Precious Metal Resources Limited

ACN 145 105 148

Interim Financial Report
for the half-year ended 30 June 2012

Table of Contents

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2011 and any public announcements made by Precious Metal Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Corporate Directory

Precious Metal Resources Limited

ACN 145 105 148
ABN 88 145 105 148

Registered and Corporate Office

Level 2
Hudson House
131 Macquarie Street
Sydney NSW 2000

Telephone: +61 2 9251 7177
Fax: +61 2 9251 7500
Website: www.pmrl.com.au

Directors

John Foley (Chairman)
Peter Kennewell (Managing Director)
Michael Leu
Peter Meers
Bruce Dennis

Joint Company Secretaries

Henry Kinstlinger
Julian Rocket

Auditors

K.S. Black & Co
Level 6
350 Kent Street
Sydney NSW 2000

Telephone: +61 2 8839 3000

Share Registry

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001
Australia

Telephone: 1300 850 505

Lawyers

Piper Alderman
Level 23, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Telephone: +61 2 9253 9999

Bankers

Australia & New Zealand Banking Group Limited
Level 16,
20 Martin Place
Sydney NSW 2000

Telephone: +61 2 9227 1818

St George Bank Limited
Level 14, 182 George St
Sydney NSW 2200
Telephone: +61 2 9236 2230

ASX Code – PMR

Precious Metal Resources Limited shares are listed on the Australian Securities Exchange.

This financial report covers the Consolidated Entity consisting of Precious Metal Resources Limited and its controlled entities.

Precious Metal Resources Limited is a company limited by shares, incorporated and domiciled in Australia.

REVIEW OF OPERATIONS

This Review of Operations covers the period to 30 June 2012.

Background

PMR is an exploration company. Its projects are the granted tenements EL 4474, EL 5339, and EL 7679 located at Halls Peak, 80 km south-east of Armidale, New South Wales, Australia and EL 7920 located at Tarago New South Wales (PMR Tenements).

Halls Peak is the inferred volcanic centre for extensive small but high grade Volcanic Massive Sulphide (VMS) deposits rich in copper, lead, zinc and silver, with variable but largely untested gold values. Exploration aims to locate the right depositional environment to host a high-grade deposit of between 30,000 and 170,000 tonnes within a global exploration target of 5 – 70 million tonnes of mixed grade mineralisation. Several geochemical and geophysical anomalies are also present that should identify further high grade, near-surface sulphides.

Additional to the VMS prospectivity, there are indications for the presence of orogenic gold from breccia floaters and small pods of Au–rich quartz on the tenements carrying 1 to 10 g/t Au.

A substantial body of exploration data has been generated over the years by the Geological Survey of NSW and a number of major mining companies including, BHP Ltd., MIM Ltd., The Zinc Corporation, Allstate Exploration NL, Carpentaria Exploration Co. Ltd., CRA Exploration Limited and Amoco Minerals Australia Co.

PMR is expanding on this work, unhindered by the plethora of small prospectors that originally held prime areas.

Resampling and reassaying of approximately 4,000 metres of existing core from 39 holes drilled between 1969 and 1974 on the PMR Tenements is underway. Initial results demonstrate that previous explorers did not assay some cores now found to contain high grades of silver and base metals. This was due to the mineralised rocks looking almost identical with those not carrying mineralisation.

PMR is implementing an exploration work program focusing on the three key known sulphide bodies initially aiming to bring them to a proven resource stage quite rapidly through a diamond and reverse circulation drilling program.

Sovereign Gold Company Limited Offer for Precious Metal Resources Limited

On 6th July 2012, Sovereign Gold Company Limited (**Sovereign Gold**) proposed an off-market takeover bid for Precious Metal Resources Limited (**PMR**).

On 9th July 2012 Sovereign Gold entered into a binding Takeover Bid Implementation Agreement with PMR.

Sovereign Gold offered nine (9) of its ordinary shares for every ten (10) PMR ordinary shares.

The non-associated directors of PMR recommended the bid and the independent expert engaged by PMR found the Offer to be both fair and reasonable.

The Bidder and Target Statements were dispatched to PMR shareholders on 27 July 2012.

The Offer closed on 27th August 2012. Sovereign Gold acquired 69,070,938 PMR Shares and is issuing 62,163,842 Sovereign Gold Shares as consideration. Following the takeover, Sovereign Gold is the largest shareholder of PMR holding 81.26% of PMR's shares.

Corporate

28 March 2012	Chinese State Owned Enterprise Jiangsu Geology and Engineering Co Ltd of Nanjing China entered into a cooperation and investment agreement to contribute $2 million toward exploration on EL 7679 before 31 March 2014 to earn 30% interest in EL 7679.
17 April 2012	Incorporation of subsidiary company PMR 3 Pty Ltd to hold exploration tenements. PMR has made application for base metal tenements in the area surrounding Broken Hill.
14 May 2012	Incorporation of subsidiary companies PMR 4 Pty Ltd and PMR 5 Pty Ltd to hold exploration tenements. PMR has made application for base metal tenements in the area surrounding Broken Hill.
Post 30 June 2012	Sovereign Gold launched a takeover of Precious Metal Resources Limited. The Offer closed on 27th August 2012 with Sovereign Gold acquiring 69,070,938 PMR Shares. Following the takeover, Sovereign Gold holds 81.26% of PMR.

REVIEW OF OPERATIONS continued

Chinese SOE, SUGEC to invest $2 million on EL 7679 exploration

PMR and Jiangsu Geology and Engineering Co. Ltd. (SUGEC) of Nanjing, China entered into a cooperation and investment agreement with PMR whereby SUGEC will contribute $2 million toward exploration on EL 7679 in NSW.

Upon funding exploration on EL 7679 in the amount of $2M before 31 March 2014 SUGEC will be entitled to a 30% interest in the tenement.

Delegation from Jiangsu Geology & Mineral Exploration Bureau at the VTEM launch (l-r):

Quanning Yang	Bureau Chief Engineer
Michael Leu	PMR Director
Zhengqin Pan	Bureau Director
Peter Kennewell	PMR CEO
Jiandong Liu	SUGEC VP
Xuetian Jia	SUGEC President

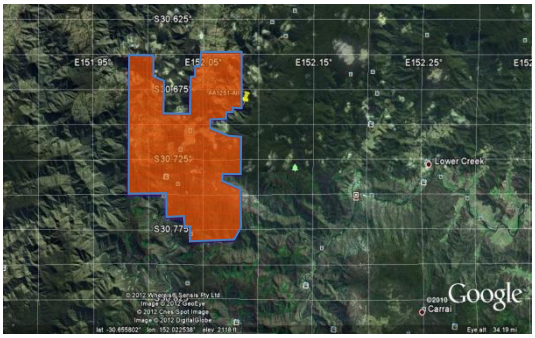
Exploration

VTEM Survey underway to identify drilling targets

- 1,222 line-km VTEM survey
- 100 meter spacing
- Additional 150 line-km infill lines at 50 meter spacing

PMR undertook a Versatile Time-Domain Electromagnetic geophysical survey over its base metal project at Halls Peak, NSW.

The helicopter borne survey was being conducted to identify further base metal drilling targets on the Halls Peak Base Metal field. All targets located by the survey will be computer modelled, tested and then drilled.



Area flown by the VTEM survey

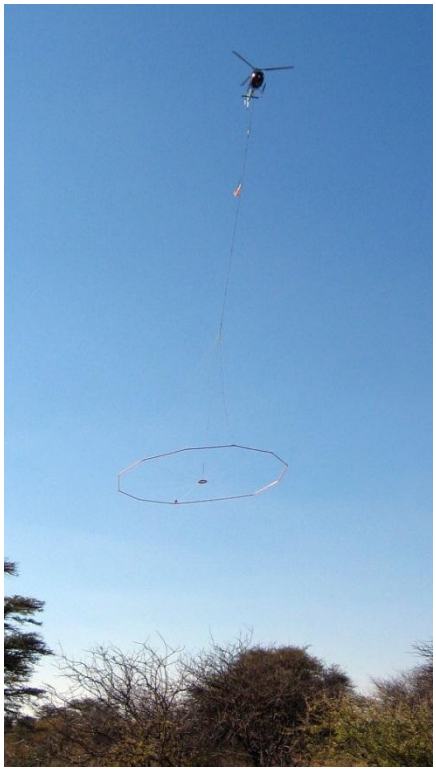
The helicopter borne VTEM Survey is being conducted to identify further base metal drilling targets on the Halls Peak Base Metal field.

The VTEM survey is comprising 933 line-km within EL 7679, in which Jiangsu Geology and Engineering Co. Ltd. (SUGEC) of Nanjing, China are earning a 30% interest, and an additional 289 line-km over PMR's ELs 4474 and 5339. Additional infill lines of approximately 150 km are anticipated. SUGEC will be contributing the cost of flying the survey over EL 7679; PMR will fund the survey over EL 4434 and EL 5337.

In recent years many large base metal deposits have been located by this method. The area of the survey includes the outcrop of the Halls Peak Volcanics, in which volcanic ash, lava flows and sediments host the previously mined base metal deposits at Halls Peak.

This detailed surveying will allow modelling and evaluation of potential bodies of mineralisation. From this, the base metal targets generated will be prioritised for field evaluation.

VTEM surveys penetrate greater than 400 metres beneath the surface, and have been instrumental in locating numerous examples of hidden base metal deposits, which were subsequently drilled to yield large bodies of high-grade base metal mineralisation.



VTEM Survey in Progress

REVIEW OF OPERATIONS continued

Current Exploration Program

Resampling and reassaying of approximately 4,000 metres of existing core from 39 holes drilled between 1969 and 1974 on the PMR Tenements continues. Initial results demonstrate that previous explorers did not assay some cores now found to contain high grades of silver and base metals. This was due to the mineralised rocks looking almost identical with those not carrying mineralisation.

Resampling and reassaying of Allstate Exploration's diamond drill hole DDH 6 (Allstate DDH 6), drilled in 1969 has identified high grades of silver and base metals adjacent to the previously recognised mineralisation in this hole. These are present in mineralised rocks looking almost identical to those not carrying mineralisation.

Testing of core from this hole by Australian Laboratory Services in Queensland has returned assays with grades of up to 122 ounces of silver per tonne and 16.3% zinc.

SUGEC delegation at WB Clarke Geoscience Centre at Londonderry, NSW (l-r):

Mr Quanning Yang, Chief Engineer; Professor Jiandong Liu, Vice President; Professor Zhengyou Yu, General Manager, SUGEC with Peter Kennewell, PMR CEO.

The fine-grained mineralisation is present within rocks described as argillites, which are fine-grained sedimentary rock composed predominantly of indurate clay particles resembling black shales and are present in beds extending within an area 5 km by 7km. They are at least two hundred metres thick in several places.

Assaying of the unassayed cores is identifying further unrecognised mineralisation.

PMR's exploration program will determine whether the PMR black shales are similar to those occurring in other parts of the world, which host world class base metal deposits.

Duplicate sampling is also confirming the validity of the historic data.

REVIEW OF OPERATIONS continued

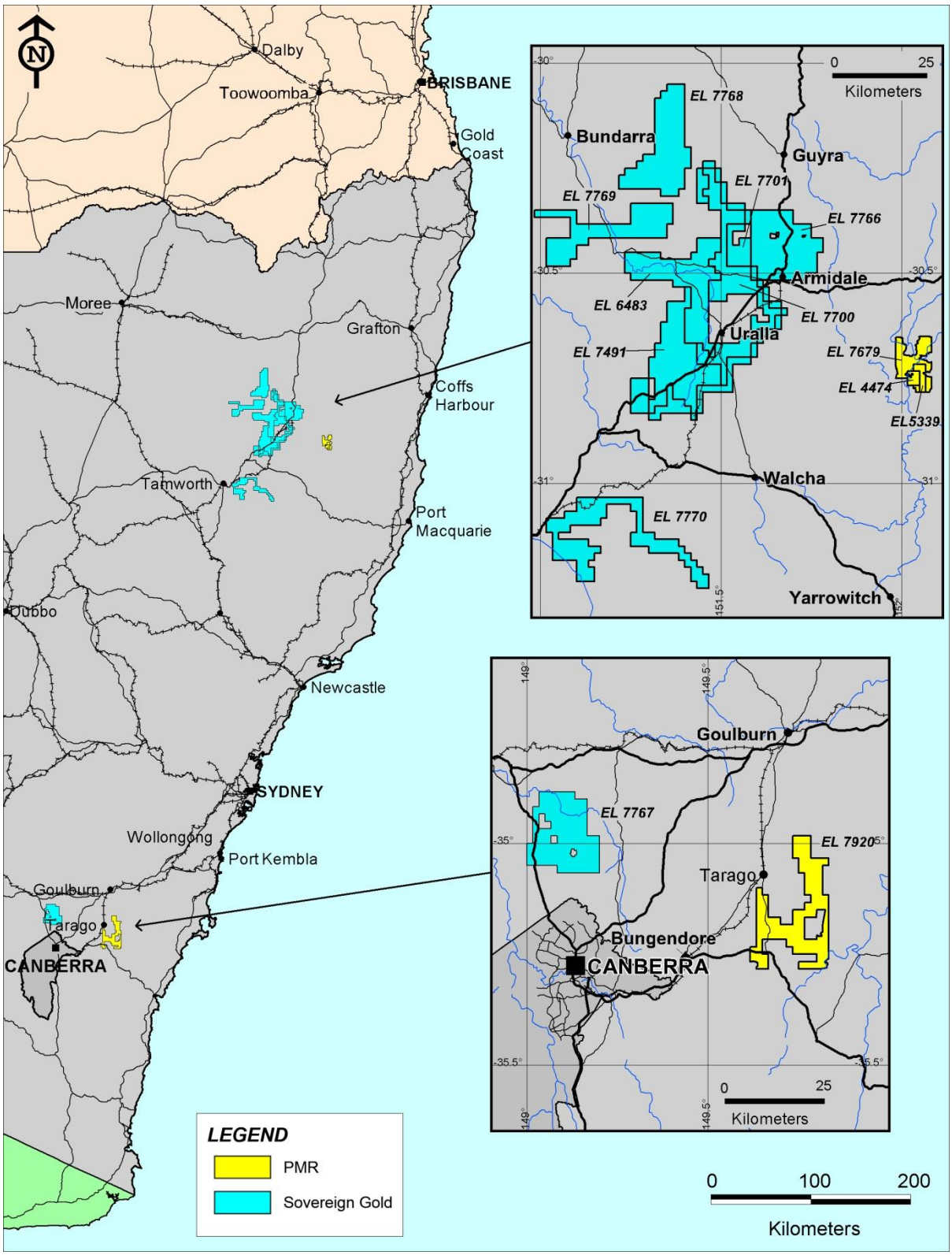


Figure 1 – The Sovereign Gold and PMR granted tenements are located in New South Wales, Australia

Directors' Report

Your directors present their report together with the financial statements on the parent entity and the consolidated entity (referred to hereafter as the **Group**) consisting of Precious Metal Resources Limited (**PMR**) and the entities it controlled at the end of or during the period ended 30 June 2012.

Principal activities The principal continuing activities of the Group during the course of the period were conducting mineral exploration and development programs.

Consolidated results The net consolidated profit of the Group for the six months ended 30 June 2012 was $28,424 (2011: Loss $21,780).

Total Shareholders' Funds as at 30 June 2012 are $2.58 million.

Additional information on the operations of the Group is disclosed in the Review of Operations section of this report.

Review of operations Information on the operations and financial position of the Group and its business strategies and prospects are set out in the Review of Operations on pages 2 to 5 of this report.

Dividends The Directors of the Company do not recommend that any amount be paid by way of dividend. The Company has not paid or declared any amount by way of dividend since the commencement of the financial year.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

John Foley	Non-Executive Chairman
Peter Kennewell	Managing Director
Michael Leu	Non-Executive Director
Peter J Meers	Non-Executive Director
Bruce Dennis	Non-Executive Director

Information on directors and management

Directors

John Foley BD LLB BL (Dub) MAICD	**Non-Executive Chairman** Appointed on 27 May 2011. Graduating in law from the University of Sydney in 1969, Mr Foley was admitted to practice as a Barrister in New South Wales in 1971, and was called to the Irish Bar in 1989 and admitted as a Member of the Honourable Society of Kings' Inns in Dublin, Ireland. Mr Foley has over 40 years' experience in the gold mining industry and was a founding Director of the Australian Gold Council, the industry body. Mr Foley has 20 years' experience as the Chairman of Australian mining company, Citigold Corporation Limited, listed on the ASX and the FSE (Frankfurt Stock Exchange), and with a Level One ADR (American Depository Receipts) program in the USA. Mr Foley has wide-ranging experience in resources, industrial, manufacturing, legal, financial and investment related industries, with extensive business experience in Australia. His leadership roles have covered a broad scope of senior positions, and his commercial and legal background provides further depth, knowledge and experience to the Company. Mr Foley is a non-executive and independent Director.

Directors' Report cont'd

Information on directors and management continued.

John Foley BD LLB BL (Dub) MAICD continued

Other Current Directorships	Citigold Corporation Limited.
Former directorships in the last three years of listed companies	None
Special Responsibilities	Chairman of the Remuneration Committee.
Interests in Shares and Options	250,000 employee share options exercisable at 30 cents expiring 24 October 2016.

Peter Kennewell B Sc.	**Chief Executive Officer / Managing Director** Appointed as a Director on 27 May 2011. Peter Kennewell has worked for the past 26 years for Cluff Resources Pacific NL as Exploration Manager, with the last 18 years as Managing Director. Mr Kennewell has successfully overseen the development of mines, from resource evaluation, prefeasibility study, environmental impact approvals, grant of mining tenements and funding arrangements, through to plant and accommodation construction and staffing. Mr Kennewell is not an independent Director.
Current Directorships	None
Former directorships in the last three years of listed companies	None
Special Responsibilities	None
Interests in Shares and Options	500,000 employee share options exercisable at 30 cents expiring 24 October 2016.

Michael Leu B Sc. (Hons I)	**Non-Executive Director** Appointed as a Director on 8 July 2010. Michael Leu is a geologist with over 30 years professional experience in exploration and mining across a range of mineral commodities within Australia and some Pacific and Asian countries. He has worked in industry (Freeport, Getty Oil, and Queensland Ores), as a private consultant and for seven years on the academic staff of Macquarie University. Michael Leu has extensive expertise in mineral exploration for epithermal and porphyry gold±Cu deposits; intrusion-related gold systems; metahydrothermal gold, greisen-hosted molybdenite, wolfram and tin; volcanic-hosted massive sulphides; chromite; uranium, alluvial gold and platinum and a range of industrial minerals. Mr Leu is not an independent Director.
Current Directorships	Chief Executive Officer & Chief Geologist, Sovereign Gold Company Limited.
Former directorships in the last three years of listed companies	None
Special Responsibilities	None
Interests in Shares and Options	250,000 employee share options exercisable at 30 cents expiring 24 October 2016.

Directors' Report cont'd

Information on directors and management continued.

Peter J Meers, BA (Economics), FAIB	**Non-Executive Director** Appointed 8 July 2010 Peter Meers has broad business experience across a range of industries including consumer, commercial and investment banking, securities trading and origination, mining and exploration and building materials. He is CEO of Tiaro Coal Limited, a subsidiary of Hudson Resources Limited. Mr Meers held senior executive positions and portfolio management roles in agribusiness, mining, property and trade finance during a career spanning 25 years with ANZ Bank in Australia and Asia. Past directorships include appointment on company Boards in Malaysia, Indonesia and Singapore.
Other Current Directorships	Executive Chairman of Hudson Resources Limited Executive Director of Tiaro Coal Limited Executive Deputy Chairman of Australian Bauxite Limited Non-Executive Director of Hudson Investment Group Limited Non-Executive Director of Sovereign Gold Company Limited.
Former directorships in the last three years of listed companies	None
Special Responsibilities	None
Interests in Shares and Options	250,000 employee share options exercisable at 30 cents expiring 24 October 2016.

Bruce Dennis B Com LLM (UNSW)	**Non-Executive Director** Appointed as a Director on 8 July 2010. Mr Dennis is a solicitor in Australia with over 30 years' experience. He has practised in areas of personal injury, civil and commercial litigation in the Federal Court, Supreme Court and District Court jurisdictions. Mr Dennis has considerable experience in identifying commercial and legal risk. His business interests include resource exploration.
Current Directorships	Legal Fund Limited
Former directorships in the last three years of listed companies	None
Special Responsibilities	None
Interests in Shares and Options	250,000 employee share options exercisable at 30 cents expiring 24 October 2016.

Directors' Report cont'd

Information on directors and management continued.

Officers

Henry Kinstlinger	**Joint Company Secretary** Henry Kinstlinger has the past twenty-five years been actively involved in the financial and corporate management of a number of public companies and non-governmental organisations. He is a corporate consultant with broad experience in investor and community relations and corporate and statutory compliance.
Julian Rockett, B. Arts, LL.B. GDLP	**Joint Company Secretary** Mr Rockett was appointed to the position of Joint Company Secretary on 15 June 2011. He is also Joint Company Secretary of Tiaro Coal Limited and Hudson Resources Limited. His background is in government services and his most recent role was at a Sydney commercial litigation practice. Mr Rockett provides secretarial assistance to Australian Bauxite Limited, Raffles Capital Limited and Sovereign Gold Company Limited and provides in-house legal support to listed and non-listed corporate entities.
Francis Choy MCom MBA FCPA (HK) FCPA CA	**Chief Financial Officer** Francis Choy has held a number of senior positions in corporate financial management roles throughout Australia and South East Asia. He has extensive experience in project finance, compliance, acquisition and investment appraisals. He has been involved in project financial, financial management of property development and telecommunication projects in South East Asia. He held senior financial roles for numerous public listed companies both in Hong Kong and Australia.

Subsequent Events

In July 2012, Sovereign Gold Company Limited launched a takeover of PMR.

The Offer closed on 27th August 2012 with Sovereign Gold acquiring 69,070,938 PMR Shares.

Following the takeover, Sovereign Gold became PMR's largest shareholder holding 81.26% of PMR.

At the date of this report there are no other matters or circumstances, other than noted above, which have arisen since 30 June 2012 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2012, of the Group;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2012, of the Group.

Environmental Regulations

The Group is subject to significant environmental regulation in respect of its exploration activities as follows:

PMR's operations in the State of New South Wales involve exploration activities. These operations are governed by the Environment Planning and Assessment Act 1979.

PMR operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of the shareholders, employees and suppliers.

PMR aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are mindful of the regulatory regime in relation to the impact of PMR's activities on the environment.

Directors' Report cont'd

To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

PMR Environmental Code of Practice for Mineral Exploration

PMR is committed to conducting its exploration programs by following industry best practice in accordance with published government guidelines and codes.

The following policy is specific to exploration on Group exploration projects.

Access to Land

Prior to the commencement of any work, PMR makes contact with landholders/leaseholders and discusses the general aims and types of work likely to be conducted.

Discussion with landowners, leaseholders and Native Title Claimants is ongoing. It commences prior to any work being conducted and continues throughout the program and beyond the cessation of exploration work.

PMR establishes conditions of access with landholders and where practicable, signs a written access agreement that sets out conditions and includes a schedule of agreed compensation payments.

PMR endeavours to provide landholders with ample warning prior to commencing any work and landholders are kept informed upon commencement, during and upon completion of an exploration program.

PMR has good relationships with the principal landowners where exploration activities are currently being undertaken. To-date, the company has not been denied access for exploration purposes. However, some paddocks will become out of bounds during the lambing season which extends from early September to late October. This period is not expected to impinge on the current exploration program.

Should there ever be friction, PMR will attempt to settle the matter without a need to begin the arbitration process.

Type of Land

The type of land is determined and its inhabitants are assessed to identify areas of particular environmental concern including identification of sensitive areas or areas prone to erosion, water catchment, heritage sites, and areas home to vulnerable and endangered species.

Land use is taken into consideration and land under cultivation is not disturbed without the express consent of the landholder.

Directors' Report cont'd

JORC Code Compliant Public Reports

PMR advises that this Half-Yearly Report contains summaries of Exploration Results and Mineral Resources as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' ("JORC Code").

The following table references the location of the Code-compliant Public Reports or Public Reporting on which the summaries are based. These references can be viewed on the ASX website and PMR will provide these reports, free of charge, to any person who requests it.

Issue Date	Title of notice as Lodged with ASX
28/06/2012	VTEM Survey Underway
01/05/2012	Assays present further high grade results
27/04/2012	Quarterly Activities Report
27/04/2012	Notice of Annual General Meeting/Proxy Form
30/03/2012	Corrected PMR Annual Report re-submitted
29/03/2012	Annual Report to shareholders
29/03/2012	Chinese SOE to explore Halls Peak VMS deposit
26/03/2012	Archived Core Continues to Impress
19/03/2012	High Grade Intersections - Halls Peak
27/01/2012	Quarterly Activities Report

Qualifying statement

The information in this report that relates to Exploration Information is based on information compiled by Peter Kennewell who is a member of the Australasian Institute of Mining and Metallurgy. Mr Kennewell is a qualified geologist and is Executive Director of Precious Metal Resources Limited.

Mr Kennewell has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration 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, Mineral Resources and Ore Resources. Mr Kennewell has consented to the inclusion in this announcement of the Exploration Information in the form and context in which it appears.

Directors' Report cont'd

Tenement List

Application No	Licence No	Project	Status	Date Granted	Expiry Date	Area Sq kms
PMR1 Pty Ltd						
	EL 7679		Granted	11-Jan-11	10-Jan-13	96
	EL 5339	Halls Peak	Renewal requested	15-Aug-97	29-Jan-12	15
	EL 4474		Granted	13-Jan-93	12-Jan-13	12
	EL 7920	Tarago	Granted	5-Apr-12	4-Apr-14	300
ELA 4607		Halls Peak North	Application			309
ELA 4608		Halls Peak West	Application			321
					Total	**1,053**
PMR3 Pty Ltd						
ELA 4530		East Broken Hill	Application			300
ELA 4531		South Broken Hill	Application			300
ELA 4581		Billygoat Knob	Application			300
ELA 4611		South Southwest Broken Hill	Application			165
ELA 4612		Southwest Broken Hill	Application			153
ELA 4614		South East Broken Hill	Application			30
ELA 4615		Southwest Broken Hill	Application			117
ELA 4618		Broken Hill North1	Application			183
ELA 4619		Broken Hill North2	Application			171
ELA 4621		Broken Hill South South East	Application			300
					Total	**2,019**
PMR4 Pty Ltd (Copper)						
ELA 4579		Bundarra	Application			300
ELA 4580		Cangai	Application			300
					Total	**600**
PMR5 Pty Ltd (Molybdenum)						
ELA 4584		Moonbi	Application			300
					Total	**300**
					TOTAL	**3,972**

Auditor's Independence Declaration

A copy of the independence declaration by the auditor K.S. Black & Co under section 307C is included on page 13 of this half year financial report.

Signed in accordance with a resolution of the Directors:

Peter Kennewell
Managing Director

Michael Leu
Director

Sydney
29 August 2012

Level 6
350 Kent Street
Sydney NSW 2000

K.S. Black & Co.

ABN 57 446 398 808

Level 1, 460 Church Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

AUDITORS INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the Directors of Precious Metals Resources Limited

In connection with the review of Precious Metals Resources Limited for the period ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

(i) No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) No contravention of any applicable code of professional conduct in relation to the review.

KS Black & Co
Chartered Accountants

Ajmat

Faizal Ajmat
Partner

Sydney; 29 August 2012

Level 6
350 Kent Street
Sydney NSW 2000

K.S. Black & Co.

ABN 57 446 398 808

Level 1, 460 Church Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

INDEPENDENT AUDITORS' REVIEW REPORT

TO THE MEMBERS OF PRECIOUS METALS RESOURCES LIMITED

Report on the Financial Report

We have reviewed the accompanying interim financial report of Precious Metals Resources Limited which comprises the statement of financial position as at 30 June 2012, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, accompanying notes and directors' declaration of the company.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with the Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 30 June 2012, and its performance for the half year ended on that date; and complying with Australian Standard AASB 134 Interim Financial reporting and Corporations Regulations 2001. As auditor of Precious Metals Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope that an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant mattes that might be identified in an audit. Accordingly, we do not express an audit opinion.

Statement of Independence

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

Phone 02 8839 3000 Fax 02 8839 3055
www.ksblack.com.au

Chartered Accountants

INDEPENDENT AUDITORS' REVIEW REPORT

TO THE MEMBERS OF PRECIOUS METALS RESOURCES LIMITED
(continued)

Review Opinion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Precious Metals Resources Limited does not present fairly, in all material respects the financial position of Precious Metals Resources Limited as at 30 June 2012, and of its financial performance and its cash flows for the half year period ended on that date in accordance with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001.

KS Black & Co
Chartered Accountants

Faizal Ajmat
Partner

Sydney: 29 August 2012

Declaration by Directors

The Directors of the Company declare that:

1. The financial statements and notes, set out on pages 17 to 31, are in accordance with the *Corporations Act 2001*, and:

   i give a true and fair view of the financial position of the consolidated entity as at 30 June 2012 and of its performance for the half-year ended on that date; and

   ii comply with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

2. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Peter Kennewell
Managing Director

Michael Leu
Director

Sydney
29 August, 2012

Statement of Comprehensive Income

for the Half-Year Ended 30 June 2012

	Note	Consolidated 30 Jun 2012 $	30 Jun 2011 $
REVENUE		**-**	-
Other income	**3**	**490,292**	-
Administration expenses	**3**	**(461,218)**	(21,780)
Finance expenses		**(650)**	-
PROFIT/(LOSS) FROM OPERATIONS BEFORE INCOME TAX EXPENSE		**28,424**	(21,780)
Income tax expense		**-**	-
NET PROFIT/(LOSS) FOR THE PERIOD		**28,424**	(21,780)
Other Comprehensive Income		**-**	-
Other comprehensive income before income tax		**-**	-
Income tax expense		**-**	-
Other comprehensive income for the period		**-**	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**28,424**	(21,780)

EARNINGS PER SHARE	**Cents**
Basic earnings/(losses) per share (cents per share)	**0.03**
Diluted earnings/(losses) per share (cents per share)	**0.03**

This Statement of Comprehensive Income is to be read in conjunction with the notes to the financial report.

Statement of Financial Position

as at 30 June 2012

	Notes	Consolidated 30 Jun 2012 $	31 Dec 2011 $
ASSETS			
Current assets			
Cash and cash equivalents	4	**641,684**	59,786
Trade and other receivables		**1,373,589**	1,782,343
Total current assets		**2,015,273**	1,842,129
Non-current assets			
Trade and other receivables		**-**	638,000
Mining tenements	5	**586,017**	200,250
Financial assets		**-**	-
Plant and equipment	6	**1,157**	-
Total non-current assets		**587,174**	838,250
Total assets		**2,602,447**	2,680,379
LIABILITIES			
Current liabilities			
Trade and other payables	7	**6,031**	7,897
Employee benefits provision		**10,408**	4,687
Total current liabilities		**16,439**	12,584
Non-current liabilities			
Deferred tax liabilities		**-**	-
Employee benefits provision		**2,638**	1,391
Total non-current liabilities		**2,638**	1,391
Total liabilities		**19,077**	13,975
Net assets/(Deficiency in net assets)		**2,583,370**	2,666,404
EQUITY			
Issued capital	8	**2,873,964**	2,985,422
Reserves		**179,532**	179,532
Accumulated losses		**(470,126)**	(498,550)
Total equity		**2,583,370**	2,666,404

This Statement of Financial Position is to be read in conjunction with the notes to the financial report.

Statement of Changes in Equity
for the Half-Year Ended 30 June 2012

Consolidated	Notes	Issued Capital $	Reserve $	Options Reserve $	Accumulated Losses $	Total Equity $
Balance at 31 December 2010		1,250	-	-	(7,923)	(6,673)
Shares issued		1,250,000	-	-	-	1,250,000
Share issuing cost		-	-	-	-	-
Loss for the period		-	-	-	(21,780)	(21,780)
Balance at 30 June 2011		1,251,250	-	-	(29,703)	1,221,547
Balance at 30 June 2011		1,251,250	-	-	(29,703)	1,221,547
Shares issued		2,000,000	-	-	-	2,000,000
Share issuing cost		(265,828)	-	-	-	(265,828)
Movement for the period		-	-	179,532		179,532
Loss for the year		-	-	-	(468,847)	(468,847)
Balance at 31 December 2011	**8**	2,985,422	-	179,532	(498,550)	2,666,404
Balance at 31 December 2011		**2,985,422**	**-**	**179,532**	**(498,550)**	**2,666,404**
Shares issued		**-**	**-**	**-**	**-**	**-**
Share issuing cost		**(111,458)**	**-**	**-**	**-**	**(111,458)**
Profit for the period		**-**	**-**	**-**	**28,424**	**28,424**
Balance at 30 June 2012	**8**	**2,873,964**	**-**	**179,532**	**(470,126)**	**2,583,370**

This Statement of Changes in Equity is to be read
in conjunction with the notes to the financial report.

Statement of Cash Flows
for the Half-Year Ended 30 June 2012

	Notes	Consolidated 30 Jun 2012 $	30 Jun 2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		**13,586**	-
Payment for exploration and evaluation expenditures		**(386,307)**	-
Payments for administration expenses		**(110,741)**	(48,703)
NET CASH FLOWS USED IN OPERATING ACTIVITIES		**(483,462)**	(48,703)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for tenements		**-**	-
Payments for property, plant and equipment		**(1,182)**	-
Advance to other parties		**-**	(1,201,297)
Repayment from other parties		**1,178,000**	-
NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**1,176,818**	(1,201,297)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues/placements, net of issue costs		**(111,458)**	1,250,000
Advance from other parties		**-**	-
NET CASH FLOWS (USED IN)/PROVIDED BY FINANCING ACTIVITIES		**(111,458)**	1,250,000
NET INCREASE IN CASH AND CASH EQUIVALENTS		**581,898**	-
Cash and cash equivalents at the beginning of the reporting period		**59,786**	-
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	**4**	**641,684**	-

This Statement of Cash Flow is to be read
in conjunction with the notes to the financial report.

NOTES TO THE FINANCIAL STATEMENTS

For the Half Year Ended 30 June 2012

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

Reporting Entity

Precious Metal Resources Limited (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company as at and for the six months ended 30 June 2012 comprises the Company and its subsidiaries (together referred to as the "consolidated entity").

Statement of Compliance

The consolidated financial report is a general purpose financial report which has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001.*

Estimates

The preparations of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) **Basis of Preparation**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporation Act 2001.

Statement of Compliance

Compliance with Australian Accounting Standards Board (AASB's) ensures that the financial report of Precious Metal Resources Limited also complies with International Financial Reporting Standards ("IFRS").

Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) *Options valuation*

Refer to Note for estimates and assumptions used to calculate the valuation of options.

Critical judgements

Management have made the following judgements when applying the Group's accounting policies:

Capitalisation of exploration costs

The Group follows the guidance of AASB 6 Exploration for and Evaluation of Mineral Resources when determining if exploration costs incurred can be capitalised. This determination requires significant judgement. In making this judgement, the Group evaluates if any one of the following conditions is met:

- The exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- Exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the areas of interest are continuing.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

If one of the above conditions is met then the Group has made the judgement to capitalise the associated exploration expenses.

Historical cost convention

These financial statements have been prepared on an accruals basis and are based on the historical cost convention except where noted in these accounting policies.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

(b) **Principles of consolidation**

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Precious Metal Resources Limited (the "parent entity") as at report date and the results of all subsidiaries for the year then ended. Precious Metal Resources Limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The financial performance of those activities is included only for the period of the year that they were controlled.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) **Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments. Reporting to management by segments is on this basis.

(d) **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the major business activities as follows:

Interest Revenue

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

Other Income

Income from other sources is recognised when proceeds or the fee in respect of other products or service provided is receivable. All revenue is stated net of the amount of goods and services tax (GST).

NOTES TO THE FINANCIAL STATEMENTS continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(e) Income Tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The Company and its wholly owned entities are part of a tax-consolidated group under Australian taxation law. Precious Metal Resources Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

The amounts receivable/payable under tax funding arrangements are due upon notification by the entity which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly owned subsidiary. These amounts are recognised as current intercompany receivables or payables.

(f) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the 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 as applicable; and
- 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 except for the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, and 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.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(g) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(h) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and in at call deposits with banks or financial institutions, investment in money market instruments maturing within less than three months, net of bank overdrafts.

(i) Trade and other receivables

Trade receivables are recognised initially at original invoice amounts and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that entities in the Group will not be able to collect all amounts due according to the original terms of receivables.

(j) Financial Instruments

Recognition and Initial Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;

(b) less principal repayments;

(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

(d) less any reduction for impairment.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

ii. 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.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after reporting date. (All other loans and receivables are classified as non-current assets.)

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after reporting date. (All other investments are classified as current assets.)

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after reporting date. (All other financial assets are classified as current assets.)

v. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, and reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

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 entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. 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 or loss.

(k) Tenement exploration, valuation and development costs

Costs incurred in the exploration for, and evaluation of, tenements for suitable resources are carried forward as assets provided that one of the following conditions is met:

- the carrying values are expected to be justified through successful development and exploitation of the area of interest; or
- exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable mineral resources, and active and significant operations in relation to the area are continuing.

Expenses failing to meet at least one of the aforementioned conditions expensed as incurred.

Costs associated with the commercial development of resources are deferred to future periods, provided they are, beyond any reasonable doubt, expected to be recoverable. These costs are amortised from the commencement of commercial production of the product to which they relate on a straight-line basis over the period of the expected benefit. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Restoration and rehabilitation provisions

Both for close down and restoration and for environmental clean-up costs from exploration programs, if any, a provision will be made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs.

NOTES TO THE FINANCIAL STATEMENTS continued

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(n) 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 other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits 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. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

(o) Contributed Equity

Ordinary shares are classified as equity.

(p) Share based payments

Ownership-based remuneration is provided to employees via an employee share option plan.

Share-based compensation is recognised as an expense in respect of the services received, measured on a fair value basis.

The fair value of the options at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the Group revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(q) Earnings per share (EPS)

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

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

(r) New Accounting Standards for Application

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. We have reviewed these standards and interpretations and there are none having any material effect.

NOTES TO THE FINANCIAL STATEMENTS continued

3. REVENUE AND EXPENSES

Specific Items

Profit/(loss) before income tax expense/(benefit) includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the consolidated entity:

	Consolidated	
	30 Jun 2012	30 Jun 2011
	$	$
Other income		
Interest income	**93,383**	-
Contribution received for funded expenditures	**370,000**	-
Others	**26,909**	-
	490,292	-
Administrative expenses		
Employee and on costs	**154,103**	-
Exploration professional fee	**3,950**	5,449
Other administrative expenses	**303,165**	16,331
	461,218	21,780

4. CASH AND CASH EQUIVALENTS

	Consolidated	
	30 Jun 2012	31 Dec 2011
	$	$
Cash at bank and on deposit	**641,684**	59,786
	641,684	59,786

5. MINING TENEMENTS

	Consolidated	
	30 Jun 2012	31 Dec 2011
	$	$
Capitalised exploration expenditures	**586,017**	200,250

The ultimate recoupment of costs carried forward for exploration and evaluation of assets is dependent on the successful development and commercial exploration or sale of the respective areas.

NOTES TO THE FINANCIAL STATEMENTS continued

6. PLANT AND EQUIPMENT

	Consolidated	
	30 Jun 2012	31 Dec 2011
	$	$
Plant and equipment		
Plant and equipment - at cost	**1,182**	-
Accumulated depreciation	**(25)**	-
Total plant and equipment - carrying amount	**1,157**	-

Reconciliations

Reconciliations of the carrying amount of each class of plant and equipment at the beginning and end of the current reporting period are set out below.

	Computer Equipment	**Exploration Equipment**	**Total**
	$	**$**	**$**
Cost			
Balance at beginning of the period	-	-	-
Addition	1,182	-	1,182
Disposal	-	-	-
Balance at the end of the period	1,182	-	1,182
Accumulated Depreciation			
Balance at beginning of the period	-	-	-
Depreciation charged for the period	(25)	-	(25)
Disposal	-	-	-
Balance at the end of the period	(25)	-	(25)
Net book value as at 30 June 2012	**1,157**		**1,157**
Net book value as at 31 Dec 2011	-	-	-

7. TRADE AND OTHER PAYABLES

	Consolidated	
	30 Jun 2012	31 Dec 2011
	$	$
Current		
Trade payables	**6,031**	7,897
	6,031	7,897

NOTES TO THE FINANCIAL STATEMENTS continued

8. ISSUED CAPITAL

	Consolidated 30 Jun 2012 Number of Shares	31 Dec 2011 Number of Shares	Consolidated 30 Jun 2012 $	31 Dec 2011 $
Ordinary shares Issued	**85,000,000**	85,000,000	**2,873,964**	2,985,422

(a) Movements in ordinary share capital during the period:

Consolidated Date	Details	No. of shares	Issue price ($)	$
31 December 2011	Balance	85,000,000	-	2,985,422
	Share issuing costs	-	-	(111,458)
30 June 2012	Balance	85,000,000	-	2,873,964

(b) Options

There have been no options issued or granted over unissued shares during the reporting period.

(c) Terms and Conditions

Each ordinary share participates equally in the voting rights of the Company. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

9. COMMITMENTS

	Consolidated 30-Jun-2012 $	31-Dec-2011 $
Exploration expenditure commitments		
Tenement exploration expenditure	**151,583**	137,000
Tenement lease payment	**12,055**	-
	163,638	137,000

The minimum exploration expenditure commitments and lease payments on the Company's exploration tenements totalling approximately $163,638 over the term of tenements.

Remuneration expenditure commitments		
Salary and other remuneration commitments under long-term employment contracts existing at reporting date not recognised as liabilities:		
Within one year	**163,500**	163,500
Later than one year but not later than 5 years	**163,500**	231,625
Later than 5 years	**-**	-
	327,000	395,125

NOTES TO THE FINANCIAL STATEMENTS continued

9. COMMITMENTS continued

Executive employment agreement

PMR has entered into an Executive Employment Agreement with Peter Kennewell, a director of PMR pursuant to which he has agreed to provide the services of Chief Executive Officer. The material terms are set out below.

The services he is to provide to PMR include:

- Peter Kennewell is employed to provide the services of Chief Executive Officer of PMR for a period of 3 years;
- Peter Kennewell is to be paid $150,000 per annum not including superannuation as required by the *Superannuation Guarantee Administration Act 1992 (Cth);*
- Incentive payments will be considered by the Board from time to time and made available in either the form of cash bonuses or share options at PMR's discretion.
- The agreement can be terminated by either PMR or Peter Kennewell on 6 months' notice.

Services agreements

The Company has entered into a management service agreement with Hudson Corporate Limited pursuant to which Hudson Corporate Limited has agreed to provide its management, registered office, administrative, accounting, secretarial and compliance services.

The term of the Services Agreement is two years and the fee payable is that amount agreed between the parties from time to time. The terms of the Services Agreement provide that Hudson Corporate Limited shall act in accordance with the Directions of the Board.

The Company has entered into a geological services agreement with Michael Leu for fixed remuneration per day, term of the contract is 2 years.

There are no other material commitments as at the date of this report.

10. CONTINGENT LIABILITIES

There are no other material contingent liabilities as at the date of this report.

No material losses are anticipated in respect of any of the above contingent liabilities.

11. SEGMENT REPORTING

The consolidated entity operates one business being the mining and exploration of gold, minerals and related development projects in Australia.

12. EVENTS SUBSEQUENT TO BALANCE DATE

In July 2012, Sovereign Gold Company Limited launched a takeover of PMR.

The Offer closed on 27th August 2012 with Sovereign Gold acquiring 69,030,938 PMR Shares.

Following the takeover, Sovereign Gold became PMR's largest shareholder holding 81.26% of PMR.

At the date of this report there are no other matters or circumstances, other than noted above, which have arisen since 30 June 2012 that have significantly affected or may significantly affect:

- the operations, in financial half-year subsequent to 30 June 2012, of the consolidated entity;
- the results of those operations; or
- the state of affairs, in financial half-year subsequent to 30 June 2012, of the consolidated entity.