# 2012 ANNUAL REPORT AusNiCo New Nickel



## **Contents**

Corporate Information	-
Chairman's Report	;
Review of Operations	,
Directors' Report	1
Auditors Independence Declaration	2
Shareholder Information	20
Interest in Tenements	28
Corporate Governance Statement	2
Statement of Comprehensive Income	3
Statement of Financial Position	3
Statement of Changes in Equity	3
Statement of Cash Flows	30
Notes to the Financial Statements	3
Directors' Declaration	6
Independent Auditors' Report	6

## **Corporate Information**

#### **Directors**

Brian Moller
John Downie
Nicholas Mather
Ren Harrison

#### **Company Secretary**

Karl Schlobohm

## Registered Office and Principal Business Office

AusNiCo I td

Level 27, One One One 111 Eagle Street Brisbane QLD 4000 Phone: + 61 7 3303 061

#### **Solicitors**

Hopgood Ganim Level 8, Waterfront Place 1 Eagle Street Brishane OLD 4000

#### **Share Register**

Link Market Services Ltd Level 15, 324 Queen Street Brisbane QLD 4000 Phone: 1300 554 474

#### **Auditors**

BDO Audit Pty Ltd Level 18, 300 Queen Street Brisbane QLD 4000 Phone: +61 7 3237 5999

#### Country Of Incorporation

Australia
STOCK EXCHANGE LISTING
Australian Securities Exchange Ltd

#### **Internet address**

www.ausnico.com.au

#### **Australian Business Number**

ABN 84 122 957 322

# **Chairman's Report**

Dear Shareholders

It has been a challenging year for all junior exploration companies and AusNiCo Ltd has been no exception.

Your board has grappled with the combination of both falling commodity prices, a strong decline in most resource stocks as well as difficult market and capital raising conditions.

Steps were implemented by the board with a view to surviving the challenging conditions and cost cutting measures were implemented across the board.

A review of the existing tenement portfolio was undertaken. The most prospective exploration ground has been maintained and new prospective ground in Queensland (South Marlborough) and in Tasmania (Hazlewood) has been secured as the company continues its exploration efforts with a primary focus on nickel, gold and copper.

Additionally, steps were taken to investigate other opportunities with a view to increasing shareholder value. A number of new projects were evaluated and whilst at this time, no new opportunities have been secured, the board continues to receive and review opportunities as and when they arise and there is renewed confidence that with available funding and a low cost and efficient operation, the company is well placed to take advantage of any improved market conditions.

I would like to thank my fellow board members and our staff for their tireless efforts over the past 12 months in what has been a challenging environment for all resource exploration companies.

I am hopeful that shareholders can look forward to improved market and commodity conditions in the new financial year as your board works to restore shareholder value.

Yours faithfully

Brian Moller Chairman

## **Review of Operations**

#### **About AusNiCo**

AusNiCo Ltd ("AusNiCo" or the "Company") was incorporated on 1 December 2006 as a wholly owned subsidiary of ASX-listed DGR Global Ltd ("DGR"). In line with DGR's stated objective to foster growth within its subsidiaries and in order to provide working capital, \$2,270,000 of seed capital was raised by AusNiCo from May 2007 to December 2008, thereby reducing DGR's interest in AusNiCo to approximately 80%.

AusNiCo was listed on the Australian Securities Exchange ("ASX") on 21 October 2010 and raised \$4,000,000 for the furtherance of its corporate and exploration objectives.

AusNiCo is focusing on the continued exploration and development of its nickel sulphide discoveries in the Black Snake Plateau at Pembroke and Mt. Cobalt Prospects, which has already returned an exploration drilling result of +180m @ 0.25% Ni, including 4m @ 1.1% Ni. At the Pembroke Prospect, AusNiCo has reported Gold- Copper intersections of 21m @ 1% Cu and 2.1g/t gold. Silver Valley has also reported intersections of 21m @1% Cu and 99g/t Silver.

# Achievements and Initial Exploration Results

# Completion of drilling program at the Black Snake Project

A 1,287 metre (12 hole) Reverse Circulation "RC" drilling campaign was completed in the Black Snake Plateau region to test geochemical and geophysical targets at the following prospects: The Peak, Orion's Belt, Pembroke, Mt Coora North, Mt Cobalt, Mt Clara North and Silver Valley South.

# Low grade Nickel sulphide model successfully tested at Pembroke

3D modelling of all Pembroke drilling data has outlined an approximate 30Mt body of mineralisation grading >0.15% Ni-equivalent with a 3Mt core of >0.25% Ni-equivalent.

# New Nickel-prospective tenement in NW Tasmania

EL 50/2011 Heazlewood River, Tasmania was granted on 21/5/2012. The tenement is located within the Devonian Meredith Granite and Cambrian Heazlewood Ultramafic complex and has numerous nickel (Avebury style nickel sulphide up to 1.4% Ni at Fenton's Knob) and platinoid prospects as well as enhanced Cu, Pb, Zn and Au prospectivity.

Results from the Reverse Circulation "RC" drilling at Mt Coora, The Peak, Orion's Belt, Pembroke and Silver Valley report the following significant intercepts:

#### **Pembroke Gold Copper**

- (18-40m); 22m @ 0.3g/t Au and 0.3% Cu;
- (12-18m); 6m @ 1.2g/t Au;

#### The Peak - Orion's Belt Gold Copper Silver

- (50-58m) 8m @ 43g/t Ag, 0.7% Cu and 0.24g/t Au;
- (40-50m) 10m @ 27g/t Ag, 0.4% Cu and 0.4g/t Au.
- (12-26m) 14m @ 6.3g/t Ag.



Figure 1. AusNiCo Tenements in NSW and QLD

# **Drill testing completed at Black Snake Plateau Region**

A series of 12 Reverse Circulation "RC" drill holes (including redrills) were completed at the Black Snake Plateau Region near Gympie in Southeastern Queensland. The 1,273m program tested a number of prospective targets (Figure 3).

#### The objective of this RC program was to test:

 The presence of Nickel sulphide mineralisation underlying the large nickel oxide discovery at Mt Cobalt Prospect;

- The Induced Polarization "IP" anomaly proximal to the serpentinite/metasediment contact at Mt Coora North Prospect;
- The prominent IP anomaly at Mt Clara North Prospect;
- The coincident IP and geochemical anomaly at the Peak Prospect and depth extensions to near-surface Cu-Ag-Au mineralisation at the Orion's Belt and Pembroke Prospects; and
- The source of a previously unrecognised open ended discrete linear IP anomaly at Silver Valley.

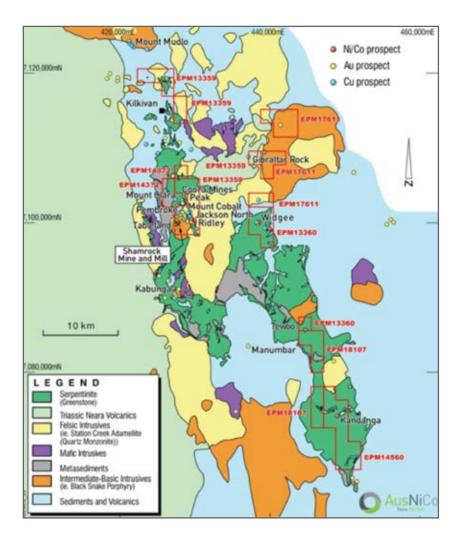


Figure 2. Kilkivan-Kandanga ultrabasic belt with historic prospects

Completed Geophysical surveys have delineated IP (chargeability) anomalies at Mt Clara North, Mt Coora North and the Peak. Significantly, these anomalies are coincident with the geological contact between the Mount Mia Serpentinite and the Mount Clara Beds Metasediments in the north and proximal to the Serpentinite / Station Creek Quartz Monzonite intrusive contact in the south which is similar to the regional setting at the Pembroke discovery (Serpentinite / Black Snake Porphyry contact).

High silver values from historic rock chips (+700g/t Ag) observed at the Peak and Orion's Belt Prospects occurring along the same geological contact provide strong encouragement that Silver Valley mineralisation could repeat over the 5km strike corridor from Ridley's in the south to The Peak in the north as has been previously reported.

Recent Geochemical sampling combined with IP surveying and drill testing applied at the Silver Valley Prospect identified potential for significant

accumulations of copper-silver mineralisation in high grade 'pods' as previously reported (21.0m @ 1.0% Cu, 99g/t Ag; including 1.5m @ 6.2% Cu and 582 g/t Ag in SVG1 (Q1 2011)) in a 5km structural/contact corridor with intermittently outcropping surface gossan.

Reinterpretation of the Silver Valley pole-dipole IP data has identified new NNW trending subtle linear chargeability features to the east of the previously tested anomalies associated with scattered gossan, old workings and anomalous soil geochemistry. An opportunistic drill hole (SVG12) drilled eastward from earlier SVG11 pad partially tested the southern feature with anomalous silver (6m @ 4g/t Ag) encountered at shallow depths (12-18m). It is likely that the hole passed over the main target and will be redrilled together with follow-up of the >500m strike extent.

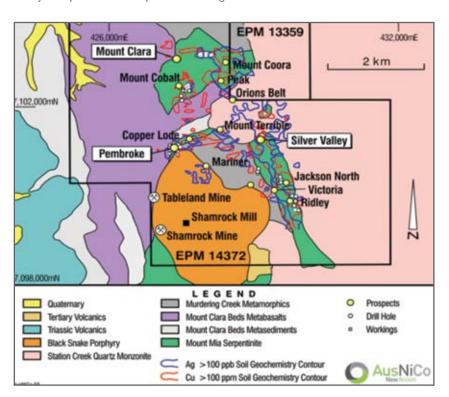


Figure 3. Black Snake Project Location Plan

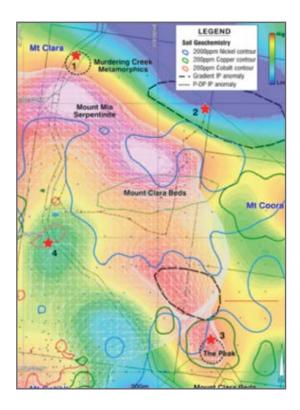
Mt Cobalt North: RC hole CC-01 was collared on a natural pad 400m north of Mt Cobalt targeting potential for nickel sulphide mineralisation. Results were disappointing with the entire hole reporting 204m @ 0.14% Ni (0.07% S) with the upper 4m averaging 0.18% Ni. Although moderate to strongly magnetic serpentinites were encountered, the principal magnetic anomaly further north of Mt Cobalt has yet to be drilled.

Mt Coora North: The centre of the prominent gradient array IP target was tested with a vertical RC hole (Coora-01) to 204m. The hole intersected grey/black fine grained phyllites/schists throughout with minor disseminations and veinlets of pyrite over a 46m interval (30-76m) immediately beneath the base of oxidation. The interval reported 0.26% S including 10m @ 0.38% S from 48m and may well explain the IP response. No significantly anomalous base or precious metal assays were returned with best assay of 2m @ 0.14% Cu, 3g/t Ag and 1.1% S reporting at the oxide/sulphide boundary at 30m representing minor supergene enrichment.

Mt Clara North: The discrete moderate intensity pole-dipole IP anomaly north of Mt Clara was drill tested with a 204m inclined (-60) RC hole (Clara N-01). The hole intersected massive magnetic serpentinite with minor diorite dykes (65-70m) and local K-feldspar alteration (132-154m). Elevated

sulphide was encountered between 40-78m (0.47% S; incl 1.13% S 60-70m) and 132-154m (0.28% S). Ni averaged 0.15% throughout the serpentinite. An enigmatic intercept of 2m @ 3.76g/t Au was made at 182m. It is assumed that the weakly elevated S may be the causative source of the anomaly although further interpretations will be necessary.

Orions Belt: RC drill hole OB-01 targeted a small historic working in serpentinite close to the Station Creek Quartz Monzonite, Surficial gossan subcrop assays up to 700g/t Ag. The hole intersected oxidized and hornfelsed serpentinite to 31m followed by monzonite to 78m (EOH). Anomalous silver (14m @ 6.3g/t Ag) reported from 12-26m including 2m @ 25g/t Ag (+0.35% Cu) from 16-18m. An attempt to steepen the hole from the same pad (OB-02) was abandoned at 35m in broken ground prior to target sulphide zone.



**Figure 4.** Clara N-1 (1), Coora N-1 (2), PK-1 & PK-2 (3), CC-01 (4)

# Further Ag-Cu-Au Intersections at the Peak and Pembroke Prospects

Assay results support extensions to the Cu-Au-Ag mineralised system at The Peak and Pembroke. RC hole PK-01 targeted westerly and depth extensions to the east-west trending gossanous shear at the Peak Workings. Severe limitations to positioning of drill pads due to the rugged topography provided non-optimal testing of the main Peak workings (PK-01) and the Peak West IP anomaly (PK-02; abandoned at 138m with target at +180m). Both

holes however intercepted a shallower parallel mineralised structure (PK-01 8m @ 43g/t Ag; 0.7% Cu & 0.24g/t Au from 50m; PK-02 10m @ 27g/t Ag; 0.4% Cu & 0.4g/t Au from 40m) which require follow-up sampling / mapping and targeted drilling in conjunction with follow-up of a new untested 10m zone of anomalous rock-chip geochemistry along the access track 40m to the north (10m @ 1.4g/t Au, 13g/t Ag). Preliminary analysis of the data suggests opportunity to exploit a series of 'en-echelon' Au-Cu-Ag mineralised structures along this highly prospective intrusive/serpentinite contact environs.

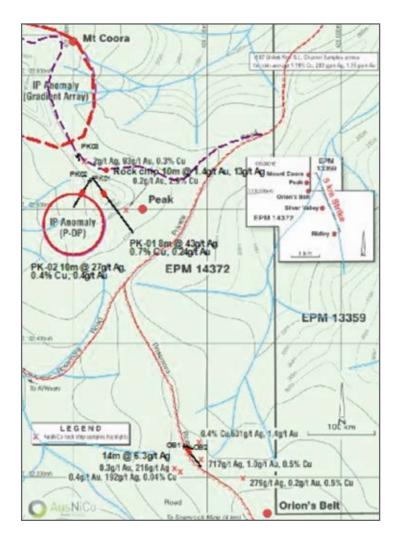


Figure 5. Peak-Orions Rock Chip & Drilling Highlights

At the Pembroke historic workings, complex landholder negotiations over the last 13 years resulted in permission to drill 3 opportunistic holes shallowly beneath old workings. While deeper investigations were desired, 2 holes reported anomalous intercepts (PEM-18: 22m @ 0.3% Cu, 0.3g/t Au; PEM19 (abandoned in broken ground); PEM-20 6m @ 1.2g/t Au) immediately at and beneath the base of oxidation in altered Black Snake Porphyry adjacent to the serpentinite contact. Significant opportunities exist for down-dip higher grades in the sulphide

zone and along N-S strike extensions at Pembroke. A gold (Ag-Cu) target has been identified from interrogation of all Pembroke drilling data in the NW sector at the contact of Mt Mia Serpentinite and Mt Clara Beds metasediments with PEM7 reporting 4m @ 1.3g/t Au, 1.06% Cu & 12.6g/t Ag from 164m and PEM 14 reporting 16m @ 1.2g/t Au from 92m including a significant 2m @ 7.64g/t Au. Detailed soil & rock sampling and mapping is recommended to assist in follow-up drill targeting.

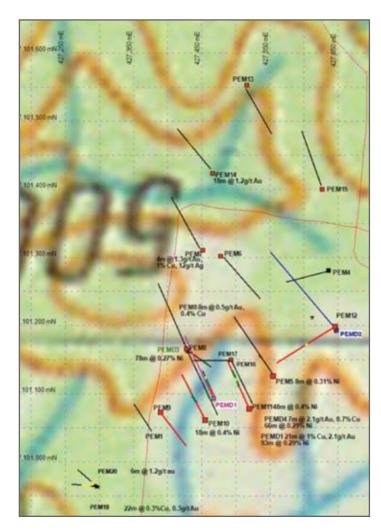


Figure 6. Pembroke Drill Hole Location Plan

Results from the only significant intersections of the current results are reported below:

- PK-01 (50-58m) 8m @ 43g/t Ag, 0.7% Cu, 0.24g/t Au,
- including (50-56m) 6m @ 44g/t Ag, 0.8% Cu, 0.3g/t Au
- and (54-56m) 2m @ 24.9g/t Ag, 1.67% Cu, 0.26g/t Au;
- PK-02 (40-50m) 10m @ 27.2g/t Ag, 0.4% Cu, 0.4g/t Au,
- including (40-42m) 2m @ 54g/t Ag, 1.87g/t Au, 0.7% Cu
- and (46-48m) 2m @ 52g/t Ag, 0.7% Cu;
- PEM-18 (18-40m) 22m @ 0.33% Cu, 0.3g/t Au;
- PEM-20 (12-18m) 6m @ 1.2g/t Au,
- including (14-16m) 2m @ 3.13g/t Au.
- OB-01 (12-26m) 14m @ 6.3g/t Ag,
- including (16-18m) 2m @ 24.8g/t Ag, 0.35% Cu.

Where there is no assay reported above, the hole or the intersection was not considered significant in that section of the hole. In this context, the significance of a result has been determined by a geological assessment of a combination of the following factors:

- assays with results over and above the following thresholds:
  - Au above 0.2ppm
  - Ag above 1ppm
  - Ni above 1,000ppm
  - Cu above 1,000ppm
  - Co above 100ppm
- ii. the true width of the intersection;
- iii. the assay results encountered before and after (either side of) the intersection of interest, as evidence of continuity down dip;
- iv. the depth of the intersection of interest;
- v. the complimentary intersection assays (when looking at the combined significance across all elements); and
- vi. those intersections that have relationships with a nearby hole, as evidence of continuity along strike.

Drillhole	Easting	Northing	Elevation	BNG M	BNG GD	Dip	Depth
CC01	427570	7102940	300	200	210	60	204
PK01	428229	7102646	436	135	145	60	204
PK02	428224	7102643	436	202	212	70	138
PK03	428205	7102680	433	150	160	70	24
Coora N 1	428194	7103489	387	-	-	90	204
OB1	428365	7102245	410	130	140	60	78
OB2	428368	7102246	410	105	115	70	35
ClaraN1	427742	7103662	300	220	230	60	204
SVG12	429395	7100844	520	80	90	60	72
PEM18	427295	7100964	497	265	275	60	72
PEM19	427298	7100964	497	265	275	70	24
PEM20	427295	7100965	497	300	310	60	72

Table 1. RC Drill hole collar location, azimuth, dip and EOH depth

#### **Pembroke 3D Modelling**

All assay and drill collar data from RC holes PEM1-PEM17 and diamond core holes PEMD1-PEMD5 were forwarded to Digital Reflections in Brisbane for analysis and modelling using MapInfo Explorer 3D software.

The data was considered to be of satisfactory quality and density for definition of an inner core of elevated nickel (inclusive of contribution of any associated Cu, Co, Au and Ag) contained within a lower grade anomalous Ni envelope.

Two base models were produced:

 An outer envelope with a >0.15% Ni Equivalent\* cut-off. The volume internal to this envelope is 10,130,762 cubic metres which equals approximately 27.4 million tonnes using a bulk density of 2.7 tonnes/cubic metre.  An inner "high-grade core" with a >0.25% Ni Equivalent\* cut-off. The volume for this inner core is 1,098,088 cubic metres which equates to approximately 3.0 million tonnes using 2.7 tonnes/cubic metre.

\*Ni Equivalent - based on the following formula: Ni% (equiv.) = Ni [%] + Cu[%]\*(0.421) + Au[g/t]\*(2,724/104) + Ag[g/t]\*(62.8/104) + Co[ppm]\*(1.646/104).

The models indicate an irregularly shaped body of anomalous (>0.15% Ni) trending approximately 400m NNE and 200m wide with a higher grade 'core' within serpentinites in the SE sector close to the concealed contact with the Black Snake Porphyry, confirming the mineralisation model.

AusNiCo considers the model to be transportable throughout the multiply intruded Kilkivan-Kandanga ultramafic belt. Three of these views are presented below (pink >0.25%Ni; grey >0.15%Ni).

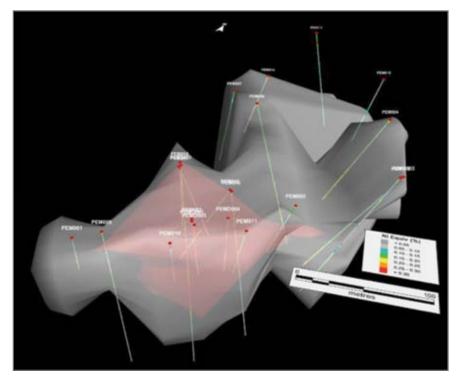
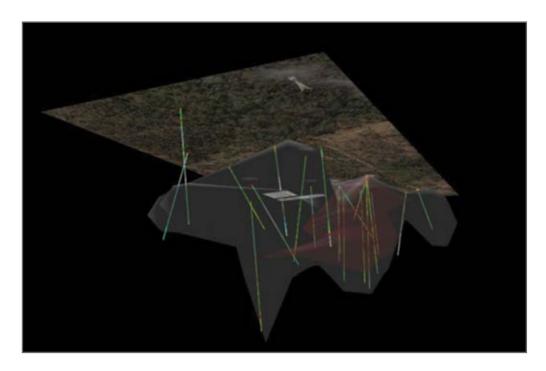
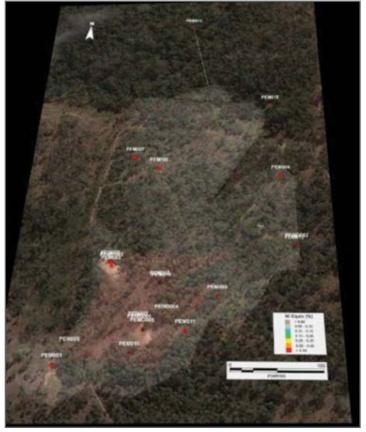


Figure 7. Pembroke East 3D Mineralisation Model viewed from SSE





**Figure 8.** Pembroke East 3D Mineralisation Model viewed from NW

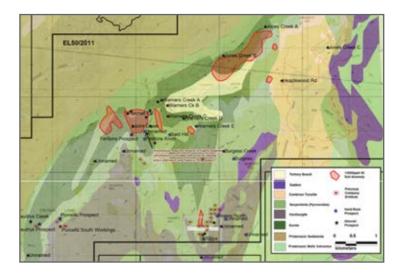
**Figure 9.** Pembroke East 3D Mineralisation Model viewed above on Orthophoto

#### **Regional Advancement**

Mineral Resources Tasmania advised that AusNiCo has been successful in its competing application for ERA 882 in western Tasmania near Heazlewood River (EL 50/2011; granted on 21/5/2012). The tenement is located within the Devonian Meredith Granite and Cambrian Heazlewood Ultramafic complex and has numerous nickel and platinoid prospects as well as Cu, Pb, Zn and Au.

The ERA area is located about 25km west of Waratah and the Mt Bischoff Tin (Sn) deposit (1.9Mt @0.96% Sn). Past exploration work has reported nickel sulphide breccia at Fenton's Knob containing

up to 1.4% Ni sulphide (Avebury Style), surface rock chip values at Brassy Hill to 18.3g/t Au. 15%Pb. 8%Cu and 4.7%Ni and costeans at Fenton's prospect report up to 6m @ 6.7ppm Pt and 9m @ 4.0ppm Pt. Although there has been considerable exploration in the area several prospective targets remain untested. The Brassey North area has not been adequately tested, and several areas of soil geochemistry >3000ppm and up to 5600ppm Ni (Figure 1), remain untested. Several Pt and Os-Ir anomalies also require further investigation Fentons and north of Fentons. The copper and Pb-Zn prospects in the south of the tenement have received little attention and have not been tested for Ni or PGE mineralisation, and the north-western part of the tenement remains largely unexplored.



**Figure 1**. Southern part of EL50/2011 with mapped geology, prospects and targets.

#### **Competent Person Statement**

The information in this Annual Report that relates to Exploration Results or Mineral Resources is based on information compiled by Mr Nicholas Mather B.Sc. (Hons) Geol., who is a Member of The Australian Institute of Mining and Metallurgy. Mr Mather is employed by Samuel Capital Pty Ltd, which provides certain consultancy services including the provision of Mr Mather as the Managing Director of DGR Global Ltd and a Director of AusNiCo.

Mr Mather has more than five years' experience which is relevant to the style of mineralisation and type of deposit being reported and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves' (the JORC Code). This public report is issued with the prior written consent of the Competent Person(s) as to the form and context in which it appears.

## **Directors' Report**

Your Directors submit their report for the financial year ended 30 June 2012.

#### **Directors**

The names of the Directors in office during the financial year and up to the date of this report are:

- Brian Moller
- Nicholas Mather
- John Downie
- Stephen Roberts (resigned 24 November 2011)
- Ben Harrison

The details of the Directors in office at the date of this report are as follows:

#### **Brian Moller**

#### **Non-Executive Chairman**

LLB (Hons)

Brian Moller is a corporate partner in the Brisbane based law firm Hopgood Ganim. He was admitted as a solicitor in 1981 and has been a partner since 1983. He practices almost exclusively in the corporate area with an emphasis on capital raising, mergers and acquisitions.

He holds an LLB Hons from the University of Queensland and is a member of the Australian Mining and Petroleum Law Association.

Mr Moller acts for many public listed resource and industrial companies and brings a wealth of experience and expertise to the board particularly in the corporate regulatory and governance areas. During the past three years Mr Moller has also served as a Director of the following listed companies:

- DGR Global Ltd
- Platina Resources Ltd
- Navaho Gold Ltd
- SolGold plc., which listed on the London Stock Exchange (AIM)

#### **Nicholas Mather**

#### **Non-Executive Director**

BSc (Hons, Geol), MAusIMM

Nick Mather's special area of experience and expertise is the generation of and entry into undervalued or unrecognized resource exploration opportunities. He has been involved in the junior resource sector at all levels for more than 25 years. In that time he has been instrumental in the delivery of major resource projects that have delivered significant gains to shareholders. As an investor, securing projects and financiers, leading exploration campaigns and managing emerging resource companies Mr Mather brings a wealth of valuable experience.

During the past three years Mr Mather has also served as a Director of the following listed companies:

- DGR Global Ltd
- Orbis Gold Ltd (formerly Mt Isa Metals Ltd)
- Navaho Gold Ltd
- Bow Energy Ltd (resigned 11 January 2012)
- Armour Energy Ltd
- Lakes Oil NL (appointed 7 February 2012)
- SolGold plc., which is listed on the London Stock Exchange (AIM)

#### **John Downie**

#### **CEO** and Managing Director

BE(Mechanical), AICD

John Downie joined AusNiCo on listing of the Company on the ASX. Mr Downie was previously the CEO of Gladstone Pacific Nickel Ltd, which was dual-listed on the London and Toronto Stock Exchanges, following a USD40 million raising in 2007. During his time with Gladstone Pacific Nickel, Mr Downie was instrumental in obtaining a project funding proposal for USD2.85 billion, and overseeing the completion of the Final Feasibility Studies and Environmental Impact Statement approval for the company's projects.

Mr Downie has extensive international corporate and project experience, having held the roles of Director of Mines, General Manager, Operations Manager, Managing Director, President and CEO for various resource companies including Barrack Mines, Alcoa, Boral and Austpac Resources in a career spanning 30 years. As mines Director at the Vales Goro Mine in New

Caledonia he developed an in depth understanding of both the nickel laterite and nickel sulphide technology and markets.

Mr Downie was the Chairman of Goldminex Ltd (resigned 22 June 2012), which holds extensive exploration tenements in Papua New Guinea.

#### **Ben Harrison**

#### **Non-Executive Director**

BSc, M.App.Fin, FINSIA

Ben Harrison is an Executive Director with Bizzell Capital Partners. Prior to joining Bizzell Capital

Partners he worked in the corporate finance team at a leading corporate advisory firm where he was involved in a number of high profile capital market and M&A transactions in the resources and industrial sectors. Prior to this, Mr Harrison worked as an equities analyst specialising in the minerals and energy sectors.

Mr Harrison commenced his career as a project manager for an international engineering consulting firm, working on a number of large infrastructure projects in Australia and South East Asia. Mr Harrison has experience in project management, financial analysis, primary and secondary market transactions and M&A. He also has experience in private equity and direct investments and is involved at board and management level in investee companies on behalf of Bizzell Capital Partners and its related entities.

Mr Harrison is a Non-Executive Director of ASX-listed Navaho Gold Ltd.

As at the date of this report, the interests of the Directors in the shares and options of AusNiCo Ltd were:

	Number of ordinary shares	Number of options over ordinary shares
Brian Moller	793,056	500,000
John Downie	695,000	-
Nicholas Mather	2,762,917	500,000
Ben Harrison	657,917	-

#### **Company Secretary**

#### **Karl Schlobohm**

#### **Company Secretary**

B.Comm, B.Econ, M.Tax, CA, AICD

Karl Schlobohm is a Chartered Accountant with over 20 years' experience across a wide range of industries and businesses. He has extensive experience with financial accounting, corporate governance, company secretarial duties and board reporting. Over the past 5 years, Mr Schlobohm has contracted into roles as CFO and/or Company Secretary for a number of ASX-listed resource companies including Linc Energy, Discovery Metals and Meridian Minerals.

He currently acts as the Company Secretary for ASX-listed DGR Global Ltd, Navaho Gold Ltd, Armour Energy Ltd and LSE(AIM)-listed SolGold Plc.

#### **Corporate Structure**

AusNiCo Ltd is a company limited by shares that is incorporated and domiciled in Australia. It was converted to a public company on 23 October 2008, and became an ASX-listed company on 21 October 2010.

#### **Principal Activities**

The principal activities of the Company during the financial year involved exploration for nickel. There was no significant change in the nature of the activities of the Company during the financial year.

#### **Employees**

The Company had 2 full-time, permanent employees as at 30 June 2012. Additional support from DGR Global and the Board of Directors was provided, and consultants were used as required.

#### **Dividends**

No dividend was declared or paid.

#### **Significant Events After Balance Date**

The Directors are not aware of any significant changes in the state of affairs of the Company after the balance date that is not covered in this report.

#### **Review And Results Of Operations**

The loss after income tax for the Company for the year ended 30 June 2012 was \$855,417 (2011: \$1,184,055).

The Directors confirm that the period since the Company's admission on the Australian Securities Exchange, the Company has used its cash (and assets in a form readily convertible to cash) in a way consistent with its business objectives.

The review of operations for the year is discussed in the Annual Report under the heading "Review of Operations".

# Significant Changes In The State Of Affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review not otherwise disclosed in this report or the financial statements of the Company for the financial year.

# **Future Developments, Prospects And Business Strategies**

Planned developments in the operations of the Company and the expected results of those operations in subsequent financial years have been discussed where appropriate in the Annual Report under Review of Operations.

There are no further developments of which the Directors are aware which could be expected to affect the results of the Company's operations and plans, other than information which the Directors believe comment on, or disclosure of, would prejudice the interests of the Company.

# **Environmental Regulations and Performance**

The Directors have put in place strategies and procedures to ensure that the Company manages its compliance with environmental regulations. The Directors are not aware of any breaches of any applicable environmental regulations.

#### **Proceedings On Behalf Of Company**

No person has applied to the Court under section 237 of *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

#### **Remuneration Report (Audited)**

#### **Remuneration Policy**

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and the Executive team. The Board assesses the appropriateness of the nature and amount of remuneration of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive team. Such officers are given the opportunity to receive their base remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payments chosen will be optimal for the recipient without creating undue cost for the Company. Further details on the remuneration of Directors and Executives are set out in this Remuneration Report.

The Company aims to reward the Executive Director and Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company. The Board's policy is to align Director and Executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering long-term incentives.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive Director and Executive remuneration is separate and distinct.

#### **Non-Executive Director Remuneration**

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. The Company's specific policy for determining the nature and amount of remuneration of Board members of the Company is as follows:

The Constitution of the Company provides that the Non-Executive Directors are entitled to remuneration as determined by the Company in general meeting to be apportioned among them in such manner as the Directors agree and, in default of agreement, equally. The aggregate remuneration currently determined by the Company is \$350,000 per annum. Additionally, Non-Executive Directors are entitled to be reimbursed for properly incurred expenses.

If a Non-Executive Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director, the Company may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. However, no payment can be made if the effect would be to exceed the maximum aggregate amount payable to Non-Executive Directors.

A Non-Executive Director is entitled to be paid travelling and other expenses properly incurred by them in attending Director's or general meetings of the Company or otherwise in connection with the business of the Company.

Remuneration report (continued)

All Directors have the opportunity to qualify for participation in the Directors' and Executive officers' option plan, subject to the approval of shareholders.

The remuneration of Non-Executive Directors for the year ended 30 June 2012 is detailed in this Remuneration Report.

# **Executive Director and Executive Remuneration**

The Company aims to reward the Executive Director and Executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- align the interests of Executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

The remuneration of the Executive Director and Executives may from time to time be fixed by the Board. The remuneration will comprise a fixed

remuneration component and also may include offering specific short and long-term incentives, in the form of:

- performance based salary increases and/or bonuses; and/or
- the issue of options.

The remuneration of the Executive Director and the Executive employed on a full-time basis by the Company for the year ending 30 June 2012 is detailed in this Remuneration Report.

# Relationship Between Remuneration and Company Performance

During the financial year, the Company has generated losses as its principal activity was mineral exploration.

The Company listed on the ASX on 21 October 2010. The following table show the share price at the end of the financial year for the Company since listing:

There were no dividends paid during the year ended 30 June 2012.

	30 June 2011	30 June 2012
Share price at year end	\$0.04	\$0.024

As the Company is still in the exploration and development stage, the link between remuneration, Company performance and shareholder wealth is tenuous. Share prices are subject to the influence of metals prices and market sentiment toward the sector, and as such increases or decreases may occur quite independent of Executive performance or remuneration. The Company has not sought the advice of Remuneration Consultants.

#### **Employment Contracts**

It is the Board's policy that employment agreements are entered into with all Executive Directors, Executives and employees. The current employment agreement with the CEO/Managing Director has a notice period of three (3) months.

All other employment agreements have one month (or less) notice periods.

The terms of appointment for Non-Executive Directors are set out in letters of appointment.

Executives are entitled to their statutory entitlements of accrued annual leave and long service leave together with any superannuation on termination. No other termination payments are payable.

Remuneration report (continued)

#### **Managing Director**

The Company has an Executive Service Agreement with Mr John Downie, which took effect from the Company's debut on the ASX on 21 October 2010, and which was modified by mutual consent during the 2012 financial year.

Under the terms of the agreement:

- Mr Downie is required to provide services to the Company for an agreed daily remuneration, up to a maximum of his previous base salary of \$300,000 per annum;
- Mr Downie was issued with 2,500,000 options to acquire shares in the Company at 20 cents for a period through to 31 July 2012;
- Both the Company and Mr Downie are entitled to terminate the contract upon giving three (3)

months written notice;

- The Company is entitled to terminate the agreement immediately upon Mr Downie's insolvency or certain acts of misconduct;
- Mr Downie is entitled to terminate the agreement immediately upon a significant diminution in his benefits, job content, status, authority or responsibilities;
- Mr Downie may earn a performance bonus for the achievement of milestones set by the Board, of up to 33% of his base remuneration. No bonus was paid or earned for the year ended 30 June 2012.

#### Other Executives

Employment contracts entered into with Executives contain the following key terms:

Event	Company Policy
Performance based salary increases and/or bonuses	Board discretion
Short and long-term incentives, such as options	Board discretion
Resignation/ notice period	1 month
Serious misconduct	Company may terminate at any time
Payouts upon resignation or termination, outside industrial regulations (i.e. 'golden handshakes')	None
Duration	No fixed duration

#### **Details of Key Management Personnel**

The following persons were Directors of the Company:

i. Directors

Brian Moller Nicholas Mather John Downie Ben Harrison

Stephen Roberts (resigned 24 November 2011)

The following persons were Executives of the Company:

ii. Other Key Management Personnel

John Roiko Exploration Manager
Karl Schlobohm Company Secretary
Priy Jayasuriya\* Chief Financial Officer

\* Priy Jayasuriya is currently remunerated by DGR Global Ltd.

#### Remuneration report (continued)

#### **Remuneration of Directors and Other Key Management Personnel**

Directors	Short term benefits	Post-employment	Share based Equ	payments ity settled	Total	%
	Salary & fees	Superannuation	Options	Shares		Consisting of Options
	\$	\$	\$	\$	\$	or options
Brian Moller						
2012	40,000	-	-	-	40,000	-
2011	34,726	-	-	-	34,726	-
John Downie						
2012	96,976	50,437	-	-	147,413	-
2011	177,519	28,538	265,151	-	471,208	56%
Nicholas Mather						
2012	30,000	-	-	-	30,000	-
2011	27,872	-	-	-	27,872	-
Stephen Roberts <sup>1</sup>						
2012	12,500	-	-	-	12,500	-
2011	27,472	-	-	-	27,472	-
Ben Harrison						
2012	30,000	-	-	-	30,000	-
2011	24,945	-	-	-	24,945	-
Bill Stubbs <sup>2</sup>						
2012	-	-	-	-	-	-
2011	-	-	-	-	-	-
Vincent Mascolo <sup>3</sup>						
2012	-	-	-	-	-	-
2011	-	-	-	-	-	-
Subtotal remuneration						
2012	209,476	50,437	-	-	259,913	
2011	292,534	28,538	265,151	-	586,223	
	Short term	<b>.</b>	Share based	navments	<b>-</b>	

Other Key Management	Short term benefits	Post-employment	Share based Equ	payments uity settled	Total	%
Personnel	Salary & fees	Superannuation	Options	Shares		Consisting of options
	\$	\$	\$	\$	\$	or options
John Roiko						
2012	161,962	14,577	-	-	176,539	-
2011	136,266	12,264	21,212	-	169,742	12%
Karl Schlobohm						
2012	40,000	-	-	-	40,000	-
2011	34,586	-	42,424	-	77,010	55%
Priy Jayasuriya⁴						
2012	-	-	-	-	-	-
2011	-	-	-	-	-	
Total remuneration						
2012	411,438	65,014	-	-	476,452	
2011	463,386	40,802	328,787	-	832,975	

To preserve the Company's cash reserves, the Board and the Company Secretary have agreed to have their fees paid 50% in cash and 50% in shares on a quarterly basis.

<sup>&</sup>lt;sup>1</sup> Stephen Roberts resigned as a Non-Executive Director on 24 November 2011. <sup>2</sup> Bill Stubbs resigned as a Non-Executive Director on 14 July 2010. <sup>3</sup> Vincent Mascolo resigned as a Non-Executive Director on 21 October 2010.

<sup>&</sup>lt;sup>4</sup> Priy Jayasuriya is remunerated by DGR Global Ltd.

Remuneration report (continued)
Remuneration of Directors and Other Key
Management Personnel (continued)

There were no other executives employed or remunerated by the Company during the years ended 30 June 2012 and 2011.

# Performance income as a proportion of total remuneration

There was no performance based remuneration during the year.

#### Options Issued as Part of Remuneration for the Year Ended 30 June 2012

Options may be issued to Directors and Executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of Directors and Executives of the Company to align comparative shareholder return and reward for Directors and Executives.

#### c. Options Granted as Remuneration

During the year ended 30 June 2012, there were no options granted as remuneration to any Key Management Personnel of the Company.

# Shares issued on exercise of remuneration options

There were no options exercised during the year that were previously granted as remuneration (2011: nil).

(End of Remuneration Report)

#### **Directors' Meetings**

The number of meetings of Directors held during the year and the number of meetings attended by each Director was as follows:

	Воа	ard	Audit & Risk Manag	ement Committee
	Number of meetings held while in office	Meetings attended	Number of meetings held while in office	Meetings attended
Brian Moller	11	11	2	2
Nicholas Mather	11	7	-	-
John Downie	11	11	-	-
Ben Harrison	11	11	2	2
Stephen Roberts	5	5	1	1

# **Indemnification and insurance** of Directors, Officers and Auditor

Each of the Directors and Secretary of the Company has entered into a Deed with the Company whereby the Company has provided certain contractual rights of access to books and records of the Company to those Directors. The Company has insured all of the Directors. The contract of insurance prohibits

the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances.

The Company has not indemnified or insured its auditor.

At the date of this report, the unissued ordinary shares of AusNiCo Ltd under option are as follows:

#### **Options**

Grant date	Date of Expiry	Exercise Price	Number under Option
5 December 2008	19 November 2013	\$0.30	22,000,000

#### **Non-audit Services**

The following non-audit services were provided by the entity's auditor BDO Audit Pty Ltd. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

BDO Audit Pty Ltd received the following amounts for the provision of non-audit services:

Tax services \$6,350

#### **Corporate Governance**

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of the Company support and have adhered to the principles of corporate governance. The Company's corporate governance statement can be found on page 30.

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

No shares have been issued as a result of the exercise of share options since 1 July 2011. Share options do not carry any voting or dividend rights. The Auditor's Independence Declaration forms part of the Directors' Report and can be found on page 26.

Signed in accordance with a resolution of Directors:

John Downie Director

Brisbane

Date: 27 September 2012

## **Auditor's Independence Declaration**



Tel: +61 7 3237 5999 Fax: +61 7 3221 9227 www.bdo.com.au Level 18, 300 Queen St Brisbane QLD 4000, GPO Box 457 Brisbane QLD 4001 Australia

# DECLARATION OF INDEPENDENCE BY TIMOTHY KENDALL TO THE DIRECTORS OF AUSNICO LIMITED

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

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

T J Kendall Director

BDO Audit Pty Ltd Brisbane, 27 September 2012

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

## **Shareholder Information**

#### a. Distribution Schedule

Fully Paid Ordinary Shares, and Unlisted Options

	Ordinary Shares			Unlisted \$0.30 options exercisable on or before 19 November 2013
	Number of holders	Number of shares	Number of holders	Number of options
1 – 1,000	4	1,265	-	-
1,001 - 5,000	2	6,363	-	-
5,001 - 10,000	136	1,343,986	-	-
10,001 - 100,000	171	6,746,793	-	-
100,001 and over	101	136,895,735	5	22,000,000
Total	414	144,994,142	5	22,000,000

The number of shareholders holding less than a marketable parcel of shares is 232 (holding a total of 3,394,169 ordinary shares).

#### b. Twenty Largest Holders

The names of the twenty largest holders of ordinary shares in AusNiCo Ltd as at 17 September 2012 are:

#### **Ordinary shares:**

1	DGR GLOBAL LIMITED	59,776,500	41.23%
2	BIZZELL CAPITAL PARTNERS PTY LTD	7,616,667	5.25%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LTD	6,047,978	4.17%
4	WOODLANDS ASSET MANAGEMENT PTY LTD	4,700,000	3.24%
5	INDIUM INVESTMENTS PTY LTD	4,000,000	2.76%
6	BALLARAT CERAMIC INDUSTRIES PTY LTD <the family="" seller=""></the>	3,750,000	2.59%
7	TENSTAR TRADING LIMITED	3,700,000	2.55%
8	CF2 PTY LTD <the a="" c="" cf=""></the>	3,600,000	2.48%
9	JUSTEVIAN PTY LTD <justevian a="" c="" fund="" superannuation=""></justevian>	2,800,000	1.93%
10	MR J HERRMANN & MRS P HERRMANN <p&j a="" c="" herrmann="" super=""></p&j>	2,200,000	1.52%
11	ABSOLUTE INVESTMENT FUNDS < MACRO DIV SEG PORTFOLIO A/C>	2,109,930	1.46%
12	SIXTH ERRA PTY LIMITED <i a="" c="" collie="" family=""></i>	1,925,000	1.33%
13	SAMUEL HOLDINGS PTY LTD <samuel a="" c="" discretionary=""></samuel>	1,850,000	1.28%
14	GULLEWA LIMITED	1,790,000	1.23%
15	BABADE PTY LTD <p&l a="" c="" chrimes="" fund="" super=""></p&l>	1,250,000	0.86%
16	CPS INTERNATIONAL HOLDINGS PTY LTD	1,250,000	0.86%
17	BRILE PTY LTD	1,200,000	0.83%
18	KABILA INVESTMENTS PTY LTD	1,025,000	0.71%
19	RICHARD STACY ANTHON <bizzell a="" c="" foundation=""></bizzell>	1,000,000	0.69%
20	BCP ALPHA INVESTMENTS PTY LTD	915,000	0.63%
	Top 20	112,506,075	77.60%
	Total	144,994,142	100.00%

These shareholders have more than one shareholding and these shareholdings have been merged for the purposes of this table.

#### c. Substantial shareholders

The Company has received substantial shareholding notices from the following party:

Name	Number of Shares	%
DGR Global Ltd	59,776,500	41.23%

#### d. Voting rights

All ordinary shares carry one vote per share without restriction.

#### e. Restricted securities

The Company is aware of the following parties having restrictions over their shareholdings through to 21 October 2012:

Name	Number of Shares	%
DGR GLOBAL LTD	58,850,000	40.59%
BIZZELL CAPITAL PARTNERS PTY LTD	5,000,000	3.45%
BALLARAT CERAMIC INDUSTRIES PTY LTD	3,750,000	2.59%
SAMUEL HOLDINGS PTY LTD	1,850,000	1.28%
RICHARD ANTHON	1,000,000	0.69%
BCP ALPHA INVESTMENTS PTY LTD	915,000	0.63%
PLUTUS CAPITAL PTY LTD	335,000	0.23%
VINCENT MASCOLO	300,000	0.21%

#### f. Unquoted equity securities greater than 20%

Name	Number of Options	%
DGR GLOBAL LTD	20,000,000	91%

# **Interest in Tenements**

As at the date of this report, the Company has an interest in the following tenements.

Tenement	% Interest	Grant Date	Application Date	Expiry Date	Term
EPM 19366*	100%	21.05.12		20.05.17	5 years
EPM 17768	100%		01.08.08	N/A	3 years
50/2011	100%	21.05.12		20.05.17	5 years

<sup>&</sup>lt;sup>1</sup>This EPM replaces EPMs 13359, 13360, 14372, 14560, 17611 and 18107.

## **Corporate Governance Statement**

The Board of Directors of AusNiCo Ltd is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of AusNiCo Ltd on behalf of the shareholders by whom they are elected and to whom they are accountable.

AusNiCo Ltd's Corporate Governance Statement was adopted on 28 May 2010, and is structured with reference to the Australian Securities Exchange ("ASX") Corporate Governance Council's (the "Council") "Corporate Governance Principles and Recommendations, 2nd Edition", which are as follows:

Principle 1	Lay solid foundations for
	management and oversight
Principle 2	Structure the Board to add value
Principle 3	Promote ethical and responsible
	decision making
Principle 4	Safeguard integrity in financial reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of shareholders
Principle 7	Recognise and manage risk
Principle 8	Remunerate fairly and responsibly

A copy of the eight Corporate Governance Principles and Recommendations can be found on the ASX's website.

The Company's Corporate Governance Charter can be obtained, at no cost, from the Company's registered office and is also available on the Company's website www.ausnico.com.au

#### **Committees**

Following its debut on the ASX, the Board established an Audit and Risk Management Committee comprising Mr Nicholas Mather, Mr Brian Moller and Mr Ben Harrison.

The Company has adopted an Audit and Risk Management Charter setting out the composition, purpose, powers and scope of the Committee as well as reporting requirements to the Board as a whole. Extracts of this Charter are available at the Company's website **www.ausnico.com.au** 

The Company does not have any other formally constituted committees of the Board of Directors. The Directors consider that the Company is not of a size nor are its affairs of such complexity as to justify the formation of any other special or separate committees at this time. The Board as a whole is able to address the governance aspects of the Company's activities and ensure that it adheres to appropriate ethical standards. This statement outlines the main corporate governance policies, which the Directors have adopted.

#### **Composition of the Board**

The Board is comprised of 4 Directors. The names, qualifications and relevant experience of each current Director are set out in the Directors Report. There is no requirement for any Director's shareholding qualification.

As the Company's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of Directors required to adequately supervise the Company's activities determined within the limitations imposed by the Constitution.

#### **Board Membership**

The Board acts as a nomination committee. Members of the Board have been brought together to provide a blend of qualifications, skills and national and international experience required for managing a company operating within the mining industry.

#### **Appointment and Retirement of Directors**

The Company's Constitution provides that Directors are subject to retirement by rotation, by order of length of appointment. Retiring Directors are eligible for re-election by Shareholders at the annual general meeting of the Company.

#### **Duties of Directors**

Directors are expected to accept all duties and responsibilities associated with the running of a public company, to act in the best interests of the Company and to carry out their duties and responsibilities with due care

and diligence.

Directors are required to take into consideration conflicts when accepting appointments to other boards. Accordingly, Directors wishing to accept appointment to other boards must first seek approval from the Board, approval of which will not be unreasonably withheld.

#### **Independent Professional Advice**

The Board has determined that individual Directors may, in appropriate circumstances, engage outside advisers at the Company's expense. The engagement of an outside adviser is subject to the prior approval of the Board, which will not be unreasonably withheld.

#### **Compensation Arrangements**

The maximum aggregate amount payable to non-executive Directors as Director's fees has been set at three hundred and fifty thousand dollars (\$350,000) per annum. The Constitution provides that Director's fees can only change pursuant to a resolution at a general meeting.

The Board is responsible for reviewing and negotiating the compensation arrangements of senior executives and consultants.

#### **Internal Management Controls**

The Company's assets are located in Australia. Control over the operations is exercised by senior management. The Board also monitors the performance of outside consultants engaged from time to time to complete specific projects and tasks.

#### **Identifying Significant Business Risks**

The Board regularly monitors the operational and financial performance of the Company's activities. It monitors and receives advice on areas of operation and financial risk and considers strategies for appropriate risk management. All operational and financial strategies adopted are aimed at improving the value of the Company's Shares, however, the Directors recognise that mineral exploration and evaluation is inherently risky.

#### **ASX Corporate Governance**

To further enhance listed entities' disclosure of corporate governance issues, the ASX Corporate Governance Council (CGC) was established on 1 August 2002. The CGC was established for the purpose of setting an agreed set of corporate governance standards of best practice for Australian listed entities. The ASX Guidelines articulate core principles that the CGC believes underlie good corporate governance. The ASX Guidelines provide that a listed entity's Annual Report is required to disclose its main corporate governance practices and also the extent to which the entity complies with the ASX Guidelines and where it does not, to explain why.

#### **Trading Policy**

The Directors and Executives of the Company are subject to a number of restrictions in relation to them dealing in Shares of the Company, all of which are incorporated in a Trading Policy which is part of the Company's Corporate Governance Policies and Procedures. Directors and Executives are specifically precluded from dealing in Shares during certain "close" periods, with specific exceptions (eg. participation in rights issues, etc). Prior to any dealing in Shares the Director or Executive must seek, and receive, written clearance for the intended transaction from the Chairman of the Board.

#### **Diversity Policy**

The recruitment and selection processes adopted by the Company ensure that staff and management are selected in a non-discriminatory manner based on merit. The Company also values diversity in the organisation. In light of recent amendments to the ASX's Corporate Governance Principles, the Company has developed a formal Diversity Policy which is available on the Company's website (www.ausnico.com.au).

The Company respects and values the competitive advantage of diversity (which includes but is not limited to gender, age, ethnicity and cultural background), and the benefit of its integration throughout the Company in order improve corporate performance, increase shareholder value and maximise the probability of achievement of the Company's goals. However, the Board of Directors does not believe that the Company is currently of a sufficient size to justify the establishment of formal and measureable objectives, having regard to the nature and scale of its activities.

The Company currently has two employees, both of whom are male and one of which is the Managing Director. Accordingly the Company currently has no female Directors, executives or employees. However, under a contractual agreement with DGR Global, various services of an administrative, accounting and business development nature are provided, and whose staff include female executives and employees directly involved in the provision of services to AusNiCo.

#### **Corporate Governance Statement**

The Company has adopted a Corporate Governance Charter dated 28 May 2010 (Corporate Governance Charter) in order to implement and maintain a culture of good corporate governance both internally and in its external dealings. In adopting the Corporate Governance Charter the Board is mindful of the ASX Guidelines. The original Corporate Governance Charter has also been supplemented by the adoption of a Trading Policy and a Diversity Policy, both of which are summarised above.

In addition to any matters specifically addressed above, the following table briefly addresses the areas where the Company has departed from the ASX Guidelines. Where the Company's Corporate Governance practices do not correlate with the practices recommended by the CGC, the Company is working towards compliance; however it does not consider that all practices are appropriate for the Company due to the size and scale of Company operations.

The Board is of the view that with the exception of the departures from the ASX Guidelines noted above and / or set out in the following table it otherwise complies with all of the ASX Guidelines.

#### Areas where the Company has departed from the ASX guidelines

#### ASX Principles and Recommendations Summary of the Company's Position

#### Principle 1 - Lay Solid Foundations for Management and Oversight

Recommendation 1.2 – Companies should disclose the process for evaluating the performance of senior executives

The Board has not established a separate nomination committee. In the absence of a formally constituted nomination committee, the full Board is responsible for the proper oversight of the Board, the Directors and senior management. The Board considers that given its size, no efficiencies or other benefits would be gained by establishing a separate committee.

#### Principle 2 - Structure Board to Add Value

Recommendation 2.1 – A majority of the board should be independent Directors

Presently under the ASX Guidelines it is considered that there is one independent Director. While the Company does not presently comply with this Recommendation 2.1, the Company may consider appointing further independent Directors in the future. The Company believes that given the size and scale of its operations, non-compliance by the Company with this Recommendation 2.1 will not be detrimental to the Company.

Recommendation 2.2 – The Chair should be an independent Director

Brian Moller is the Chairman of the Company, but is not considered to be independent under the ASX Guidelines. The Company is of the view that the size and scale of its current operations do not warrant the appointment of an independent Chairperson and that non-compliance with this Recommendation 2.2 will not be detrimental to the Company.

Recommendation 2.4 – The board should establish a nomination committee

The Board's view is that the Company is not currently of the size to justify the formation of a separate nomination committee. The Board currently performs the functions of a nomination committee and where necessary will seek the advice of external advisors in relation to this role. The Board shall, upon the Company reaching the requisite corporate and commercial maturity, approve the constitution of a nomination committee to assist the Board in relation to the appointment of Directors and senior management.

#### Principle 4 - Safeguard Integrity in Financial Reporting

Recommendation 4.2 – The audit committee should be structured so that it:

- Consists only of non-executive Directors
- · Consists of a majority of independent Directors
- Is chaired by an independent chair, who is not chair of the board
- Has at least three members

The Audit Committee is currently comprised of Messrs Mather (who replaced Mr Roberts during the year), Moller and Harrison. Mr Harrison, as an independent Director, chairs the Audit Committee. While the Company does not presently comply with this Recommendation 4.2 (Messrs Mather and Moller are not considered independent under the ASX guidelines), the Company may consider appointing further independent Directors in the future at which time it may reconsider the composition of the audit committee. The Company believes that given the size and scale of its operations, non-compliance by the Company with this Recommendation 4.2 will not be detrimental to the Company.

#### Principle 7 - Recognise and Manage Risk

Recommendation 7.2 – The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

The Board is responsible for reviewing and ratifying systems of risk management and internal compliance.

**Summary of the Company's Position** 

#### **ASX Principles and Recommendations**

#### Principle 8 - Remunerate Fairly and Responsibly

Recommendation 8.1 – The board should establish a remuneration committee

The Board has not established a remuneration committee. The Board considers that given its size, no efficiencies or other benefits would be gained by the establishing of such a committee. The role of the remuneration committee is carried out by the full Board. The Company has adopted a Remuneration Committee Charter, which is set out in the Company's Corporate Governance Charter.

# **Statement of Comprehensive Income**

## For the year ended 30 June 2012

		2012	2011
	Notes	\$	\$
Revenue	2	39,856	77,606
Other income	2	496,499	-
Revenue and other income		536,355	77,606
Administration and consulting expenses		(516,354)	(521,714)
Depreciation		(16,275)	(12,896)
Employee benefits expenses		(50,926)	(267,231)
Exploration costs written-off		(791,346)	(102,209)
Legal expenses		(16,871)	(28,824)
Share based payments expense		-	(328,787)
(Loss) before income tax	3	(855,417)	(1,184,055)
Income tax expense	4	-	-
(Loss) for the year		(855,417)	(1,184,055)
Other comprehensive income		-	-
Total comprehensive income for the year		(855,417)	(1,184,055)

Earnings per share		Cents per share	Cents per share
Basic earnings per share	8	(0.6)	(1.1)
Diluted earnings per share	8	(0.6)	(1.1)

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

## **Statement of Financial Position**

### For the year ended 30 June 2012

		2012	2011
	Notes	\$	\$
Current assets			
Cash and cash equivalents	9	1,114,439	978,921
Trade and other receivables	10	15,288	79,244
Other current assets	11	-	-
Total current assets		1,129,727	1,058,165
Non-current assets			
Other financial assets	12	151,252	95,402
Property, plant and equipment	13	29,179	45,454
Exploration and evaluation assets	14	4,795,862	4,833,141
Total non-current assets		4,976,293	4,973,997
Total assets		6,106,020	6,032,162
Current liabilities			
Trade and other payables	15	86,604	580,883
Provisions	16	3,738	17,935
Other financial liabilities	17	7,022	6,340
Total current liabilities		97,364	605,158
Non-current liabilities			
Other financial liabilities	17	20,250	27,272
Total non-current liabilities	••	20,250	27,272
Total liabilities		117,614	632,430
Net assets		5,988,406	5,399,732
Equity			
Issued capital	18	7,215,551	5,771,460
Reserve		2,412,055	2,412,055
Accumulated losses	20	(3,639,200)	(2,783,783)
Total equity attributable to owners of AusNiCo Ltd		5,988,406	5,399,732

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

# **Statement of Changes in Equity**

# For the year ended 30 June 2012

	Issued Capital	Accumulated Losses	Share Based Payment Reserves	Total Equity
	\$	\$	\$	\$
Balance at 1 July 2010	2,220,001	(1,599,728)	2,083,268	2,703,541
Loss for the year	-	(1,184,055)	-	(1,184,055)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	(1,184,055)	-	(1,184,055)
Shares issued during the year	4,000,000	-	-	4,000,000
Share issue costs	(448,541)	-	-	(448,541)
Share based payments	-	-	328,787	328,787
Balance at 30 June 2011	5,771,460	(2,783,783)	2,412,055	5,399,732
Loss for the year	-	(855,417)	-	(855,417)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	(855,417)	-	(855,417)
Shares issued during the year	1,554,575	-	-	1,554,575
Share issue costs	(110,484)	-	-	(110,484)
Balance at 30 June 2012	7,215,551	(3,639,200)	2,412,055	5,988,406

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

# **Statement of Cash Flows**

# For the year ended 30 June 2012

		2012	2011
	Notes	\$	\$
Cash flows from operating activities			
Receipts in the ordinary course of business		4,306	3,145
Receipt of research and development concession		496,499	-
Payments to suppliers and employees		(508,363)	(767,973)
Interest received		35,550	70,742
Net cash flows from operating activities	21	27,992	(694,086)
Cash flows from investing activities			
Payments for security deposits		(55,850)	(61,250)
Purchase of property, plant and equipment		-	(2,611)
Payments for exploration and evaluation assets		(1,116,643)	(1,266,658)
Net cash flows from investing activities		(1,172,493)	(1,330,519)
Cash flows from financing activities			
Proceeds from the issue of shares		1,400,000	4,000,000
Transactions costs on the issue of shares		(110,484)	(448,541)
Proceeds from borrowings		-	144,637
Repayment of borrowings		-	(683,783)
Payments on leases		(9,497)	(8,869)
Net cash flows from financing activities		1,280,019	3,003,444
Net increase in cash and cash equivalents		135,518	978,839
Cash and cash equivalents at the beginning of the year		978,921	82
Cash and cash equivalents at the end of the year	9	1,114,439	978,921

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

# Notes to the financial statements

# For the year ended 30 June 2012

## **Note 1. Summary of Significant Accounting Policies**

### **Corporate Information**

The financial report of AusNiCo Ltd for the year ended 30 June 2012 was authorized for issue in accordance with a resolution of the Directors on 27 September 2012.

AusNiCo Ltd (the Company) is a public company limited by shares incorporated and domiciled in Australia. DGR Global Ltd was the ultimate parent of AusNiCo Ltd up until 30 September 2011. DGR Global Ltd owns 41.2% of the ordinary shares of the Company. The Company's registered office is located at Level 27, 111 Eagle Street, Brisbane, QLD 4000.

The nature of the operations and principal activities of the Company are described in the Director's report.

### **Basis of Preparation**

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report covers AusNiCo Ltd and is presented in Australian dollars.

### Compliance with IFRS

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of AusNiCo Ltd comply with International Financial Reporting Standards (IFRS).

#### Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The Company has not generated revenues from operations. As such, the Company's ability to continue to adopt the going concern assumption will depend upon a number of matters including the successful raising in the future of necessary funding or the successful exploration and subsequent exploitation of the Company's tenements. In the absence of these matters being successful, there exists a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and therefore, it may be unable to realize its assets and discharge its liabilities in the ordinary course of business.

### Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report.

Notes to the financial statements (continued) For the year ended 30 June 2012 Note 1. Summary of Significant Accounting Policies (continued)

# **Accounting Policies**

### a. New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2011:

Reference	Title	Application date of standard	Application date for the Company
AASB 124 (R)	Related Party Disclosures (December 2009)	1 January 2011	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	1 January 2011	1 July 2011
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	1 January 2011	1 July 2011
AASB 1054	Australian Additional Disclosures	1 July 2011	1 July 2011
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101, 134 and Interpretation 13]	1 January 2011	1 July 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	1 January 2011	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	1 July 2011	1 July 2011
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans- Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	1 July 2011	1 July 2011

The adoption of the above standards and interpretations did not have any material impact on the current or any prior period and is not likely to materially affect future periods.

Australian Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Company for the annual reporting period ending 30 June 2012. None of these is expected to be have a significant effect on the financial statements.

The Company anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information of new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Reference	Title	Application date of standard	Application date for the Company
AASB 9	Financial Instruments	1 January 2015	1 July 2015
AASB 10	Consolidated Financial Statements	1 January 2013	1 July 2013
AASB 11	Joint Arrangements	1 January 2013	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	1 January 2013	1 July 2013
AASB 13	Fair Value Measurements	1 January 2013	1 July 2013
AASB 20011-9	Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income (AASB 101 Amendments)	1 July 2012	1 July 2012
AASB 20011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124 Amendments)	1 July 2013	1 July 2013

#### b. Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with contractual terms, economic conditions, the Company's operating or accounting policies and other pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured.

### c. Operating Segments

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

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

### d. Cash and Cash Equivalents

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

### e. Trade and Other Receivables

Receivables, generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Company will not be able to collect the receivable. Financial difficulties of the debtor or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

### f. Financial Instruments

#### Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

### Classification and Subsequent Measurement

#### i. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

#### ii. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognized where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit of loss.

### g. Property, Plant & Equipment

Property, plant & equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

The cost of property, plant & equipment constructed within the Company includes the cost of materials, direct labour, borrowing costs and an appropriate portion of fixed and variable costs. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial year in which they are incurred.

### Depreciation

The depreciable amount of all property, plant & equipment is depreciated over their useful life to the Company 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 depreciation rates used for each class of assets are:

Class of Property, plant & equipment Depreciation
Leased Motor Vehicles 20% Straight line
Office Equipment 20% - 33.3% Straight line

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

#### **Derecognition**

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

#### h. Exploration and Evaluation Assets

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

A regular review has been undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

A provision is raised against exploration and evaluation expenditure where the Directors are of the opinion that the carried forward net cost may not be recoverable or the right of tenure in the area lapses. The increase in the provision is charged against the results for the year. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

Costs of site restoration are provided over the life of the area from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site

in accordance with clauses of mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that restoration will be completed within one year of abandoning the site. As the Company is in early stage exploration and site disturbance is minimal, no provision has been recorded.

#### i. Impairment of Assets

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

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

### j. Trade and Other Payables

Trade 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 30-60 days of recognition.

### k. Provisions and Employee Benefits

### Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) 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.

When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

### Employee benefits

### i. Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

### ii. Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wages and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

### I. Leases

Leases of property, plant & equipment where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

### m. Share Capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

### n. Share-Based Payments

The Company may provide benefits to Directors, employees or consultants in the form of share-based payment transactions, whereby services may be undertaken in exchange for shares or options over shares ("equity-settled transactions").

The fair value of shares and options granted to Directors, employees and consultants is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the recipients become unconditionally entitled to the instruments. For options, fair value is determined using a Black-Scholes option pricing model.

Where the terms of equity instruments granted are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where equity instruments granted are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to the profit or loss. If new instruments are substituted for the cancelled instruments and designated as a replacement, the combined impact of the cancellation and replacement instruments are treated as if they were a modification.

### o. Revenue

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:

#### Interest

Interest revenue is recognized as interest accrues using the effective interest rate method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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

#### p. Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The charge for current income tax expense is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

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

Deferred tax is calculated at the tax rates expected to apply to the period when the asset is realised or liability is settled based on tax rates (and laws) that have been enacted or substantially enacted by the reporting date.

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement

of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

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

### q. GST

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### r. Earnings per Share

Basic earnings per share is calculated as net profit (loss) attributable to owners of the Company, adjusted to exclude any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the year, adjusted for any bonus element.

Diluted earnings per share adjust the figures used in the determination of basic earnings per share to take into account:

- The after tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

#### s. Comparatives

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

### t. Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

### Key estimates - impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Where applicable, value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

#### Key judgements - exploration & evaluation assets

The Company performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These reviews are based on detailed surveys and analysis of drilling results performed to balance date.

The Directors have assessed that for the exploration and evaluation assets recognised at 30 June 2012, the facts and circumstances do not suggest that the carrying amount of an asset may exceed its recoverable amount. In considering this the Directors have had regard to the facts and circumstances that indicate a need for impairment as noted in Accounting Standard AASB 6 "Exploration for and Evaluation of Mineral Resources".

Exploration and evaluation assets at 30 June 2012 were \$4,795,862 (2011: \$4,833,141).

# Note 2. Revenue and Other Income

	2012	2011
	\$	\$
- Interest	35,550	74,032
- Other	4,306	3,574
Total Revenue	39,856	77,606
(a) Interest revenue from:		
- Term deposits held with financial institutions	35,550	74,032
Total Interest Revenue	35,550	74,032
(b) Other income		
- Research and development concession from ATO	496,499	-
Total other income	496,499	-

# Note 3. Profit / (Loss)

Included in the profit / (loss) are the following specific expenses:

Depreciation

- Office equipment	950	756
- Leased motor vehicles	15,325	12,140
Defined contribution superannuation expense	26,451	32,610

# **Note 4. Income Tax**

	2012 \$	2011
The prima facie tax on profit / (loss) before income tax is reconciled to the income tax expense as follows:	V	Ψ
Prima facie tax on profit / (loss) before income tax at 30% (2011: 30%)	(256,624)	(355,217)
Add tax effect of:		
Deferred tax asset not recognised	405,574	256,580
Permanent differences	(148,950)	98,636
Income tax expense / (benefit)	-	-
Recognised deferred tax assets		
Unused tax losses	1,393,755	1,307,506
Deductible temporary differences	130,503	142,436
Potential benefit at 30% (2011: 30%)	1,524,258	1,449,942
Recognised deferred tax liabilities		
Assessable temporary differences	1,524,258	1,449,942
Potential benefit at 30% (2011: 30%)	1,524,258	1,449,942
Net deferred tax recognised	-	-
Unrecognised deferred tax assets		
Unrecognised tax losses	306,769	452,310
Deferred tax assets not taken up at 30% (2011: 30%)	92,031	135,693

In order to recoup carried forward losses in future periods, either the Continuity of Ownership Test (COT) or Same Business Test must be passed. The majority of losses are carried forward at 30 June 2012 under COT.

# **Note 5. Key Management Personnel**

### a. Key Management Personnel Compensation

The total remuneration of Key Management Personnel for the Company for the year was as follows:

**Balance** 

	2012	2011
	\$	\$
Short term employee benefits	411,438	463,386
Post-employment benefits	65,014	40,802
Share based payments	-	328,787
Total	476,452	832,975

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of Key Management Personnel.

**Granted as** 

**Options** 

**Net Change** 

Balance

### b. Equity Instruments

### Shareholdings

**Current Year** 

Current Year	1 July 2011	Compensation	Exercised	Other <sup>1</sup>	30 June 2012
Directors					
Brian Moller	50,000	-	-	743,056	793,056
John Downie	20,000	-	-	675,000	695,000
Nicholas Mather	2,440,000	-	-	322,917	2,762,917
Stephen Roberts	30,000	-	-	(30,000)	-
Ben Harrison	335,000	-	-	322,917	657,917
Other Key Management Personnel					
John Roiko	-	-	-	-	
Karl Schlobohm	10,000	-	-	138,889	148,889
Priy Jayasuriya	-	-	-	-	
Total	2,885,000	-	-	2,172,779	5,057,779
Previous Year	Balance 1 July 2010	Granted as Compensation	Options Exercised	Net Change Other <sup>1</sup>	Balance 30 June 2011
Directors					
Brian Moller	-	-	-	50,000	50,000
John Downie	-	-	-	20,000	20,000
Nicholas Mather	-	-	-	2,440,000	2,440,000
Stephen Roberts	_	-	-	30,000	30,000
Ben Harrison	-	-	-	335,000	335,000
Bill Stubbs	-	-	-	-	
Vincent Mascolo	-	-	-	-	-
Other Key Management Personnel					
John Roiko	-	-	-	-	
Karl Schlobohm	-	-	-	10,000	10,000
Priy Jayasuriya	-	-	-	-	
Total	-	-	-	2,885,000	2,885,000

Notes to the financial statements (continued) For the year ended 30 June 2012 Note 5. Key Management Personnel (continued)

There were no shares held nominally at 30 June 2012 (2011: nil).

Current Year	Balance 1 July 2011	Granted as Remuneration	Options Exercised	Net Change Other#	Balance 30 June 2012	Total Vested	Total Vested and Exercisable	Total Vested and Unexercisable
Directors								
Brian Moller	550,000	-	-	-	550,000	550,000	550,000	-
John Downie	2,520,000	-	-	-	2,520,000	2,520,000	2,520,000	-
Nicholas Mather	590,000	-	-	-	590,000	590,000	590,000	-
Stephen Roberts	530,000	-	-	-	530,000	530,000	530,000	-
Ben Harrison	-	-	-	-	-	-	-	-
Other Key Management Personnel								
John Roiko	200,000	-	-	-	200,000	200,000	200,000	-
Karl Schlobohm	410,000	-	-	-	410,000	410,000	410,000	-
Priy Jayasuriya	-	-	-	-	-	-	-	-
Total	4,800,000	-	-	-	4,800,000	4,800,000	4,800,000	-

Previous Year	Balance 1 July 2010	Granted as Remuneration	Options Exercised	Net Change Other#	Balance 30 June 2011	Total Vested	Total Vested and Exercisable	Total Vested and Unexercisable
Directors								
Brian Moller	500,000	-	-	50,000	550,000	550,000	550,000	-
John Downie	-	2,500,000	-	20,000	2,520,000	2,520,000	2,520,000	-
Nicholas Mather	500,000	_	-	90,000	590,000	590,000	590,000	
Stephen Roberts	-	_	-	530,000	530,000	530,000	530,000	-
Vince Mascolo	500,000	_	-	(500,000)	-	-	-	_
Ben Harrison	-	_	-	-	_	-	-	_
Bill Stubbs	-	-	-	-	-	-	-	-
Other Key Management Personnel								
John Roiko	-	200,000	-	-	200,000	200,000	200,000	-
Karl Schlobohm	-	400,000	-	10,000	410,000	410,000	410,000	-
Priy Jayasuriya	-	-	-	-	-	-	-	-
Total	1,500,000	3,100,000	-	200,000	4,800,000	4,800,000	4,800,000	-

<sup>&</sup>quot; "Net Change Other" above includes the balance of options held on appointment / resignation, and options acquired on similar terms and conditions to other shareholders.

There were no share options held nominally at 30 June 2012 (2011: nil).

### c. Loans to Key Management Personnel

There were no loans to Directors or other key management personnel during the current year (2011: none).

### d. Other Transactions with Key Management Personnel

Other transactions with Directors are set out in Note 22. There were no other transactions or balances with key management personnel during the year.

<sup>&</sup>lt;sup>1</sup> "Net Change Other" above includes the balance of shares held on appointment / resignation, and shares acquired for cash on similar terms and conditions to other shareholders and represents shares issued for Director fees in lieu of cash as approved at the General Meeting of shareholders held on 2 November 2011.

# Note 6. Dividends and Franking Credits

There were no dividends paid or recommended during the year or since the end of the year (2011: none). There are no franking credits available to shareholders of the Company (2011: none).

### **Note 7. Auditors Remuneration**

	2012	2011
	\$	\$
BDO Audit Pty Ltd:		
Audit and review of the financial reports	41,000	35,000
Other assurance services	-	13,825
Taxation services	6,350	5,000
	47,350	53,825

# **Note 8. Earnings Per Share (EPS)**

### a. Earnings

Earnings used to calculate basic and diluted EPS	(855,417)	(1,184,055)
Lamings used to calculate basic and diluted LFS	(055,417)	(1,104,033)
	Number of Shares	Number of Shares
b. Weighted average number of shares and options		
Weighted average number of ordinary shares outstanding during the year, used in calculating basic earnings per share	134,525,168	104,061,099
Weighted average number of dilutive options outstanding during the year	-	-
Weighted average number of ordinary shares and potential ordinary shares outstanding during the year, used in calculating diluted earnings per share	134,525,168	104,061,099

Options are not considered dilutive as they are currently out of the money. Options may become dilutive in the future.

# **Note 9. Cash and Cash Equivalents**

	2012	2011
	\$	\$
Cash at bank	1,114,439	247,431
Short-term deposits	-	731,490
	1,114,439	978,921

### Note 10. Trade and Other Receivables

	2012	2011
	\$	\$
GST refundable	11,267	75,954
Other receivables	4,021	3,290
	15,288	79,244

Receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. No impairment loss has been recorded for the current and previous financial year.

Due to the short term nature of these receivables, their carrying value is assumed to approximate fair value. The maximum exposure to credit risk is the carrying value of receivables. Collateral is not held as security.

The receivables are not exposed to foreign exchange risk. No receivables were past due or impaired at 30 June 2012. (2011:nil)

### **Note 11. Other Current Assets**

Prepayments - -

### **Note 12. Other Financial Assets**

Security deposits 151,252 95,402

# Note 13. Property, Plant and Equipment

	2012	2011
	\$	\$
Leased Motor vehicles – at cost	76,523	76,523
Accumulated depreciation	(48,360)	(33,035)
Written down value	28,163	43,488
Office equipment – at cost	3,106	3,106
Accumulated depreciation	(2,090)	(1,140)
Written down value	1,016	1,966
Total written down value	29,179	45,454

# Reconciliation of carrying amounts at the begging and end of year

	Leased Motor Vehicles	Office Equipment	Total
	\$	\$	\$
Year ended 30 June 2012			
At 1 July 2011 net of accumulated depreciation	43,488	1,966	45,454
Additions	-	-	-
Disposals	-	-	_
Depreciation charge for the year	(15,325)	(950)	(16,275)
At 30 June 2012 net of accumulated depreciation	28,163	1,016	29,179
Year ended 30 June 2011			
At 1 July 2010 net of accumulated depreciation	18,607	111	18,718
Additions	37,021	2,611	39,632
Disposals	-	-	-
Depreciation charge for the year	(12,140)	(756)	(12,896)
At 30 June 2011 net of accumulated depreciation	43,488	1,966	45,454

# **Note 14. Exploration and Evaluation Assets**

	2012 \$	2011 \$
Exploration and evaluation assets	4,795,862	4,833,141
Movements in carrying amounts		
Balance at the beginning of the year	4,833,141	3,242,851
Additions	754,067	1,692,499
Written-off during the year	(791,346)	(102,209)
Balance at the end of the year	4,795,862	4,833,141

The recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation or, alternatively, sale of the respective areas of interest.

# **Note 15. Trade and Other Payables**

	2012	2011
	\$	\$
Trade creditors	17,739	407,202
Accrued expenses	53,333	139,329
Employee benefits	15,532	34,352
	86,604	580,883

Trade and other payables are non-interest bearing and are generally on 30-60 day terms.

Due to the short term nature of these payables, their carrying value is assumed to approximate fair value.

# **Note 16. Provisions**

Current

	2012	2011
	\$	\$
Employee benefits	3,738	17,935

# **Note 17. Other Financial Liabilities**

Lease liability - secured	7,022	6,340
Non-current		
Lease liability - secured	20,250	27,272

Lease liabilities are secured over the leased motor vehicles disclosed in Note 13.

### **Note 18. Issued Capital**

#### a. Issued and paid up capital

	2012	2011
	\$	\$
144,994,142 (2011: 110,160,000) ordinary shares fully paid	7,824,576	6,270,001
Share issue costs	(609,025)	(498,541)
	7,215,551	5,771,460

Ordinary shares participate in dividends and the proceeds on winding up the Company in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on show of hands.

### b. Reconciliation of issued and paid-up capital

	Number of Shares	\$
At 1 July 2010	90,160,000	2,220,001
Shares issued for cash (1)	20,000,000	3,551,459
At 30 June 2011	110,160,000	5,771,460
Shares issued for cash (2)	16,000,000	749,182
Shares issued for cash (3)	3,500,000	140,000
Shares issued for cash (4)	11,500,000	400,334
Shares issued for in settlement for amounts owed (5)	926,500	46,325
Shares issued for in settlement for amounts owed (6)	1,810,417	72,417
Shares issued for in settlement for amounts owed (7)	611,113	18,333
Shares issued for in settlement for amounts owed (8)	486,112	17,500
At 30 June 2012	144,994,142	7,215,551

- On 21 October 2010, 20,000,000 \$0.20 ordinary shares were issued (each with a free attaching 20 cent option) pursuant to the Initial Public Offer of the Company's shares on the ASX, net of share issue costs of \$448,541.
- 2. On 20 September 2011, 16,000,000 \$0.05 ordinary shares were issued pursuant to a private placement, net of share issue costs of \$50,818.
- 3. On 20 October 2011, 3,500,000 \$0.04 ordinary shares were issued pursuant to a share purchase plan.
- 4. On 9 November 2011, 11,500,000 \$0.04 ordinary shares were issued pursuant to a share purchase plan, net of share issue costs of \$59,666.

- 5. On 9 November 2011, 926,500 \$0.05 ordinary shares were issued to DGR Global Ltd in settlement of amounts owing for management services.
- 6. On 9 November 2011, 1,810,417 \$0.04 ordinary shares were issued to the Board and Company Secretary in settlement of amounts owing for services rendered.
- On 3 February 2012, 611,113 \$0.03 ordinary shares were issued to the Board and Company Secretary in settlement of amounts owing for services rendered.
- 8. On 12 April 2012, 486,112 \$0.036 ordinary shares were issued to the Board and Company Secretary in settlement of amounts owing for services rendered.

Notes to the financial statements (continued) For the year ended 30 June 2012 Note18. Issued Capital (continued)

### c. Options

As at 30 June 2012, there were 45,100,000 unissued ordinary shares of AusNiCo Ltd under option, held as follows:

- 20,000,000 unlisted options to take up one ordinary share in AusNiCo Ltd (issued to DGR Global Ltd) at an exercise price of 30 cents. The options vested immediately on grant and expire 19 November 2013.
- 2,000,000 unlisted options to take up one ordinary share in AusNiCo Ltd (issued to AusNiCo Directors) at an exercise price of 30 cents. The options vested immediately on grant and expire 19 November 2013.
- 20,000,000 unlisted options to take up one ordinary share in AusNiCo Ltd (issued to shareholders pursuant to the Initial Public Offer of the Company's shares on the ASX) at an exercise price of 20 cents. The options vested immediately on grant and expire 31 July 2012.
- 3,100,000 unlisted options to take up one ordinary share in AusNiCo Ltd (issued under the AusNiCo Employee Share Option Plan) at an exercise price of 20 cents. The options vested immediately on grant and expire 31 July 2012.

### d. Capital Risk Management

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

The Company's capital comprises equity as shown in the statement of financial position. The Company is not exposed to externally imposed capital requirements.

### **Note 19. Share-based Payments**

### a. Recognised share-based payments

The expense recognised for share based payments received during the year is shown in the table below:

	2012	2011 \$
Expense arising from equity settled share-based payment transactions	-	328,787

The share-based payments are described below. There have been no cancellations or modifications to any of the share based payments during 2012 and 2011.

### b. Types of share-based payment plans

### Employee share option plan (ESOP)

Share options are granted to employees. The employee share option plan is designed to align participants' interests with those of shareholders by increasing the value of the Company's shares.

When a participant ceases employment prior to the vesting of their share options, the share options are forfeited after 90 days unless cessation of employment is due to termination for cause, whereupon they are forfeited immediately or death. The Company prohibits KMP from entering into arrangements to protect the value of unvested ESOP awards.

The contractual life of each option granted is generally three (3) years. There are no cash settlement alternatives.

Each option can be exercised from vesting date to expiry date for one share with the exercise price payable in cash.

Notes to the financial statements (continued) For the year ended 30 June 2012 Note19. Share-based Payments (continued)

### c. Summaries of options granted

The following table illustrates the number (no.) and weighted average exercise prices (WAEP) of, and movements in, share based payment share options granted during the year

	2012 No.	2012 WAEP	2011 No.	2011 WAEP
Outstanding at the beginning of the year	25,100,000	\$0.29	22,000,000	\$0.30
Granted during the year	-	-	3,100,000	\$0.20
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at the end of the year	25,100,000	\$0.29	25,100,000	\$0.29
Exercisable at the end of the year	25,100,000	\$0.29	25,100,000	\$0.29

The options outstanding at 30 June 2012 have a remaining contractual life of 1.23 years (2011: 2.23 years) and exercise prices ranging from \$0.20 to \$0.30 (2011: \$0.20 to \$0.30).

On 1 September 2010, 3,100,000 AusNiCo Ltd share options were granted to Directors and employees under the employee share option plan. The options are to take up one ordinary share in AusNiCo at a price of 20 cents each. The options vested immediately and expired on 31 July 2012. A \$328,787 value was calculated using the Black Scholes valuation methodology (refer below).

### d. Option pricing model

The fair value of the equity settled share options granted is estimated using a Black-Scholes options pricing model taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the model used for the years ended 30 June 2012 and 2011:

	2012	2011
Weighted average exercise price	-	\$0.20
Weighted average life of the option	-	1.9 years
Underlying share price	-	\$0.20
Expected share price volatility	-	100%
Expected dividends	-	-
Risk free interest rate	-	4.52%
Number of options issued	-	3,100,000
Value (Black-Scholes) per option	-	\$0.1061
Total value of options issued	-	\$328,787

Historical volatility of a group of comparable companies was the basis of determining expected share price volatility, as it was assumed that this is indicative of future movements. The life of the option was based on its term to expiry.

# **Note 20. Accumulated Losses**

	2012	2011
	\$	\$
Accumulated losses at the beginning of the year	(2,783,783)	(1,599,728)
Losses after income tax expense	(855,417)	(1,184,055)
Accumulated losses	(3,639,200)	(2,783,783)

# **Note 21. Cash Flow Reconciliation**

	2012	2011
	\$	\$
Loss after income tax	(855,417)	(1,184,055)
Non-cash items		
Write-back of exploration expenditure written off	791,346	102,209
Share based payments	-	328,787
Shares issued in settlement of amounts owing	154,575	-
Depreciation	16,275	12,896
Changes in operating assets and liabilities*		
(Increase) decrease in trade and other receivables	63,956	(67,526)
(Increase) decrease in other current assets	-	81,469
Increase (decrease) in trade and other payables	(128,546)	14,199
Increase (decrease) in provisions	(14,197)	17,935
Net cash flows from operating activities	27,992	(694,086)

 $<sup>^{\</sup>ast}$  Net of amounts relating to exploration and evaluation assets.

### **Note 22. Related Party Disclosures**

#### a. Ultimate parent

DGR Global Ltd was the ultimate parent of AusNiCo Limited up until 30 September 2011. DGR Global Limited owns 40.7% of the ordinary shares of the Company.

#### b. Key management personnel

Details relating to key management personnel, including remuneration paid are included in note 5.

#### c. Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year:

Related party		Sales to related parties	Purchases from related parties	Other transactions with related parties
DGR Global Ltd (i)	2012	-	137,700	-
	2011	-	200,000	144,637
Hopgood Ganim (ii)	2012	-	29,808	-
	2011	-	73,053	_

- i. The Company has a commercial arrangement with DGR Global Ltd for the provision of various services, whereby DGR Global provides resources and services including the provision of its administration and exploration staff, its premises (for the purposes of conducting the Company's business operations), use of existing office furniture, equipment and certain stationery, together with general telephone, reception and other office facilities ("Services"). In consideration for the provision of the Services, the Group pays DGR Global a monthly management fee of \$11,475 per month (2011: \$25,000 per month). For the year ended 30 June 2012 \$137,700 was paid or payable to DGR Global (2011: \$200,000) for the provision of the Services, of which \$46,325 was paid via the issue of shares. The total current amount payable at year end was \$8,070 (2011: \$16,260). Refer to note (d) for details of other transactions with related parties.
- ii. Mr Brian Moller (a Director), is a partner in the Australian firm Hopgood Ganim lawyers. For the year ended 30 June 2012, \$29,808 (2011: \$73,053) was paid or payable to Hopgood Ganim for the provision of legal services to the Company. The services were based on normal commercial terms and conditions. The total current amount payable at year end was \$nil (2011: \$nil).

The outstanding balances at each relevant year end are unsecured, interest free and settlement occurs in cash.

#### d. Loans from related parties

A loan of \$144,637 was made from DGR Global Ltd to AusNiCo Ltd in 2011, which was fully repaid by 30 June 2011. The loan was interest free, unsecured and repayable on demand. No such loans existed during the current financial year.

# **Note 23. Capital and Leasing Commitments**

# a. Future Exploration Commitments

The Company has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Company. The commitments are as follows:

	2012	2011
	\$	\$
Less than 12 months	994,100	782,000
Between 12 months and 5 years	915,250	565,000
	1,909,350	1,347,000

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Company has the option to negotiate new terms or relinquish the tenements. The Company also has the ability to meet expenditure requirements by joint venture or farm-in agreements.

### b. Lease Expenditure Commitments

	2012	2011
	\$	\$
Finance leases:		
Not later than one year	9,497	9,497
Later than one year and not later than 5 years	22,951	32,448
Lather than 5 years	_	-
Total minimum finance lease payments	32,448	41,945
Future finance charges	(5,176)	(8,333)
Lease liability	27,272	33,612
Lease liability		
Current liability	7,022	6,340
Non-current liability	20,250	27,272
	27,272	33,612

### Note 24. Financial Risk Management

#### a. General objectives, policies and processes

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous years unless otherwise stated in this note.

The Company's financial instruments consist mainly of deposits with banks, receivables and payables.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Company's finance function.

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. Further details regarding these policies are set out below.

#### b. Credit Risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Company incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Company. The Company's objective is to minimise the risk of loss from credit risk exposure.

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 impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk is reviewed regularly by the Board. It arises from exposure to receivables as well as through deposits with financial institutions.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company and at balance date.

The Company's cash at bank is wholly held with Macquarie Bank Limited.

### c. Liquidity Risk

Liquidity risk is the risk that the Company may encounter difficulties raising funds to meet financial obligations as they fall due. The objective of managing liquidity risk is to ensure, as far as possible, that the Company will always have sufficient liquidity to meets its liabilities when they fall due, under both normal and stressed conditions.

Liquidity risk is reviewed regularly by the Board.

The Company manages liquidity risk by monitoring forecast cash flows and liquidity ratios such as working capital. The Company did not have any financing facilities available at balance date.

Notes to the financial statements (continued) For the year ended 30 June 2012 Note 24. Financial Risk Management (continued)

	< 6 months	6-12 months	1-5 years	5 years	Total
Year ended 30 June 2012	\$	\$	\$	\$	\$
(i) Liquid financial assets					
Cash and cash equivalents	1,114,439	_	-	-	1,114,439
Trade and other receivables	15,288	-	-	-	15,288
Total financial assets	1,129,727	-	-	-	1,129,727
(ii) Liquid financial liabilities					
Trade and other payables	(86,604)	-	-	-	(86,604)
Other financial liabilities	(4,749)	(4,748)	(22,951)	-	(32,448)
Total financial liabilities	(91,353)	(4,748)	(22,951)	-	(119,052)
Net inflow (outflow)	1,038,374	(4,748)	(22,951)	-	1,010,675
(i) Liquid financial assets					
(i) Liquid financial assets Cash and cash equivalents	978,921	-	-	-	978,921
	978,921 79,244	<u>-</u>	- -	<u>-</u>	978,921 79,244
Cash and cash equivalents		-	-	- - -	
Cash and cash equivalents Trade and other receivables	79,244		- - -	-	79,244
Cash and cash equivalents Trade and other receivables Total financial assets	79,244	-	- - -	-	79,244
Cash and cash equivalents Trade and other receivables Total financial assets  (ii) Liquid financial liabilities	79,244 <b>1,058,165</b>		-	- - -	79,244 <b>1,058,165</b>
Cash and cash equivalents Trade and other receivables Total financial assets  (ii) Liquid financial liabilities Trade and other payables	79,244 <b>1,058,165</b> (580,833)	-	-	- - - -	79,244 <b>1,058,165</b> (580,833)

### d. Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). The Company does not have any material exposure to market risk other than interest rate risk.

### Interest rate risk

Interest rate risk arises principally from cash and cash equivalents. The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters while optimising the return.

For further details on interest rate risk refer to the tables below:

	Floating interest rate 2012	Fixed interest rate 2012	Non-interest bearing 2012 \$	Total carrying amount 2012 \$	Weighted average effective interest rate 2012 %
(i) Financial assets					
Cash and cash equivalents	1,114,439	-	-	1,114,439	3.50%
Trade and other receivables	-	-	15,288	15,288	N/A
Other financial assets	-	-	151,252	151,252	N/A
Total financial assets	1,114,439	-	166,540	1,280,979	
(ii) Financial liabilities					
Trade and other payables	-	-	17,739	17,739	N/A
Other financial liabilities	-	27,272	-	27,272	10.26%
Total financial liabilities	-	27,272	17,739	45,011	

Notes to the financial statements (continued) For the year ended 30 June 2012 Note 24. Financial Risk Management (continued)

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount	Weighted average effective interest rate
	2011	2011	2011	2011	2011
	\$	\$	\$	\$	%
(i) Financial assets					
Cash and cash equivalents	247,431	731,490	-	978,921	4.78%
Trade and other receivables	-	-	79,244	79,244	N/A
Other financial assets	-	-	95,402	95,402	N/A
Total financial assets	247,431	731,490	174,646	1,153,567	
(ii) Financial liabilities					
Trade and other payables	-	-	407,202	407,202	N/A
Other financial liabilities	-	33,612	-	33,612	10.26%
Total financial liabilities		33,612	407,202	440,814	

Due to the short term nature of the above assets and liabilities, their carrying values are assumed to approximate their fair values.

### **Note 25. Operating Segments**

The Company has identified its operating segment based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Company does not yet have any products or services from which it derives an income.

Accordingly, management currently identifies the Company as having only one reportable segment, being exploration for Nickel, Gold and Copper. The financial results from this segment are equivalent to the financial statements of the Company. There have been no changes in the operating segments during the year.

All assets are located in Australia.

# **Note 26. Contingent Assets and Liabilities**

There are no contingent assets and liabilities at 30 June 2012 (2011: none).

### **Note 27. Subsequent Events**

The Directors are not aware of any significant changes in the state of affairs of the Company or events after the balance date that would have a material impact on the financial statements.

# **Directors' Declaration**

In accordance with a resolution of the Directors of AusNiCo Ltd, I state that:

- 1. In the opinion of the Directors:
  - a. The financial statements and notes of AusNiCo Ltd for the financial year ended 30 June 2012 are in accordance with the Corporations Act 2001, including:
    - i. Giving a true and fair view of its financial position as at 30 June 2012 and its performance for the year ended on that date; and
    - ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - b. The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
  - 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. The Directors have been given the declarations required to be made by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

On behalf of the board

John Downie Director

Brisbane

Date: 27 September 2012

# **Independence Auditor' Report**



Tel: +61 7 3237 5999 Fax: +61 7 3221 9227 www.bdo.com.au Level 18, 300 Queen St Brisbane QLD 4000, GPO Box 457 Brisbane QLD 4001 Australia

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

We have audited the accompanying financial report of AusNiCo Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration.

### **Directors' Responsibility for the Financial Report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the Directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the Directors of AusNiCo Limited, would be in the same terms if given to the Directors as at the time of this auditor's report.

#### Opinion

### In our opinion:

- a. the financial report of AusNiCo Limited is in accordance with the Corporations Act 2001, including:
  - i. giving a true and fair view of the Company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- **b.** the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

## **Material Uncertainty Regarding Going Concern**

Without modifying our opinion, we draw attention to the matters set out in Note 1 of the financial report. The financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the Company to continue to adopt the going concern assumption will depend upon a number of matters including the successful raising in the future of necessary funding or the successful exploration and subsequent exploitation of the Company's tenements. In the absence of these matters being successful, there exists a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the ordinary course of business.

No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the company's plans not eventuate.

#### Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 23 of the Directors' report for the year ended 30 June 2012. The Directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### Opinion

In our opinion, the Remuneration Report of AusNiCo Limited for the year ended 30 June 2012 complies with section 300A of the Corporations Act 2001.

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BDO Audit Pty Ltd T J Kendall Director

Brisbane 27 September 2012

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