

HEEMSKIRK CONSOLIDATED LIMITED AND CONTROLLED ENTITI

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IES

Standard Inputs

Comments

Prior Corresponding Year
Previous Year
Year
Directors Resolution
Signing Date

Steve: completed

Steve: adjusted number of shares

Steve: adjusted number of shares classified as reserved

Steve: everything updated except Lines 82-83

Steve: note 29 ok as at 15/10

2010

2011

2012

27 November 2012

28 November 2012

Appendix 4E

ASX Preliminary Final Report

Name of entity:	Heemskirk Consolidated Limited
ABN:	18 106 720 138
Reporting period:	1 October 2011 to 30 September 2012
Previous corresponding period:	1 October 2010 to 30 September 2011

Results for announcement to the market

<u>Results</u>	<u>Current</u> <u>Period</u> \$'000	<u>Previous</u> <u>Period</u> \$'000	<u>%</u> <u>Change</u>
Revenue from continuing operations	19,136	14,807	29%
Other income/(expense)	(519)	28	(1954%)
Loss from continuing operations after tax attributable to members	(3,389)	(10,345)	67%
Loss attributable to members	(2,219)	(3,375)	34%
Total comprehensive income/(loss)	(2,286)	4,269	(154%)

Dividends

No final franked dividend for 2011 was paid during the period.

No dividend has been declared in respect of the 2012 year.

Brief explanation of the figures reported above

The results for the year ended 30 September 2012 incorporates revenue earned from mining operations, divestment of operations and profit on sales of equity investments. Additional information is available in the Company announcement being released to the ASX following this report.

Financial Statements

Refer to the attached audited Annual Financial Report for the period 1 October 2011 to 30 September 2012 for the following information:

Consolidated Statement of Comprehensive Income
Balance Sheet
Statement of Changes in Equity
Statement of Cash Flows
Notes to the Financial Statements

Retained Earnings/(Accumulated Losses)	<u>Current</u> <u>Period</u> \$'000	<u>Previous</u> <u>Period</u> \$'000	<u>%</u> <u>Change</u>
Accumulated profits/(accumulated losses) at the beginning of the financial period	(53,738)	(50,363)	(7%)
Items credited directly to retained earnings	-	-	0%
Net profit/(loss) attributable to members	(2,219)	(3,375)	34%
Dividends provided for or paid	-	-	0%
Retained earnings/(accumulated losses) at the end of the financial period	(55,957)	(53,738)	(4%)

Net Tangible Assets Per Share	<u>Current</u> <u>Period</u> cents per share	<u>Previous</u> <u>Period</u> cents per share	<u>%</u> <u>Change</u>
Net tangible assets per share	17.77	19.25	(8%)

Control Gained Over Entities Having A Material Effect

Not applicable.

Loss Of Control Of Entities Having A Material Effect

Name of entity over which control was lost	HSK Gold Australia Pty Ltd
Date control was lost	3 November 2010

	<u>Current</u> <u>Period</u> \$'000	<u>Previous</u> <u>Period</u> \$'000	<u>%</u> <u>Change</u>
Contribution to profit from ordinary activities in the current reporting period and whole of previous reporting period	-	26	(100%)

Name of entity over which control was lost	Daytal Resources Spain SL
Date control was lost	23 September 2011

	<u>Current</u> <u>Period</u> \$'000	<u>Previous</u> <u>Period</u> \$'000	<u>%</u> <u>Change</u>
Contribution to profit from ordinary activities in the current reporting period and whole of previous reporting period	1,198	(2,149)	156%

Details Of Aggregate Share Of Profits/(Losses) Of Associates And Joint Venture Entities

	<u>Current</u> <u>Period</u> \$'000	<u>Previous</u> <u>Period</u> \$'000	<u>%</u> <u>Change</u>
Pajingo Mine Joint Venture (40%)			
Total share of expenses	-	1,806	(100%)

Review Of Performance For Period

Refer to the additional information attached.

Compliance Statement

This report is based on financial statements that have been audited.

Signed:

Peter Bird
Managing Director

Date: 28 November 2012

**D. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 SEPTEMBER 2012**

	Note	2012 \$'000	2011 \$'000
Revenue from continuing operations	4	19,136	14,807
Cost of sales	5	(15,996)	(12,775)
Gross profit/(loss)		3,140	2,032
Proceeds on sale of equity investments		744	18,220
Cost of equity investments sold		(563)	(17,808)
Unrealised gains/(losses) on equity investments		(772)	(451)
Net gains/(losses) on equity investments		(591)	(39)
Other income		72	67
Total other income/(expense)		(519)	28
Depreciation and amortisation expense	5	(812)	(817)
Employee benefits expense	5	(2,309)	(2,313)
Corporate costs		(850)	(1,344)
Consultants and advisory expense		(694)	(587)
Finance costs	5	(521)	(2,076)
Other expenses		(118)	(319)
Impairment expense	5	(21)	(393)
Loss before income tax from continuing operations		(2,705)	(5,789)
Income tax expense from continuing operations	6	(684)	(4,556)
Loss after income tax from continuing operations		(3,389)	(10,345)
Profit from discontinued operations (net of income tax)	7	1,170	6,970
Loss after income tax		(2,219)	(3,375)
Other comprehensive income:			
<i>Cash flow hedges:</i>			
Transferred to profit and loss		-	(23)
Foreign currency translation differences recycled on disposal of foreign operation	7b, 24b	-	8,170
Foreign currency translation	24b	(52)	(455)
Asset revaluation		(16)	(58)
Income tax on items of other comprehensive income		-	10
Other comprehensive income/(loss) for the period, net of tax		(68)	7,644
Total comprehensive income/(loss) for the period		(2,286)	4,269
Earnings per share (EPS) from continuing operations			
	11		
Basic earnings per share (cents)		(2.20)	(6.67)
Diluted earnings per share (cents)		(2.20)	(6.67)
Earnings per share on profit/(loss)			
Basic earnings per share (cents)		(1.44)	(2.17)
Diluted earnings per share (cents)		(1.44)	(2.17)

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

The consolidated statement of comprehensive income for the comparative period and notes have been restated to present results from continuing operations only.

E. CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2012

	Note	2012 \$'000	2011 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	12	9,426	16,693
Trade and other receivables	13	1,804	2,852
Inventories	14	4,507	4,062
Other financial assets	15a,b	11,323	8,554
Other current assets		248	198
Total current assets		27,308	32,359
Non-current assets			
Other financial assets	15a,b	-	1,281
Property, plant and equipment	16	6,398	7,092
Exploration, evaluation and mine development	17	3,795	1,536
Deferred tax assets	6d	-	-
Other non current assets		13	31
Total non-current assets		10,206	9,940
TOTAL ASSETS		37,514	42,299
LIABILITIES			
Current liabilities			
Trade and other payables	18	3,874	2,823
Interest bearing loans and borrowings	19	4,981	4,306
Provisions	20	534	415
Income tax payable	6d	148	208
Financial derivative liability		17	-
Other liabilities	21	-	1,349
Total current liabilities		9,554	9,101
Non-current liabilities			
Deferred tax liabilities	6d	264	305
Interest bearing loans and borrowings	19	177	2,979
Provisions	20	134	256
Total non-current liabilities		575	3,540
TOTAL LIABILITIES		10,129	12,641
NET ASSETS		27,385	29,658
EQUITY			
Contributed equity	22	81,184	81,184
Reserves		2,157	2,212
Retained earnings/(losses)	24	(55,956)	(53,738)
TOTAL EQUITY		27,385	29,658

The above balance sheet should be read in conjunction with the accompanying notes.

F. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Issued capital					Retained earnings	Asset revaluation reserve	Hedge reserve	Foreign currency translation reserve	Employee share based payment reserve	Total Equity
	Ordinary shares fully paid	Class A Ordinary shares partly paid	Class B Ordinary shares partly paid	Convertible notes	Reserved shares						
	\$'000	\$'000	\$'000	\$'000	\$'000						
Balance at 1 October 2010	79,631	1	15	1,239	(681)	(50,363)	2,011	16	(7,638)	170	24,401
Profit/(loss) for the period	-	-	-	-	-	(3,375)	-	-	-	-	(3,375)
Foreign currency translation differences recycled on disposal of foreign operation	-	-	-	-	-	-	-	-	8,170	-	8,170
Other comprehensive income net of tax	-	-	-	-	-	-	(55)	(16)	(455)	-	(526)
Total comprehensive income for the period	-	-	-	-	-	(3,375)	(55)	(16)	7,715	-	4,269
Transactions with owners in their capacity as owners											
Shares converted and issued during the period	(4)	-	-	-	4	-	-	-	-	-	-
Equity component of converting notes issued during the period	-	-	-	792	-	-	-	-	-	-	792
Transaction costs on issued capital, net of tax	215	-	-	(28)	-	-	-	-	-	-	187
Employee share based payments	-	-	-	-	-	-	-	-	-	9	9
Balance at 30 September 2011	79,842	1	15	2,003	(677)	(53,738)	1,956	-	77	179	29,658
	Issued capital					Retained earnings	Asset revaluation reserve	Hedge reserve	Foreign currency translation reserve	Employee share based payment reserve	Total Equity
	Ordinary shares fully paid	Class A Ordinary shares partly paid	Class B Ordinary shares partly paid	Convertible notes	Reserved shares						
	\$'000	\$'000	\$'000	\$'000	\$'000						
Balance at 1 October 2011	79,842	1	15	2,003	(677)	(53,738)	1,956	-	77	179	29,658
Profit/(loss) for the period	-	-	-	-	-	(2,219)	-	-	-	-	(2,219)
Foreign currency translation differences recycled on disposal of foreign operation	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income net of tax	-	-	-	-	-	-	(16)	-	(52)	-	(68)
Total comprehensive income for the period	-	-	-	-	-	(2,219)	(16)	-	(52)	-	(2,287)
Transactions with owners in their capacity as owners											
Shares converted and issued during the period	-	-	-	-	-	-	-	-	-	-	-
Equity component of converting notes issued during the period	-	-	-	-	-	-	-	-	-	-	-
Transaction costs on issued capital, net of tax	-	-	-	-	-	-	-	-	-	-	-
Employee share based payments	-	-	-	-	-	-	-	-	-	14	14
Balance at 30 September 2012	79,842	1	15	2,003	(677)	(55,957)	1,940	-	25	193	27,385

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

G. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2012

	Note	2012	2011
		\$'000	\$'000
Cash flows from operating activities			
Receipts from customers		20,339	27,205
Payments to suppliers and employees		(20,401)	(30,548)
Interest received		705	436
Income tax received/(paid)		(607)	406
Finance costs paid		(571)	(1,778)
Net cash flows from/(used in) operating activities	30(a)	(535)	(4,279)
Cash flows from investing activities			
Proceeds on disposal of subsidiaries		-	35,827
Cash (deposits) for bank investments/guarantees		(2,181)	(2,002)
Proceeds from the sale of equity investments		745	18,220
Purchases of equity investments		(640)	(4,990)
Proceeds from the sale of property, plant and equipment		60	704
Purchases of property, plant and equipment		(317)	(653)
Exploration, evaluation and mine development expenditure		(2,320)	(8,028)
Dividends received		-	23
Net cash flows from/(used in) investing activities		(4,653)	39,101
Cash flows from financing activities			
Proceeds from issue of converting notes		-	3,625
Convertible notes redemption/buy back		-	(28,965)
Proceeds/(repayment) of borrowings		(2,080)	2,602
Net cash flows from/(used in) financing activities		(2,080)	(22,738)
Net increase/(decrease) in cash and cash equivalents		(7,268)	12,084
Cash and cash equivalents at beginning of period		16,693	4,781
Net foreign exchange differences		1	(172)
Cash and cash equivalents at end of period	12	9,426	16,693

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

H. NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

The financial report of Heemskirk Consolidated Limited and its controlled entities (the Company) for the year ended 30 September 2012 was authorised for issue in accordance with a resolution of the directors on 27 November 2012.

Heemskirk Consolidated Limited (the parent entity) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Company and its controlled entities are resource equity investments, mining and processing of minerals.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for derivative financial instruments, equity investments and land, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

The Company is a for profit entity.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(b) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Adoption of New Standards and Interpretations

The Company has adopted the following new and/or revised Standards, Amendments and Interpretations from 1 October 2011:

- AASB 124 - Related Party Disclosures (amendment)
- AASB 132 - Financial Instruments: Presentation (amendment)
- AASB 1054 - Australian Additional Disclosures
- AASB 2009-12 - Amendments to Australian Accounting Standards Arising from Annual Improvements
- AASB 2010-4 - Further Amendments to Australian Accounting Standard
- AASB 2010-5 - Amendments to Australian Accounting Standards

Adoption of the above Standards, Amendments and Interpretations did not have any effect on the financial position or performance of the Company.

New Accounting Standards and Interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Company in the period of initial application.

They have been issued but are not yet effective and are available for early adoption at 30 September 2012, but have not been applied in preparing this financial report.

Reference and Title	Details of the New Standard/Amendment/Interpretation	Impact on Company	Application date for the Company
AASB 1053 Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements.	(i)	1-Oct-13
AASB 10 Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. The new control model broadens the situations when an entity is considered to be controlled by another entity.	(ii)	1-Oct-13
AASB 11 Joint arrangements	AASB 11 replaces AASB 131 and UIG-113. The standard uses the principle of control in IFRS 10 to define joint control, and therefore determination of whether joint control exists may change.	(i)	1-Oct-13
AASB 12 Disclosure of interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about these entities.	(ii)	1-Oct-13
AASB 13 Fair Value Measurement	AASB 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. It includes guidance on how to determine fair value under IFRS and expands the disclosure requirements for all assets and liabilities carried at fair value.	(ii)	1-Oct-13
Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised if future economic benefits will be realised, costs are reliably measured and the component of an ore body to which it relates can be identified.	(i)	1-Oct-13
Annual Improvements IFRS 2009-11 Cycle	This standard sets out amendments to IFRS and the related bases for conclusions and guidance made during the IASB's Annual Improvements process. These improvements have not yet been adopted by AASB.	(ii)	1-Oct-13

AASB 9 Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	(ii)	1-Oct-15
AASB 2011-9 Presentation of Other Comprehensive Income	The Standards require entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit and loss and those that will not.	(i)	1-Oct-12
AASB 119 Employee Benefits	The Standards changes the definition of short term employee benefits. The distinction between short term and other long term employee benefits is now based on whether the benefits are expected to be settled within 12 months after the reporting date.	(ii)	1-Oct-13
AASB 2012-2 Disclosures Offsetting Financial Assets and Financial Liabilities	Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting off arrangements on the entity's financial position.	(i)	1-Oct-13
AASB 2012-5 Annual Improvements 2009-2011 Cycle	Repeat application of AASB 1 is permitted and clarification of the AASB 101 comparative information requirements when an entity provides a third balance sheet.	(i)	1-Oct-13
AASB 2012-3 Offsetting Financial Assets and Financial Liabilities	Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.	(i)	1-Oct-14

(i) *The adoption of this new standard, amendment or interpretation will not have a material impact on the Company's financial statements.*

(ii) *The Company has not yet determined the extent of the impact, if any.*

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Heemskirk Consolidated Limited and its subsidiaries as at 30 September 2012.

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

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

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

Investments in controlled entities are recorded in the financial statements of the Company at the lower of cost and recoverable amount.

(d) Foreign currency translation

(i) Functional and presentation currency

The functional currency of each of the Company's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cashflow or net investment hedge until disposal at which time they are recognised in the statement of comprehensive income. Exchange variations resulting from the translation of subsidiaries functional currency are recognised in the foreign currency translation reserve in equity.

In accordance with the requirements of the accounting standards, foreign currency translation gains/(losses) remain deferred in equity until the disposal of the foreign operation, at which point they are recognised in the statement of comprehensive income.

(e) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with a maturity of three months or less.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above. Bank overdrafts are included within interest bearing loans and borrowings in current liabilities.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs. The costs of mining stocks include direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities.

Materials and supplies are valued at the lower of cost and net realisable value. Any provision for obsolescence is determined by reference to specific stock items identified. A regular and ongoing review is undertaken to establish the extent of surplus items and a provision is made for any potential loss on their disposal.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(g) Derivative financial instruments

The Company uses derivative financial instruments to manage its currency risk for raw materials purchases. The instruments used by the Company include forward foreign exchange contracts.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the statement of comprehensive income immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of recognition in the statement of comprehensive income depends on the nature of the hedge relationship.

statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purposes of hedge accounting, hedges are classified as:

- fair value hedges, when they hedge the exposure to changes in the fair value of a recognised asset or
- cash flow hedges, when they hedge exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Amounts accumulated in equity are transferred to the statement of comprehensive income in the periods when the hedged item affects the statement of comprehensive income, for instance when the forecast sale that is hedged takes place.

At the inception of the transaction, the Company formally designates and documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity remains deferred in equity until the original forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the statement of comprehensive income.

(h) Investments and other financial assets

These financial assets are initially measured at fair value plus, in the case of financial assets at fair value through profit and loss, transaction costs that are directly attributable to the acquisition of financial asset.

The Company classifies its financial assets into the following categories :

- (i) Fair value through profit or loss; and
- (ii) Amortised costs

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

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For traded investments with embedded derivatives, the fair value is determined by a qualified valuer. For investments with no active market, fair values are determined using valuation techniques. The valuation is determined by reference to the current market value of another instrument that is substantially the same. Realised gains or losses are included in the statement of comprehensive income. The Company recognises unrealised gains and losses of equity investments in the statement of comprehensive income under the “fair value through profit and loss” approach.

(ii) Financial assets at amortised cost

These financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of financial asset. After initial recognition, these assets are measured at amortised cost, using the effective interest method. Gains and losses are recognised in profit or loss when these assets are derecognised or impaired, as well as through the amortisation process.

(i) Property, plant and equipment

Each class of property, plant and equipment is measured at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

(i) Land and Buildings

Freehold land is measured at its fair value. It is the policy of the Company to have an independent valuation every three to five years, with annual appraisals being made by the directors.

Following initial recognition at cost, freehold land is carried at a revalued amount. Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income, in which case the increase is recognised in the statement of comprehensive income.

Any revaluation decrease is recognised in the statement of comprehensive income, except that a decrease offsetting a previous revaluation increase for the same asset is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Additionally, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Buildings are held at cost less any subsequent accumulated depreciation on buildings. Land and buildings are reduced by any subsequent accumulated impairment losses.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to statement of comprehensive income.

(ii) Plant and equipment

Plant and equipment is measured on the cost basis less accumulated depreciation and impairment losses.

The carrying values of plant and equipment are reviewed for impairment annually, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired. The recoverable amount is assessed on the basis of the expected net cashflows that will be received from the assets employed and subsequent disposal. The expected net cashflows have been discounted to their present values in determining recoverable amounts.

(iii) Depreciation

Items of property, plant and equipment, including buildings but excluding freehold land, are depreciated/amortised over their estimated useful lives.

The Company uses the unit-of-production basis when depreciating mine specific assets which results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's economic life has due regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which it is located.

The remainder of assets but excluding freehold land, is depreciated on a straight line basis over their useful lives of 3 - 20 years, commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(j) Leases

Leases of plant and equipment under which the Company or its controlled entities assume substantially all the risks and benefits incidental to ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised, with a lease asset and a lease liability equal to the fair value of the leased asset or, if lower, at the present value of the minimum lease payments determined at the inception of the lease. Lease payments are apportioned between the finance charges and reduction of the lease liability. The finance charge component within the lease payments is expensed. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Company or its controlled entities will obtain ownership by the end of the lease term.

Payments made under operating leases are expensed on a straight-line basis over the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

(k) Impairment of assets

The carrying amounts of all assets are reviewed yearly to determine whether there is an indication of impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units - CGUs).

(l) Assets and liabilities held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from other assets in the balance sheet.

The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet. A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of comprehensive income.

(m) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Interest-bearing loans and borrowings

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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs

Borrowing costs are recognised as an expense when incurred, except when they are included in the costs of qualifying assets.

(o) Share-based payment transactions

The Company may provide benefits to employees of the Company in the form of share based compensation, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). Currently the Company operates an Employee Share Plan.

Shares were issued to qualifying employees by way of an interest-free non-recourse loan to the employee. These shares vest to the employee at 25% per year over four years. The cost of these transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The cost is recognised to the statement of comprehensive income together with a corresponding increase in equity over the vesting period. The fair value is determined by using a Binomial Model. Further details are given in Note 23.

(p) Unsecured converting notes

The component of the unsecured converting notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs.

On issuance of the unsecured converting notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a long-term liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost.

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Interest on the liability component of the instruments is recognised as an expense in the statement of comprehensive income.

Transaction costs are apportioned between the liability and equity components of the unsecured convertible and converting notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

(q) Mine under construction

Expenditure incurred in constructing a mine by the Company is accumulated in which economically recoverable reserves have been identified. This expenditure includes direct costs of construction, borrowing costs capitalised during construction and an appropriate allocation of attributable overheads. Once a development decision has been taken, all aggregated costs of construction are transferred to non-current assets as either mine development or buildings, plant and equipment as appropriate.

(r) Exploration, evaluation and feasibility expenditure

Exploration and evaluation expenditure related to areas of interest is capitalised and carried forward to the extent that:

- (i) Rights to tenure of the area of interest are current; and
- (ii) (a) Costs are expected to be recouped through successful development and exploitation of the area of interest or alternatively by sale; or
(b) Where activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, active and significant operations in, or in relation to, the area are continuing.

Such expenditure consists of an accumulation of acquisition costs and direct net exploration and evaluation costs incurred by or on behalf of the Company, together with an appropriate portion of directly related overhead expenditure.

Feasibility expenditure represents costs related to the preparation and completion of a feasibility study to enable a development decision to be made in relation to an area of interest.

At the commencement of production, all past exploration, evaluation and feasibility expenditure in respect of an area of interest is transferred to mine development where it is amortised over the life of the area of interest to which they relate.

When an area of interest is abandoned or the directors decide it is not commercial, any accumulated costs in respect of that area are written off in the year the decision is made. Each area of interest is reviewed at the end of each reporting period and accumulated costs written off to the extent they are not expected to be recoverable in the future.

(s) Mine development

Mine development represents the expenditure incurred in preparing mines for production, and includes stripping and waste removal costs net of revenue recognised before commissioning date. Such expenditure comprises net direct costs and an appropriate allocation of directly related overhead costs.

All expenditure incurred prior to commencement of production from the development property is carried forward to the extent to which recoupment out of future revenue from the sale of production is reasonably assured.

When further development expenditure is incurred in respect of the mine property after commencement of production, such expenditure is carried forward as part of the cost of mine property only when future economic benefits are reasonably assured, otherwise the expenditure is classified as part of the cost of production and expensed as incurred. Such capitalised development expenditure is added to the total carrying value of mine development being amortised.

The net carrying values of mine development expenditure carried forward are reviewed yearly by directors to determine whether there is any indication of impairment. The carrying value of mine development will be amortised in full by the completion of the mine.

(t) Deferred mining expenditure

The Company defers mining costs incurred during the production stage of its operations, initially as part of determining the cost of mine development and then to inventories. Deferred mining costs for a mine are amortised over the life of the mine against inventories on a unit-of-production basis taking in to consideration the total remaining cost of developing the mine over its life. The life of mine is based on economically recoverable reserves of each mine. The deferred mining costs in inventories are released to the statement of comprehensive income as an amortisation expense.

The life of mine is a function of an individual mine's design and therefore changes to that design will generally result in changes to the amortisation rate. Changes in other technical or economic parameters that impact reserves will also have an impact on the life of mine even if they do not affect the mine's design. Changes to the life of mine are accounted for prospectively.

(u) Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indication of impairment arises during the reporting period.

(v) Provisions for restoration

The Company is required to decommission and rehabilitate mines and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities.

The expected cost of any approved decommissioning or rehabilitation program, discounted to its net present value, is provided when the environmental disturbance occurs. The cost is capitalised when it gives rise to future benefits, whether the rehabilitation activity is expected to occur over the life of the operation or at the time of closure. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included in financing expenses. Expected decommissioning and rehabilitation costs are based on the discounted value of the estimated future cost of detailed plans prepared for each site. Where there is a change in the expected decommissioning and restoration costs, the value of the provision and any related asset are adjusted and the effect is recognised in the statement of comprehensive income on a prospective basis over the remaining life of the operation.

(w) Contributed equity

Issued ordinary share capital is classified as equity and is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares and the associated tax are recognised directly in equity as a reduction of the share proceeds received.

Reserved shares

The Company's own equity instruments are reacquired for later use in employee share-based payment arrangements and are deducted from equity. No gain or loss is recognised in the statement of comprehensive income on purchase, sale, issue or cancellation of the Company's own equity instruments.

Unsecured converting notes

Each unsecured converting note may be converted into 3 ordinary shares and \$1.45 cash every six months commencing 31 December 2012. If there are any unsecured converting notes outstanding at maturity, the Company will redeem them for 3 fully paid ordinary shares and \$1.45 cash per converting note. The notes will attract interest at 10.25% per annum paid semi annually.

(x) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

(ii) Interest income

Revenue is recognised as interest accrues using the effective interest method. Revenue is recognised when the Company's right to receive payment is established.

(iii) Dividends

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

(iv) Management fees

Revenue is accrued as work is completed and the Company's right to receive payment is established.

(y) Income tax

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

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

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

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

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

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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

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

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

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

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

Tax consolidation legislation

Heemskirk Consolidated Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 27 July 2005.

The parent entity, Heemskirk Consolidated Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Company has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes.

In addition to its own current and deferred tax amounts, Heemskirk Consolidated Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

(z) Goods and services tax (GST)

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

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

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

(aa) Earnings per share

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 2: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise equity investments, cash deposits, unsecured converting notes and bank borrowings.

The main purpose of these financial instruments is to provide cash flow and funding for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Company also enters into derivative transactions. The purpose is to manage the currency and commodity risk arising from the Company's operations and its source of finance.

The main risks arising from the Company's financial instruments are foreign currency risk, price risk and liquidity risk.

Cash flow interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term overdraft facilities and cash at bank and in hand with a floating interest rate.

The Company's policy is to manage its interest cost using a mix of fixed and variable debt. To manage this mix, the Company issued fixed rate unsecured converting notes.

Foreign currency risk

The Company operates in Canada and Australia, and maintains exposure to the Canadian and the U.S. exchange rates. As such, the Company's balance sheet can be affected by movements in these exchange rates. The policy of the Company is to monitor foreign currency exposures and hedge on a case by case basis.

At 30 September 2012, the Company had \$1.5m (2011: \$nil) foreign exchange forward contracts in place.

Price risk

The Company has substantial holdings in mining and extractive industry stocks, the values of which are impacted by commodity price movements. The Company tracks these holdings as equity investments, and closely monitors the performance and values of these investments.

The policy of the Company is to maintain exposure to commodity price movements at its mining operations. The Company may also use put options, forward contracts and commodity sale contracts to manage its downward price risk.

At 30 September 2012, the Company had no commodity price forward contracts and no put options in place.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Company trades only with recognised, creditworthy third parties and such collateral is not requested nor is it the Company's policy to securitise its trade and other receivables. Note 25(c) discloses credit risk and concentration risk issues.

Liquidity risk

The Company's objective is to use cash and cash equivalents, equity investments at fair value and financial assets at amortised cost, bank loans, converting notes and equity to maintain liquidity.

The Company's policy is to maximise liquidity to enable the development of its projects.

Refer to Note 25 for further disclosure on financial risk management objectives and policies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 3: SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Company's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Company. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Determination of mineral resources and ore reserves

The determination of reserves impacts the accounting for asset carrying values, depreciation and amortisation rates, deferred stripping costs and provisions for restoration. The Company estimates its mineral resources and ore reserves in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the "JORC code"). The information on mineral resources and ore reserves was prepared by or under the supervision of Competent Persons as defined in the JORC code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

Impairment of assets

The Company assesses each "cash generating unit" yearly, to determine whether there is any indication of impairment. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is deemed as being the higher of the fair value less costs to sell and value in use calculated in accordance with accounting policy Note 1(k). The fair value less costs to sell and value in use calculations require the use of estimates and assumptions such as discount rates, exchange rates, commodity prices, future operating development and sustaining requirements and operating performance (including the magnitude and timing of related cash flows).

Restoration provision

The Company assesses its restoration provision annually in accordance with accounting policy Note 1(v). Significant judgement is required in determining the provision for restoration as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate sites. Factors that will affect the ultimate liability include future development, changes in technology, price increases and changes in interest rates. When these factors change or become known in the future, such differences will impact the restoration provision in the period in which they change or become known.

Share based payments

The Company measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined by using a Binomial Model, using the assumptions detailed in Note 23.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences and losses when management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Valuation of shares under escrow and unlisted warrants

The Company has determined the fair value of the shares under escrow using the listed share price and then discounting this value to reflect the escrow period. The key assumptions are detailed in Note 25(e).

The fair value of warrants has been estimated using the Black-Scholes Model taking into account the terms and conditions upon which the warrants were issued. The valuation is determined by reference to comparable share price volatilities.

Exploration and evaluation costs

The Company's accounting policy for exploration and evaluation expenditure is set out in Note 1(r). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves will be found. Any such estimates and assumptions may change as new information becomes available.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 4: REVENUE FROM CONTINUING OPERATIONS

	2012 \$'000	2011 \$'000
<i>An analysis of the Company's revenue for the year, from continuing operations, is as follows:</i>		
- sale of goods	18,383	14,349
- dividends received	-	23
- interest received	753	435
Total revenue	19,136	14,807

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 5: EXPENSES FROM CONTINUING OPERATIONS

		2012	2011
		\$'000	\$'000
<i>Profit/(loss) for year includes the following expenses:</i>			
(a)	Cost of sales		
	Sale of goods	15,996	12,775
		<u>15,996</u>	<u>12,775</u>
(b)	Depreciation and amortisation included in statement of comprehensive income		
	<i>Depreciation of:</i>		
-	Property, plant and equipment (refer to Note 16)	751	820
	Transferred to discontinued operations	-	(66)
	Total depreciation	<u>751</u>	<u>754</u>
	<i>Amortisation of:</i>		
-	Mine development (refer to Note 17)	61	8,301
	Transferred to discontinued operations	-	(8,238)
	Total amortisation	<u>61</u>	<u>63</u>
		<u>812</u>	<u>817</u>
(c)	Finance costs		
-	converting notes, leases and overdrafts	569	1,770
-	unwind of discount on unsecured converting notes	(48)	306
		<u>521</u>	<u>2,076</u>
(d)	Operating lease payments included in statement of comprehensive income		
-	rental expense on operating leases	<u>458</u>	<u>144</u>
(e)	Employee benefits expense		
-	superannuation expense	138	203
-	share based payment expense	14	6
-	salaries	2,157	2,104
		<u>2,309</u>	<u>2,313</u>
(f)	Impairment losses		
-	inventories	-	385
-	bad debts	21	8
		<u>21</u>	<u>393</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 6: INCOME TAX

	2012 \$'000	2011 \$'000
(a) Income tax expense		
The major components of income tax expense are:		
Income statement		
<i>Current income tax</i>		
Current income tax expense	541	717
Under/(over) provision from previous years	2	(777)
	543	(60)
<i>Deferred tax expense</i>		
Relating to origination and reversal of temporary differences	(38)	10,201
Under/(over) provision from previous years	-	1,111
	(38)	11,312
Income tax expense reported in the statement of comprehensive income	505	11,252
Income tax expense/(benefit) attributable to:		
Continuing operations	683	4,556
Discontinued operations	(178)	6,696
Income tax expense reported in the statement of comprehensive income	505	11,252
(b) Amounts charged or credited directly to equity		
<i>Current income tax and deferred income tax related to items charged or credited directly to equity:</i>		
Asset revaluation	-	(3)
Converting notes	-	(106)
Income tax expense/(benefit) reported in equity	-	(109)
(c) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
<i>A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Company's applicable income tax rate is as follows:</i>		
Accounting profit/(loss) before tax	(1,750)	7,876
At the Company's statutory income tax rate of 30% (2011: 30%)	(525)	2,363
<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>		
Impact of different foreign tax rates	(17)	38
Other expenses	17	238
Under provided for in prior years	1	334
Sale of subsidiaries	-	2,922
Derecognition of current and prior year tax losses	1,033	5,119
Debt forgiveness - foreign subsidiary	(2)	(205)
Foreign exchange (gains)/losses and other translation adjustments	(2)	443
Income tax expense reported in the statement of comprehensive income	505	11,252

(d) Recognised deferred tax assets and liabilities

	2012	2012	2011	2011
	\$'000	\$'000	\$'000	\$'000
	Current	Deferred	Current	Deferred
	income tax	income tax	income tax	income tax
Opening balance	(208)	(305)	-	10,898
Charged to income	(543)	38	60	(11,312)
Charged to equity	-	-	-	109
Other payments/tax losses not recognised	603	3	(268)	-
Closing balance	(148)	(264)	(208)	(305)
Tax expense in statement of comprehensive income		505		11,252
Amounts recognised in the statement of financial position:				
Deferred tax asset		-		-
Deferred tax liability		(264)		(305)
		(264)		(305)

	Balance Sheet	
	2012	2011
	\$'000	\$'000
Deferred income tax at 30 September relates to the following:		
<i>Deferred tax liabilities</i>		
Mine development	(395)	(126)
Contract establishment costs	-	-
Financial instruments	-	-
Accelerated depreciation: plant and equipment, motor vehicles	(384)	(600)
Unrealised (gains)/losses	-	(209)
	(779)	(935)
Less set-off of deferred tax assets	514	630
Net deferred tax liabilities	(264)	(305)
<i>Deferred tax assets</i>		
Property, plant and equipment	114	149
Mine development	48	-
Provisions for employee entitlements	-	-
Capital raising costs	-	209
Sale of HSK Gold Australia Pty Ltd	-	-
Tax value of tax losses carried forward	352	272
	514	630
Less set-off of deferred tax assets	(514)	(630)
Net deferred tax assets	-	-

(e) Tax Losses

The Company has capital and income tax losses for which no deferred tax asset is recognised on the statement of financial position of \$10.952 million (2011: \$7.515 million). The Company recognises the benefit of tax losses only to the extent of anticipated future taxable income or gains in relevant jurisdictions. The gross amount of tax losses carried forward that have not been tax effected expire as follows:

	Australia A\$'000	Canada A\$'000	Total A\$'000
Year of expiry			
<i>Income tax losses</i>			
Later than ten years and not later than twenty years	-	6,170	6,170
Unlimited	31,299	-	31,299
	31,299	6,170	37,469
<i>Capital tax losses</i>			
Unlimited	-	-	-
	-	-	-
Gross amount of tax losses not recognised	31,299	6,170	37,469
Tax effect of total losses not recognised	9,390	1,542	10,932

(f) Tax Consolidation

(i) Members of the tax consolidated group and the tax sharing arrangement

Heemskirk Consolidated Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 27 July 2005. Heemskirk Consolidated Limited is the head entity of the tax consolidated group. Members of the tax consolidated group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

(ii) Tax effect accounting by members of the tax consolidated group

Measurement method adopted under AASB Interpretation 1052 Tax Consolidation Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied The Stand Alone Taxpayer approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the broad principles in AASB 112 Income Taxes. The nature of the tax funding agreement is discussed further below.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Nature of the tax funding agreement

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the funding of tax within the group is based on accounting profit, which is not an acceptable method of allocation under AASB Interpretation 1052 10. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount charged under the tax funding agreement and the allocation under AASB Interpretation 1052, the head entity accounts for these as equity transactions with the subsidiaries.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. The terms and conditions for these transactions are disclosed in Note 29(c).

(g) TOFA impact

Legislation is in place which changes the tax treatment of financial arrangements including the tax treatment of hedging transactions. The Company has assessed the potential impact of these changes on the group's tax position. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 30 September 2012 (2011: \$nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 7: DISCONTINUED OPERATIONS

		2012	2011
		\$'000	\$'000
The financial information in relation to discontinued operations is summarised below:			
	Operating profit after income tax from HSK Gold Australia Pty Ltd	-	26
	Gain on sale after income tax from HSK Gold Australia Pty Ltd	-	17,309
	Total gain after income tax from sale of HSK Gold Australia Pty Ltd	-	17,335
	Operating loss after income tax from Spain	1,198	(2,149)
	Loss on sale after income tax from Spain	(28)	(8,216)
	Total loss after income tax from sale of Spain	1,170	(10,365)
	Net gain/(loss) after income tax from discontinued operations	1,170	6,970

(a) **HSK Gold Australia Pty Ltd (HGA)**

On 16 September 2010, the Company entered into a sale agreement with Conquest Mining Limited to dispose of its subsidiary, HSK Gold Australia Pty Ltd (HGA). The sale was approved by shareholders on 29 October 2010 and completed on 3 November 2010. Through HGA, the Company owned a 40% interest in the Pajingo Mine Joint Venture. Total consideration (based on the Conquest share price at 3 November 2010) was \$42.592 million comprising \$27.0 million cash, \$13.706 million Conquest shares and \$1.886 million working capital. The profit after tax on the transaction is \$17.309 million.

		2012	2011
		\$'000	\$'000
(i)	<i>The results of HGA are as follows:</i>		
	Revenue	-	1,500
	Cost of sales	-	(1,423)
	Gross Profit	-	77
	Depreciation and amortisation expense	-	-
	Corporate costs	-	(21)
	Finance costs	-	(28)
	Other expenses	-	(2)
	Impairment expenses	-	-
	Profit/(loss) before tax	-	26
	Income tax (expense)/benefit	-	-
	Profit/(loss) after income tax from discontinued operation	-	26
	Earnings per share (EPS)		
	Basic earnings per share (cents)	-	0.02
	Diluted earnings per share (cents)	-	0.02

		2012	2011
		\$'000	\$'000
(ii)	<i>Gain on Sale:</i>		
	Consideration received	-	42,592
	Carrying amount of net assets sold	-	(17,109)
	Transaction costs	-	(1,010)
	Gain on sale before income tax from HGA	-	24,473
	Income tax expense	-	(7,164)
	Gain on sale after income tax from HGA	-	17,309

	<u>Nov 2010</u>
	<u>\$'000</u>
(iii) <i>Carrying amount of net assets sold</i>	
Cash and cash equivalents	134
Trade and other receivables	1,753
Inventories	2,087
Other current assets	451
Property, plant and equipment	5,082
Mine development	12,741
Trade and other payables	(1,916)
Interest bearing loans and liabilities	(188)
Provisions	(3,036)
Net Assets	<u>17,109</u>

	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>
(iv) <i>The net cash flows of HGA are as follows:</i>		
Net cash flows from operating activities	-	640
Net cash flows from investing activities	-	22,044
Net cash provided by discontinued operations	<u>-</u>	<u>22,684</u>

(b) Spain

On 12 April 2011, the company announced that a Sale and Purchase Agreement was executed with Almonty Partners LLC for the sale of its 100% owned Los Santos tungsten operations into Almonty Industries Inc. The sale was approved by shareholders on 23 May 2011 and completed on 23 September 2011.

Total consideration was \$21.288 million comprising US\$14.0 million cash, 5.56 million CAD\$1 shares and 3.70 million CAD\$1.25 warrants in Almonty Industries Inc. The shares have been classified as equity investments (refer to Note 15).

	cents per security	\$'000
Consideration Received (converted to A\$)		
US\$14 million cash		14,344
5.56 million CAD\$1 shares *	95	5,255
3.70 million CAD\$1.25 warrants **	46	1,689
		<u>21,288</u>

* 75% of the CAD\$1 shares (4.17 million) were issued under escrow until 23 March 2013 and vest at a rate of 1.39 million shares every six months commencing 23 December 2011. These are reported at fair value of \$3.870 million using the listed share price and discounting this value to reflect the escrow period as described in Note 25(e).

** The warrants, which are exercisable for three years up to 23 March 2014, can be converted into fully paid shares at a conversion price of CAD\$1.25 each. These are reported at fair value using the Black-Scholes Model described in Note 15(a)(ii).

		2012	2011
		\$'000	\$'000
(i)	<i>The results of Spain are as follows***:</i>		
	Revenue	2,195	15,313
	Cost of sales	(1,161)	(10,100)
	Gross Profit	1,034	5,213
	Depreciation and amortisation expense	-	(8,304)
	Corporate costs	-	(28)
	Finance costs	(14)	(155)
	Other income/(expenses)	-	664
	Impairment losses	-	(7)
	Profit/(loss) before tax	1,020	(2,617)
	Income tax (expense)/benefit	178	468
	Profit/(loss) after tax	1,198	(2,149)
	Earnings per share (EPS)		
	Basic earnings per share (cents)	0.78	(1.38)
	Diluted earnings per share (cents)	0.75	(1.33)

*** The transactions for the period 1 October 2011 to 30 September 2012 relate to tungsten inventory owned by the Company that was in transit to the customer at 23 September 2011 and sold during the year ended 30 September 2012.

		2012	2011
		\$'000	\$'000
(ii)	<i>Loss on Sale:</i>		
	Consideration received	-	21,288
	Carrying amount of net assets sold	-	(20,204)
	Transaction costs	(28)	(1,130)
	Foreign currency translation reserve recycling	-	(8,170)
	Loss on sale before income tax from Spain	(28)	(8,216)
	Income tax expense	-	-
	Loss on sale after income tax from Spain	(28)	(8,216)

		Sep 2011
		\$'000
(iii)	<i>Carrying amount of net assets sold</i>	
	Cash and cash equivalents	280
	Trade and other receivables	815
	Inventories	2,450
	Other current assets	230
	Property, plant and equipment	853
	Mine development	19,318
	Trade and other payables	(3,346)
	Interest bearing loans and liabilities	(50)
	Provisions	(346)
	Net Assets	20,204

		2012	2011
		\$'000	\$'000
(iv)	<i>The net cash flows of Spain are as follows:</i>		
	Net cash flows from operating activities	750	4,877
	Net cash flows from investing activities	-	7,494
	Net cash flows from financing activities	-	314
	Net cash provided by discontinued operations	750	12,685

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 8 : KEY MANAGEMENT PERSONNEL

(a) Names and positions held by Directors and Key Management Personnel in office at any time during the financial year are:

Directors

Peter John Bird	Executive Director (appointed 1 December 2011)
Garry Cameron	Non-Executive Director
William Alexander Hansen	Non-Executive Director
Graham Lenzner	Non-Executive Director
Kevin Peter Robinson	Executive Director (retired 1 December 2011)
John Taylor	Non-Executive Director

Executives

Mark Flook	Executive General Manager
Stephen Gray	Company Secretary (appointed 1 June 2012) and Financial Controller
Alan Minty	President Heemskirk Canada
Colin Walker	Company Secretary (retired 31 May 2012)

There were no changes to the directors and executives after the reporting date and before the date the financial report was authorised for issue.

(b) Compensation of key management personnel by category:

	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>
Short-term employee benefits	1,822	1,916
Post-employment benefits	174	161
Share-based payments	6	4
Termination benefits	510	65
	<u>2,512</u>	<u>2,146</u>

During the year, there were nil (2011: nil) executive and other fees paid by the Company to entities controlled by directors.

(c) Equity instruments of key management personnel issued by Heemskirk Consolidated Limited:

The disclosure relating to interests in equity instruments of key management personnel includes equity instruments held by personally related entities, relatives and the spouses of relatives and any entity under the joint or several control or significant influence of the person.

All other equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

30 September 2012

	Balance 1.10.2011				Period ended 30.09.2012					Balance 30.09.2012			
	Director	Class A \$0.25 Ordinary Shares	Class B \$0.50 Ordinary Shares	Unsecured Convertible Notes	Class A Conversion to Ordinary Shares ⁽⁴⁾	Class B Conversion to Ordinary Shares ⁽⁴⁾	Options Exercised	Net Change Other Shares ⁽¹⁾	Net Change Convertible Notes ⁽²⁾	Ordinary Shares	Class A \$0.25 Ordinary Shares	Class B \$0.50 Ordinary Shares	Unsecured Convertible Notes
Peter Bird ⁽⁴⁾	5,952,659	-	-	-	-	-	-	-	-	5,952,659	-	-	-
Garry Cameron	50,000	-	-	-	-	-	125,000	-	-	175,000	-	-	-
William (Lex) Hansen	268,466	100,000	500,000	-	-	-	-	-	-	268,466	100,000	500,000	-
Graham Lenzner	700,000	-	-	-	-	-	200,000	-	-	900,000	-	-	-
Kevin Robinson ⁽⁵⁾	7,604,321	-	-	-	-	-	(7,604,321)	-	-	-	-	-	-
John Taylor	300,000	-	-	-	-	-	200,000	-	-	500,000	-	-	-
Total	14,875,446	100,000	500,000	-	-	-	(7,079,321)	-	-	7,796,125	100,000	500,000	-

	1.10.2011		Period ended 30.09.2012			Balance 30.09.2012		
	Executive	Ordinary Shares	Employee Share Plan (vested)	Employee Share Plan ⁽³⁾	Employee Share Plan (expired)	Net Change Other Shares ⁽¹⁾	Ordinary Shares	Employee Share Plan (vested)
Mark Flook	1,950,001	-	-	-	-	-	1,950,001	-
Stephen Gray ⁽⁶⁾	39,893	54,194	-	-	-	-	39,893	54,194
Andrew McIlwain ⁽⁷⁾	-	250,000	-	(250,000)	-	-	-	-
Alan Minty	191,734	-	-	-	-	-	191,734	-
Colin Walker	-	22,097	13,957	-	-	-	-	36,054
Total	2,181,628	326,291	13,957	(250,000)	-	-	2,181,628	90,248

(1) Net change other refers to shares purchased or sold during the financial year.

(2) Net change refers to unsecured convertible notes purchased, sold or redeemed during the financial year.

(3) Ordinary shares vested during the period ended 30 September 2012 under the Employee Share Plan.

(4) Peter Bird classified as Director for 2012 following his appointment to the Board on 1 December 2011.

(5) Kevin Robinson retired as Director for 2012 following his retirement from the Board on 1 December 2011.

(6) Stephen Gray opening balance on appointment to Company Secretary on 1 June 2012.

(7) Andrew McIlwain retired on 8 March 2011.

Balance 1.10.2010					Period ended 30.09.2011					Balance 30.09.2011			
Director	Ordinary Shares	Class A \$0.25 Ordinary Shares	Class B \$0.50 Ordinary Shares	Unsecured Convertible Notes	Class A Conversion to Ordinary Shares	Class B Conversion to Ordinary Shares	Options Exercised	Net Change Other Shares ⁽¹⁾	Net Change Convertible Notes ⁽²⁾	Ordinary Shares	Class A \$0.25 Ordinary Shares	Class B \$0.50 Ordinary Shares	Unsecured Convertible Notes
Garry Cameron	-	-	-	-	-	-	-	50,000	-	50,000	-	-	-
William (Lex) Hansen	268,466	100,000	500,000	-	-	-	-	-	-	268,466	100,000	500,000	-
Ross Herron ⁽⁴⁾	528,003	-	-	-	-	-	-	-	-	528,003	-	-	-
Bruce Kay ⁽⁴⁾	1,230,466	-	1,000,000	10,000	-	-	-	-	(10,000)	1,230,466	-	1,000,000	-
Graham Lenzner	-	-	-	-	-	-	-	700,000	-	700,000	-	-	-
Kevin Robinson	7,604,321	-	-	-	-	-	-	-	-	7,604,321	-	-	-
John Taylor	-	-	-	-	-	-	-	300,000	-	300,000	-	-	-
Total	9,631,256	100,000	1,500,000	10,000	-	-	-	1,050,000	(10,000)	10,681,256	100,000	1,500,000	-

Balance 1.10.2010			Period ended 30.09.2011			Balance 30.09.2011	
Executive	Ordinary Shares	Employee Share Plan (vested)	Employee Share Plan ⁽³⁾	Employee Share Plan (expired)	Net Change Other Shares ⁽¹⁾	Ordinary Shares	Employee Share Plan (vested)
Peter Bird ⁽⁵⁾	5,952,659	-	-	-	-	5,952,659	-
Paul Berndt ⁽⁶⁾	-	-	-	-	-	-	-
Mark Flook	1,950,001	-	-	-	-	1,950,001	-
Andrew McIlwain ⁽⁷⁾	-	-	250,000	-	-	-	250,000
Alan Minty	7,563	-	-	-	184,171	191,734	-
Colin Walker	44,000	12,836	9,261	-	-	44,000	22,097
Total	7,954,223	12,836	259,261	-	184,171	8,138,394	272,097

(1) Net change other refers to shares purchased or sold during the financial year.

(2) Net change refers to unsecured convertible notes purchased, sold or redeemed during the financial year.

(3) Ordinary shares issued during the period ended 30 September 2011 under the Employee Share Plan vest to the employees over 4 years in equal instalments of 25% in March 2012, March 2013, March 2014 and March 2015.

(4) Shareholdings were current at retirement date.

(5) Peter Bird classified as Other Key Management Personnel for 2011 following his retirement from the Board on 24 February 2011.

(6) Estimated for 2011, following the sale of Spain on 23 September 2011 Paul Berndt ceased being a KMP of the Company.

(7) Andrew McIlwain retired on 8 March 2011.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 9: AUDITORS' REMUNERATION

	<u>2012</u>	<u>2011</u>
	\$	\$
The auditor of Heemskirk Consolidated Limited is Ernst & Young.		
<i>Amounts received or due and receivable by Ernst & Young (Australia) for:</i>		
- an audit or review of the financial report of the entity and any other entity in the consolidated group	140,000	178,050
- other assurance services associated with the sale of Spain	-	197,500
- transaction advisory services	-	204,485
<i>Amounts received or due and receivable by Ernst & Young (Canada) for:</i>		
- an audit or review of the financial report of the entity and any other entity in the consolidated group	66,900	65,578
- tax advisory services	-	56,234
<i>Amounts received or due and receivable by Ernst & Young (Spain) for:</i>		
- an audit or review of the financial report of the entity and any other entity in the consolidated group	-	8,600
	<u>206,900</u>	<u>710,447</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 10: DIVIDENDS PAID AND PROPOSED

	2012 \$'000	2011 \$'000
(a) Recognised amounts		
<i>Declared during the year:</i>		
Dividends on ordinary shares:		
Final fully franked dividend in respect of 2011: 0 cents (2010: 0 cents)	-	-
<i>Paid during the year</i>		
Dividends on ordinary shares:		
Final fully franked dividend in respect of 2011: 0 cents (2010: 0 cents)	-	-
(b) Franking credit balance		
<i>The amount of franking credits available for the subsequent financial year are:</i>		
Franking credit balance as at 1 October	866	1,181
- Tax paid/(refunded)	-	(320)
- Franked dividends paid	-	-
- Franked dividends received	-	5
Franking credit balance as at 30 September	866	866
<i>The amount of franking credits available for future reporting periods:</i>		
- Impact on the franking account of dividends proposed or declared before the financial report was authorised for issue but not recognised as a distribution to equity holders during the period	-	-
- Franking credits/(debits) that will arise from the payment/(refund) of the amount of the provision for income tax	-	-
	866	866

(c) Tax rates

The tax rate at which paid dividends have been franked is 30% (2011: 30%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 11: EARNINGS PER SHARE

(a) Earnings used in calculating earnings per share	2012	2011
	\$'000	\$'000

The following reflects the income used in the basic earnings per share computations:

For basic earnings per share:

Net profit/(loss) from continuing operations	(3,389)	(10,345)
Net profit/(loss) from discontinued operations	1,170	6,970
Net profit/(loss)	<u>(2,219)</u>	<u>(3,375)</u>

For diluted earnings per share:

Net profit/(loss) (from basic EPS)	(3,389)	(10,345)
Tax effect interest on unsecured convertible notes - liability	219	1,269
Net profit/(loss)	<u>(3,170)</u>	<u>(9,076)</u>

(b) Weighted average number of shares	2012	2011
	<i>Thousand</i>	<i>Thousand</i>

Weighted average number of ordinary shares for basic earnings per share	154,139	155,186
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Effect of dilution:

Converted debt securities	5,667	5,667
Reserved shares	89	210

Weighted average number of ordinary shares for the effect of dilution	<u>159,895</u>	<u>161,063</u>
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(c) Earnings per share (EPS)	2012	2011
	<i>Cents per share</i>	<i>Cents per share</i>

Basic EPS from continuing operations	(2.20)	(6.67)
Basic EPS from discontinued operations	0.76	4.50

Diluted EPS from continuing operations	(2.20)	(6.67)
Diluted EPS from discontinued operations	0.76	4.50

Because diluted earnings per share is increased when taking the unsecured converting notes into account, the unsecured converting notes are anti-dilutive and as such are excluded from the calculation of diluted earnings per share.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 12: CASH AND CASH EQUIVALENTS

	2012 \$'000	2011 \$'000
Cash at bank and in hand	4,340	12,693
Short term deposit	5,086	4,000
Total cash and cash equivalents as per the statement of cash flows	9,426	16,693

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represents fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 13: TRADE AND OTHER RECEIVABLES

	Note	2012 \$'000	2011 \$'000
Current			
Trade receivables	(i)	1,693	2,544
Goods and services tax		28	54
Other debtors		83	254
		1,804	2,852

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the balance sheet and notes to the financial statements.

Refer to Note 25(c) for the Company's material credit risk exposure.

(i) *Allowance for impairment loss*

Trade receivables are non-interest bearing and are generally on 30 day terms. An allowance for impairment loss is recognised when there is objective evidence that a trade receivable is impaired. There was a \$0.021 million impairment loss for 2012 (2011: \$0.008 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 14: INVENTORIES

	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>
Current		
Raw materials and stores (at cost or NRV)	4,251	2,706
Finished goods (at cost or NRV)	256	1,356
Total inventories at cost and net realisable value	<u>4,507</u>	<u>4,062</u>

Inventory expense

Inventories recognised as an expense for continuing operations for the year ended 30 September 2012 totalled \$13.716 million (2011: \$10.793 million) for the Company. This expense has been included in the cost of sales from continuing operations line item as a cost of inventories.

Inventory write-downs recognised as an expense totalled \$nil (2011: \$0.356 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 15: OTHER FINANCIAL ASSETS

		2012	2011
		\$'000	\$'000
Current			
Equity investments	(a)	7,087	6,554
Term deposit	(b)	4,236	2,000
		<u>11,323</u>	<u>8,554</u>
Non Current			
Equity investments (Almonty Industries Inc.)	(a)	-	1,226
Term deposit	(b)	-	55
		<u>-</u>	<u>1,281</u>
		<u>11,323</u>	<u>9,835</u>

(a) **Equity investments comprise financial assets measured at fair value through profit and loss**

Current			
Listed investments	(i)	5,891	4,831
Unlisted investments (Almonty warrants)	(ii)	1,196	1,723
		<u>7,087</u>	<u>6,554</u>
Non Current			
Listed investments	(i)	-	1,226
		<u>-</u>	<u>1,226</u>

Equity investments consist of investments in equities and warrants and therefore have no fixed maturity date.

(i) Listed shares

The fair value of listed equity investments has been determined per Note 1(h)(i).

The company determined the fair value of the Almonty Industries Inc. shares under escrow per Note 25(e).

(ii) Unlisted shares and warrants

Valuation assumptions

The fair value of the unlisted equity investments has been estimated using the valuation techniques based on assumptions that are not supported by observable market prices or rates. The valuation is determined by reference to the current market value of another instrument that is substantially the same. The related changes in fair value recorded in profit and loss are reasonable and the most appropriate at the balance sheet date.

The fair value of warrants has been estimated using the Black-Scholes Model taking into account the terms and conditions upon which the warrants were issued. The valuation is determined by reference to comparable share price volatilities.

(b) Term Deposits	2012	2011
	\$'000	\$'000
Current		
Term Deposit - NAB	4,236	2,000
Non-current		
Term Deposit - NAB	-	55

Interest rates and maturity

The NAB current term deposit attracts interest at 3.8% (2011: 5.86 %) and matures 12 December 2012.
The NAB non-current term deposit attracted interest at nil% (2011: 5.30%).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 16: PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amounts at the beginning and end of the period

	Freehold Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Computer Hardware and Software \$'000	Motor Vehicles \$'000	Leasehold Improve- ments \$'000	Total \$'000
Year ended 30 September 2012							
At 1 October 2011, net of accumulated depreciation	2,622	926	3,334	114	78	18	7,092
Additions	-	42	205	53	-	-	300
Disposals at written-down value	-	(31)	(131)	(24)	-	-	(186)
Revaluation	-	-	-	-	-	-	-
Depreciation charge for the year	-	(57)	(627)	(39)	(21)	(8)	(751)
Transfers to discontinued operations	-	-	-	-	-	-	-
Foreign currency increase / (decrease)	(21)	(8)	(27)	-	(1)	-	(56)
At 30 September 2012 net of accumulated depreciation	2,601	872	2,754	104	56	10	6,398
At 30 September 2012							
Cost or fair value	2,601	1,083	5,794	237	554	117	10,386
Accumulated depreciation	-	(211)	(3,040)	(133)	(498)	(107)	(3,988)
Net carrying amount	2,601	872	2,754	104	56	10	6,398
Year ended 30 September 2011							
At 1 October 2010, net of accumulated depreciation	2,692	978	4,478	30	76	27	8,281
Additions	-	22	460	129	33	-	644
Disposals at written-down value	-	-	-	(2)	-	-	(2)
Revaluation	(25)	-	-	-	-	-	(25)
Depreciation charge for the year	-	(57)	(680)	(43)	(31)	(9)	(820)
Transfers to discontinued operation	-	-	(853)	-	-	-	(853)
Foreign currency increase / (decrease)	(45)	(17)	(71)	-	-	-	(133)
At 30 September 2011 net of accumulated depreciation	2,622	926	3,334	114	78	18	7,092
At 1 October 2010							
Cost or fair value	2,692	1,094	20,285	300	715	44	25,130
Accumulated depreciation	-	(116)	(15,807)	(270)	(639)	(17)	(16,849)
Net carrying amount	2,692	978	4,478	30	76	27	8,281
At 30 September 2011							
Cost or fair value	2,622	1,098	6,249	213	559	119	10,860
Accumulated depreciation	-	(172)	(2,915)	(100)	(481)	(100)	(3,768)
Net carrying amount	2,622	926	3,334	114	78	19	7,092

(b) Revaluation of freehold land

The Company engages accredited independent valuers to determine the fair value of its freehold land. Fair value is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by the Company, and to market based yields for comparable properties. The effective date of the revaluation was September 2011 and the impact was a revaluation decrease of \$nil (2011: \$0.025 million).

(c) Carrying amount if land was measured at cost

If land was measured using the cost model the carrying amount would be as follows:

	2012 \$'000	2011 \$'000
Cost	449	449
Accumulated depreciation	-	-
Net carrying amount	449	449

(d) Property, plant and equipment pledged as security for liabilities

Plant and equipment with a carrying amount of \$5.849 million (2011: \$6.467 million) are pledged as securities for non-current liabilities as disclosed in Note 19(e).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 17: EXPLORATION, EVALUATION AND MINE DEVELOPMENT

Reconciliation of carrying amounts at the beginning and end of the period

	Development \$'000	Exploration and Evaluation \$'000	Mine Development \$'000	Total \$'000
YEAR ENDED 30 SEPTEMBER 2012				
At 1 October 2011, net of accumulated amortisation	-	967	569	1,536
Additions	-	2,221	38	2,259
Impairment	-	-	-	-
Amortisation charge for the year	-	-	(61)	(61)
Transfers to discontinued operations	-	-	-	-
Foreign currency increase/(decrease)	-	65	(4)	61
At 30 September 2012, net of accumulated amortisation	-	3,253	542	3,795
At 30 September 2012				
Cost or fair value	-	3,253	840	4,093
Accumulated amortisation	-	-	(298)	(298)
Net carrying amount	-	3,253	542	3,795
YEAR ENDED 30 SEPTEMBER 2011				
At 1 October 2010, net of accumulated amortisation	33	15	21,904	21,952
Additions	-	959	6,750	7,709
Impairment	(34)	-	-	(34)
Amortisation charge for the year	-	-	(8,301)	(8,301)
Transfers to discontinued operations	-	-	(19,318)	(19,318)
Foreign currency increase/(decrease)	1	(7)	(465)	(472)
At 30 September 2011, net of accumulated amortisation	-	967	569	1,536
At 1 October 2010				
Cost or fair value	33	15	65,338	65,386
Accumulated amortisation	-	-	(43,434)	(43,434)
Net carrying amount	33	15	21,904	21,952
At 30 September 2011				
Cost or fair value	-	967	808	1,775
Accumulated amortisation	-	-	(239)	(239)
Net carrying amount	-	967	569	1,536

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 18: TRADE AND OTHER PAYABLES

		<u>2012</u>	<u>2011</u>
		<u>\$'000</u>	<u>\$'000</u>
Current			
Trade payables	(i)	1,848	1,539
Sundry creditors and accrued expenses		2,026	1,284
		<u>3,874</u>	<u>2,823</u>

(i) *Trade and sundry creditors*

Trade payables, sundry payables and accrued expenses are non-interest bearing and are normally settled on 30 to 45 day terms.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 19: INTEREST BEARING LOANS AND BORROWINGS

		2012	2011
		\$'000	\$'000
Current			
Secured Liabilities			
Obligations under finance leases and hire purchase contracts (Note 26)	(a)	15	16
Bank overdraft	(b)	2,112	4,220
Secured loans		-	-
Unsecured Liabilities			
Convertible notes - unsecured	(c)	2,739	-
Other loans (unsecured)		115	70
		<u>4,981</u>	<u>4,306</u>
Non-current			
Secured Liabilities			
Obligations under finance leases and hire purchase contracts (Note 26)	(a)	18	32
Unsecured Liabilities			
Converting notes - unsecured	(c)	159	2,947
		<u>177</u>	<u>2,979</u>

For terms and conditions attached to each type of borrowing, refer to section (b) below and to Note 26 for finance leases.

(a) Fair values

The carrying amount of the Company's current and non-current borrowings approximates their fair value.

(b) Terms and conditions

The bank overdraft is secured by a floating charge and a first mortgage as described in section (e) below.

(c) Converting notes - unsecured comprise:

On 31 March 2011, the Company issued 1,889,000 unsecured converting notes with an issue price of \$2.00. Each unsecured converting note may be converted into 3 ordinary shares and \$1.45 cash every six months commencing 31 December 2012. If there are any unsecured converting notes outstanding at maturity, 31 March 2015, the Company will convert them for 3 fully paid ordinary shares and \$1.45 cash per note. The notes attract interest at 10.25% per annum paid semi annually.

Unsecured converting notes are disclosed based on the potential impact on liquidity, such as when cash payments are due within one year they are disclosed as current liabilities.

The fair value of the unsecured converting notes approximates its carrying value.

(d) Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	2012	2011
	\$'000	\$'000
Total facilities:		
Bank overdraft	4,881	4,920
Loans and finance leasing	635	612
	<u>5,516</u>	<u>5,532</u>
Facilities used at reporting date:		
Bank overdraft	2,112	4,220
Loans and finance leasing	146	120
	<u>2,258</u>	<u>4,340</u>
Facilities unused at reporting date:		
Bank overdraft	2,768	700
Loans and finance leasing	488	492
	<u>3,256</u>	<u>1,192</u>

(e) Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	2012	2011
	\$'000	\$'000
Current		
<i>Floating charge</i>		
Cash and cash equivalents	1,319	522
Inventory	4,409	3,016
Receivables	1,693	2,536
Total current assets pledged as security	<u>7,421</u>	<u>6,074</u>
Non-current		
<i>Fixed charge or security interest</i>		
Land	2,245	2,263
Buildings	869	926
Plant and equipment	2,710	3,232
<i>Finance Lease</i>		
Plant and equipment	25	46
Total non-current assets pledged as security	<u>5,849</u>	<u>6,467</u>
Total assets pledged as security	<u>13,270</u>	<u>12,541</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 20: PROVISIONS

	2012 \$'000	2011 \$'000
Current		
Annual leave	322	415
Long service leave	108	-
Contingent settlement	104	-
	<u>534</u>	<u>415</u>
Non-current		
Long service leave	21	151
Restoration	113	105
	<u>134</u>	<u>256</u>

(a) **Movements in provisions**

Movements in restoration provision during the financial year:

	Restoration \$'000
At 1 October 2011	105
Arising during year	8
Utilised	-
At 30 September 2012	<u>113</u>
Current 2012	-
Non-current 2012	113
	<u>113</u>
Current 2011	-
Non-current 2011	105
	<u>105</u>

(b) **Nature and timing of provisions**

Employee benefits

A provision is recognised for annual leave and long service leave when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Restoration

Provision is made where it is necessary for the Company to undertake environmental and other works at mining operations to comply with terms governing the issue of permits and licences or to adhere to the group's stated environmental policies. The directors' estimates of such obligations take account of the present value of future obligations. Typically most restoration work is completed at the end of the mining project although in some circumstances certain areas of the mining operations may be rehabilitated progressively as it is determined mining activity in a particular area has been completed, (refer Note 1(v)).

Contingent Settlement

In conjunction with the Founder's Plan settlement announced 28 July 2010, a loan facility was made available to the Founder's to assist with discharging any Australian taxation liability as a result of the settlement. The Founders have advised the Company that the actual draw down of the facility is not expected to exceed \$0.230 million. The draw down of the facility as at 30 September 2012 is nil.

The loan facility is interest-bearing at market rates and repayable by cash or a predetermined number of pledged Company shares at a value of 50 cents per share plus termination payments. Any shortfall in repayments after the value of the loan facility has been reduced by cash, the pledged Company shares and termination payments will be forgiven and treated as an expense. In the unlikely event of a termination for cause, the Company has recognised in the accounts a potential shortfall (contingent settlement) in relation to the Managing Director of \$104,000 as at 30 September 2012.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 21: OTHER LIABILITIES

		<u>2012</u>	<u>2011</u>
		<u>\$'000</u>	<u>\$'000</u>
Current			
Revenues received in advance	(i)	-	1,349
		-	1,349

(i) Deposit received from delivery of tungsten shipments \$nil (2011: \$1.349 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 22: CONTRIBUTED EQUITY

		2012 \$'000	2011 \$'000
154,104,876 (30/09/11: 154,104,876) fully paid ordinary shares	(a)	79,842	79,842
2,088,860 (30/9/11: 2,088,860) reserved shares	(b)	(677)	(677)
100,000 (30/09/11: 100,000) Class A \$0.25 ordinary shares (paid to \$0.01)	(c)	1	1
1,500,000 (30/09/11: 1,500,000) Class B \$0.50 ordinary shares (paid to \$0.01)	(d)	15	15
1,889,000 (30/09/11: 1,889,000) Converting notes unsecured, matures 31/03/2015	(e)	2,003	2,003
		<u>81,184</u>	<u>81,184</u>

(a) Ordinary shares

	Shares thousands	\$'000
At 1 October 2010	154,105	79,631
Capital raising costs - reversed on sale of Spain	-	215
31 March 2011 - ESP shares assigned	-	(4)
At 30 September 2011	<u>154,105</u>	<u>79,842</u>
31 March 2012 - ESP shares assigned	-	-
As at 30 September 2012	<u>154,105</u>	<u>79,842</u>

Unissued shares

There are no remaining options over unissued ordinary shares of the parent entity or obligations in contract to issue ordinary shares in the parent entity, other than those attributed to the unsecured converting notes.

Voting and other rights

At meetings of members each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

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

(b) Reserved shares

	<i>Shares thousands</i>	\$ '000
At 1 October 2010	2,089	(681)
1 March 2011 - ESP shares expired and used for issue	(232)	62
1 March 2011 - ESP - shares issued	(i) 232	(62)
31 March 2011 - ESP assigned	-	4
At 1 October 2011	<u>2,089</u>	<u>(677)</u>
1 March 2012 - ESP shares expired and used for issue	(428)	60
1 March 2012 - ESP - shares issued	(i) 428	(60)
31 March 20112 - ESP assigned	-	-
At 30 September 2012	<u>2,089</u>	<u>(677)</u>

The Company's own equity instruments are reacquired for later use in employee share-based payment arrangements (reserved shares) and are deducted from equity.

(i) The shares were issued at a price of 14 (2011: 27) cents per share. Under current accounting standards and pronouncements 'fair value' of the issue is recognised as an employee benefit expense over the term of the benefit. The standards and pronouncements also require that equity be recognised at fair value at the date of the grant and that additional amounts are only recognised upon re-payment of the loan provided.

Vesting

The employee shares issued during the year vest to the employee at the rate of 25% annually under the terms described in Note 23(b).

Voting and other rights

Employee shares

- participate in dividends on the same basis as holders of ordinary shares and the proceeds on winding up of the parent entity in proportion to the number of shares held;
- carry the right to participate in new issues of securities to holders of ordinary shares on the same basis as holders of ordinary shares; and
- do not have the right to vote at meetings of members of the parent entity.

(c) Class A \$0.25 ordinary shares

	<i>Shares thousands</i>	\$'000
Partly paid		
At 1 October 2011	100	1
At 30 September 2012	<u>100</u>	<u>1</u>

(d) Class B \$0.50 ordinary shares

Partly paid		
At 1 October 2011	1,500	15
At 30 September 2012	<u>1,500</u>	<u>15</u>

Issue terms

Each partly paid share:

- was issued at 1 cent;
- at 30/9/2011 has an amount unpaid of:
 - (i) for Class A partly paid shares - 24.00 cents; and
 - (ii) for Class B partly paid shares - 49.00 cents.

(e) Convertible and converting notes - unsecured	<i>Shares thousands equivalent</i>	\$'000
At 1 October 2010	9,666	1,239
Converted during year ended 30 September 2011	(932)	-
Redeemed/buy back during the year ended 30 September 2011	(8,734)	-
Issued during the year ended 30 September 2011	5,667	792
Transaction costs	-	(28)
At 1 October 2011	<u>5,667</u>	<u>2,003</u>
Converted during year ended 30 September 2012	-	-
Redeemed/buy back during the year ended 30 September 2012	-	-
Issued during the year ended 30 September 2012	-	-
Transaction costs	-	-
At 30 September 2012	<u>(i) 5,667</u>	<u>2,003</u>

The unsecured convertible and converting notes issued contain both an equity and a debt component. The balance of \$2.003 million (2011: \$2.003 million) represents the component of the notes recognised directly in equity. The liability component of the notes is reflected in interest bearing loans and borrowings (refer to Note 19).

Voting and other rights

- carries the right to participate in new issues of securities to holders of shares (except bonus issues) on the same basis as holders of ordinary shares;
- carries the right to participate in bonus issues of securities in the proportion which the amount paid bears to the total amounts paid and payable;
- carries the right to vote in the proportion which the amount paid bears to the total amounts paid and payable; and
- carries the right upon conversion to ordinary shares to receive dividends and distributions in the proportion which the amount paid bears to the total amounts paid and payable.

(i) Each unsecured converting note may be converted into 3 ordinary shares and \$1.45 cash every six months commencing 31 December 2012. If there are any unsecured converting notes outstanding at maturity, the Company will convert them for 3 fully paid ordinary shares and \$1.45 cash per note. The notes attract interest at 10.25% per annum paid semi annually.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 23: SHARE BASED PAYMENT PLAN

2012	2011
\$'000	\$'000

(a) Recognised share-based payment expenses

The expense recognised for employee services received during the year is shown in the table below:

Expense arising from equity-settled share-based payment transactions	14	9
Total expense arising from share-based payment transactions	14	9

The share-based payment is described below.

(b) Types of share-based payment

Employee Share Plan ("ESP")

Shares may be granted to employees, with more than 12 months' service, to align interests with those of shareholders to increase the value of the Company's shares. Under the terms of grant, the share price was set by reference to the market price of the shares on the date of grant and previous share issues by the Company. The shares were issued as restricted securities. There are no ongoing performance hurdles governing vesting other than the continued employment of the employee. Subject to that continuing employment the shares issued vest automatically on the anniversary of the issue date at the rate of 25% each year.

If an employee ceases employment prior to the vesting of the shares, the unvested shares are forfeited unless cessation of employment is due to death. In the event of a change of control the vesting period dates may be brought forward to the date of the change of control and awards will vest subject to performance over this shortened period.

Employee Share Loans ("ESL")

Under the ESP an interest free loan is made to the employee to fund the acquisition of shares in the Company. 70% of dividends are required to be applied to the loan reduction and the loan balance must be paid out from share sale proceeds. If the share sale proceeds are less than the value of the loan, the employee pays the balance of the loan. If the loan balance is not retired, the employee is unable to receive any benefit from the shares. If an employee leaves prior to vesting of shares then the shares are forfeited and the loan is cancelled.

(c) Summary of ESP shares granted

The following table illustrates the number (No.) and weighted average issue prices (WAIP) of, and movements in, shares issued during the year:

	2012	2012	2011	2011
	No.	WAIP	No.	WAIP
Outstanding at the beginning of the year	553,695	0.43	1,056,776	0.49
Granted during the year	427,916	0.14	232,240	0.18
Expired during the year	(360,664)	-	(735,321)	-
Outstanding at the end of the year	620,947	0.26	553,695	0.43

* The weighted average share price at the date of issue, and the 4 days prior to issue, was \$0.13 (2011:\$0.27). The weighted average of the remaining contractual life of ESP shares granted is 1.4 (2011: 2.2) years.

(d) Weighted average fair value

The provision of the non-recourse loan has required that the ESP shares issued be treated as if the issue was a grant of options on the relevant date. Under those principles the fair value of ESP issued during the year was \$0.02 (2011: \$0.03).

(e) Fair Value pricing model: ESP

Equity-settled transactions

The fair value of the equity-settled ESP shares issued is estimated as at the date of grant using a Binomial Model taking into account the terms and conditions upon which the shares were issued. The model takes into account the historic share price volatilities and implied dividend yields.

The following table lists the key assumptions to the model used for the year ended 30 September 2012:

Model used	Binomial
Forecast dividend yield (%)	0.00
Expected volatility (%)	60.00
Risk-free interest rate (%)	4.00
Expected life (years)	4.00
Employee exit rate (%)	39.00
Exercise multiple (times)	1.00
Issue price (\$)	0.14
Weighted average share price at measurement date (\$)	0.13

The following table lists the key assumptions to the model used for the year ended 30 September 2011:

Model used	Binomial
Forecast dividend yield (%)	0.00
Expected volatility (%)	60.00
Risk-free interest rate (%)	5.12
Expected life (years)	4.00
Employee exit rate (%)	60.00
Exercise multiple (times)	1.00
Issue price (\$)	0.18
Weighted average share price at measurement date (\$)	0.27

Forecast dividend has been based on dividend history over the previous 3 years. The rate assumed is an expected average over the four-year period and is based on market yields generally found in resource-based operating companies. This may not necessarily be an outcome as the Company has not announced a stated dividend policy. The expected volatility was determined using an historical sample of 80 week-end Company share prices. The resulting expected volatility therefore reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected life of the option is equivalent to the maximum period when all shares will vest. Accordingly there is no discount for vesting shares during the term. As the shares have been issued, and not subject to further election to exercise the exercise multiple has been taken as a 1:1 (2011: 1:1) relationship.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 24: RETAINED EARNINGS AND RESERVES

	<u>2012</u>	<u>2011</u>
	<u>\$'000</u>	<u>\$'000</u>
(a) Movement in retained earnings were as follows:		
Balance 1 October	(53,738)	(50,363)
Net profit/(loss)	(2,219)	(3,375)
Dividends	-	-
Balance 30 September	<u>(55,957)</u>	<u>(53,738)</u>

(b) Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements in the fair value of land.

Foreign currency translation reserve

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

In accordance with the requirements of the accounting standards, foreign currency translation gains/(losses) remain deferred in equity until the disposal of the foreign operation, at which point they are recognised in the statement of comprehensive income.

Foreign currency translation losses of \$nil (2011: \$8.170 million) previously recognised in equity and relating to Spain, was transferred to the statement of comprehensive income. This accounting adjustment did not affect the net assets or cash position of the Company.

Cash flow hedge reserve

The hedge reserve is used to record the effective portion of changes in the fair value of cash flow.

Employee equity benefits reserve

The Company has an employee share based payment plan in place. The employee equity benefits reserve is used to recognise the value of equity settled share based payment transactions provided to employees - refer Note 23.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 25: FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial risk management objectives and policies are outlined in Note 2.

Risk Exposures and Responses

(a) Interest rate risk

The Company's exposure to market interest rates relates primarily to the Company's bank overdraft and cash and cash equivalents. The level of debt is disclosed in Note 19.

At balance date, the Company had the following mix of financial assets and liabilities exposed to interest rate risk:

	2012	2011
	\$'000	\$'000
Financial Assets		
Cash and cash equivalents	9,426	16,693
	<u>9,426</u>	<u>16,693</u>
Financial Liabilities		
Bank overdrafts	(2,112)	(4,220)
	<u>(2,112)</u>	<u>(4,220)</u>
Net exposure	<u>7,314</u>	<u>12,473</u>

The Company's policy is to manage its finance costs using a mix of fixed and variable rate debt.

The Company maintains a high level of borrowings at fixed rates through the issue of unsecured convertible notes. At 30 September 2012 approximately 56% (2011: 41%) of the Company's borrowings are at a fixed rate of interest.

The Company constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing and the mix of fixed and variable interest rates.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

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

	Post Tax Profit		Equity	
	Higher/(Lower)		Higher/(Lower)	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Judgements of reasonably movements:				
Consolidated				
+1% (100 basis points)	51	101	51	101
-1% (100 basis points)	(51)	(101)	(51)	(101)

The sensitivity is lower in 2012 than 2011 because of a decrease in net exposure.

(b) Foreign currency risk

The Company undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. The majority of the Company's revenues are denominated in AUD and CAD dollars whereas the majority of costs are in AUD, CAD and US dollars.

The Company's balance sheet can be affected by movements in the A\$/CAD\$ and CAD\$/US\$ exchange rates.

Approximately nil% of sales and 45% of costs are denominated in currencies other than the functional currency of the individual entities.

Measuring the exposure to foreign exchange risk is achieved by regularly monitoring and performing sensitivity analysis on the Company's financial position.

At 30 September 2012, the carrying amounts of the Company's CAD\$ and US\$ financial assets and liabilities are as follows:

	Canadian dollars		US dollars	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Financial Assets				
Cash and cash equivalents	136	617	1,084	1,952
Equity investments	6,301	6,867	-	-
	<u>6,437</u>	<u>7,484</u>	<u>1,084</u>	<u>1,952</u>
Financial Liabilities				
Trade and other payables	-	-	(2,623)	(746)
Other financial liabilities	-	-	-	(1,349)
Bank overdraft	-	-	-	(1,608)
	<u>-</u>	<u>-</u>	<u>(2,623)</u>	<u>(3,703)</u>
Net exposure	<u>6,437</u>	<u>7,484</u>	<u>(1,539)</u>	<u>(1,751)</u>

At 30 September 2012, if the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Judgements of reasonably possible movements:				
Consolidated				
AUD/CAD +10%	(451)	(523)	(451)	(523)
AUD/CAD -10%	451	523	451	523
CAD/USD +10%	110	152	110	152
CAD/USD -10%	(110)	(152)	(110)	(152)

The movements in the profit in 2012 is less sensitive than 2011 due to a decrease in the net exposure.

The group seeks to mitigate the effect of its foreign currency exposure by entering into CAD/USD currency forward contracts. The currency forward contracts effectively fix the CAD cash flows receivable on certain USD commodity purchases.

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial statements.

(c) Credit risk

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents, trade and other receivables and derivative financial instruments. The Company's exposure to credit risk arises from the potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

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

It is the Company's policy that all customers who wish to trade on credit terms are subject to verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation.

Receivables are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. There was a \$0.021 million impairment for 2012 and \$0.008 million for 2011 (refer to Note 13) .

The majority of the Company's receivables are due from customers in Canada, however as a result of the Company's credit policy, this credit risk is believed to be minimal. At balance date there was one customer that accounted for 39% (2011: 47%) of the Company's receivables.

The Company limits its counterparty credit risk on liquid funds and derivative financial instruments by dealing with banks or financial institutions with credit ratings of at least B+ equivalent.

The ageing of trade and other receivables at the reporting date was as follows:

	Past due not impaired				
	Not Past Due \$'000	Between 30 and 90 days \$'000	Over 91 days \$'000	Considered impaired \$'000	Total \$'000
2012					
Trade Receivables	1,614	79	-	-	1,693
Other Receivables	111	-	-	-	111
2011					
Trade Receivables	2,506	38	-	-	2,544
Other Receivables	308	-	-	-	308

(d) Liquidity risk

Liquidity risk arises from the financial liabilities of the Company and the Company's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due.

The liquidity position of the Company is managed to ensure sufficient liquid funds are available to meet the Company's financial commitments in a timely and cost-effective manner. The Company's objective is to maintain a balance between continuity and flexibility through the use of bank overdrafts, equity investments and issue of unsecured converting notes.

The Company manages its liquidity risk by monitoring the total cash inflows and outflows by producing monthly cash flow forecasts forward for a minimum of twelve months.

The following maturity analysis reflects all contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities and recognised financial guarantees as at balance date. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract. Where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Company is required to pay. When the Company is committed to make amounts available in instalments, each instalment is allocated in the earliest period in which the Company is required to pay. For financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows of non-derivative financial instruments. Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in the Company's ongoing operations such as mine development, property plant and equipment and investments in working capital (e.g. inventories and receivables).

Liquid non-derivative assets comprising cash and receivables are considered in the Company's overall liquidity risk. The Company ensures that sufficient liquid assets are available to meet all required short-term cash payments.

Included in Note 19(d) is a list of undrawn facilities that the Company has had at its disposal to manage liquidity risk.

The following table reflects all contractually fixed repayments and interest resulting from recognised financial assets and financial liabilities.

	Within		Total
	1 year \$'000	1-5 years \$'000	
2012			
Liquid Financial Assets			
Cash and cash equivalents	9,426	-	9,426
Trade and other receivables	1,804	-	1,804
Other financial assets	4,236	-	4,236
	<u>15,466</u>	<u>-</u>	<u>15,466</u>
Trade and other payables	(3,874)	-	(3,874)
Interest loans and borrowings*	(5,368)	(696)	(6,064)
	<u>(9,242)</u>	<u>(696)</u>	<u>(9,938)</u>
Net inflow/(outflow)	<u>6,224</u>	<u>(696)</u>	<u>5,528</u>

*Excludes unsecured converting notes equity component of \$1.039 million.

	Within		Total
	1 year \$'000	1-5 years \$'000	
2011			
Liquid Financial Assets			
Cash and cash equivalents	16,693	-	16,693
Trade and other receivables	2,852	-	2,852
Other financial assets	2,000	55	2,055
	<u>21,545</u>	<u>55</u>	<u>21,600</u>
Trade and other payables	(2,823)	-	(2,823)
Interest loans and borrowings*	(4,694)	(3,835)	(8,529)
	<u>(7,517)</u>	<u>(3,835)</u>	<u>(11,352)</u>
Net inflow/(outflow)	<u>14,028</u>	<u>(3,780)</u>	<u>10,248</u>

*Excludes unsecured converting notes equity component of \$1.039 million.

(e) Fair value

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Valuation technique - Quoted market price (Level 1) \$'000	Valuation technique - market observable inputs (Level 2) \$'000	Valuation technique - non market observable inputs (Level 3) \$'000	Total \$'000
2012				
Financial assets				
Derivative instruments				
Fx forward contracts	-	-	-	-
Equity investments				
Listed investments - current	4,662	-	1,229	5,891
Unlisted investments	-	-	1,196	1,196
	<u>4,662</u>	<u>-</u>	<u>2,425</u>	<u>7,087</u>
Financial liabilities				
Fx forward contracts	17	-	-	17
	<u>17</u>	<u>-</u>	<u>-</u>	<u>17</u>

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, the Company uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

The Company has determined the fair value of Level 3 listed investments (Almonty Industries Inc. shares under escrow) by using the listed share price and then discounting this value to reflect the escrow period. Key assumptions used in determining the discount rate is provided in the table below:

Risk free rate	0.89%
Market risk premium	5.10%
Beta of comparable companies	1.29
Discount rate	7.46%

Reconciliation of Level 3 fair value movements

	<u>2012</u> <u>\$'000</u>
Opening balance	5,540
Transferred to quoted market price level 1	(2,590)
Total gains/(losses)	(525)
Closing balance	<u>2,425</u>

The potential effect of a change in the discount rate by 10% would have the effect of reducing the fair value by up to \$0.005 million (2011: \$0.031million) or increase the fair value by \$0.005 million (2011: \$0.031 million).

(f) Price risk

The Company's earnings are exposed to price fluctuations, in particular to equity investments.

The following table details the carrying amount of financial instruments as at the reporting date for the group, impacted by price risk:

		2012	2011
		\$'000	\$'000
Financial assets			
Equity investments	(i)	7,087	7,780
Total financial assets		7,087	7,780
Disclosed as:			
Current		7,087	6,554
Non-current		-	1,226
		7,087	7,780
Financial derivative liabilities			
Currency forward contracts		17	-
Total financial derivative liabilities		17	-
Disclosed as:			
Current		17	-
Non-current		-	-
		17	-

(i) Equity investments

Price risk arises from the investments in equity securities. The policy of the Company is to maintain exposure to equity price movements. The majority of the equity investments are publicly traded either on the ASX or other global exchanges.

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

	Post Tax Profit		Equity	
	Higher/(Lower)		Higher/(Lower)	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
Judgements of reasonably movements:				
Prices +10%	496	545	496	545
Prices -10%	(496)	(545)	(496)	(545)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 26: COMMITMENTS AND CONTINGENCIES

	2012	2011
	\$'000	\$'000
(a) Commitments		
<i>(i) Leasing commitments</i>		
<i>Operating leases payable:</i>		
- within one year	383	444
- after one year but not more than five years	641	1,051
- after more than five years	-	-
Total minimum lease payments	<u>1,024</u>	<u>1,495</u>

The operating leases comprise property leases and various equipment leases.

The property leases are non-cancellable leases with five-year terms, with rent payable monthly in advance.

Rental provisions within the Australian property lease agreement require the minimum lease payments shall be increased by 4% per annum. An option exists to renew the Australian lease at the end of the five-year term for an additional term of five years.

Rental provisions within the Canadian property lease agreement require the minimum lease payments shall be increased by 5% per annum. An option exists to renew the Canadian lease at the end of the five-year term for an additional term of five years.

The equipment leases are non-cancellable leases with a five-year term, with rent payable either monthly or quarterly in advance.

Finance leases

The finance leases comprise various equipment leases.

	2012	2012	2011	2011
	<i>Minimum lease payments</i>	<i>Present value of lease payments</i>	<i>Minimum lease payments</i>	<i>Present value of lease payments</i>
	\$'000	\$'000	\$'000	\$'000
- within one year	15	15	16	16
- after one year but not more than five years	18	16	32	30
Total minimum lease payments	<u>33</u>	<u>31</u>	<u>48</u>	<u>46</u>
Less amounts representing finance charges	(2)	-	(2)	-
Present value of minimum lease payments	<u>31</u>	<u>31</u>	<u>46</u>	<u>46</u>

(ii) Property, plant and equipment commitments

The Company had \$nil (2011: \$nil) contractual obligations at balance date.

(iii) Exploration commitments

The Company had \$nil (2011: \$nil) exploration commitments at balance date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 27: FAIR VALUE

Fair values

All assets and liabilities recognised in the balance sheet, whether they are carried at cost or at fair value, are recognised at amounts that represents a reasonable approximation of fair value unless otherwise stated in the applicable notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 28: SEGMENT INFORMATION

Management has determined the operating segments based on reports reviewed by executive management (Chief Operating Decision Maker) for making strategic decisions. The executive management team comprises the Board of directors and executive general managers. The executive management team monitors the business based on product and geographic factors and have identified five reportable segments.

Corporate charges are allocated to the Mining segments on a proportional basis linked to management time spent on each Mining segment.

Mining Canada

This segment covers operations 100% owned by the Company concerned with the mining and processing of Industrial Mineral Products. Lethbridge and Moberly sites have been aggregated on the segment report.

Portfolio

This segment covers the investment in listed and unlisted Resource Equities.

Corporate

This segment covers all other corporate activities.

Mining Australia

This segment covered gold operations via a joint venture and is concerned with the exploration and mining of Gold and Silver in Queensland.

Mining Spain

This segment covered operations 100% owned by the Company concerned with the exploration and mining of Tungsten.

Further information relating to discontinued operations can be found in Note 7.

Major Customers

Mining Canada has one customer that accounts for 39% of consolidated revenue (2011: 32%)

(a) Segment Results and Segment Assets

The measurement of segment results is in line with the basis of information presented to management for internal management reporting purposes. The performance of each segment is measured on the net profit or loss after tax.

Segment information provided to the executive management team for the year ended 30 September 2012 is as follows:

NOTE 28: SEGMENT INFORMATION CONTINUED

		Mining Canada \$'000	Portfolio \$'000	Corporate \$'000	Total Continuing Operations \$'000	Mining Spain \$'000	Mining Australia \$'000	Total Discontinued Operations \$'000	Consolidated \$'000
30 September 2012									
Total segment revenue	(b)	18,425	(591)	760	18,594	2,201	-	2,201	20,795
Segment Operating EBITDA*		2,422	(954)	(2,724)	(1,256)	1,040	-	1,040	(216)
Depreciation & amortisation		(757)	-	(55)	(812)	-	-	-	(812)
Impairment		(2)	-	(19)	(21)	-	-	-	(21)
Finance costs		(176)	-	(358)	(534)	-	-	-	(534)
Corporate charges		(729)	-	651	(78)	78	-	78	-
Other indirects		(101)	-	(30)	(131)	-	-	-	(131)
Profit/(loss) before tax		657	(954)	(2,535)	(2,832)	1,118	-	1,118	(1,714)
Income tax expense		(504)	-	(1)	(505)	-	-	-	(505)
Segment profit/(loss) after tax	(c)	153	(954)	(2,536)	(3,337)	1,118	-	1,118	(2,219)
Total Assets		17,791	7,087	12,636	37,514	-	-	-	37,514
Total Liabilities		(4,972)	-	(5,157)	(10,129)	-	-	-	(10,129)
30 September 2011									
Total segment revenue	(b)	14,305	(16)	836	15,125	14,663	1,500	16,163	31,288
Segment Operating EBITDA*		1,528	(626)	(2,824)	(1,922)	4,563	55	4,618	2,696
Depreciation & amortisation		(773)	-	(44)	(817)	(8,304)	-	(8,304)	(9,121)
Impairment		(392)	-	-	(392)	(7)	-	(7)	(399)
Finance costs		(121)	-	(2,080)	(2,201)	(31)	(28)	(58)	(2,259)
Corporate charges		(795)	-	(2,769)	(3,564)	3,564	-	3,564	-
Other indirects		40	-	-	40	664	-	664	704
Profit on sale of discontinued operations		-	-	-	-	(8,216)	24,472	16,256	16,256
Profit/(loss) before tax		(513)	(626)	(7,717)	(8,856)	(7,766)	24,499	16,733	7,876
Income tax expense		(179)	-	(3,909)	(4,088)	-	(7,164)	(7,164)	(11,252)
Segment profit/(loss) after tax	(c)	(692)	(626)	(11,626)	(12,944)	(7,767)	17,335	9,569	(3,375)
Total Assets		11,073	7,780	23,424	42,277	22	-	22	42,299
Total Liabilities		(3,250)	-	(9,391)	(12,641)	-	-	-	(12,641)

* Operating EBITDA is earnings before interest expense, income tax, depreciation, amortisation charges and other indirect expenses.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 28: SEGMENT INFORMATION (CONTINUED)

		30 September 2012 \$'000	30 September 2011 \$'000
(b) Segment revenue reconciliation to statement of comprehensive income			
Mining Canada	(i)	18,383	14,349
Corporate	(ii)	753	435
Portfolio	(iii)	-	23
Total Revenue from continuing operations per statement of comprehensive income		19,136	14,807
<i>(i) Mining Canada</i>			
Sale of goods		18,383	14,349
Interest received/(paid)		-	-
Mining Canada Revenue included in revenue from continuing operations		18,383	14,349
Other income/(expense)		42	(44)
Total Segment Revenue - Mining Canada		18,425	14,305
<i>(ii) Corporate</i>			
Interest received		753	435
Corporate Revenue included in revenue from continuing operations		753	435
Corporate activities recognised in Mining Spain		-	681
Other income/(expense)		7	(280)
Total Segment Revenue - Corporate		760	836
<i>(iii) Portfolio</i>			
Dividends received		-	23
Portfolio Revenue included in revenue from continuing operations		-	23
Net gains/(losses) on equity investments		(591)	(39)
Other income/(expense)		-	-
Total Segment Revenue - Portfolio		(591)	(16)
<i>(iv) Discontinued operations</i>			
Mining Spain revenue		2,201	15,344
Corporate activities recognised in Mining Spain		-	(681)
Total Segment Revenue - Mining Spain		2,201	14,663
Mining Australia revenue		-	1,500
Total Segment Revenue - Mining Australia		-	1,500
Total Segment Revenue - Discontinued operations		2,201	16,163
Total Segment Revenue		20,795	31,288
(c) Segment net operating profit after tax reconciliation to the statement of comprehensive income			
Segment profit/(loss) after tax from continuing operations		(3,337)	(12,944)
Corporate income/(charges) - eliminated on consolidation		78	3,564
Corporate activities recognised in Mining Spain		(130)	(965)
<i>Profit/(loss) after tax per statement of comprehensive income from continuing operations</i>		(3,389)	(10,345)
Segment profit/(loss) after tax from discontinued operations		1,118	9,569
Corporate income/(charges) - eliminated on consolidation		(78)	(3,564)
Corporate activities recognised in Mining Spain		130	965
<i>Profit/(loss) after tax from discontinued operations per statement of comprehensive income</i>		1,170	6,970

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 29: RELATED PARTY DISCLOSURE

(a) Subsidiaries

The consolidated financial statements include the financial statements of Heemskirk Consolidated Limited ("ultimate parent") and the subsidiaries listed in the following table.

	Country of incorporation	% Equity Interest		Investment (\$'000)	
		2012	2011	2012	2011
Heemskirk Technical Services Pty Ltd	Australia	100	100	0	0
HSK Trading Pty Ltd	Australia	100	100	1	1
HSK Staff Share Plan Pty Ltd	Australia	100	100	0	0
Heemskirk Canada Holdings Ltd	Canada	100	100	428	428
Heemskirk Canada Ltd	Canada	100	100	3,521	3,521
HCA Mountain Minerals (Lethbridge) Ltd	Canada	100	100	-	-
HCA Mountain Minerals (Moberly) Ltd	Canada	100	100	-	-
HCA Mountain Minerals (Nevada) Ltd	USA	100	100	-	-
Tungsten SA Pty Ltd	Australia	100	100	-	-
Heemskirk Europe Plc *	United Kingdom	-	100	-	0
Daytal Resources Spain SL **	Spain	-	-	-	-
HSK Aggregates SL ***	Spain	-	100	-	-

* Heemskirk Europe Plc was liquidated on 10 September 2012.

** The sale of Daytal Resources Spain SL was completed on 23 September 2011 - see note 7.

*** HSK Aggregates SL was liquidated on 31 October 2011.

(b) Key management personnel

Details relating to key management personnel, including remuneration paid, are included in the directors' report and in Note 8.

(c) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those that would be available to other parties unless otherwise stated.

(d) Other transactions with directors

Directors of Heemskirk Consolidated Limited

The Company entered into a rental agreement with Mr Ross Herron, which was signed in June 2005, for the provision of office space. Rental income earned during the year was \$nil (2011: \$0.005 million) based on normal commercial terms and conditions. This agreement terminated on 5 September 2011.

On 28 July 2010 Heemskirk announced that it had been decided to terminate the Founders' Plan and settlement terms have been agreed (Refer to Remuneration Report page 17). The outcome of the settlement has no net effect on shareholders' equity and no net after tax cash outflows by the Company. The reasonableness of this settlement was confirmed by an independent expert. This action has the full support of the Founders and the then Heemskirk Board.

In conjunction with the Founder's Plan settlement, loan facilities were made available to the Founder's to assist with discharging any Australian taxation liability as a result of the settlement. The Founders have advised the Company that the actual draw down of the facility is not expected to exceed \$0.230 million. The draw down of the facility as at 30 September 2012 is nil. This facility is interest-bearing at market rates and repayable by cash or a predetermined number of pledged Company shares at a value of 50 cents per share plus termination payments. Any shortfall in repayments after the value of the loan facility has been reduced by cash, the pledged Company shares and termination payments will be waived or forgiven and treated as an expense. In the unlikely event of a termination for cause, management has recognised in the accounts a potential short fall in relation to the Managing Director of \$104,000 as at 30 September 2012.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 30: CASH FLOW STATEMENT RECONCILIATION

	2012	2011
	\$'000	\$'000
(a) Reconciliation of net profit after tax to net cash flows from operations		
Net (loss) after income tax	(2,219)	(3,375)
<i>Non-cash items</i>		
Depreciation, amortisation and impairments	832	9,520
Foreign exchange losses/(gains)	1	172
Employee benefits taken as equity	14	9
Non cash interest on converting and convertible notes	(85)	454
Net fair value change on equity investments	1,011	450
Other non cash (revenue)	(234)	(203)
Foreign currency translation reserve recycling	-	8,170
<i>Items presented as investing or financing activities</i>		
Net (gains)/losses on equity investments	(184)	(476)
Net (profit)/loss on disposal of fixed assets	197	(704)
Dividend income	-	(23)
Net (gains)/losses on disposal of subsidiaries	(8)	(24,426)
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in trade debtors	1,049	(2,772)
(Increase)/decrease in prepayments	-	(73)
(Increase)/decrease in financial assets	-	(3,205)
(Increase)/decrease in other assets	(50)	-
(Increase)/decrease in inventories	(445)	887
Increase/(decrease) in trade creditors	1,048	(1,223)
Increase/(decrease) in accruals and provisions	(1,361)	1,127
Increase/(decrease) in income taxes payable	(60)	208
(Increase)/decrease in deferred tax assets	-	11,431
Increase/(decrease) in deferred taxes payable	(41)	(227)
Net cash from/(used in) operating activities	(535)	(4,279)

(b) Disclosure of financing facilities

Refer to Note 19(d).

(c) Non cash financing and investing activities

Share-based payments (Note 23).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 31: PARENT ENTITY INFORMATION

Parent	
2012	2011
\$'000	\$'000

The summarised Income statement and Balance sheet in respect of the parent entity ("Company") is set out below.

(a) **Income statement**

Profit/(loss) after income tax	(3,431)	11,076
Total comprehensive income/(loss) for the year	(3,431)	11,046

(b) **Balance sheet**

Current assets	19,612	24,817
Non-current assets	11,021	11,001
Total assets	30,633	35,818
Current liabilities	3,286	955
Non-current liabilities	160	5,395
Total liabilities	3,446	6,350
Net assets	27,187	29,468
Contributed equity	82,320	81,184
Employee share based payment reserve	193	179
Retained earnings/(losses)	(55,326)	(51,895)
Total Equity	27,187	29,468

(c) **Commitments**

(i) *Leasing commitments*

Operating leases

Payable

- within one year	130	126
- after one year but not more than five years	187	317
- after more than five years	-	-
Total minimum lease payments	317	443

The operating leases comprise property leases and various equipment leases.

The property leases are non-cancellable leases with five-year terms, with rent payable monthly in advance. Rental provisions within the Australian property lease agreement require the minimum lease payments shall be increased by 4% per annum. An option exists to renew the Australian lease at the end of the five-year term for an additional term of five years.

The equipment leases are non-cancellable leases with a five-year term, with rent payable either monthly or quarterly in advance.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2012

NOTE 32: EVENTS AFTER THE BALANCE SHEET DATE

There are no matters or circumstances which have arisen since 30 September 2012 that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

I Directors' Declaration

In accordance with a resolution of the directors of Heemskirk Consolidated Limited, we state that:

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

On behalf of the Board

Graham Lenzner
Non-Executive Chairman
Melbourne, 28 November 2012

Peter Bird
Managing Director
Melbourne, 28 November 2012

J Independent Audit Report.

EY