Kupang Resources Ltd and its Controlled Entities

ABN 17 098 773 785

Annual Report

For the Year Ended 30 June 2012

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Corporate Information

This financial report includes the consolidated financial statements and notes of Kupang Resources Ltd and its controlled entities ("Kupang" or "Company" or the "Group") for the year ended 30 June 2012.

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Director's report.

Directors

Mr Ben Elias
Mr Antony Sage
Mr Paul Kelly

Company Secretary

Ms Pip Leverington

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Stock Exchange

Australian Securities Exchange Limited
ASX Code: KPR

Directors' Report

Your Directors present the following report on Kupang Resources Ltd (formerly Chameleon Mining NL) and its controlled entities (referred to hereafter as "Kupang" or "Company" or the "Group") for the year ended 30 June 2012.

INFORMATION ON DIRECTORS

The names of the Directors in office during the year and until the date of this report are as follows. All Directors were in office for the entire period unless otherwise stated:

Mr Ben Elias	Non-executive Chairman
Mr Antony Sage	Executive Director
Mr Paul Kelly	Non-executive Director
Mr James Arkoudis [1]	Executive Director
Mr Anthony Karam [2]	Executive Director
Mr Jason Bontempo [3]	Non-executive Director
Mr Ahmed Hassan [4]	Executive Director

[1] Mr James Arkoudis was appointed as a director on 25 October 2011 and resigned as a director on 1 March 2012
[2] Mr Anthony Karam resigned as a director on 1 March 2012
[3] Mr Jason Bontempo resigned as a director on 1 March 2012
[4] Mr Ahmed Hassan resigned as a director on 25 October 2011

Mr Ben Elias	-	Non-Executive Chairman
Experience	-	Following on from his illustrious sporting career, Mr Elias has managed an impressive transition into the corporate world. He became an integral member of the Balmain Tigers marketing force, and then moved to 2GB as a Direct Sales Manager, became Optus' largest mobile dealer within his first 18 months of business, and grew into one of Telstra MobileNet's largest and most successful dealers nationally. More recently Ben has established a thriving property business and executive management consultancy. He provides the Company board with extensive corporate and commercial experience.
Interest in Shares and Options	-	636,766 ordinary shares 2,000,000 unlisted options ($0.066, 31 December 2013)
Current directorships	-	None
Former directorships held in past three years	-	None

Directors' Report (continued)

Mr Antony Sage	-	Executive Director
Qualifications	-	B.Com, FCPA, CA, FTIA
Experience	-	Mr Sage has in excess of 26 years experience in the fields of corporate advisory services, funds management and capital raising. He has, for the last 14 years, been involved in the management and financing of listed mining companies all over the world.
Interest in Shares and Options	-	4,305,556 ordinary shares 1,333,334 unlisted options ($0.18, 31 December 2012) 833,334 unlisted options ($0.066, 31 December 2013)
Current directorships	-	African Petroleum Corporation Limited* Cape Lambert Resources Limited Cauldron Energy Limited Fe Limited Global Strategic Metals NL International Goldfields Limited International Petroleum Limited* Matrix Metals Limited *Listed on National Stock Exchange of Australia
Former directorships held in past three years	-	African Iron Limited

Mr Paul Kelly	-	Non-Executive Director
Experience	-	Mr Kelly brings more than 20 years experience in the fields of finance, investment and banking to the Board. He is currently the Chief Executive Officer of the Perth Glory Football Club and was previously employed by Members Equity Bank as National Manager of Advertising and Sponsorship and held a number of senior roles with the bank over a 15-year period.
Interest in Shares and Options	-	166,667 unlisted options ($0.066, 31 December 2013)
Current directorships	-	Fe Limited International Goldfields Limited
Former directorships held in past three years	-	Eclipse Uranium Limited DMC Mining Limited

Mr James Arkoudis	-	Executive Director (appointed 25 October 2011, resigned 1 March 2012)
Qualifications	-	B.Law, B.Com
Experience	-	Mr Arkoudis is a solicitor with nearly 20 years commercial experience. He has worked at a range of practices as well as having been in-house counsel for one of the largest property trust groups and a well-known finance company. Mr Arkoudis has wide experience in litigation matters and has acted for a number of corporate clients in this regard. He has acted as consultant with a title insurance company which introduced the concept of title insurance in the Australian mortgage market.
Interest in Shares and Options	-	At the date of his resignation on 1 March 2012, Mr Arkoudis held the following: 500,000 ordinary shares (post consolidation)
Current directorships	-	None
Former directorships held in past three years	-	None

Directors' Report (continued)

Mr Anthony Karam	-	Executive Director (resigned 1 March 2012)
Qualifications	-	LLB, B.Com
Experience	-	Mr Karam has worked as a solicitor in the corporate and commercial spheres for over 10 years. His focus has been predominantly on property and finance industry related transactions and structures. He is a member of the Law Society of New South Wales. As an Affiliate Member of the Institute of Company Secretaries, Mr Karam also possesses first hand training and experience dealing with the key statutory and compliance related requirements of executive officers. Mr Karam has developed corporate and special project management experience which has been most valuable with respect to the Company's significant litigation matters.
Interest in Shares and Options	-	At the date of his resignation on 1 March 2012, Mr Karam held the following: 1,932,099 ordinary shares (post consolidation)
Current directorships	-	Walla Mines Limited
Former directorships held in past three years	-	None

Mr Jason Bontempo	-	Non-Executive Director
Qualifications	-	B.Com, CA
Experience	-	Mr Bontempo has worked in Investment Banking and Corporate Advisory since qualifying as a Chartered Accountant with Ernst & Young in 1997. This has also included 4 years in London working in both equity and debt market divisions for major investment banks.
Interest in Shares and Options	-	At the date of his resignation on 1 March 2012, Mr Bontempo held the following: 555,556 ordinary shares (post consolidation)
Current directorships	-	Matrix Metals Limited Red Emperor Resources NL Orca Energy Resources Limited (formerly Monitor Energy Limited)
Former directorships held in past three years	-	International Goldfields Limited Mojo Limited Stirling Minerals Ltd (renamed African Iron Limited)

Mr Ahmed Hassan	-	Non-Executive Director
Qualifications	-	B.Com, MAFP
Experience	-	Mr Hassan holds a Masters of Finance as well as a Bachelor of Commerce degree. His experience includes a position as General Manager of a Sydney firm providing financial advisory services to both retail and wholesale clients.
Interest in Shares and Options	-	At the date of his resignation on 25 October 2011, Mr Hassan held the following: 186,778 ordinary shares (post consolidation)
Current directorships	-	None
Former directorships held in past three years	-	None

Company Secretary - Ms Pip Leverington (Appointed 1 March 2012)

Ms Leverington has over 7 years' of experience in the legal profession, primarily in the areas of equity capital markets, mergers and acquisitions, corporate restructuring, corporate governance and mining and resources. She was a lawyer at a corporate law firm for a number of years before joining the Company and has a Bachelor of Laws degree.

Prior to Ms Leverington's appointment, the role of company secretary was performed by:

- Mr James Arkoudis (Resigned 1 March 2012) for the period 1 September 2011 to 1 March 2012; and
- Jointly by Mr James Arkoudis and Ahmed Hassan (Resigned 31 August 2011) for the period 1 July 2011 to 31 August 2011

Directors' Report (continued)

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activities of the Group for the year was management of litigation claims, maintenance and exploration of existing tenements and investment in a significant manganese project in Indonesia (refer "Kupang Transaction" below).

OPERATING RESULTS

The net profit after tax of the Group amounted to $12,056,624 for the year ended 30 June 2012 (2011: $6,450,321 loss).

REVIEW OF OPERATIONS

CORPORATE

The following significant transactions and changes in the state of affairs occurred during the year ended 30 June 2012.

Change of Company Name, Status and ASX Code

As approved by shareholders at a general meeting held on 25 May 2012, the Company changed its name and status from Chameleon Mining NL to Kupang Resources Ltd. In addition, the Company's ASX code changed from CHM to KPR.

Change of Share Registry and Contact Details

With effect from 23 April 2012, Kupang changed its share registry:

From:	To:
Boardroom Pty Limited	Link Market Services Limited
Level 7, 207 Kent Street	Ground Floor, 178 St Georges Terrace
Sydney NSW 2000	Perth WA 6000

In addition, the Company changed its contact details to:

Postal Address:	Registered Address:	Phone and Fax:
PO Box 1264	18 Oxford Close	p +61 (08) 6382 5500
West Leederville WA 6901	Leederville WA 6007	f +61 (08) 6388 2304

Cape Lambert Resources Limited Elect to Take Significant Shareholding in Kupang

As announced on 10 August 2010, the Company and Cape Lambert Resources Limited ("Cape Lambert") entered into the Alliance Agreement pursuant to which Cape Lambert provided the Company with a $6.5 million funding facility to provide access to funds for working capital purposes. In accordance with the terms of that agreement, Cape Lambert also subscribed for shares and options in the Company to the value of $2,000,000.

As announced on 3 March 2012, the Company and Cape Lambert entered into a settlement arrangement in relation to the Alliance Agreement pursuant to which the Company agreed to issue Cape Lambert 40,000,000 Shares (on a pre-Consolidation basis) ("Settlement Shares"). The issue of the Settlement Shares was in full and final satisfaction of the Company's obligations under the Alliance Agreement. The issue of shares to Cape Lambert was ratified by shareholders at a general meeting held on 25 May 2012.

Cape Lambert is the largest shareholder in the Company holding 13.98% of the issued share capital.

Directors' Report (continued)

Board Restructure

At the request of Cape Lambert, as a result of Cape Lambert's increased interest in the Company, Kupang has restructured its Board and operational activities.

On 1 March 2012, Anthony Karam, James Arkoudis and Jason Bontempo resigned as Directors of the Company and Pip Leverington was appointed Company Secretary to replace Mr Arkoudis. Ben Elias (Chairman) and Paul Kelly (Non-executive Director) continue in their roles, with Antony Sage assuming the role of Executive Director.

Cape Lambert's existing team of personnel will assist the Company in streamlining technical, financial, corporate and marketing activities to reduce costs, improve efficiencies and assess future acquisitions. The Company's head office and mining administration activities have moved to Perth.

Share Consolidations

First share consolidation

In accordance with a resolution passed at the Company's Annual General Meeting, the Company's securities were consolidated on a one for four basis, that is through the conversion of every four shares in the Company into one share in the Company and every four options into one option with the exercise price of the Options amended in inverse proportion to that ratio. The dispatch of new holding statements was completed in December 2011.

Second share consolidation

In accordance with a resolution passed at the Company's general meeting held on 25 May 2012, the Company's securities were consolidated on a one for three basis, that is through the conversion of every three shares in the Company into one share in the Company and every three options into one option with the exercise price of the Options amended in inverse proportion to that ratio. The dispatch of new holding statements was completed in June 2012.

Unless otherwise indicated, the number of shares referred to in this annual report are presented on a post consolidation basis.

Shares Issued

Shares issued by the Company, and the movement in shares on issue as a result of the share consolidations (noted above) during the year ended 30 June 2012 were as follows:

	Issue Price	Number of Shares Issued / Movement
First share consolidation (December 2011)	-	(1,453,603,659)
Shares issued during the year[1]	$0.040	6,250,000
Shares issued during the year – Settlement Shares [2]	$0.043	40,000,000
Shares issued on exercise of options	$0.022	6,000,000
Second share consolidation (June 2012)	-	(357,855,654)
		(1,759,209,313)

[1] 6,250,000 shares issued to Mr Antony Sage, originally issued as part of the December 2010 placement.
[2] 40,000,000 shares issued to Cape Lambert as settlement of the Alliance Agreement.

Total funds received during the year from the issue of shares (on exercise of options) was $132,000.

Directors' Report (continued)

Unlisted Options Issued

During the year, the Group issued the following unlisted options:

	Post-consolidation			
	Number of Options Issued	Grant Date	Exercise Price	Expiry Date
Options issued to Directors	15,000,000	19-Dec-11	$0.066	31-Dec-13
Options issued to Consultant	3,600,000	10-May-12	$0.150	30-Jun-14

Settlement of the Murchison Litigation

On 23 December 2011, the Company reached agreement with Murchison to finalise a commercial settlement in the Federal Court proceedings between the parties, pursuant to which Kupang received a $25,000,000 cash payment from Murchison. The settlement represents a significant milestone and resolution for Kupang shareholders.

Murchison paid the first tranche, (a non-refundable payment of $5,000,000) on 28 December 2011. The second and final tranche of $20,000,000 was received on 20 February 2012.

The Board agreed to accept the Murchison settlement offer primarily on the basis that, in the circumstances, the settlement amount in today's current economic environment and the relative value of Murchison and its assets, provides a significant platform from which the Company can build.

The settlement was reached prior to the delivery of the Full Federal Court's judgment on 21 February 2012. The Board considered that had the litigation not been settled, it was likely that either of the parties (if unsuccessful) would have filed an appeal to the High Court. A High Court appeal would have provided another level of cost, delay and uncertainty for Kupang.

For these reasons, the Board believes the settlement with Murchison, and the certainty of $25,000,000 was in the best interests of shareholders.

The settlement with Murchison (detailed above) does not affect Kupang's ability to pursue Grimaldi. Refer to Litigation Matters below for an update regarding the case against Grimaldi.

Kupang Transaction

On 30 March 2012, the Company announced that it had executed a heads of agreement to acquire a 55% interest in a significant manganese project currently owned by an Indonesian limited liability company (MKI) with potential for early production ("Kupang Project") ("Kupang Transaction"). The Kupang Project is located in West Timor, in the Indonesian province of Nusa Tenggara Timur (NTT), a region well known globally as a source of high-grade (+46% Mn) manganese ore. NTT's interest in the Kupang Project is held via an unincorporated joint venture structure (being the MKI) ("Kupang Resources Joint Venture").

Pursuant to the terms of the agreement:

- in consideration for payment of $3,500,000, the Company acquired 100% of NTT Manganese Pty Ltd ("NTT Manganese") which holds a 30% interest in PT Kupang Resources ("PT Kupang") which, following a restructure, will indirectly hold 100% of the rights to manganese produced from the Kupang Project (Tranche 1); and

- NTT Manganese will increase its interest in the Kupang Resources Joint Venture (and therefore the Kupang Project) to 55% (following the restructure through the expenditure of a further $6,500,000 (Tranche 2).

During April 2012, Tranche 1 of the Kupang Transaction was completed and the Company acquired NTT Manganese, and therefore an initial 30% interest in the Kupang Project. At 30 June 2012, $1,035,170 of the Tranche 2 amount had been paid by the Company, and the remaining committed expenditure of $5,464,830 of the Tranche 2 amount (included in the Statement of Financial Position at balance date) was paid in July 2012. As a consequence, the Company now holds a 55% interest in the Kupang Project.

Directors' Report (continued)

The structure of the Company's interest in the Kupang Resources Joint Venture following completion of the restructure is as follows:

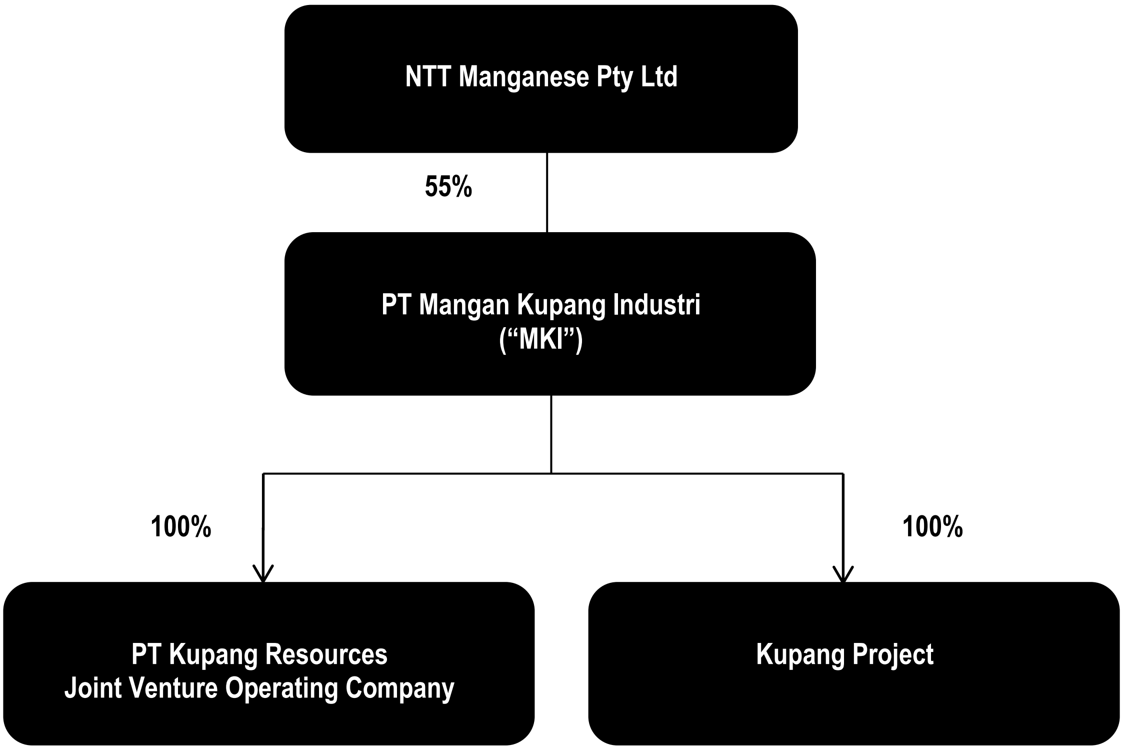

Figure 1: Company's ownership interest in the Kupang Resources Joint Venture

Experienced Manganese Executive Appointed Technical Consulting Engineer

On 10 May 2012, the Company announced the appointment of experienced manganese executive Mr Simon Youds as Technical Consulting Engineer. Mr Youds is a professional mining engineer, who has worked extensively in project development and mine management in Africa (Tanzania and Ghana), Papua New Guinea and Australia. Mr Youds holds an MBA degree from Deakin University, Victoria. Prior to joining Kupang, Mr Youds was Chief Executive Officer of ex-ASX listed company African Iron Limited (from September 2011 until March 2012) who were recently taken over by Exxaro Resources Limited as part of a A$338 million off market bid. Before joining African Iron Limited, Mr Youds was Managing Director (Australia) of Consolidated Minerals Limited, who own and operate the Woodie Woode and Coobina high-grade manganese and chromite mining operations, located in the Pilbara region of Western Australia.

PROJECT INFORMATION

Kupang Project

The Kupang Project areas are well serviced by sealed road infrastructure and within 20km from the port facilities of Kupang, where it is proposed ore from the Kupang Project will be shipped (refer to Figure 2). The Kupang Resources Joint Venture has secured the available land for the production area and is finalising negotiations with the relevant parties for the lay down area at Kupang Port.

The geological setting for the manganese mineralisation is found at the base of the tertiary limestones. The regional geological setting is a suitable host for extensive bedded manganese deposits. The geological mapping and target generation exploration work continues with a view to understanding the regional high grade manganese endowment and establishing an economic resources in the project area. A sampling program from existing stockpiles is underway with analysis results expected in the December 2012 quarter.

Directors' Report (continued)

An extensive exploration program and plans to commence trial production with a view to test marketability of the high-grade manganese oxide are underway at the project. Due to the close proximity of the project to infrastructure and stockpiled bulk samples, this pilot project has a low start-up cost. Discussions are underway with shipping and engineering consultants advising on the trial production. The intent is for a full engagement of these consultants for feasibility study purposes once a JORC Resource and mineable resource is evident. The purchase of equipment for a bulk sample processing facility is under negotiation. Delivery of this equipment is expected early in the next period. The bulk sample and market trial is expected to be established during the December 2012 quarter.

Once the trial processing facility is established there are further opportunities for the Kupang Resources Joint Venture to further expand its tenement holdings in the area. The joint venture is currently in negotiations for a further 10,000 ha tenement package in the immediately adjoining area of Soe, an area also known for its high-grade manganese deposits.

The Kupang Resources Joint Venture has established excellent working relationships with the local communities, businesses and Government in Indonesia. As a sign of its commitment and willingness to engagement with the local stakeholders, the Kupang Resources Joint Venture will appoint prominent local, Mr Refafi Gah, to its Management Committee.

Figure 2: Location of Kupang Project and Local Infrastructure

Directors' Report (continued)

LITIGATION MATTERS

Grimaldi

Application for Special Leave

As announced on 22 February 2012, the Company was successful in the Federal Court appeal proceedings against Phillip Grimaldi ("Grimaldi"). In the judgment handed down as against Grimaldi, the Full Federal Court:

- dismissed Grimaldi's appeal (on all grounds);
- awarded Kupang costs in the proceedings (which are to be taxed); and
- upheld the findings against Grimaldi determined at first instance, namely that Grimaldi was liable to account to Kupang for profits obtained by him[1] including (but not limited to) those profits derived from the sale of 10,000,000 shares and 12,000,000 in options (converted to shares) in Murchison.

During the June 2012 quarter, the Company was served with an application and draft notice of appeal by Grimaldi for special leave to appeal to the High Court of Australia (as amended) pursuant to which he seeks leave to appeal from the findings of the Full Federal Court confirming the trial judgment that he was a director, a de facto director or officer of the Company and on that basis is not required to account to the respondent for any profits obtained from the Murchison/Winterfall transaction ("Special Leave Application").

The Special Leave Application hearing was held on 17 August 2012, and was refused by the High Court of Australia, and Grimaldi was ordered to pay the Company's costs of the application. There is no further right of appeal available to Grimaldi. The Company will now seek to recover costs in relation to the Special Leave Application, the appeal and the trial proceedings. These will be substantial.

Inquiry into account of profits

In the interim, the Company has issued subpoenas, analysed documents produced on subpoena and prepared a detailed analysis to assist in prosecuting the inquiry into the account of Grimaldi's profits in the Federal Court jurisdiction before Mr Von Doussa AO QC FAAL. The purpose of the inquiry is to establish the value of the benefits which Grimaldi derived by reason of his breaches of fiduciary duty. That analysis has identified a significant number of transactions of substantial value.

Following refusal of the Special Leave Application, Kupang will now push ahead aggressively and quickly with the inquiry.

Dispute with International Litigation Partners Pte Limited (ILP – former litigation funder)

During the prior year, the Company was involved in a dispute with International Litigation Partners ("ILP") – the Company's former litigation funder. Ultimately, the Company was successful against ILP. This was confirmed by the landmark decision in Kupang's favour delivered by the New South Wales Supreme Court of Appeal which:

- held that Kupang validly rescinded the agreement with ILP;
- confirmed Kupang's claim that ILP required an Australian Financial Services License (which it did not have);
- dismissed ILP's appeal claiming an entitlement to a Funding Fee; and
- awarded costs and damages against ILP (payable to Kupang).

[1] The account includes profits of Grimaldi's nominees

Directors' Report (continued)

Based on this decision:

- the Company does not have to pay an Early Termination Fee (approximately $9,000,000), nor is ILP entitled to any further payment from Kupang;
- ILP's charge over the assets and business of Kupang has now been removed; and
- Kupang is taking all steps to recover the amount that it is in credit as against ILP (in excess of $600,000).

On 28 October 2011, ILP was granted special leave to appeal to the High Court of Australia. The special leave was granted on the condition that ILP (a Singaporean registered company) provide $850,000 as security in this jurisdiction. This payment amount represents part of the amount ILP currently owes Kupang as a result of the NSW Supreme Court of Appeal decision in Kupang's favour.

The matter was heard in the High Court on 20 June 2012. As announced on 22 June 2012, the decision has been reserved and the Company will provide any updates in relation to the outcome of the hearing as they are made available.

In the event ILP is ultimately successful in its High Court appeal then the Company would incur additional costs being the funding fee sought by ILP of approximately $9,000,000.

Piper Alderman

The Company has filed a series of Applications for the Assessment of legal costs charged by its former solicitors, Piper Alderman. Piper Alderman is seeking to have a number of their bills excluded from the assessment process. Arguments in respect of this issue were heard by the court in July 2012. The matter is ongoing with the parties ordered to serve further submissions and listed for hearing in late October 2012.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

The Group will continue to explore and maintain tenements and to develop its Kupang Project. The Group will continue to pursue its existing litigation claims.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no changes in the state of affairs of the Group other than those disclosed in the review of operations.

SUBSEQUENT EVENTS

Regarding the Kupang Project, the Company's remaining committed expenditure of $5,464,830 of the Tranche 2 amount (included in the Statement of Financial Position at balance date) was paid in July 2012.

The Special Leave Application hearing was held on 17 August 2012, and was refused by the High Court of Australia, and Grimaldi was ordered to pay the Company's costs of the application. There is no further right of appeal available to Grimaldi.

There are no other events subsequent to 30 June 2012 and up to the date of this report that would materially affect the operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

Directors' Report (continued)

ENVIRONMENTAL ISSUES

The Company's mineral exploration activities are subject to environmental regulations under Commonwealth and State legislation, and the environmental requirement in Indonesia. To the knowledge of the Directors, no activity has taken place on the leases which would give rise to an environmental issue. There have been no instances of non-compliance with the legislative requirements during the year covered by this report.

DIVIDENDS PAID OR RECOMMENDED

No dividend has been paid or declared by the Directors since the end of the previous financial year to the date of this report.

SHARES AND OPTIONS ON ISSUE

As at the date of this report, the issued capital of the Company is as follows:

- 178,929,514 fully paid ordinary shares;
- 8,333,335 unlisted options exercisable at $0.18 expiring 31 December 2012;
- 3,000,001 unlisted options exercisable at $0.066 expiring 31 December 2013; and
- 3,600,000 unlisted options exercisable at $0.15 expiring 30 June 2014 (subject to vesting conditions).

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

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

DIRECTORS' INTEREST AND BENEFITS

As at the date of this report, the total number of ordinary shares and options of Kupang held directly, indirectly or beneficially by each Director, including their personally-related entities is included in "Information on Directors" above.

INDEMNITY AND INSURANCE PREMIUMS FOR DIRECTORS AND OFFICERS

The Directors and the Company have entered into a Deed of Indemnity, Insurance and Access. This will provide Directors with an appropriate Deed of Indemnity by the Company (provided they have not acted negligently or dishonestly). They will also have insurance and access to Company records up to seven years after their cessation as Directors. During the year, the Company has paid insurance premiums of $23,000.

Directors' Report (continued)

MEETINGS OF DIRECTORS

The number of Directors' meetings held and the number of meetings attended by each of the Directors of the Group for the time the Director held office during the financial year are:

	Number of Meetings Eligible to Attend	Number of Meetings Attended
Number of Meetings Held	7	7
Number of Meetings Attended		
Director		
Mr Antony Sage	7	1
Mr Ben Elias	7	7
Mr Paul Kelly	7	-
Mr James Arkoudis (appointed 25 October 2011, resigned 1 March 2012)	4	4
Mr Anthony Karam (resigned 1 March 2012)	7	7
Mr Jason Bontempo (resigned 1 March 2012)	7	1
Mr Ahmed Hassan (resigned 25 October 2011)	4	-

Directors' Report (continued)

REMUNERATION REPORT (Audited)

This remuneration report, which forms part of the directors' report, outlines the remuneration arrangements in place for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning and directing the major activities of the Company and the Group.

Remuneration Policy

The Board's remuneration policy developed by the Board aligns Directors' interests with shareholder and business objectives by providing a fixed remuneration as well as options. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best Directors and executives to run and manage the Company.

The Board's policy for determining the nature and amount of remuneration is as follows:

- Directors are paid at market rates associated with individuals in similar industry, being mining and mineral exploration;
- All remuneration paid to Directors is valued at the cost to the Company and expensed. Where appropriate, shares given to Directors are valued as the difference between the market price of those shares and the amount paid by the Director. Options are valued using the Black-Scholes methodology.

Directors' and Officers' Emoluments

Details of Key Management Personnel

Directors:	
Mr Ben Elias	Non-executive Chairman
Mr Antony Sage	Executive Director
Mr Paul Kelly	Non-executive Director
Mr James Arkoudis	Executive Director (resigned 1 March 2012)
Mr Anthony Karam	Executive Director (resigned 1 March 2012)
Mr Jason Bontempo	Non-executive Director (resigned 1 March 2012)
Mr Ahmed Hassan	Executive Director (resigned 25 October 2012)

Directors' remuneration and other terms of employment are reviewed annually by the Board having regard to the performance goals as well as relative comparative information.

Except as detailed below, no Director has received or became entitled to receive, during or since the financial period, a benefit because of a contract made by the Company or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable and shown below, prepared in accordance with the Corporations regulations, or the fixed salary of a full time employee of the Company.

At a general meeting held 25 May 2012, shareholder approval was obtained to increase the total aggregate fixed sum per annum to be paid to the Directors to $500,000.

Service Agreements and Contracts

Executive Director

Mr Sage is also entitled to receive $120,000 per annum plus GST in director fees. In accordance with the terms of the consultancy agreement, this fee shall be reviewed every six months. In the event that market capitalisation of Kupang:

(a) Reaches and maintains for 30 continuous trading days $35 million it is agreed the consultancy fee will increase to $175,000 per annum plus GST for the duration of the agreement; and
(b) Reaches and maintains for 30 continuous trading days $50 million it is agreed the consultancy fee will increase to $225,000 per annum plus GST for the duration of the agreement.

Directors' Report (continued)

Non-executive Directors

Mr Elias is entitled to receive $90,000 per annum plus superannuation at 9% in director fees. Mr Kelly is entitled to receive $48,000 per annum plus GST in director fees.

Key Management Personnel Remuneration

The following table details Director and key management personnel remuneration:

	Short- term employee benefits			Post-employment benefits		Termination payments	Share-based payments	Total	Total Remuneration Represented by
30 June 2012	Cash Salary & Fees	Other (i)	Non Monetary Benefits	Superannuation	Retirement Benefits		Options		Options
	$	$	$	$	$	$	$	$	%
Mr Ben Elias	66,474	176,400	-	4,050	-	-	46,800	293,724	15.9%
Mr Antony Sage	88,000	-	-	-	-	-	19,500	107,500	18.1%
Mr Paul Kelly	56,000	-	-	-	-	-	3,900	59,900	6.5%
Mr Anthony Karam (ii)	59,308	270,000	-	4,320	-	390,000	23,400	747,028	3.1%
Mr James Arkoudis (ii)	114,095	187,482	-	1,262	-	275,465	11,700	590,004	2.0%
Mr Jason Bontempo (ii)	42,000	-	-	-	-	-	11,700	53,700	21.8%
Mr Ahmed Hassan (iii)	4,000	113,100	-	-	-	-	-	117,100	-
	429,877	**746,982**	**-**	**9,632**	**-**	**665,465**	**117,000**	**1,968,956**	**5.9%**

(i) Relates to Murchison settlement success fee
(ii) Resigned 1 March 2012
(iii) Resigned 25 October 2011

	Short- term employee benefits			Post-employment benefits		Termination payments	Share-based payments	Total	Total Remuneration Represented by
30 June 2011	Cash Salary & Fees	Other (i)	Non Monetary Benefits	Superannuation	Retirement Benefits		Options		Options
	$	$	$	$	$	$	$	$	%
Mr Ben Elias	60,526	-	-	5,447	-	-	19,895	85,868	23.2%
Mr Anthony Karam	96,241	-	-	8,661	-	-	6,243	111,145	5.6%
Mr Ahmed Hassan	11,000	-	-	-	-	-	-	11,000	-
Mr James Arkoudis	-	105,530	-	-	-	-	-	105,530	-
	167,767	**105,530**	**-**	**14,108**	**-**	**-**	**26,138**	**313,543**	**8.3%**

(i) Consultancy fees paid to related entity

Options

The following table provides a summary of options issued to key management personnel in the form of share-based payments during the current year (held directly, indirectly or beneficially by each Director). Note, the details shown in the 2012 table are on a post-consolidation basis.

2012	No. granted	Grant date	Exercise price	Grant value	No. vested	% vested/ paid during 2012	% forfeited during year *	Percentage remaining as unvested %	Expiry date
Mr Ben Elias	2,000,000	7-Dec-11	$0.022	$0.0234	2,000,000	100%	-	-	31-Dec-13
Mr Antony Sage	833,334	7-Dec-11	$0.022	$0.0234	833,334	100%	-	-	31-Dec-13
Mr Paul Kelly	166,667	7-Dec-11	$0.022	$0.0234	166,667	100%	-	-	31-Dec-13
Mr Anthony Karam	1,000,000	7-Dec-11	$0.022	$0.0234	1,000,000	100%	-	-	31-Dec-13
Mr James Arkoudis	500,000	7-Dec-11	$0.022	$0.0234	500,000	100%	-	-	31-Dec-13
Mr Jason Bontempo	500,000	7-Dec-11	$0.022	$0.0234	500,000	100%	-	-	31-Dec-13

* There were no forfeitures of options during 2012.

Directors' Report (continued)

The primary purpose of the grant of options is to provide cost effective consideration to the directors for their ongoing commitment and contribution to the Company.

When exercisable, each option is convertible into one ordinary share of Kupang. Further information on options is set out in note 18.

Options over shares in Kupang were granted to Directors, as approved by shareholders at the annual general meeting held in 2011.

Options granted under the plan carry no dividend or voting rights.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at 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.

End of audited Remuneration Report.

NON-AUDIT SERVICES

There were no non-audit services provided by Philip A. Joannou & Associates during the financial year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 17.

Mr Antony Sage
Executive Director

Perth, Western Australia, 28 September 2012

Philip A. Joannou
CHARTERED ACCOUNTANTS
ABN 83 002 718 023

INDEPENDENT AUDITOR'S DECLARATION

Auditor's Independence Declaration to the Directors of Kupang Resources Ltd

In relation to our audit of the financial report of Kupang Resources Ltd for the financial year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Philip A. Joannou & Associates

Mr. Brian R. Taylor
Partner
Sydney, NSW
28 September 2012

Liability limited by a scheme approved under Professional Standards Legislation

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Consolidated Statement of Comprehensive Income
For the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue and other income	2	25,291,856	108,533
Director and director consulting fees	3(a)	(1,864,672)	(287,405)
Share based payment expense	3(b)	(2,139,163)	(26,138)
Consulting fees		(197,908)	(682,467)
Occupancy expense		(104,572)	(129,081)
Impairment of financial assets		(100,530)	(231,980)
Impairment of plant and equipment		(18,276)	-
Financing expenses		(3)	(194,664)
Facilitation and success fees	3(c)	(3,166,420)	-
Litigation expenses	3(d)	(1,980,945)	(4,180,016)
Acquisition costs		(83,790)	-
Other expenses		(505,538)	(827,103)
Profit / (loss) before income tax		15,130,040	(6,450,321)
Income tax expense	4	(3,073,416)	-
Profit / (loss) for the year		12,056,624	(6,450,321)
Other comprehensive income		-	-
Total comprehensive profit / (loss) for the year		**12,056,624**	**(6,450,321)**
Basic earnings per share (cents per share)	5	7.08	(0.37)
Diluted earnings per share (cents per share)	5	6.51	(0.37)

The above consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position
As at 30 June 2012

	Note	2012 $	2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	7(a)	14,751,892	1,734,261
Trade and other receivables	8	847,209	881,385
Other assets	9	-	-
Total Current Assets		15,599,101	2,615,646
Non-Current Assets			
Financial assets	10	97,340	192,870
Property, plant and equipment	11	-	19,151
Exploration and evaluation expenditure	12	11,848,053	1,756,832
Other receivables	9	1,189,529	1,922,573
Total Non-current Assets		13,134,922	3,891,426
TOTAL ASSETS		28,734,023	6,507,072
LIABILITIES			
Current Liabilities			
Trade and other payables	13	5,889,515	1,063,767
Provisions	14	2,500,000	-
Income tax payable	5	3,073,416	-
Total Current Liabilities		11,462,931	1,063,767
Non Current Liabilities			
Provisions	14	220,000	2,720,000
Total Non Current Liabilities		220,000	2,720,000
TOTAL LIABILITIES		11,682,931	3,783,767
NET ASSETS		**17,051,092**	**2,723,305**
EQUITY			
Issued capital	15	25,874,731	23,772,731
Accumulated losses	16	(9,085,802)	(21,142,426)
Reserves	17	262,163	93,000
TOTAL EQUITY		**17,051,092**	**2,723,305**

The above consolidated statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
For the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash proceeds from settlement		25,000,000	-
Payments to suppliers and employees		(5,297,606)	(2,772,985)
Interest received		184,066	82,938
Finance costs		-	(121,958)
Facilitation and success fees		(3,166,420)	-
Net cash flows from / (used in) operating activities	7(b)	16,720,040	(2,812,005)
Cash flows from investing activities			
Payments for exploration and evaluation		(4,627,354)	(174,675)
Payments for financial assets		(5,000)	(220,099)
Payments of security bond deposit		(28,142)	-
Payments for plant and equipment		-	(1,965)
Proceeds from sale of financial assets		-	922,971
Refund of term deposits / securities		826,087	-
Net cash flows from / (used in) investing activities		(3,834,409)	526,232
Cash flows from financing activities			
Proceeds from issue of shares / options exercised, net of costs		132,000	5,321,800
Proceeds from loans		-	66,000
Repayment of loans		-	(1,415,062)
Net cash flows from financing activities		132,000	3,972,738
Net increase / (decrease) in cash and cash equivalents		13,017,631	1,686,965
Cash and cash equivalents at beginning of the year		1,734,261	47,296
	7(a)	**14,751,892**	**1,734,261**

The above consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity
For the year ended 30 June 2012

	Issued Capital	Accumulated Losses	Option Reserve	Total
	$	$	$	$
Balance at 1 July 2010	**18,450,931**	**(14,692,105)**	**66,862**	**3,825,688**
Loss for the year	-	(6,450,321)	-	(6,450,321)
Other comprehensive income	-	-	-	-
Total Comprehensive Income	-	(6,450,321)	-	(6,450,321)
Transaction with owner, directly recorded in equity:				
Shares issued, net of costs	5,321,800	-	-	5,321,800
Share based payments	-	-	26,138	26,138
Balance at 30 June 2011	**23,772,731**	**(21,142,426)**	**93,000**	**2,723,305**
Balance at 1 July 2011	**23,772,731**	**(21,142,426)**	**93,000**	**2,723,305**
Profit for the period	-	12,056,624	-	12,056,624
Other comprehensive income	-	-	-	-
Total Comprehensive Income	-	12,056,624	-	12,056,624
Transaction with owner, directly recorded in equity:				
Shares issued, net of costs	132,000	-	-	132,000
Share based payments	1,970,000	-	169,163	2,139,163
Balance at 30 June 2012	**25,874,731**	**(9,085,802)**	**262,163**	**17,051,092**

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

(a) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Kupang Resources Ltd is a listed public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The consolidated financial statements of Kupang Resources Ltd comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements are prepared in Australian dollars, which is the Group's functional and presentation currency.

(b) Going concern

The financial report has been prepared on a going concern basis.

The Group has working capital of $6,636,170 at 30 June 2012 (available cash adjusted for receivables and payables). Litigation by its own nature is uncertain and should the legal proceedings not go in favour of the Group, there is uncertainty the Group would be able to continue as a going concern without raising additional funds.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kupang Resources Ltd ("Kupang" or ''parent entity'') as at 30 June 2012 and the results of all subsidiaries for the year then ended. Kupang and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, 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 acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction proves 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.

Subsidiaries are accounted for in the parent entity financial statements at cost.

Notes to the Consolidated Financial Statements (continued)

(d) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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.

(e) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable 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 that permits reasonable assessment of the existence of economically recoverable reserves.

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.

Notes to the Consolidated Financial Statements (continued)

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.

(f) Property, plant and equipment

Items of plant and equipment are stated at cost less accumulated depreciation and impairment losses. Depreciation is charged to the income statement on a straight-line basis over the expected useful lives of each part of an item of property, plant and equipment. Assets are first depreciated in the year of acquisition, when the asset becomes available for use.

(g) Financial instruments

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit and loss. The classification depends on the purpose for which the investments were acquired. Management determine the classification of its investments at initial recognition.
Financial instruments are classified and measured as set out below:

(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) Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

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

(iv) 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 using the effective interest rate method.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

Impairment

At each reporting date, 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 an impairment has arisen. Impairment losses are recognised in the profit or loss.

Notes to the Consolidated Financial Statements (continued)

(h) Impairment of assets

The carrying amount of non-financial assets other than exploration and evaluation assets are reviewed each reporting period as to whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised through profit and loss.

(i) Employee benefits

(i) *Wages and salaries, annual leave and sick leave*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick 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) *Share-based payments*
The Group provides benefits to Directors and other key management personnel in the form of share-based payment transactions, whereby services are rendered in exchange for options to purchase shares in the Group.

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

The fair value 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 impact of dilution, 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 is adjusted to reflect market vesting conditions, but 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 reporting date, the entity 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. The impact of the revision to original estimates, if any, is recognised in the statement of comprehensive income with a corresponding adjustment to equity.

(j) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as result of past events, for which it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

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 due to the passage of time is recognised as interest expense.

(k) Cash and cash equivalents

For statement of cash flows presentation proposed, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in rates and bank overdrafts.

Notes to the Consolidated Financial Statements (continued)

(l) Revenue and other income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue is capable of being reliably measured. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Revenue from legal settlements is recognised upon final judgement being determined or upon an offer being accepted and funds received.

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

(m) Goods and Services Tax (GST)

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

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

(n) Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and if any future periods are affected.

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using Black-Scholes option pricing model.

Exploration and Evaluation Expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related site itself, or if no, whether it successfully recovers the related exploration and valuation asset through sale. Factors that could impact the cost of mining include future legal changes and changes to commodity prices.

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not yet reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the continued belief that such expenditure should be written off since feasibility studies in such areas have not yet concluded.

Deferred tax

Judgment is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets are recognised only where it is considered more likely than not they will be recovered.

Notes to the Consolidated Financial Statements (continued)

(o) Segment Reporting

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the board of directors.

The Directors have considered the requirements of AASB 8 Operating Segments as well as internal reports that the Board have reviewed and concluded that there are two separately identifiable segments being mineral exploration in Indonesia and mineral exploration in Australia.

(p) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

(q) Trade and other payables

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

(r) Contributed equity

Ordinary shares are classified as equity.

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

(s) Earnings per share

(i) *Basic earnings per share*
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) *Diluted earnings per share*
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Parent entity financial information

The financial information for the parent entity Glory Resources Limited, disclosed in note 23 has been prepared on the same basis as the consolidated financial statements.

(u) Comparatives

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

Notes to the Consolidated Financial Statements (continued)

(v) Acquisition accounting

The acquisition method of accounting is used to account for all business combinations. Consideration is measured at the fair value of the assets transferred, liabilities incurred and equity interests issued by the group on acquisition date. Consideration also includes the acquisition date fair values of any contingent consideration arrangements, any pre-existing equity interests in the acquiree and share-based payment awards of the acquiree that are required to be replaced in a business combination. The acquisition date is the date on which the group obtains control of the acquiree.

Where equity instruments are issued as part of the consideration, the value of the equity instruments is their published market price at the acquisition date unless, in rare circumstances it can be demonstrated that the published price at acquisition date is not fair value and that other evidence and valuation methods provide a more reasonable measure of fair value.

Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are, with limited exceptions, initially measured at their fair values at acquisition date. Goodwill represents the excess of the consideration transferred and the amount of the non-controlling interest in the acquiree over fair value of the identifiable net assets acquired. If the consideration and non-controlling interest of the acquiree is less than the fair value of the net identifiable assets acquired, the difference is recognised in profit or loss as a bargain purchase price, but only after a reassessment of the identification and measurement of the net assets acquired. For each business combination, the group measures non-controlling interests at either fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed when incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where the group obtains control of a subsidiary that was previously accounted for as an equity accounted investment in associate or jointly controlled entity, the group remeasures its previously held equity interest in the acquiree at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss. Where the group obtains control of a subsidiary that was previously accounted for as an available-for-sale investment, any balance on the available-for-sale reserve related to that investment is recognised in profit or loss as if the group had disposed directly of the previously held interest.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

Assets and liabilities from business combinations involving entities or businesses under common control are accounted for at the carrying amounts recognised in the group's controlling shareholder's consolidated financial statements.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

Notes to the Consolidated Financial Statements (continued)

(w) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods.

Reference	Title	Summary	Application date of standard	Application date for Group
2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate *SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets* into AASB 112.	1 Jan 2012	1 July 2012
AASB 2011-3**	Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments [AASB 1049]	This Standard makes amendments including clarifying the definition of the ABS GFS Manual, facilitating the orderly adoption of changes to the ABS GFS Manual and related disclosures to AASB 1049. Amendments to Australian Accounting Standards – Improvements to AASB 1049 can be found in AASB 2011-13.	1 July 2012	1 July 2012
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	1 July 2012

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.	1 January 2013	1 July 2013
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to other standards via AASB 2011-7.	1 January 2013	1 July 2013

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly- controlled Entities – Non-monetary Contributions by Ventures.* AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.	1 January 2013	1 July 2013
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	1 July 2013
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	1 July 2013

Reference	Title	Summary	Application date of standard	Application date for Group
Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset". The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate. Consequential amendments were also made to other standards via AASB 2011-12.	1 January 2013	1 July 2013
Annual Improvements 2009–2011 Cycle ****	Annual Improvements to IFRSs 2009–2011 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: IFRS 1 First-time Adoption of International Financial Reporting Standards - Repeated application of IFRS 1 - Borrowing costs IAS 1 Presentation of Financial Statements - Clarification of the requirements for comparative information IAS 16 Property, Plant and Equipment - Classification of servicing equipment IAS 32 Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments IAS 34 Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities	1 January 2013	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This Amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 July 2013	1 July 2013

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities (c) Public sector entities other than the Australian Government and State, Territory and Local Governments. Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11 and 2012-1.	1 July 2013	1 July 2013

The Group is in the process of determining the impact of the above on its financial statements. The Group has not elected to early adopt any new Standards or Interpretations.

Notes to the Consolidated Financial Statements (continued)

2. Revenue and other income

	2012 $	2011 $
Settlement revenue	25,00,000	-
Interest income	291,856	108,533
	25,291,856	108,533

3. Expenses

	2012 $	2011 $
(a) Director and director consulting fees		
Director fees	(429,877)	(273,297)
Termination payments	(665,465)	-
Bonus payments	(746,982)	-
Superannuation	(22,348)	(14,108)
	(1,864,672)	(287,405)
(b) Share based payment expense		
Options issued to directors	(117,000)	(26,138)
Options issued to consultants	(52,163)	-
Shares issued to director as part of December 2010 placement	(250,000)	-
Shares issued in settlement of Alliance Agreement with Cape Lambert	(1,720,000)	-
	(2,139,163)	(26,138)
(c) Facilitation and success fees		
Success fees to consultants	(2,500,000)	-
Interest	(666,420)	-
	(3,166,420)	-
(d) Litigation expenses		
Legal costs	(1,980,945)	(1,680,016)
Provision for litigation funder	-	(2,500,000)
	(1,980,945)	(4,180,016)

Notes to the Consolidated Financial Statements (continued)

4. Income Tax

	2012 $	2011 $
(a) Income tax expense		
Current tax	3,073,416	-
Deferred tax	-	-
Income tax expense reported in the statement of comprehensive income	-	-
(b) Reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory tax rate		
Profit / (loss) from continuing operations before income tax	15,130,040	(6,450,321)
Tax at the Australian tax rate of rate of 30%	4,539,012	(1,935,096)
Permanent differences:		
Impairment losses	35,642	69,594
Share based payments	125,749	7,841
Entertainment expenses	5,484	-
Movement in temporary differences	78,574	754,192
Other deductible expenses	(336,676)	(52,146)
Tax losses (recouped) / not brought to account	(1,374,369)	1,155,615
Income tax expense / (benefit)	3,073,416	-
(c) Deferred tax liability		
Exploration expenditure	554,705	527,049
Offset by deferred tax asset	(554,705)	(527,049)
	-	-
(d) Deferred tax asset		
Provision for litigation	750,000	750,000
Provision for rehabilitation	66,000	66,000
Tax losses (revenue)	3,190,091	1,967,245
Deferred tax assets not recognised	(4,006,091)	(2,783,245)
	-	-

Notes to the Consolidated Financial Statements (continued)

(e) Tax losses

The Group has $10,633,637 (2011: $15,214,876) gross tax losses arising in Australia that are available to offset against future profit of the Company in which the losses arose. Utilisation of these tax losses is subject to satisfaction of either the continuity of ownership or same business test in accordance with Australian Tax requirements. Deferred tax assets have not been recognised in respect of these losses.

5. Earnings per Share (EPS)

Basic earnings per share amounts are calculated by dividing net profit / (loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	2012 $	2011 $
Basic earnings/(loss) per share attributable to equity holders	(0.0708)	(0.0037)
Diluted earnings/(loss) per share attributable to equity holders	(0.0651)	(0.0037)
Profit / (loss) used in calculating basic and diluted EPS	12,056,624	(6,450,321)

	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	170,197,322	1,743,645,771
Weighted average number of dilutive options outstanding	14,933,336	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	185,130,658	1,743,645,771

There are 100,000,000 share options excluded from the calculation of diluted earnings per share in 2011 (that could potentially dilute basic earnings per share in the future) because they were anti-dilutive for the 2011 year.

6. Dividends Paid or Proposed

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

Notes to the Consolidated Financial Statements (continued)

7. Cash and Cash Equivalents

	2012 $	2011 $
(a) Cash and cash equivalents		
Cash at bank and in hand	7,104,975	1,734,261
Term deposits	7,646,917	-
	14,751,892	1,734,261

The Group's exposure to interest rate risk is discussed in note 19. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of cash at bank and in hand.

(b) Reconciliation of Cash Flows from Operations with Profit after Income Tax

	2012 $	2011 $
Profit / (loss) after income tax for the year	12,056,624	(6,450,321)
Non-cash flows in operating activities:		
Depreciation	876	4,123
Share based payments	2,139,163	26,138
Impairment of financial assets	100,530	231,980
Impairment of plant and equipment	18,276	-
Provision for litigation funding	-	2,500,000
Loss on share trading	-	185,977
Other	-	2,719
Changes in assets and liabilities:		
Decrease/(increase) in receivables	(30,724)	(106,686)
Increase/(decrease) in trade payables and accruals	(638,121)	794,065
Increase/(decrease) in income tax payable	3,073,416	-
Net cash inflow/(outflow) from Operating Activities	16,720,040	(2,812,005)

8. Trade and Other Receivables

	2012 $	2011 $
Current		
Restitution sum payable by ILP (a)	618,856	618,855
Other debtors	228,353	218,442
Sundry debtors (b)	-	3,000,000
Provision for non-recovery (b)	-	(3,000,000)
Other term deposits	-	44,088
	847,209	881,385

(a) Restitution sum payable by ILP is based on the determination of the Supreme Court of New South Wales on 3 June 2011.

(b) As noted in the 2011 annual report, pre-external administration receivables have been maintained and fully provided for and will be carried forward until such time as the underlying transactions have been fully determined and a final decision can be made by the Directors as to their correct treatment.

Balances within trade and other receivables do not contain impaired assets, unless disclosed otherwise and are not passed due. It is expected that the balances will be received when due. Due to the short-term nature of the receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of the receivables.

Notes to the Consolidated Financial Statements (continued)

9. Other receivables

	2012 $	2011 $
Non-current		
Advance – other (a)	-	163,014
Provision for non-recovery (a)	-	(163,014)
	-	-
Restricted cash		
Term deposits (b)	560,995	1,140,182
Security deposits (c)	628,534	782,391
	1,189,529	1,922,573

(a) As noted in the 2011 annual report, pre-external administration receivables have been maintained and fully provided for and will be carried forward until such time as the underlying transactions have been fully determined and a final decision can be made by the Directors as to their correct treatment.

(b) Term deposits are used to cover bank guarantees required under litigation proceedings.

(c) Security deposits are used to cover undertakings required under litigation proceedings ($600,392) and office lease ($28,142).

10. Financial Assets

	2012 $	2011 $
Available for sale financial assets		
Listed investments at fair value	97,340	192,870
	97,340	192,870
Movements		
Balance at beginning of year	192,870	1,313,700
Purchase of equity securities	5,000	220,099
Disposal of equity securities	-	(1,108,949)
Impairment of financial assets	(100,530)	(231,980)
Balance at end of year	97,340	192,870

Financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

The fair value of investments is calculated with reference to current market prices at balance date.

Notes to the Consolidated Financial Statements (continued)

11. Property, plant and equipment

	2012 $	2011 $
Plant and equipment – cost	-	30,732
Plant and equipment – accumulated depreciation	-	(11,581)
	-	19,151
Movements		
Balance at beginning of year	19,151	22,087
Additions	-	1,187
Depreciation	(875)	(4,123)
Impairment expense	(18,276)	-
Balance at end of year	-	19,151

12. Exploration and evaluation expenditure

Exploration and evaluation expenditure	11,848,053	1,756,832
	11,848,053	1,756,832
Movements		
Balance at beginning of year	1,756,832	1,583,009
Acquired – NTT Manganese Pty Ltd (a)	3,499,037	-
Acquired – Kupang Project (a)	6,500,000	-
Additions	92,184	173,823
Balance at end of year	11,848,053	1,756,832

(a) As detailed in the Directors' Report, on 30 March 2012, the Company announced that it had executed a heads of agreement to acquire a 55% interest in a significant manganese project currently owned by an Indonesian limited liability company (MKI) with potential for early production ("Kupang Project") ("Kupang Transaction"). The Kupang Project is located in West Timor, in the Indonesian province of Nusa Tenggara Timur (NTT), a region well known globally as a source of high-grade (+46% Mn) manganese ore. NTT's interest in the Kupang Project is held via an unincorporated joint venture structure (being the MKI) ("Kupang Resources Joint Venture").

Pursuant to the terms of the agreement:

- In consideration for payment of $3,500,000, the Company acquired 100% of NTT Manganese Pty Ltd ("NTT Manganese") which holds a 30% interest in PT Kupang Resources ("PT Kupang") which, following a restructure, will indirectly hold 100% of the rights to manganese produced from the Kupang Project (Tranche 1); and
- NTT Manganese will increase its interest in the Kupang Resources Joint Venture (and therefore the Kupang Project) to 55% (following the restructure through the expenditure of a further $6,500,000 (Tranche 2).

Notes to the Consolidated Financial Statements (continued)

During April 2012, Tranche 1 of the Kupang Transaction was completed and the Company acquired NTT Manganese, and therefore an initial 30% interest in the Kupang Project. The excess over the net assets acquired in NTT Manganese of $3,499,037 has been allocated to exploration and evaluation expenditure. At 30 June 2012, $1,035,170 of the Tranche 2 amount had been paid by the Company, and the remaining committed expenditure of $5,464,830 of the Tranche 2 amount (included in trade and other payables at balance date – refer note 13) was paid in July 2012. As a consequence, the Company now holds a 55% interest in the Kupang Project. The total Tranche 2 amount of $6,500,000 has been allocated to exploration and evaluation expenditure.

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

13. Trade and other payables

	2012 $	2011 $
Current		
Trade payables	381,213	-
Payable to Kupang Resources Joint Venture (refer note 12(a))	5,464,830	-
Other payables and accruals	43,472	1,063,767
	5,889,515	1,063,767

Trade payables are non-interest bearing and are normally settled on 60-day terms. Other payables are non-interest bearing and have an average term of 2 months. Due to the short-term nature of these payables, the carrying value is assumed to approximate their fair value.

14. Provisions

	2012 $	2011 $
Current		
Provision for litigation funder (a)	2,500,000	-
	2,500,000	-
Non-Current		
Provision for litigation funder (a)	-	2,500,000
Provision for mine restoration	220,000	220,000
	220,000	2,720,000

(a) In the event International Litigation Partners Pte Limited (ILP) is ultimately successful in its High Court appeal (which Kupang is opposing) then the Company would incur additional costs being the funding fee sought by ILP of approximately $9,000,000. ILP's appeal was heard on 22 June 2012, and the decision has been reserved.

Notes to the Consolidated Financial Statements (continued)

15. Issued Capital

	2012 Number	2012 $	2011 Number	2011 $
Ordinary shares	178,929,514	25,874,731	1,938,138,827	23,772,731

Movements	No. of Shares	$
1 July 2010	1,226,022,160	18,305,081
Shares issued on exercise of options	672,116,667	5,467,650
30 June 2011	1,938,138,827	23,772,731
1 July 2011	1,938,138,827	23,772,731
Share consolidation – first (a)	(1,453,603,659)	-
Shares issued during the year (b)	6,250,000	250,000
Shares issued on exercise of options (c)	6,000,000	132,000
Shares issued – settlement of Alliance Agreement (d)	40,000,000	1,720,000
Share consolidation – second (e)	(357,855,654)	-
30 June 2012	178,929,514	25,874,731

(a) First share consolidation - in accordance with a resolution passed at the Company's Annual General Meeting, the Company's securities were consolidated on a one for four basis, that is through the conversion of every four shares in the Company into one share in the Company and every four options into one option with the exercise price of the Options amended in inverse proportion to that ratio. The dispatch of new holding statements was completed in December 2011.

(b) Issued to Mr Antony Sage as part of the December 2010 placement.

(c) Shares issued during the year as a result of exercise of 6,000,000 Director options with an exercise price of $0.022cents on or before 31 December 2013, for $132,000.

(d) As announced on 3 March 2012, the Company and Cape Lambert entered into a settlement arrangement in relation to the Alliance Agreement pursuant to which the Company agreed to issue Cape Lambert 40,000,000 Shares (on a pre-Consolidation basis) ("Settlement Shares"). The issue of the Settlement Shares was in full and final satisfaction of the Company's obligations under the Alliance Agreement. The issue of shares to Cape Lambert was ratified by shareholders at a general meeting held on 25 May 2012. The value of the shares issued of $1,720,000 has been included in the statement of comprehensive income as a share based payment.

(e) Second share consolidation - in accordance with a resolution passed at the Company's general meeting held on 25 May 2012, the Company's securities were consolidated on a one for three basis, that is through the conversion of every three shares in the Company into one share in the Company and every three options into one option with the exercise price of the Options amended in inverse proportion to that ratio. The dispatch of new holding statements was completed in June 2012.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Notes to the Consolidated Financial Statements (continued)

Capital risk management

Capital managed by the Board includes shareholder equity, which was $25,874,731 at 30 June 2012 (2011: $23,772,731). The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's capital includes ordinary share capital, financial liabilities, supported by financial assets.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is to balance the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads.

16. Accumulated losses

	2012 $	2011 $
Accumulated losses		
Balance at the beginning of the year	(21,142,426)	(14,692,105)
Net profit / (loss) for the year	12,056,624	(6,450,321)
Balance at the end of the year	(9,085,802)	(21,142,426)

17. Reserves

(a) Reserves

Option reserve	262,163	93,000
	262,163	93,000
Movements		
Balance at beginning of period	93,000	66,862
Options issued to Directors	117,000	26,138
Options issued to Consultants	52,163	-
Balance at end of year	262,163	93,000

Nature and purpose of reserve - Options reserve

The options reserve is used to recognise the grant date fair value of options issued to directors and consultants but not exercised.

Notes to the Consolidated Financial Statements (continued)

18. Share based payments

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

	2012 $	2011 $
Options issued to Directors (a)	117,000	26,138
Options issued to employees, consultants and management (b)	52,163	-
Shares issued to director as part of December 2010 placement	250,000	-
Shares issued in settlement of Alliance Agreement (c)	1,720,000	-
	2,139,163	26,138

(a) On 7 December 2011, the Group issued pre-consolidation 15,000,000 unlisted options to Directors at an exercise price of $0.066 on or before 31 December 2013 (post-consolidation: 5,000,000 unlisted options at an exercise price of $0.022 on or before 31 December 2013).

(b) On 10 May 2012, the Group issued 3,600,000 unlisted options (with vesting conditions) to a consultant at an exercise price of $0.25 on or before 30 June 2014.

(c) As ratified by shareholders at a general meeting on 25 May 2012, the Group issued 40,000,000 shares (pre-consolidation) to Cape Lambert in settlement of the Alliance Agreement (included in issued capital).

Summary of granted options

For the purposes of this note, the number of options and exercise prices have been shown on a restated post-consolidation basis.

The following table details the number and weighted average exercise price (WAEP) of, and movements in, unlisted options issued during the year:

	2012 No.	2012 WAEP
Balance at beginning of year	8,333,335	$0.180
Granted during the year	8,600,001	$0.101
Exercised	(2,000,000)	$0.066
Forfeited / lapsed	-	-
Balance at end of year	14,933,336	$0.150
Exercisable at the end of the year	11,333,336	$0.150
Not exercisable at end of the year	3,600,000	$0.150

The following table details the outstanding balance of, and movement in unlisted options during the year:

Grant Date	Expiry Date	Exercise Price $	Balance at start of period Number	Granted during the period Number	Exercised during the period Number	Forfeited during the period Number	Balance at end of the period Number	Vested & exercisable at end of the period Number
2012								
29-Nov-10	31-Dec-12	$0.180	8,333,335	-	-	-	8,333,335	8,333,335
7-Dec-11	31-Dec-13	$0.066	-	5,000,001	2,000,000	-	3,000,001	3,000,001
10-May-12	30-Jun-14	$0.150	-	3,600,000	-	-	3,600,000	-
			8,333,335	8,000,001	2,000,000	-	14,933,336	11,333,335

Notes to the Consolidated Financial Statements (continued)

Remaining contractual life

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.07 years (2011: 1.50 years).

Fair value

The fair value of the options granted during the year was $0.059.

Option pricing model

The fair value of the options issued during the year is estimated as at the date of grant using the Black Scholes option pricing model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model:

Grant date	7-Dec-11	10-May-12
Number granted	5,000,001	3,600,000
Granted to	Directors	Consultants
Dividend yield (%)	Nil	Nil
Expected volatility (%)	103%	160%
Risk-free interest rate (%)	4.75%	2.40%
Expected life of options (years)	1.07	2.14
Share price at grant date ($)	$0.02	$0.144
Exercise price ($)	$0.066	$0.150
Value per option ($)	$0.038	$0.063

19. Financial Risk Management

Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable and shares in listed investments.

The Group does not speculate in the trading of derivative instruments.

The totals for each category of financial instruments, measured in accordance with AASB 139 are as follows:

	2012 $	2011 $
Financial assets		
Cash and cash equivalents	14,751,892	1,734,261
Trade and other receivables	847,209	2,803,958
Financial assets at fair value	97,340	192,870
	15,696,441	4,731,089
Financial liabilities		
Trade and other payables	5,889,515	1,063,767
	5,889,515	1,063,767

Notes to the Consolidated Financial Statements (continued)

Financial risk management policies

The Group's activities expose it to a variety of financial risks including market risk (which includes interest rate risk), price risk, credit risk and liquidity risk. There have been no changes to the Group's capital management during the year. This Group does not use derivative financial instruments; however the Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, and other price risks and aging analysis for credit risk. The Group is not subject to any externally imposed capital requirements.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics. The Group's exposure is limited to the amount of cash, short-term deposits and receivables which have been recognised in the balance sheet.

Interest rate risk

The Group's main interest rate risk arises from exposure to earnings volatility on cash deposits. No interest rate swaps, forward rate agreements or interest rate options are entered into to negate any interest rate risk.

The effect on profit / (loss) as a result of changes in interest rates is summarised as follows:

	Impact on Profit / (loss) 2012 $	Impact on Profit / (loss) 2011 $
Change in loss		
Increase of 200 basis points (2011: increase of 100 basis points)	295,038	-
Decrease of 200 basis points (2011: decrease of 100 basis points)	(295,038)	-

Market risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the statement of financial position as financial assets at fair value. To manage its price risk arising from investments in equity securities, the Group manages its portfolio of securities in accordance with limits set by the Group. The investments are publicly traded on the ASX.

The table below summarises the impact of increases/decreases of the index on the Group's post tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 10% (2011: 2%) with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the index.

	Impact on Profit / (loss) 2012 $	Impact on Profit / (loss) 2011 $
Change in loss		
Increase of index by 10% (2011: increase by 2%)	9,734	3,857
Decrease of index by 10% (2011: decrease by 2%)	(9,734)	(3,857)

Notes to the Consolidated Financial Statements (continued)

Financial instrument maturity analysis

The amounts disclosed in the table are the contractual undiscounted cash flows.

2012	Within 1 Year $	1 to 5 Years $	Over 5 Years $	Total $
Financial assets				
Cash and cash equivalents	14,751,892	-	-	14,751,892
Receivables	847,209	1,189,529	-	2,036,738
Financial assets	97,340	-	-	97,340
	15,696,441	1,189,529	-	16,884,970
Financial liabilities				
Payables	5,889,515	-	-	5,889,515
	5,889,515	-	-	5,889,515

2011	Within 1 Year $	1 to 5 Years $	Over 5 Years $	Total $
Financial assets				
Cash and cash equivalents	1,734,261	-	-	1,734,261
Receivables	881,385	1,922,573	-	1,996,661
Financial assets	192,870	-	-	192,870
	2,808,516	1,922,573	-	4,731,089
Financial liabilities				
Payables	1,063,767	-	-	1,063,767
	1,063,767	-	-	1,063,767

Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values as the carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. Financial instruments measured at fair value
The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

2012	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Financial assets at fair value through profit and loss	97,340	-	-	97,340
2011				
Financial assets				
Financial assets at fair value through profit and loss	192,870	-	-	192,870

Notes to the Consolidated Financial Statements (continued)

20. Contingent Liabilities

Litigation

In the event International Litigation Partners Pte Limited (ILP) is ultimately successful in its High Court appeal (which Kupang is opposing) then the Company would incur additional costs being the funding fee sought by ILP of approximately $9,000,000. ILP's appeal was heard on 22 June 2012, and the decision has been reserved.

21. Commitments

Exploration Expenditure

In order to maintain current rights to tenure to mining tenements, the Group is committed to the Department of Industry and Resources in Western Australia, to a minimum amount required over a one year period with respect to the statutory commercial costs for tenements held by the Company and the Group of $241,200 (2011: $211,200).

Operating lease commitments

Minimum lease payments not provided for in the financial report and payable:

	2012 $	2011 $
Not later than 12 months	73,752	-
Between 12 months and 5 years	49,168	-
Greater than 5 years	-	-
	122,920	-

(a) The Company entered into a lease on 1 April 2012 for office premises in West Leederville, for a period of 2 years terminating on 31 March 2014.

22. Controlled entities

The consolidated financial statements include the financial statements of Kupang Resources Ltd (ultimate Australian parent entity) and its subsidiaries listed in the following table:

Subsidiary	Country of Incorporation	2012 % Equity Interest	2011 % Equity Interest
Kimberly Resources Limited	Australia	100%	100%
Chalceus Pty Ltd	Australia	100%	100%
Chameleon Kupang Pty Ltd	Australia	100%	-
Kupang Resources BV Limited	British Virgin Islands	100%	-
NTT Manganese Pty Ltd	Australia	100%	-

Notes to the Consolidated Financial Statements (continued)

23. Parent entity disclosures

The following details information related to the parent entity, Kupang Resources Ltd, as at 30 June 2012. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	2012 $	2011 $
Current assets	16,884,618	4,731,052
Non-current assets	6,562,186	1,953,983
Total assets	23,446,804	6,685,035
Current liabilities	5,879,428	3,548,730
Non-current liabilities	-	-
Total liabilities	5,879,428	3,548,730
Contributed equity	25,854,731	23,752,731
Reserves	282,162	113,000
Accumulated Losses	(8,569,517)	(20,729,426)
Total equity	17,567,376	3,136,305
Profit / (loss) after income tax	12,159,909	(6,450,321)
Other comprehensive income/ (loss) for the year	-	-
Total comprehensive income/ (loss) for the year	12,159,909	(6,450,321)

24. Key Management Personnel (KMP) Compensation

Details of key management personnel

Mr Ben Elias	Non-executive Chairman
Mr Antony Sage	Executive Director
Mr Paul Kelly	Non-executive Director
Mr James Ardoudis	Executive Director (resigned 1 March 2012)
Mr Anthony Karam	Executive Director (resigned 1 March 2012)
Mr Jason Bontempo	Non-executive Director (resigned 1 March 2012)
Mr Ahmed Hassan	Non-executive Director (resigned 25 October 2011)

There were no other KMP of the Group.

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2012.

Compensation of key management personnel

	2012 $	2011 $
Short-term employee benefits	1,176,859	273,297
Post-employment benefits	9,632	14,108
Termination payments	665,465	-
Share based payments	117,000	26,138
Total	1,968,956	313,543

Notes to the Consolidated Financial Statements (continued)

Shareholdings

The numbers of shares in the Group held during the financial year by each KMP of the Group, including their personally related parties are set out below. There were no shares granted during the reporting period as compensation.

2012	Held at 1 July 2011	Other changes	Share consolidation (first)	Issued on the exercise of options	Other changes	Share consolidation (second)	Held at 30 June 2012
Directors							
Mr Ben Elias	5,685,185	-	(4,263,888)	-	-	(947,531)	473,766
Mr Antony Sage	51,666,667	(25,000,000)	(20,000,000)	-	6,250,000	(8,611,111)	4,305,556
Mr Paul Kelly	-	-	-	-	-	-	-
Mr Anthony Karam (i)	11,185,185	-	(8,388,889)	3,000,000	(5,796,296)	-	-
Mr James Arkoudis (ii)	-	-	-	1,500,000	(1,500,000)	-	-
Mr Jason Bontempo (iii)	6,666,667	-	(5,000,000)	1,500,000	(3,166,667)	-	-
Mr Ahmed Hassan (iv)	2,241,333	(2,241,333)	-	-	-	-	-
Total	77,445,037	(27,241,333)	(37,652,777)	6,000,000	(4,212,963)	(9,558,642)	4,779,322

(i) At the date of his resignation on 1 March 2012, Mr Karam held 5,796,296 shares (1,932,099 post-consolidation)
(ii) At the date of his resignation on 1 March 2012, Mr Arkoudis held 1,500,000 shares (500,000 post-consolidation)
(iii) At the date of his resignation on 1 March 2012, Mr Bontempo held 1,666,667 shares (555,556 post-consolidation). Following his resignation, Mr Bontempo was issued 1,500,000 (500,000 post-consolidation) shares on exercise of options.
(iv) At the date of his resignation on 25 October 2011, Mr Hassan held 2,241,333 shares (186,778 post-consolidation)

Options provided as remuneration

The number of options over ordinary shares in the Group held during the financial year by each KMP of the Group, including their personally related parties, are set out below.

2012	Held at 1 July 2011	Share consolidation (first)	Options issued as remuneration	Options exercised	Share consolidation (second)	Other changes	Held at 30 June 2012
Directors							
Mr Ben Elias	-	-	6,000,000	-	(4,000,000)	-	2,000,000
Mr Antony Sage	16,000,000	(12,000,000)	2,500,000	-	(4,333,332)	-	2,166,668
Mr Paul Kelly	-	-	500,000	-	(333,333)	-	166,667
Mr Anthony Karam (i)	-	-	3,000,000	(3,000,000)	-	-	-
Mr James Arkoudis (i)	-	-	1,500,000	(1,500,000)	-	-	-
Mr Jason Bontempo (ii)	4,000,000	(3,000,000)	1,500,000	(1,500,000)	(666,667)	(333,333)	-
Total	20,000,000	(15,000,000)	15,000,000	(6,000,000)	(9,333,332)	(333,333)	4,333,335

(i) Mr Karam and Mr Arkoudis resigned 1 March 2012.
(ii) At the date of his resignation on 1 March 2012, Mr Bontempo held 1,000,000 options exercisable at $0.06 expiring 31 December 2012 and 1,500,000 options exercisable at $0.022 expiring 31 December 2013 (pre-consolidation). Subsequent to his resignation, Mr Bontempo exercised 1,500,000 options at $0.022 for $33,000.

25. Related party information

Transactions with Directors, Director related entities and other related parties

In settlement of the Alliance Agreement Kupang issued 40,000,000 pre-consolidation shares to Cape Lambert. Cape Lambert holds a significant interest of 13.98% in the issued capital of Kupang at 30 June 2012. Mr Antony Sage is a director of Cape Lambert.

During the year, an aggregate amount of $186,662 was paid to Cape Lambert for reimbursement of legal fees and consultant fees.

During the year, an aggregate amount of $15,237 was paid to Fe Limited for reimbursement of consultant fees. Mr Antony Sage and Mr Kelly are directors of Fe Limited.

Notes to the Consolidated Financial Statements (continued)

26. Auditor's Remuneration

	2012 $	2011 $
Amounts received or due and receivable by Philip A. Joannou & Associates for:		
▪ an audit or review of the financial report of the Group	35,000	39,550
	35,000	39,550

27. Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and in determining the allocation of resources. The Group's operates in one business segment being mineral exploration in Indonesia and mineral exploration in Australia.

2012	Exploration – Indonesia $	Exploration – Australia	Other $	Consolidated $
Profit / (loss) before income tax	(83,790)	-	12,140,414	12,056,624
Segment Assets				
Cash	-	-	14,751,892	14,751,892
Exploration and evaluation	9,999,037	1,849,016	-	11,848,053
Other	-	-	2,134,078	2,134,078
Total Segment Assets	**9,999,037**	**1,849,016**	**16,885,970**	**28,734,023**
Segment Liabilities				
Trade and other payables	(5,464,830)	-	(424,685)	(5,889,515)
Provisions	-	(220,000)	(2,500,000)	(2,720,000)
Income tax payable	-	-	(3,073,416)	(3,073,416)
Total Segment Liabilities	**(5,464,830)**	**(220,000)**	**(5,998,101)**	**(11,682,931)**

2011	Exploration – Indonesia $	Exploration – Australia	Other $	Consolidated $
Profit / (loss) before income tax	-	-	(6,450,321)	(6,450,321)
Segment Assets				
Cash	-	-	1,734,261	1,734,261
Exploration and evaluation	-	1,756,832	-	1,756,832
Other	-	-	3,015,979	3,015,979
Total Segment Assets	**-**	**1,756,832**	**4,750,240**	**6,507,072**
Segment Liabilities				
Trade and other payables	-	-	1,063,767	1,063,767
Provisions	-	220,000	2,500,000	2,720,000
Total Segment Liabilities	**-**	**220,000**	**3,563,767**	**3,783,767**

Notes to the Consolidated Financial Statements (continued)

28. Events occurring after the reporting period

Regarding the Kupang Project, the Company's remaining committed expenditure of $5,464,830 of the Tranche 2 amount (included in the Statement of Financial Position at balance date) was paid in July 2012.

The Special Leave Application hearing was held on 17 August 2012, and was refused by the High Court of Australia, and Grimaldi was ordered to pay the Company's costs of the application. There is no further right of appeal available to Grimaldi.

There are no other events subsequent to 30 June 2012 and up to the date of this report that would materially affect the operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

Directors' Declaration

In accordance with a resolution of the directors of Kupang Resources Ltd, I state that:

1. In the opinion of the directors:

   a) the financial statements and notes of Kupang Resources 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 the Group's financial position as at 30 June 2012 and its performance for the year ended on that date; and

      (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b);

   c) subject to the matters described in note 1(b), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2012.

On behalf of the Board

Mr Antony Sage
Executive Director

28 September 2012

Philip A. Joannou
CHARTERED ACCOUNTANTS
ABN 83 002 718 023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KUPANG RESOURCES LTD

Report on the Financial Report

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

Directors' Responsibility for 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1(a) 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 judgment, 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 controls relevant to the entity's preparation and fair presentation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.

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 an audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Auditor's Opinion

In our opinion:

a. The financial report of Kupang Resources Ltd is in accordance with the Corporations Act 2001 including:

   (i) giving a true and fair view of the Company's and Consolidated Group'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(a).

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualifying our audit opinion expressed above, attention is drawn to the following matter. As a result of the matter described in note 1(b) to the financial report, there is significant uncertainty whether the Consolidated Group will be able to continue as a going concern in the event the company is not successful in the High Court Appeal (described in note 14(a)) as significant costs will be incurred including the funding fee sought of approximately nine million dollars and therefore whether it will be able to pay its debts as and when they become due and payable and realise its assets and extinguish its liabilities in the normal course of operations and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Consolidated Group not continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included in the Directors' Report for the year ended 30 June 2012. The directors of the company are responsible for the preparation of the remunerations report in accordance with Section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Kupang Resources Ltd for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001.*

Philip A. Joannou & Associates

BR Taylor

Mr. Brian R. Taylor
Partner
Sydney, NSW
28 September 2012

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Corporate Governance

The Board of Directors of Kupang Resources Ltd (previously named Chameleon Mining NL) (**Kupang**) is responsible for establishing the corporate governance framework of the Company having regard to the ASX Corporate Governance Council's (**CGC**) Corporate Governance Principles and Recommendations (**Recommendations**) and CGC published guidelines.

In accordance with ASX Listing Rule 4.10.3, this corporate governance statement discloses the extent to which the Company has followed the Recommendations by detailing the Recommendations that have not been adopted by the Company and the reasons why they have not been adopted. The Company is pleased to advise that the Company's practices are largely consistent with CGC guidelines, however, in areas where they do not correlate, the Company is working toward compliance or do not consider that the practices are appropriate for the current size and scale of operations.

Kupang was previously named Chameleon Mining NL and changed its name following the acquisition of 100% of NTT Manganese Pty Ltd, the holder of an interest in the Kupang Joint Venture (**Kupang Transaction**). Amended corporate governance policies were adopted in June 2012 as part of the Kupang Transaction. Where corporate governance practices were in place for only part of the year ended 30 June 2011 that fact is noted. The current corporate governance policies are posted on the Company's website at www.kupang.com.au.

Adherence to the Guide on Best Practice Recommendations

Recommendation		**Comply Yes / No**
Principal 1 – Lay solid foundations for management and oversight		
1.1	Formalise and disclose the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	Yes
1.3	Provide the information indicated in the guide to reporting on Principle 1.	Yes
Principal 2 – Structure the Board to add value		
2.1	A majority of the Board should be independent directors.	Yes – since March 2012
2.2	The chair should be an independent director.	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.4	The Board should establish a nomination committee.	No
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes
2.6	Provide the information indicated in the guide to reporting on Principle 2.	Yes
Principal 3 – Promote ethical and responsible decision-making		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • The practices necessary to maintain confidence in the Company's integrity. • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders. • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes
3.2	Establish and disclose the policy concerning diversity. The policy should include requirements for the Board to establish and measurable objectives for achieving gender diversity for the board to assess annually.	Yes
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the policy.	Yes
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes
3.5	Provide the information indicated in the guide to reporting on Principle 3.	Yes

Principal 4 – Safeguard integrity in financial reporting

4.1	The Board should establish an audit committee.	No
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.	Not applicable
4.3	The audit committee should have a formal charter.	Yes
4.4	Provide the information indicated in the guide to reporting on Principle 4.	Yes

Principal 5 – Make timely and balanced disclosure

5.1	Companies should established written policies designed to ensure compliance with ASX Listing Rules disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2	Provide the information indicated in the guide to reporting on Principle 5	Yes

Principal 6 – Respect the rights of shareholders

6.1	Companies should design a communication policy for promoting effective communication with shareholders and encourage their participation at general meetings and disclose their policy or a summary of that policy.	Yes
6.2	Provide the information indicated in the guide to reporting on Principle 6.	Yes

Principal 7 – Recognise and manage risk

7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
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.	Yes
7.3	The Board should disclose whether it has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes
7.4	Provide the information indicated in the guide to reporting on Principle 7.	Yes

Principal 8 – Remunerate fairly and responsibly

8.1	The Board should establish a remuneration committee.	No
8.2	The remuneration committee should be structured so that it: • Consists of a majority of independent directors. • Is chaired by an independent chair. • Has at least three members.	Not applicable
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
8.4	Provide the information indicated in the guide to reporting on Principle 8.	Yes

The Board of Directors

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and it is the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board in carrying out its functions, it has developed a Code of Conduct to guide the Directors, the management and other key executives in the performance of their roles.

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available on the Company's website at www.kupang.com.au.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
- Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- Overseeing Planning Activities: the development of the Company's strategic plan.
- Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- Human Resources: appointing, and, where appropriate, removing the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy.
- Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Structure of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. The names of the Directors and their qualifications and experience are stated in the Directors' Report. Directors are appointed based on the specific skills required by the Company and on other attributes such as their decision-making and judgment skills.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. In the past financial year the composition of the Board has changed to reflect the new direction of the Company.

In October 2011, Mr Ahmed Hassan resigned as a Non-Executive Director. In March 2012, following the finalisation of the Murchison Metals Limited litigation, Messrs Anthony Karam (Managing Director), James Arkoudis and Jason Bontempo (both Non-Executive Directors) resigned and Mr Antony Sage's role changed from a Non-Executive Director to Executive Director. Messrs Ben Elias (Non-Executive Chairman) and Paul Kelly (Non-Executive Director) continued in their roles. Messrs Elias and Kelly are independent Directors as they each meet the following criteria for independence adopted by the Company.

An Independent Director is a Non-Executive Director and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or other group member other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

As a result of Mr Sage's role as Executive Chairman of Cape Lambert Resources Limited, a substantial shareholder of the Company and his role as an Executive Director of the Company, Mr Sage does not satisfy the definition of being an independent Director.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each current Director is as follows:

Director	Date of Appointment	Position
Mr Ben Elias	13 February 2008	Non-Executive Chairman
Mr Antony Sage	13 September 2010	Executive Director
Mr Paul Kelly	13 September 2010	Non-Executive Director

Performance Review/Evaluation

It is the policy of the Board to conduct evaluation of its performance. The objective of this evaluation is to provide best practice corporate governance to the Company.

The performance of senior management is monitored by the Board as a whole.

The Board have established formal practices to evaluate the performance of the Board, committees, non-executive Directors, the Chief Executive Officer, and senior management. Details of these practices are available on the

Company's website. No formal performance evaluation of the Board, individual directors of senior management took place during the year.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skill gaps where they are identified.

Securities Trading Policy

In June 2012, the Company adopted a new Securities Trading Policy in compliance with the ASX Listing Rules, which is located on the Company's website: www.kupang.com.au.

Under the Company's Securities Trading Policy, a Director, executive or other employee must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities. Additionally, the Board and other employees may not deal in the Company's securities 2 days preceding the release of annual results and half year results.

Before commencing to trade outside of those black-out periods, a Director, executive or other employee must notify the Chairman or Company Secretary of their intention to do so.

As is required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by a Director in the securities of the Company.

Further information regarding Kupang's Securities Trading Policy can be found on the Company's website, www.kupang.com.au.

Attestations by Chief Executive Officer and Chief Financial Officer

It is the Board's policy, that the CEO and the CFO make the attestations recommended by the CGC as to the Company's financial condition prior to the Board signing the Annual Report. However, as at the date of this report the Company did not have a designated CEO or CFO. The role of the CEO is discharged by the Executive Director. The certification required in accordance with section 295A of the Corporations Act is provided by the relevant director and CFO prior to acceptance by the Board as a whole.

Audit and Risk Committee

Due to the size of the Board, the Company does not have a separate Audit Committee and the Board discharged this function as a whole in accordance with the guidelines set out in the Board's Charter and the Audit Committee Charter. The Board reviewed the audited annual and half yearly financial statements and any reports which accompany published financial statements and recommends their approval. The Board reviews the appointment of the external auditor, their independence, the audit fee and any questions of resignation or dismissal.

The Board as a whole was also responsible for establishing policies on risk oversight and management.

Further information regarding Kupang's Audit and Risk Committee charter can be found on the Company's website.

Risk Management Policies

The Board's Charter clearly establishes that it is responsible for ensuring there is a good sound system for overseeing and managing risk. The Board has established a formal policy for risk management and a framework for monitoring and managing material business risks on an ongoing basis. During the year, this role was performed by the Board as a whole. In accordance with Recommendation 7.1, the Board has established a formal policy for monitoring and reviewing the material business risks determined and reported by executive management on a regular basis. The policies and procedures adopted are directed at meeting the following objectives:

- effectiveness and efficiency in the use of the Company's resources.
- compliance with applicable laws and regulations.
- preparation of reliable published financial information.

Remuneration Committee

During the year, the Company did not have a separate remuneration committee. Due to the size of the Board, the Board considered that this function is effectively achieved by the Board as a whole, in accordance with the guidelines set out in the Board's charter.

The Board is responsible for setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and amending the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations on any proposed changes and undertaking reviews of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals and reviewing progress in achieving those goals.

Remuneration Policy

Directors' Remuneration has been approved by resolutions of the Board when Directors have been appointed to the Company.

Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, the remuneration of senior executive may be comprised of the following:

- fixed fee that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance.

The value of shares and options were they to be granted to senior executives would be calculated using the Black-Scholes option pricing model.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

Non-Executive Director Remuneration Policy

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors.

Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report.

Nomination Committee

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times. Due to the size of the Board, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on these specific issues.

Responsibilities

The responsibilities of a Nomination Committee would include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee would also oversee management succession plans including the CEO and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Currently the Board as a whole performs this role.

Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with relevant industry experience. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience.

Diversity

In June 2012, the Company adopted a diversity policy which provides a framework for the Company to achieve:

- a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- a workplace culture characterised by inclusive practices and behaviors for the benefit of all staff;
- improved employment and career development opportunities for women;
- a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
- awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity.

The Board is primarily responsible for setting achievable objectives on gender diversity and monitoring the progress of the Company towards them on an annual basis. The Chairman monitors the scope of the policy. The Company is responsible for implementing, monitoring and reporting on measurable objectives. Measurable objectives as set by the Board will be included in the key performance indicators for the Managing Director and senior executives. In addition, the Board will review progress against the objectives as a key performance indicator in its annual performance assessment.

The following table shows the representation of women in the Company as at 30 June 2012.

	Number of Females	**% of Females**
Whole Organisation	4	50%
Permanent Technical Staff (excludes Senior Executives)	0	0%
Permanent Administration Staff (excludes Senior Executives)	2	25%
Senior Executives	2	25%
Board Members	0	0%

ASX Additional Information

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below.

Shares

The total number of shares on issue at 25 September 2012 was 178,929,514, held by 2,826 registered shareholders. 1,632 shareholders held less than a marketable parcel.

All issued ordinary fully paid shares carry one vote per share.

Quoted Options

The Company does not have any quoted options on issue.

Unquoted Options

As at the date of this report the Company had on issue:

- 8,333,335 unquoted options exercisable at $0.18 and expiring on 31 December 2012
- 3,000,001 unquoted options exercisable at $0.066 and expiring on 31 December 2013
- 3,600,000 unquoted options exercisable at $0.15 and expiring on 30 June 2014

No voting rights are attached to unquoted options.

Twenty Largest Shareholders

As at 25 September 2012, the twenty largest shareholders were as shown in the following table and held 47.2% of the shares.

	Name	Number of Shares	%
1	DEMPSEY RESOURCES PT LTD / CAPE LAMBERT RESOURCES LIMITED	25,016,854	13.98%
2	MR MARTINUS COOLEN	9,750,000	5.45%
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,643,686	3.15%
4	TRUESTONE CAPITAL SPECIALISED INVESTMENT (JERSEY) LIMITED	4,583,334	2.56%
5	MR ANTONY WILLIAM PAUL SAGE	4,305,556	2.41%
6	LEIGHTON KESTEVEN CORPORATION PTY LTD	3,500,000	1.96%
7	MS PORNPIMON CHUNGSUWATHANANON	3,172,899	1.77%
8	ILLAWONG INVESTMENTS PTY LTD	3,017,275	1.69%
9	DANUBE PTY LTD	2,954,917	1.65%
10	PERFORMIN PTY LIMITED / PERFORMIN PTY LTD	5,177,237	2.89%
11	UNION PACIFIC INVESTMENTS PTY LTD	2,354,167	1.32%
12	MLWS NO1 PTY LTD	2,166,667	1.21%
13	BLUE VALLEY PTY LTD	2,083,334	1.16%
14	AVANTEOS INVESTMENTS LIMITED	1,821,151	1.02%
15	LEON FINK HOLDINGS PTY LTD	1,666,667	0.93%
16	BLUEPRINT CONSOLIDATED PTY LIMITED	1,615,001	0.90%
17	NATIONAL NOMINEES LIMITED	1,586,191	0.89%
18	MR CON ANGE	1,343,334	0.75%
19	HAZARDOUS INVESTMENTS PTY LTD	1,333,334	0.75%
20	SAXBY BRIDGE PTY LTD	1,306,250	0.73%
	TOTAL	**84,397,854**	**47.2%**

Distribution Schedule

A distribution schedule of the number of shareholders, as at 25 September 2012 is set out below:

Shares Range	Units	Holders	%
100,001 and Over	147,190,284	234	8.28%
10,001 to 100,000	26,626,127	729	25.80%
5,001 to 10,000	2,952,146	387	13.69%
1,001 to 5,000	1,826,392	659	23.32%
1 to 1,000	334,565	817	28.91%
Total	**178,929,514**	**2,826**	**100.00%**

Substantial Shareholders as at 25 September 2012

	Name	Number of Shares	%
1	DEMPSEY RESOURCES PT LTD / CAPE LAMBERT RESOURCES LIMITED	25,016,854	13.98%
2	MR MARTINUS COOLEN	9,750,000	5.45%

SCHEDULE OF MINERAL TENEMENTS

Tenement	Location	Ownership	Status
M80/315	Palm Springs – Kimberly	95%	Granted
M80/418	Palm Springs – Kimberly	100%	Granted
M80/106	Palm Springs – Kimberly	95%	Granted
E52/1751	Meekathara	100%	Granted
E52/1752	Meekathara	100%	Granted
E52/1740	Horseshoe	100%	Granted
E80/3522	Palm Springs – Kimberly	100%	Granted
No. 212/KEP/HK/2011	West Timor	55%	Granted