Ltd, an entity controlled by Mr Barker, for the provision of services by Mr Barker on a minimum of 80% of fulltime basis.
- The agreement continues until terminated by either Horizon Resources Pty Ltd or the Company. Subject to the *Corporations Act 2001* and ASX Listing Rules, Mr Barker is entitled to a minimum notice period of 12 months (or six (6) months after the initial term). The Company is entitled to a minimum notice period of three (3) months.

Employment Contract: Michelle Simson – *Manager Corporate Affairs/Company Secretary*

- Base salary of \$220,000 per annum (inclusive of superannuation entitlements).
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equals three (3) months' salary.
- Notice period of three (3) months.

Signed in accordance with a resolution of directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Tom Sanders', written in a cursive style.

Tom Sanders
Executive Chairman

Perth, 2 September 2013

ROTHSAY

Level 1, Lincoln House, 4 Ventnor Avenue, West Perth WA 6005
P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9486 7094 www.rothsayresources.com.au

The Directors
Breaker Resources NL
12 Walker Ave
West Perth WA 6005

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2013 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Graham Swan (Lead auditor)

Rothsay Chartered Accountants

Dated 31 August 2013



Chartered Accountants

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE **INCOME**
 YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
Revenue			
Government grant	4	120,000	-
Interest income	4	194,418	45,572
Total Revenue		314,418	45,572
Expenses			
Administration expenses		(357,840)	(228,611)
Depreciation expenses	4	(79,189)	(10,666)
Employee benefits expenses	4	(178,803)	(24,469)
Exploration and evaluation expenses	4	(3,951,995)	(1,719,990)
Share-based payment expenses	4	(343,233)	(126,300)
Interest expenses		(1,158)	-
Total Expenses		(4,912,218)	(2,110,036)
Loss before income tax		(4,597,800)	(2,064,464)
Income tax expense	6	-	-
Loss for the year		(4,597,800)	(2,064,464)
Other comprehensive income		-	-
Total comprehensive expenses for the year		(4,597,800)	(2,064,464)
Loss attributable to owners of the Company		(4,597,800)	(2,064,464)
Total comprehensive expenses attributable to owners of the Company		(4,597,800)	(2,064,464)
Basic and diluted loss per share attributable to the ordinary equity holders of the Company (cents per share)	15	(8.3)	(9.8)

The above *Statement of Profit or Loss and Other Comprehensive Income* should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013

	Note	2013 \$	2012 \$
Current Assets			
Cash and cash equivalents	7	2,250,187	6,981,610
Trade and other receivables	8	104,356	164,611
Total Current Assets		2,354,543	7,146,221
Non-Current Assets			
Plant and equipment	9	285,877	200,471
Other financial assets	10	49,410	-
Total Non-Current Assets		335,287	200,471
Total Assets		2,689,830	7,346,692
Current Liabilities			
Trade and other payables	11	857,975	1,280,817
Borrowings	12	15,211	-
Total Current Liabilities		873,186	1,280,817
Non-Current Liabilities			
Borrowings	12	5,336	-
Total Non-Current Liabilities		5,336	-
Total Liabilities		878,522	1,280,817
Net Assets		1,811,308	6,065,875
Equity			
Contributed equity	13	8,323,675	8,323,675
Reserves		469,533	126,300
Accumulated losses		(6,981,900)	(2,384,100)
Capital and reserves attributable to owners of the Company		1,811,308	6,065,875
Total Equity		1,811,308	6,065,875

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

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2013

Attributable to owners of the Company				
Note	Contributed Equity \$	Share- based Payments Reserve \$	Accumulated Losses \$	Total \$
Balance at 30 June 2011	3,500	-	(319,636)	(316,136)
Loss for the year	-	-	(2,064,464)	(2,064,464)
Total comprehensive expenses for the year	-	-	(2,064,464)	(2,064,464)
Shares issued during the year	9,060,000	-	-	9,060,000
Share issue transaction costs	(739,825)	-	-	(739,825)
Recognition of share-based payments	-	126,300	-	126,300
Balance at 30 June 2012	8,323,675	126,300	(2,384,100)	6,065,875
Loss for the year	-	-	(4,597,800)	(4,597,800)
Total comprehensive expenses for the year	-	-	(4,597,800)	(4,597,800)
Recognition of share-based payments	19	-	343,233	343,233
Balance at 30 June 2013	8,323,675	469,533	(6,981,900)	1,811,308

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

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2013

	Note	2013 \$	2012 \$
Cash flows from operating activities			
Payments to suppliers and employees		(856,603)	(194,730)
Payments for exploration and evaluation expenditure		(3,994,621)	(680,704)
Government grant received		120,000	-
Interest received		194,418	45,572
Interest paid		(1,158)	-
Net cash outflow from operating activities	18	(4,537,964)	(829,862)
Cash flows from investing activities			
Payments for plant and equipment		(164,595)	(188,286)
Payments for other financial assets		(49,410)	-
Net cash outflow from investing activities		(214,005)	(188,286)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		-	8,556,446
Payments of share issue costs		-	(739,825)
Proceeds from borrowings		30,250	311,726
Repayment of borrowings		(9,704)	(132,039)
Net cash inflow from financing activities		20,546	7,996,308
Net (decrease)/increase in cash and cash equivalents		(4,731,423)	6,978,160
Cash and cash equivalents at the beginning of the period		6,981,610	3,450
Cash and cash equivalents at the end of the period	7	2,250,187	6,981,610

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2013

1. General information

Breaker Resources NL is a public company listed on the Australian Securities Exchange, incorporated in Australia and operating in Australia. The Company's registered office and its principal place of business is 12 Walker Avenue, West Perth WA 6005. Breaker Resources NL's principal activity is mineral exploration and it is a for-profit entity for the purposes of preparing the Financial Statements.

These Financial Statements are for Breaker Resources NL as an individual entity and are presented in the Australian currency. The Financial Statements were authorised for issue by the directors on 2 September 2013. The directors have the power to amend and reissue the Financial Statements.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of the Financial Statements are set out below.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001* (**Corporations Act**) and Australian Accounting Standards and Interpretations (**Standards**) issued by the Australian Accounting Standards Board (**AASB**). The Financial Statements and notes of the Company also comply with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board (**IASB**).

These Financial Statements have been prepared under the historical cost convention, except for certain non-current assets, which are measured at revalued amounts or fair values. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Going Concern

The Financial Statements have been prepared on the basis of going concern which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Company has incurred a net loss of \$4,597,800 and experienced net cash outflows from operating and investing activities of \$4,751,969 for the year ended 30 June 2013. These conditions indicate a material uncertainty that may cast doubt about the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent upon additional funding to provide adequate working capital for a further 12 months from the date of signature of the Financial Statements. The directors intend to undertake equity fundraising and are satisfied that the going concern basis of preparation is appropriate. Should the Company be unable to seek funding, there is a material uncertainty whether it will be able to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the Financial Statements.

The Financial Statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

(b) Adoption of new and revised accounting standards

(i) Standards affecting amounts reported in the current year and prior year

The following new and revised Standards have been adopted in the current year and have affected the amounts reported in these Financial Statements.

Standards affecting presentation and disclosure

Amendments to AASB 101: Presentation of Financial Statements

The amendments (part of AASB 2011-9: *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*), introduce new terminology for the Statement of Comprehensive Income and Income Statement. Under the amendments to AASB 101, the Statement of Comprehensive Income is renamed as a Statement of Profit or Loss and Other Comprehensive Income and the Income Statement is renamed as a Statement of Profit or Loss.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 30 JUNE 2013

The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two (2) separate but consecutive statements. The amendments to AASB 101 require items of other comprehensive income to be grouped into two (2) categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met.

As the Company did not have any other comprehensive income in its previous and current years, other than the above mentioned change of the terminology, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The amendments (part of *AASB 2012-5: Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*) require an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a Statement of Financial Position as at the beginning of the preceding period (**third Statement of Financial Position**), when the retrospective application, restatement or reclassification has a material effect on the information in the third Statement of Financial Position. The related notes to the third Statement of Financial Position are not required to be disclosed.

Standards affecting the reported results or financial position

There are no new and revised Standards adopted in these Financial Statements affecting the reporting results or financial position.

(ii) Standards in issue not yet adopted

Certain new accounting Standards have been published that are not mandatory for 30 June 2013 reporting periods. The Company's assessment of the impact of these new Standards is set out below. New Standards not mentioned are considered unlikely to impact on the financial reporting of the Company.

AASB 9: Financial Instruments and *AASB 2009-11/AASB 2010-7* (applicable for annual reporting periods commencing on or after 1 January 2015)

AASB 9: Financial Instruments amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in *AASB 139* have been eliminated. It requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.

The Company has not yet determined any potential impact on the Financial Statements.

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

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

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than majority voting rights may give control.

This Standard is not expected to impact on transactions and balances recognised in the Financial Statements as the Company does not have any subsidiaries or special purpose entities.

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

This Standard replaces *AASB 131: Interests in Joint Ventures* and *Interpretation 113: Jointly-Controlled Entities – Non-monetary Contributions by Ventures*. *AASB 11* uses the principle of control in *AASB 10* to define joint control, and therefore the determination of whether joint control exists may change. In addition, *AASB 11* removes the option to account for jointly controlled entities using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement.

Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.

This Standard is not expected to impact on transactions and balances recognised in the Financial Statements as the Company does not have any joint arrangements.

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

This Standard includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

This Standard is not expected to impact on the disclosure in the Financial Statements because the Company does not have any subsidiaries, joint arrangements and structured entities.

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

This Standard establishes a single source of guidance under AASB for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under AASB when fair value is required or permitted by AASB.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

When the Standard is firstly adopted in the year ending at 30 June 2014, the application of the new Standard may affect the amounts reported in the Financial Statements and result in more extensive disclosures in the Financial Statements.

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

The main change introduced by this Standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revises the method of calculating the return on plan assets.

The definition of short-term benefits has been revised, meaning some annual leave entitlements may become long-term in nature with a revised measurement. Similarly the timing for recognising a provision for termination benefits has been revised, such that provisions can only be recognised when the offer cannot be withdrawn. Consequential amendments were also made to other Standards via AASB 2011-10.

When the Standard is firstly adopted in the year ending at 30 June 2014, annual leave liabilities will be recalculated, as long-term benefits that are not expected to be settled wholly within 12 months after the end of the reporting period will be discounted. This Standard is not expected to impact on transactions and balances recognised in the Financial Statements because the Company had no annual leave liability on 1 July 2013.

AASB 2011-4: Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (applies to periods beginning on or after 1 July 2013)

The amendments remove individual key management personnel disclosure requirements from AASB 124 to eliminate duplicated information required under the Corporations Act.

When the Standard is firstly adopted in the year ending at 30 June 2014, the disclosure under the key management personnel note to the Financial Statements will be reduced.

AASB 2012-2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (applies to periods beginning on or after 1 January 2013)

The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The application of the amendments is not expected to have an impact on the disclosure in the Financial Statements as the Company does not have any such arrangements.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 30 JUNE 2013

AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applies to periods beginning on or after 1 January 2014)

The amendments to AASB 132 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The application of the amendments is not expected to have impact on the disclosure in the Financial Statements as the Company does not have any such arrangements.

AASB 2012-5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle (applies to periods beginning on or after 1 January 2013)

The annual improvements to AASBs 2009-2011 cycle includes a number of amendments to various AASBs including:

- amendments to *AASB 116: Property, Plant and Equipment*; and
- amendments to *AASB 132: Financial Instruments: Presentation*.

The amendments to AASB 116 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in AASB 116 and as inventory otherwise.

The amendments to AASB 116 are not expected to have impact on the transactions and balances in the Financial Statements as the Company does not have the abovementioned equipment.

The amendments to AASB 132 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with *AASB 112: Income Taxes*.

The amendments to AASB 132 are not expected to have impact on the transactions and balances in the Financial Statements as the Company does not have any distributions to holders.

(c) Segment reporting

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

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

(d) Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

(e) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(f) Income tax

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

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise these temporary differences and losses. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

(g) Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Cash and cash equivalents

For *Statement of Cash Flows* presentation purposes, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term highly liquid investments with original maturities of three (3) months or less that are readily convertible to known amounts of cash and which are subject to significant risk of changes in value, and bank overdrafts.

(i) Trade and other receivables

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

(j) Financial assets

Classification

The Company classifies all of its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinate payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 30 JUNE 2013

Collectability of loans and receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment) is used where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables or in an otherwise timely manner. The amount of the impairment allowance is the difference between the asset's carrying amount and the estimated future cash flows. None of the Company's loans and receivables has an applicable interest rate hence the cash flows are not discounted.

The amount of the impairment loss is recognised in the *Statement of Profit or Loss and Other Comprehensive Income* within impairment expenses. When a loan or receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the *Statement of Profit or Loss and Other Comprehensive Income*.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all of the risks and rewards of ownership.

Impairment

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is any evidence of impairment for any of the Company's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the *Statement of Profit or Loss and Other Comprehensive Income*.

(k) Plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the *Statement of Profit or Loss and Other Comprehensive Income* during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. All plant and equipment is depreciated at the rate of 25% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to Note 2(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the *Statement of Profit or Loss and Other Comprehensive Income*.

(l) Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred.

(m) Trade and other payables

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

(n) Employee benefits

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

(o) Share-based payments

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

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (**vesting date**).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

- the extent to which the vesting period has expired; and
- the number of options that, in the opinion of the directors of the Company, will ultimately vest.

This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

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

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

(p) Issued capital

Ordinary shares are classified as equity.

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

(q) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the *Statement of Financial Position*.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 30 JUNE 2013

(r) Critical accounting judgements, estimates and assumptions

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

Environmental issues

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

Taxation

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

3. Financial risk management

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

Risk management is carried out by the full Board via the audit and risk committees as the Company believes that it is crucial for all directors to be involved in this process. The Executive Chairman, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

(a) Market risk

Foreign exchange risk

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

Interest rate risk

The Company is exposed to movements in market interest rates on cash and cash equivalents. The Company policy is to monitor the interest rate yield curve out to six (6) months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Company of \$2,250,187 (2012: \$6,981,610) is subject to interest rate risk. The weighted average interest rate received on cash and cash equivalents by the Company was 2.49% (2012: 1.1%).

Sensitivity analysis

At 30 June 2013, if interest rates had changed by +/- 100 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Company would have been \$46,159 lower/higher (2012: \$42,950) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

The Company has no significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount of those assets as disclosed in the *Statement of Financial Position* and *Notes to the Financial Statements*.

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

(c) Liquidity risk

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Company. Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings.

The Board constantly monitors the state of equity markets in conjunction with the Company's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Company are confined to trade and other payables as disclosed in the *Statement of Financial Position*. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

(d) Fair value estimation

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

4. Revenue and expenses

(a) Revenue from continuing operations includes the following revenue items:

	2013	2012
	\$	\$
Government grant (i)	120,000	-
Interest income	194,418	45,572
	314,418	45,572

(i): The amount represents funds received from the Department of Mines and Petroleum under the Royalties for Regions Co-funded Government – Industry Drilling Program 2012-2013.

(b) Loss for the year includes the following specific expenses:

	2013	2012
	\$	\$
Depreciation	79,189	10,666
Exploration and evaluation expenses	3,951,995	1,719,990
	4,031,184	1,730,656

(c) Employee benefit expenses:

	2013	2012
	\$	\$
Wages and superannuation	74,869	567
Directors' fees	80,222	23,902
Equity-settled share-based payments	343,233	126,300
Others	23,712	-
	522,036	150,769

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 30 JUNE 2013

5. Operating segments

For management purposes, the Company has identified only one (1) reportable segment as exploration activities undertaken in Australia. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Company's mineral assets in this geographic location.

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

	2013 \$	2012 \$
Segment revenue		
<i>Reconciliation of segment revenue to total revenue before tax:</i>		
Government grant	120,000	-
Interest revenue	194,418	45,572
Total revenue	314,418	45,572
Segment results	(3,951,995)	(1,719,990)
<i>Reconciliation of segment result to net loss before tax:</i>		
Depreciation expense	(79,189)	(10,666)
Other corporate and administration expenses	(566,616)	(379,380)
Net loss before tax	(4,597,800)	(2,064,464)
Segment operating assets	340,033	318,752
<i>Reconciliation of segment operating assets to total assets:</i>		
Other corporate and administration assets	2,349,797	7,027,940
Total assets	2,689,830	7,346,692
Total assets includes additions to non-current assets	144,747	-
Segment operating liabilities	773,686	1,186,621
<i>Reconciliation of segment operating liabilities to total liabilities:</i>		
Other corporate and administration liabilities	104,836	94,196
Total liabilities	878,522	1,280,817

6. Income tax

	2013 \$	2012 \$
Income tax expense		
Current tax	-	-
Deferred tax	-	-
<i>Numerical reconciliation of income tax expense to prima facie tax payable</i>		
Loss from continuing operations before income tax expense	(4,597,800)	(2,064,464)
Prima facie tax benefit at the Australian tax rate of 30%	(1,379,340)	(619,339)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	102,970	37,890
Entertainment	248	-
	(1,276,122)	(581,449)
Movements in unrecognised temporary differences	(71,110)	(44,390)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	1,347,232	625,839
Income tax expense	-	-
<i>Unrecognised temporary differences</i>		
Deferred tax assets (at 30%) on income tax account		
Accruals	8,700	1,500
Capital raising costs	133,168	177,558
Carry forward tax losses	2,116,027	720,230
	2,257,895	899,288
Deferred tax liabilities (30%)	-	-

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised. The Company's ability to use losses in the future is subject to the Company satisfying the relevant tax authority's criteria for using these losses.

7. Cash and cash equivalents

	2013 \$	2012 \$
Cash at bank and in hand	2,250,187	6,981,610
Cash and cash equivalents as shown in the <i>Statement of Financial Position</i> and the <i>Statement of Cash Flows</i>	2,250,187	6,981,610

Short-term deposits are made for varying periods of between one (1) day and three (3) months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

NOTES TO THE **FINANCIAL STATEMENTS** CONTINUED
YEAR ENDED 30 JUNE 2013

8. Trade and other receivables

	2013	2012
	\$	\$
Prepayments	20,480	12,982
GST receivable	83,876	151,629
	104,356	164,611

9. Plant and equipment

	2013	2012
	\$	\$
Cost	376,380	211,785
Accumulated depreciation	(90,503)	(11,314)
Net book amount	285,877	200,471
Opening net book amount	200,471	4,987
Additions	164,595	206,150
Depreciation charge	(79,189)	(10,666)
Closing net book amount	285,877	200,471

10. Other financial assets

	2013	2012
	\$	\$
Long-term deposits	49,410	-
	49,410	-

11. Trade and other payables

	2013	2012
	\$	\$
Trade creditors	807,107	846,052
Other payables and accruals	50,868	434,765
	857,975	1,280,817

12. Borrowings

	2013	2012
	\$	\$
Current	15,211	-
Non-current	5,336	-
	20,547	-

The Company entered into a finance loan agreement to purchase a Niton XL3t 950+ Mining Analyzer during the year. The term of the loan is two (2) years with a fixed rate of 7.7% per annum.

13. Contributed equity

(a) Share capital

	Note	2013		2012	
		Number	\$	Number	\$
Ordinary shares fully paid	13(b)	55,100,004	8,323,675	55,100,004	8,323,675
Total issued capital		55,100,004	8,323,675	55,100,004	8,323,675

(b) Movements in ordinary share capital

	2013		2012	
	Number	\$	Number	\$
Beginning of the year	55,100,004	8,323,675	7,000,004	3,500
Issued during the year:				
• Issued to seed investors	-	-	5,600,000	560,000
• Issued at IPO	-	-	42,500,000	8,500,000
• Transaction costs	-	-	-	(739,825)
End of the year	55,100,004	8,323,675	55,100,004	8,323,675

(c) Movements in options on issue

	2013	2012
	Number	Number
Beginning of the year	27,250,000	-
• Issued, exercisable at 25 cents on or before 31 December 2014	-	21,250,000
• Issued, exercisable at 25 cents on or before 30 June 2016	-	3,000,000
• Issued, exercisable at 30 cents on or before 30 June 2016	-	3,000,000
• Issued, exercisable at 50 cents on or before 31 December 2016	2,500,000	-
• Lapsed	(100,000)	-
End of the year	29,650,000	27,250,000

At 30 June 2013, directors and employees held options over 9,047,500 ordinary shares of the Company (2012: 6,647,500). Share options granted under the Company's employee share option plan carry no rights to dividends and no voting rights. Further details of the employee option plan are provided in Note 19.

(d) Ordinary shares

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

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one (1) vote, and upon a poll each share is entitled to one (1) vote.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 30 JUNE 2013

(e) Capital risk management

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

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

The working capital position of the Company at 30 June 2013 and 30 June 2012 is as follows:

	2013	2012
	\$	\$
Cash and cash equivalents	2,250,187	6,981,610
Trade and other receivables	104,356	164,611
Trade and other payables	(857,975)	(1,280,817)
Borrowings	(15,211)	-
Working capital position	1,481,357	5,865,404

14. Dividends

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

15. Loss per share

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

	2013	2012
	\$	\$
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	(4,597,800)	(2,064,464)

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

	2013	2012
	\$	\$
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	55,100,004	20,982,791

(c) Information on classification of options

As the Company has made a loss for the year ended 30 June 2013, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

16. Commitments

(a) Exploration Commitments

The Company must maintain current rights of tenure to tenements, which requires outlays of expenditure in 2013/2014. Under certain circumstances these commitments are subject to the possibility of adjustment to the amount and/or timing of such obligations however they are expected to be fulfilled in the normal course of operations.

Estimated expenditure on mining, exploration and prospecting leases for 2013/2014:

	2013	2012
	\$	\$
	1,712,000	1,775,250

(b) Capital Commitments

There are no capital expenditure commitments for the Company as at 30 June 2013.

(c) Lease Commitments: Company as Lessee

The Company leases its office under a non-cancellable operating lease expiring within three (3) years. Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2013	2012
	\$	\$
Within one year	74,000	-
Later than one (1) year but not later than five (5) years	129,500	-
	203,500	-

17. Contingencies

Pursuant to a mineral exploration and land access agreement (**MELA Agreement**) with the Cosmo Newberry (Aboriginal Corporation) and Yilka Native Title Group (WAD297/08) (together the **Indigenous Party**), the Company, whilst it holds certain tenement licences, must pay the following consideration to the Indigenous Party:

- \$200,000 within seven (7) days of each of the first and second anniversary of the date of the MELA Agreement;
- \$200,000 within seven (7) days of the third anniversary and each subsequent anniversary of the date of the MELA Agreement indexed for CPI (All Groups) until the termination of the MELA Agreement; and

in addition to the above, within 28 days of the Company filing exploration expenditure reports with the Department of Mines and Petroleum, the Company must pay the Indigenous Party 10% of its overall exploration expenditure in relation to the Agreement Area¹ for the previous year less the relevant amount payable for that year under any of the above, where 10% of its overall exploration expenditure for the previous year is greater than the relevant amount payable for that year under any of the above.

(1) "Agreement Area" means the Aboriginal reserves the subject of that agreement (reserves 22032, 25050, 20396 and 25051) and the area of the Yilka native title claim.

NOTES TO THE **FINANCIAL STATEMENTS** CONTINUED
YEAR ENDED 30 JUNE 2013

18. Reconciliation of loss after income tax to net cash outflow from operating activities

	2013	2012
	\$	\$
<i>Reconciliation of net loss after income tax to net cash outflow from operating activities</i>		
Net loss for the year	(4,597,800)	(2,064,464)
Non-cash items		
Depreciation of non-current assets	79,189	10,666
Share-based payments expense	343,233	126,300
Change in operating assets and liabilities		
(Increase) in trade and other receivables	60,254	(160,317)
Increase in trade and other payables	(422,840)	1,257,953
Net cash outflow from operating activities	(4,537,964)	(829,862)

19. Share-based payments

(a) Employee share options

The Company provides benefits to employees (including directors) and contractors of the Company in the form of share-based payment transactions, whereby employees render services in exchange for options to acquire ordinary shares. Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one (1) ordinary share of the Company with full dividend and voting rights.

The table below summarises the share-based payment options granted by Breaker Resources NL:

	2013		2012	
	Number	Weighted average exercise price cents	Number	Weighted average exercise price cents
Outstanding at the beginning of the year	6,000,000	27.5	-	-
Granted	2,500,000	50.00	6,000,000	27.5
Forfeited/cancelled	(100,000)	50.00	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year end	8,400,000	34.5	6,000,000	27.5
Exercisable at year end	8,400,000	34.5	6,000,000	27.5

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 3.0 years (2012: 4.0 years) and the exercise prices ranged from 25 cents to 50 cents (2012: 25 cents to 30 cents). The weighted average fair value of the options granted during the year was 14.44 cents (2012: 2.18 cents). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2013	2012
Weighted average exercise price (cents)	50.00	27.5
Weighted average life of the option (years)	3.0	4.9
Weighted average underlying share price (cents)	30.0	10.0
Expected share price volatility	85.0%	50.0%
Weighted average risk free interest rate	2.72%	4.35%

Historical volatility has been used as the basis for determining expected share price volatility as it is assumed that this is indicative of future trends, which may not eventuate. The life of the options is based on historical exercise patterns, which may not eventuate in the future.

(b) Expenses arising from share-based payment transactions

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

	2013	2012
	\$	\$
Share-based payment expenses recognised for options granted	363,367	126,300
Share-based payment expenses reversed for options lapsed	(20,134)	-
	343,233	126,300

20. Key management personnel transactions

(a) Key management personnel compensation

	2013	2012
	\$	\$
Short term benefits	734,640	65,153
Post-employment benefits	17,926	-
Share-based payments	286,340	126,300
	1,038,906	191,453

Detailed remuneration disclosures are provided in the Remuneration Report on page 27.

(b) Equity instrument disclosures relating to key management personnel

Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of options, together with terms and conditions of the options, are provided in the Remuneration Report on page 27.

Options holdings

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

NOTES TO THE **FINANCIAL STATEMENTS** CONTINUED
YEAR ENDED 30 JUNE 2013

Key Management Personnel	Balance at start of year Number	Granted as compensation Number	Exercised Number	Other changes Number	Balance at year end Number	Vested and exercisable Number
Tom Sanders						
• 2013	5,635,000	-	-	-	5,635,000	635,000
• 2012	-	5,000,000	-	635,000	5,635,000	635,000
Mark Edwards						
• 2013	500,000	-	-	-	500,000	-
• 2012	-	500,000	-	-	500,000	-
Mike Kitney						
• 2013	512,500	-	-	-	512,500	12,500
• 2012	-	500,000	-	12,500	512,500	12,500
Alastair Barker						
• 2013 ⁽ⁱ⁾	-	1,000,000	-	-	1,000,000	1,000,000
• 2012	n/a	-	-	-	-	-
Michelle Simson						
• 2013 ⁽ⁱⁱⁱ⁾	n/a	1,000,000	-	-	1,000,000	1,000,000
• 2012 ⁽ⁱⁱ⁾	n/a	n/a	n/a	n/a	n/a	n/a

Notes

(i) Commenced 18 April 2012

(ii) Commenced 22 October 2012

A total of 6,000,000 options held by directors are escrowed until 20 April 2014.

Shareholdings

The numbers of ordinary shares in the Company held during the financial year by each director of Breaker Resources NL and other key management personnel of the Company, including their personally related parties, are detailed below. There were no shares granted during the reporting period as compensation:

Key Management Personnel	Balance at start of year Number	Received during the year on exercise of options Number	Other changes Number	Balance at year end Number
Tom Sanders				
• 2013	11,770,004	-	-	11,770,004
• 2012	5,000,004	-	6,770,000	11,770,004
Mark Edwards				
• 2013	1,050,000	-	-	1,050,000
• 2012	1,000,000	-	50,000	1,050,000
Mike Kitney				
• 2013	1,075,000	-	-	1,075,000
• 2012	1,000,000	-	75,000	1,075,000
Alastair Barker				
• 2013 ⁽ⁱ⁾	-	-	-	-
• 2012	n/a	-	-	-
Michelle Simson				
• 2013 ⁽ⁱⁱⁱ⁾	n/a	-	-	-
• 2012 ⁽ⁱⁱⁱ⁾	n/a	n/a	n/a	n/a

Notes

(i) Commenced 18 April 2012

(ii) Commenced 22 October 2012

(c) Loans to/from key management personnel

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

(d) Other transactions with key management personnel

- Pursuant to a Service Agreement dated 31 October 2011 between the Company and Goldfields Geological Associates (**GGA**), the Company paid a total of \$280,199 during the year to GGA. The fees were for the provision of technical and management services provided to the Company by Mr Thomas Sanders and the use of his vehicle. Mr Thomas Sanders is a partner of GGA.
- During the year the Company paid Mr Mark Edwards \$40,111 as directors' fees.
- During the year the Company paid Emdale Family Trust \$40,111 in exchange for Mr Michael Kitney's service as a director. Mr Michael Kitney is a beneficiary of the Emdale Family Trust.
- Pursuant to a Service Agreement dated 22 February 2012 between the Company and Horizon Resources Pty Ltd (**Horizon**), the Company paid a total of \$234,487 during the year to Horizon. The fees were for the provision of technical and operational services provided to the Company by Mr Alastair Barker and the use of his vehicle. Mr Alastair Barker is the sole shareholder and sole director of Horizon.
- During the year the Company paid Miss Michelle Simson, \$139,732 as salary and \$17,926 as superannuation.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

YEAR ENDED 30 JUNE 2013

21. Related party transactions

The Company had no transactions with related parties during the year except for payments to the key management personnel disclosed in Note 20.

There were no guarantees provided to the related parties during the year.

22. Remuneration of auditor

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

(a) Audit services

	2013	2012
	\$	\$
Rothsay Chartered Accountants – audit and review of financial reports	20,500	8,000
Total remuneration for audit services	20,500	8,000

(b) Non-audit services

	2013	2012
	\$	\$
Rothsay Chartered Accountants – independent accountants report	-	8,800
Total remuneration for non-audit services	-	8,800

23. Subsequent events

Subsequent to the balance sheet date, the Company surrendered approximately 1,166km² of the tenement area of its exploration projects. The exploration commitment has therefore reduced from \$1.71million (refer to Note 16) to \$1.23million.

Other than as stated above, there were no matters or circumstances arising since the end of the reporting period that have significantly affected, or may significantly affect the operations of the Company and the results of those operations or the state of the affairs of the Company in the financial period subsequent to 30 June 2013.

DIRECTORS' DECLARATION

The directors declare that:

- the Financial Statements comprising the *Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows* and accompanying notes set out on pages 37 to 56 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2013 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the *Notes to the Financial Statements*.

Signed in accordance with a resolution of the directors made pursuant to s295(5) of the *Corporations Act 2001*.

On behalf of the directors



Tom Sanders
Executive Chairman

Perth, 2 September 2013

ROTHSAY

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BREAKER RESOURCES NL

Report on the financial report

We have audited the accompanying financial report of Breaker Resources NL (the Company) which comprises the balance sheet as at 30 June 2013 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

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 as to whether the financial report is free of 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 our 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, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used in and the reasonableness of accounting estimates made by the directors as well as evaluating the overall presentation of the financial report.

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

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.



Chartered Accountants

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).



Audit opinion

In our opinion the financial report of Breaker Resources NL is in accordance with the *Corporations Act 2001*, including:

- a) (i) giving a true and fair view of the financial position as at 30 June 2013 and of its performance for the period ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- b) the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board

Emphasis of Matter regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates the basis for preparing the accounts on a going concern basis. We note the Company has incurred a net loss of \$4,597,800 and experienced net cash outflows from operating and investing activities of \$4,751,969 for the year ended 30 June 2013.

As stated in Note 2 in the event the Company is unsuccessful in completing a capital raising in the next 12 months there is a material uncertainty as to whether the Company could continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Audit opinion

In our opinion the remuneration report of Breaker Resources NL for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Graham Swan
Partner

Dated 31 August 2013



Chartered Accountants

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is provided below. The information is current as at 30 September 2013.

Distribution of Equity Securities

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

	Fully paid ordinary shares		Listed options	
	Number of holders	Number of shares	Number of holders	Number of options
1-1,000	2	7	0	0
1,001-5,000	24	87,747	116	569,474
5,001-10,000	60	581,563	37	309,454
10,001-100,000	121	4,207,445	98	2,472,375
100,001 and over	33	50,223,242	17	17,898,697
	240	55,100,004	268	21,250,000
Holding less than a marketable parcel	7	8,073	116	569,474

Top 20 Shareholders

The names of the 20 largest holders of quoted ordinary shares are:

	Shareholder	Ordinary shares	Equity held
		Number	%
1	HSBC Custody Nominees (Australia) Limited	17,110,000	31.053
2	Thomas Stephen Sanders & Helen Sanders	7,750,004	14.065
3	Kurraba Investments Pty Ltd	5,000,000	9.074
4	JP Morgan Nominees Australia Limited	4,965,109	9.011
5	Mr Thomas Stephen Sanders & Mrs Helen Sanders	2,750,000	4.991
6	National Nominees Limited	2,500,000	4.537
7	Mr Thomas Stephen Sanders & Mrs Helen Sanders	1,250,000	2.269
8	Mark Robert Edwards	1,050,000	1.906
9	Michael John Kitney & Dale Jayne Kitney	1,050,000	1.906
10	Mr Wilhelm Schroder	982,500	1.783
11	Colbern Fiduciary Nominees Pty Ltd	960,000	1.742
12	TT Nicholls Pty Ltd	700,000	1.270
13	Jasper Hill Resources Pty Ltd	370,000	0.672
14	Alderhaus Pty Ltd	340,000	0.617
15	Jemaya Pty Ltd	300,000	0.544
16	Southern Terrain Pty Ltd	300,000	0.544
17	Tecca Pty Ltd	299,744	0.544
18	Cornela Pty Ltd	291,810	0.530
19	Mr Michael Frank Manford	265,000	0.481
20	The Constantine Family Foundation Pty Ltd	250,000	0.454
		48,484,167	87.993

Top 20 Optionholders

The names of the 20 largest holders of quoted options are:

	Shareholder	Listed options	Equity held
		Number	%
1	HSBC Custody Nominees (Australia) Limited	8,125,000	38.235
2	JP Morgan Nominees Australia Limited	2,800,000	13.176
3	Kurraba Investments Pty Ltd	2,500,000	11.765
4	National Nominees Limited	1,250,000	5.882
5	Talex Investments Pty Ltd	664,657	3.128
6	Mr Thomas Stephen Sanders & Mrs Helen Sanders	625,000	2.941
7	Mr Wilhelm Schroder	570,000	2.682
8	Mr Murray Leslie Siviour	344,000	1.619
9	West Trade Enterprises Pty Ltd	235,000	1.106
10	TT Nicholls Pty Ltd	200,000	0.941
11	Jasper Hill Resources Pty Ltd	125,000	0.588
12	McAlister Pty Ltd	125,000	0.588
13	Tecca Pty Ltd	125,000	0.588
14	Mrs Belinda Poznik	115,497	0.544
15	Mr Michael Frank Manford	112,500	0.529
16	Mrs Jennifer Ann Jones & Mr Kevin Michael Jones	107,043	0.504
17	Mr Chee Chin	82,500	0.388
18	Kahala Holdings Pty Ltd	80,000	0.376
19	Future Super Pty Ltd	80,000	0.376
20	Cypress Securities Pty Ltd	75,000	0.353
		18,341,197	86.312

Substantial Shareholders

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

	Shareholder	Ordinary shares	Equity held
		Number	%
1	Mr Thomas Stephen Sanders & Mrs Helen Sanders	11,750,004	21.36
2	Geologic Resource Fund	6,250,000	11.34
3	CQS Asset Management Limited	5,000,000	9.07
4	HSBC Custody Nominees Limited (Altus Resource Capital Limited)	5,000,000	9.07
5	Nestor Investment Management SA	3,249,999	5.90

Voting Rights

All ordinary shares (whether fully paid or not) carry one (1) vote per share without restriction. Listed options carry no attaching voting rights.

ASX ADDITIONAL INFORMATION CONTINUED

Restricted Securities

The number of restricted securities on issue is:

Class	Securities Number	Escrow period ends Date
Ordinary fully paid shares	9,800,000	20 April 2014
Unlisted 25 cent options, exercisable on or before 30 June 2016	3,000,000	20 April 2014
Unlisted 30 cent options, exercisable on or before 30 June 2016	3,000,000	20 April 2014

Unquoted Securities

Details of unquoted securities on issue are:

Class	Securities Number	Holders Number
Ordinary fully paid shares	9,800,000	3
Unlisted 25 cent options, exercisable on or before 30 June 2016	3,000,000	3
Unlisted 30 cent options, exercisable on or before 30 June 2016	3,000,000	1
Unlisted 50 cent options, exercisable on or before 31 December 2016	2,400,000	4

Holders of 20% or more of the class

Details of holders of 20% or more of a class of unquoted securities are:

Class	Holder	Securities Number	Held %
Ordinary fully paid shares	Mr Thomas Stephen Sanders & Mrs Helen Sanders	7,750,000	79
Unlisted 25 cent options, exercisable on or before 30 June 2016	Mr Thomas Stephen Sanders & Mrs Helen Sanders	2,000,000	67
Unlisted 30 cent options, exercisable on or before 30 June 2016	Mr Thomas Stephen Sanders & Mrs Helen Sanders	3,000,000	100
Unlisted 50 cent options, exercisable on or before 31 December 2016	Mr Alastair Barker	1,000,000	42
Unlisted 50 cent options, exercisable on or before 31 December 2016	Miss Michelle Simson	1,000,000	42

Use of Funds

The Company has, during the reporting period, used the funds that it had at the time of admission to the Official List of the Australian Securities Exchange in a way consistent with its initial business objectives.

NOTES

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