INDOPHIL RESOURCES NL

(ACN 076 318 173)

Annual Report 2012

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Annual Report Information
(as at 9 April 2013)

Financial Report Information
(as released to ASX on 27 March 2013)

WELCOME TO INDOPHIL RESOURCES NL

Indophil Resources NL (Indophil) was incorporated in 1996 to acquire, explore for and develop gold and copper-gold opportunities in the Philippines, elsewhere in South East Asia and broader horizons where opportunity exists to enhance and maximise shareholder value.

The Company’s key asset is a strategic 37.5% interest in Sagittarius Mines, Inc. (SMI), the operating arm for the world-class Tampakan Copper-Gold Project in the southern Philippines in which Xstrata Queensland Limited (Xstrata Copper) holds a 62.5% interest and acts as project manager.

As the holder of a granted Financial and Technical Assistance Agreement (the Columbio FTAA), SMI acts as contractor to the Philippines Government which owns the mineral rights to Tampakan and acts as a project partner on behalf of the people of the Philippines.

The Tampakan Project has a global resource of 2.94 billion tonnes containing an estimated 15 million tonnes of copper and 17.6 million ounces of gold at a 0.2% copper cut-off grade. At start up, targeted for 2019, the annual average rate of production over its first 17 years is estimated at 375,000 tonnes of copper and 360,000 ounces of gold. In the first five years, Tampakan is expected to produce 450,000 tonnes of copper and 435,000 ounces of gold annually.

Indophil has other interests in the Philippines – mainly in Northern Luzon (Itogon and Balatoc) and Eastern Mindanao (Manat).

Indophil is listed on the Australian Securities Exchange (ASX:IRN) and during 2013 continues to consider seeking to list on the Philippine Stock Exchange, making Indophil the first dual-listed Australia-Philippines public company.

NOTICE OF ANNUAL GENERAL MEETING

Thursday, 23 May 2013, at 9:30am

Baker & McKenzie
Level 19, 181 William Street
Melbourne VIC 3000, Australia

All currencies are in Australian dollars unless stated otherwise.

Chairman's and Chief Executive Officer's Review

This has been a challenging year for Indophil, our owners, our stakeholders and partners, Australia and the Philippines as sovereign nations, and the global economic community.

Shares in the majority of resource companies lost value. At one point this year, the share price of our Company was line-ball with our considerable cash backing, attributing no value to the Tampakan Copper-Gold Project, one of the world's most significant undeveloped minerals assets.

Amidst an ongoing and unprecedented onslaught of serious macro issues, some of the most important restructuring events in this century have taken place amongst the largest resource corporations and nations. In this context, restating the value proposition and opportunity for Indophil is appropriate.

Since the collapse of Lehman Brothers in 2008, the overwhelming majority of global copper development has been on hold. This includes significant expansions of brownfield giants such as BHP Billiton's Olympic Dam mine in South Australia.

Current resources are slowly depleting, with falling grades and rising costs. Maintaining production levels will be impossible without major investment in brownfields and greenfields projects. In 2012, the Chilean state-owned Codelco, the world's largest copper producer, published an investment requirement of US$28 billion over the next 12 years – just to maintain its production levels. Today, the majors are having their strategies and their mandates revised by their owners.

Unless the global community is planning on returning to caves or tents, then it will continue to require power, water and raw materials. Copper remains a synthetic proxy for global development. Gold never became a commodity and it continues to be a value-enhancing precious metal.

Logic suggests that the future for copper is secure and the value of stocks in copper companies should be higher, but short-term market instability has created fears and uncertainty which make shareholders abandon investment in commodities.

Indophil has an explicit strategy to hold and maintain our share in the Tampakan Project, and extract the value that will flow from finalising of approvals and financing of construction. Indophil's 37.5% share in Tampakan represents one of the world's unique opportunities to help reduce the growing supply gap for copper and gold, and Tampakan is the only world-class copper deposit not owned entirely by the major resource companies which control the sector.

In November 2012, Christine Lagarde, the International Monetary Fund's Managing Director, credited the Filipino authorities "for their excellent economic stewardship during difficult times," further stating that "thanks to these good policies and reforms, the Philippines has become a vibrant emerging market that is approaching investment grade status."

In its 2012 outlook, referring to the Philippines, the Asian Development Bank cited "upgrades of sovereign credit ratings and global competitiveness indicators to reflect improvements in the investment environment." The June 2012 upgrading by Standard & Poor's of the Philippines' long-term foreign currency rating to one notch below investment grade has been followed by further upward re-rating from Fitch in March 2013.

And for the second year in a row, the Philippines ranking in the World Economic Forum's Global Competitiveness Report rose by 10 places – to 65 out of 144 economies.

The Philippines economy is growing at an impressive rate which will have to be supported by strong commodities supply. The Philippines Government has acknowledged that it is necessary to take steps that will lead to an improved investment climate in the resources sector.

The Philippines is undertaking the necessary task of creating a framework for re-engaging with what is effectively a fledgling and re-born minerals industry, There have been advances and challenges for the industry and for our flagship Tampakan Project – and the way ahead is now positive.

Key among these advances has been the creation and implementation during 2012 of a new Mining Policy for the Philippines, a project guided by the President, His Excellency Benigno Aquino III.

There also have been the challenges of local government ordinances that defy national laws, permitting approvals that have been frozen while the new Mining Policy is introduced and the granting of environmental approvals that have been delayed for inordinately long periods of time.

The Philippines Government has made considerable progress in understanding and actioning minerals development. This is to be commended, and when carried through, will bring great benefit to the people of the Philippines.

Already, the Philippines Government has moved to grant a key environmental approval that will allow the Tampakan Project to commence programs associated with other key approvals and regulatory requirements.

Following the introduction of the new Mining Policy, the Philippines Government is moving to rein in local government ordinances that defy national laws and the Constitution, while at the same time moving to free up the processing of permits for minerals exploration and development.

Glencore-Xstrata

In the near term, Glencore is expected to finalise its acquisition of Xstrata, our principal partner and the project manager at Tampakan.

Glencore is no stranger to the Philippines. It holds a 78% interest in the PASAR copper smelter and refinery. Glencore has delivered on a successful management style in the Philippines since 1999 and continues to invest in the country.

Over several years, Indophil has signalled increasing frustration at the management approach within the Xstrata Copper group. Indophil considers that this transition of ownership will be a most significant positive near-term event.

We are of the firm view that Glencore is a company focused on value creation, as is Indophil and our owners. We look forward to the opportunities that the Glencore transaction generates.

Building off a range of Philippines Government initiatives to set a new Mining Policy and reinvigorate investment into minerals development, and buoyed by the strategic activity of a re-shaped project management group led by Glencore, Indophil's immediate focus is to increase the intensity of involvement of all aligned parties, and to realise true value for project partners and Indophil shareholders from the Tampakan asset.

It is for these reasons that we, the Indophil Board and Management team, are optimistic of the way forward.

Brian Phillips
Chairman

Richard Laufmann
Chief Executive Officer and Managing Director

9 April 2013

OPERATIONAL ACTIVITY

Project Studies

Xstrata Copper, on behalf of the Tampakan Project operator Sagittarius Mines, Inc. (SMI), continues to manage and advance project studies for the Tampakan Copper-Gold Project.

The Environmental Impact Statement (EIS) and the Environmental and Social Impact Assessment (ESIA) for the mine were completed in 2011. Following a consultation process, the EIS documentation was reviewed and updated before being used to support the formal Mine Environmental Compliance Certificate (ECC) application.

Following a series of government considerations which culminated in an appeal to the Office of the President, on 19 February 2013, the ECC was received by SMI, subject to certain terms and conditions. The Company awaits the outcome at the date of this report.

The granting of the ECC is seen by project partners as an important milestone that will allow them to commence programs associated with other key approvals and regulatory requirements.

The mineral resource estimate for Tampakan was updated and released in January 2012. At a 0.2% copper cut-off grade, the Tampakan total mineral resource is now 2.94Bt @ 0.51% copper (Measured, Indicated & Inferred).

Following discussions with power plant developers in the vicinity of the mine, in August 2012 Alsons Energy Development Corporation (AEDC) entered into an agreement with SMI for a joint feasibility study for the possible development by AEDC of a coal-fired power station in Maasim, Sarangani Province, to meet the Tampakan Project's electrical power requirements.

Two other Environmental Impact Assessments (EIAs) are expected to be completed and lodged with government by mid-2013. One EIA will cover the power station and port facility while the other EIA will account for the filter plant, copper-gold concentrate pipeline and the transmission lines. As part of the EIA process, there will be public consultation programs.

Collection, recording and processing of data covering affected people, structures and areas under cultivation in the final mine area occurred during the year.

The current work program focus is on reaching agreement with the community and various levels of government on a range of social impacts including the need to undertake a substantial resettlement and land acquisition program.

Open Pit Mining

In June 2010, the South Cotabato provincial government (the jurisdiction in which the Tampakan deposit is located) approved a new Environment Code that includes a ban on open pit mining. The Code took effect in October 2010.

Backed by a firm legal opinion from the Department of Justice, the Philippines Government has stated that the local laws should be amended in accordance with national law which allows open pit mining. The Philippines President has expressed support for minerals development and the need for the open pit issue to be resolved.

NON-TAMPAKAN EXPLORATION

In addition to its interest in the Tampakan Project, Indophil continued to conduct exploration or development activity on the Itogon Gold Project in Northern Luzon, and on securing government approvals to explore and gain access to land for exploration.

Indophil's exploration portfolio and activity during 2012 was located in three geographic regions of the Philippines – Northern Luzon, Eastern Mindanao and Central Mindanao. The focus has been on the Itogon and Balatoc properties in Northern Luzon and the Manat Project in Eastern Mindanao as well as, and to lesser extent, projects in Central Mindanao.

The Group is reviewing its non-Tampakan exploration portfolio. Given the issuance of EO79 by the Philippines Government and subsequent developments, coupled with the Company's emphasis on developing the Tampakan Project, the Group is considering a range of options, including divestment of these non-Tampakan assets.

For detail, see pages 16 and 17.

ENVIRONMENT

Sagittarius Mines, Inc. (SMI), the project operator for the Tampakan Copper-Gold Project, is committed to leading environmental practices in its activities and in its planning.

In 2012, the Tampakan Project received its sixth Presidential Mining Industry Environmental Award for industry-leading practices. In every project involving Indophil, the Company aims to conduct its business to high international standards of environmental performance and compliance. Throughout its exploration projects in 2012, there were no reportable environmental incidents for Indophil.

Biodiversity

SMI has invested in environmental enhancement initiatives including a reforestation program, the operation of two large-scale nurseries and training for community members on seedling production. A 343.5 hectare reforestation effort was completed, including the handover of more than 270,000 seedlings to community projects. Tree plantings undertaken through Community Based Forest Management Area agreements covered 100 hectares. These agreements involve local landowners, and provide environmental and livelihood benefits. This program provides support for production-based forestry species which assist farmers' livelihoods in exchange for offset 'protection' areas which are reforested to protect vulnerable and riparian land areas.

Management Systems

Integration of SMI's Environmental Management System into a broader Sustainable Development Management System was completed in 2012. An integrated management system seeks to heighten staff awareness of security, community and health systems while taking advantage of common systems across the safety, health, environment, community and security disciplines.

Environmental and Social Impact Assessment

On 9 January 2012, SMI received official notification from the Philippines Government's Department of Environment and Natural Resources (DENR), denying its application for the Mine Environmental Compliance Certificate (ECC), without prejudice to resubmittal, until issues with the use of the open pit mining methods have been resolved with the provincial government of South Cotabato. SMI filed a motion for reconsideration against this decision, as permitted under the ECC application process. Upon denial of this motion by the DENR, SMI filed an appeal with the Office of the President (OP). On 4 February 2013, the OP returned the ECC application to the DENR (OP Case 12-F-159 ref DENR Case 1966) for revised determination, stating that the DENR should 'resolve the . . . application for an ECC without any consideration of requirements other than those imposed under the EIS system itself.' On 19 February 2013, the ECC was received by SMI, subject to certain terms and conditions. The Company awaits the outcome at the date of this report.

Water Management

Extensive technical studies have concluded that SMI's management strategies and practices will not have a negative impact on the quality and supply of water being used by the host communities and downstream users. SMI has designed the Tampakan Project so that it can operate without using any water that is currently used by the local community.

In 2012, project update presentations and consultations regarding the SMI water management plans and initiatives were held with key stakeholders, particularly local government officials, officers of the National Irrigation Administration (NIA) and farmer / irrigator groups. These engagements were geared to assure the concerned stakeholders of the strategies to manage and mitigate the potential adverse impacts of the project on the water resources of the project region.

Surface water and ground water monitoring programs were sustained in line with the proposed construction and development of the mine. Likewise, climate data collection from SMI's six automatic weather stations continues to establish a long-term weather pattern.

A Community Based Water Monitoring Program involving the four municipalities of Tampakan, Kiblawan, Columbio and Malungon was initiated to equip the designated community representatives with the skills and resources to undertake water monitoring as one of the key environmental indicators in their locality.

2012 SMI Targets	Status	
Increase waste recycling to 40%	Attained	✓
Reduce water consumption per employee by 5%	Attained	✓
Reduce electricity consumption per employee by 5%	Attained	✓

No significant water usage was reported for any other Indophil project in 2012.

SAFETY AND HEALTH

SMI and Indophil remain committed to a goal of zero harm. All decisions made within SMI are focussed on maintaining a work environment that is healthy and injury free for its people, contractors and the community. During 2012, SMI sustained a safety management system which focuses on:

- Conducting leadership development programs with a focus on accountability of supervisors in managing workforce safety;
- Maintaining emergency 'first response' capacity by training more than a quarter of the workforce;
- Maintaining a 'positive performance indicator' system which concentrates management effort on ensuring critical controls are in place for the highest risk operational activities; and
- Continuing with first-aid training in the community, to encourage safe behaviour in the home environment.

SMI recorded a 30% reduction in the frequency of injuries during 2012. One of the two recorded injuries in 2012 involved a broken ankle which required a lengthy work restriction and resulted in the project not achieving its injury severity target.

2012 SMI Targets	Status	
Full year TRIFR (1) <0.9	Attained	✓
Full year DISR (2) <11	Not Attained	×
Zero occupational illness	Attained	✓
Zero new Hepatitis B cases	Attained	✓

Notes:

(1) TRIFR – Total Recordable Injury Frequency Rate (recordable injuries per million man-hours worked)
(2) DISR – Disabling Injury Severity Rate (work days lost per million man-hours worked)

For Indophil's non-Tampakan exploration projects, there were three lost-time injuries during 2012, all involving the haulage of equipment.

COMMUNITY

Resettlement / Free and Prior Informed Consent

Resettlement

In 2012, SMI implemented a multi-level resettlement consultation program which included:

- Institutional briefings with government and associated agencies (ongoing into 2013);
- Community meetings with representatives from all affected households across the project's proposed mine area (a combination of 37 two-day consultations and 10 one-day consultations);
- Establishment of Resettlement Committees (continuing into early 2013);
- Establishment of a Resettlement Oversight Committee.

SMI established Resettlement Committees (RCs) to allow affected communities input to the proposed resettlement activities. During this important consultation phase, community representatives were able to identify and communicate community concerns, and provide input into resettlement planning and processes.

The resettlement consultation process was designed so that SMI and affected communities could work together on developing a shared understanding about the principles that underpin resettlement matters and provide a forum in which community preferences and SMI's position are presented and discussed.

RCs were endorsed by the local communities, Local Government Units (LGUs), and the National Commission on Indigenous Peoples (NCIP). Representatives to RCs were elected by the community during community meetings.

The RC process involved a series of fortnightly meetings conducted over a nine-month period, which addressed a broad range of topics including resettlement sites and housing, cultural heritage, livelihood restoration and compensation.

This information will be used in the development of the final Resettlement Action Plan (RAP), which SMI expects will be completed in 2013.

A set of guiding principles, rules and procedures, endorsed by RC members, guided all activities undertaken in RC meetings. An independent moderator, endorsed by the community, moderated the RC meetings.

A Resettlement Oversight Committee (ROC) was also established. The ROC, composed of representatives from SMI, the NCIP, the national government's Mines and Geosciences Bureau (MGB), Provincial and Municipal LGUs and the Commission on Human Rights oversaw the resettlement consultation process to ensure transparency and compliance with leading practice and SMI's commitment to fairness and equity. The ROC met monthly and its members did not participate in RC meetings.

Free and Prior Informed Consent (FPIC)

SMI has developed an implementation policy for FPIC to ensure all activities adhere to Philippine laws and regulations, Xstrata plc's Sustainable Development (SD) Principles and the International Council on Mining and Metals SD framework.

Throughout 2012, SMI undertook a series of workshops with the NCIP to ensure the FPIC process for the proposed mine area was planned in a collaborative and transparent manner.

As part of this planning process, an SMI-focused FPIC Engagement Plan was developed. In addition, a joint SMI-NCIP FPIC implementation plan was due to be presented to the NCIP at the pre-FPIC conference in early 2013. It is anticipated that these plans, if accepted by the NCIP, will move into the implementation phase in 2013.

This plan provides an end-to-end roadmap for SMI and the NCIP to navigate and implement processes and activities involved with FPIC – from the Consultative Community Assemblies through to negotiation, signing of the Memorandum of Agreement and, finally, the issuance of a Certification Precondition by the NCIP. Key FPIC activities planned for 2013 include:

- Briefing key stakeholders regarding the FPIC process;
- Consensus Building and Freedom Period, where the Indigenous Cultural Communities (ICCs) consult with each other and reach consensus on FPIC;
- Decision meetings, where the ICCs indicate the outcomes of their consensus building and communicate their decision in relation to the FPIC process.

Community Investment

In 2012, the Tampakan Project invested a total of Php59.4 million or US$1.5 million in community development programs and projects such as:

Community development and infrastructure

- 28 community infrastructure projects, benefitting 3,335 households and 1,225 students / pupils. At year's end, two road rehabilitation projects were in the final stage of completion and are expected to benefit 2,821 people.

Health services

- 3,091 mothers and children benefited from expanded immunisation, pre-natal care and family planning sessions; 1,206 mothers benefited from workshops and classes on hygiene, nutrition and childcare; 7,837 people benefited from medical and dental services.

Education

- 12,929 students were supported by SMI with tuition fees and allowances; books were provided and the establishment of class dormitories for 13,635 students was supported.

Skills training

- 187 day-care teachers were trained; 334 out-of-school youth were provided with technical skills training; 257 farmers were provided with inputs on production technology, organisational development and strategic planning; 289 health workers gained knowledge and skills from community health training.

At year's end, SMI had 377 employees and 946 contractors.

Your Directors submit their report for the year ended 31 December 2012.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

BRIAN PHILLIPS, AWASM-Mining, FAusIMM, MIMMM
Chairman, Non-Executive

Appointed as a Director on 1 April 2005, Mr Phillips was appointed Non-Executive Chairman on 21 April 2005 and also serves as a member of the Audit Committee and the Remuneration and Nomination Committee. Mr Phillips served as Chairman of the Remuneration Committee from 26 July 2011 until 15 June 2012.

Mr Phillips is a mining engineer with over 40 years' experience in the mining industry in Australia and overseas. Mr Phillips joined MPI Mines Limited in 1992 and was managing director from October 2002 until December 2004, followed by two years as chairman of Leviathan Resources Limited. Mr Phillips is a past president of the Victorian Chamber of Mines (now the Minerals Council of Australia, Victorian division).

During the past three years, Mr Phillips has served as a Director of the following other listed companies:

- Panoramic Resources Limited (previously Sally Malay Mining Limited) - appointed March 2007
- Rex Minerals Limited - appointed February 2010; resigned June 2010
- White Rock Minerals Limited - appointed March 2010

RICHARD LAUFMANN, BEng (Mining), MAusIMM, MAICD
Chief Executive Officer and Managing Director

Appointed as Chief Executive Officer and Managing Director (CEO) on 13 June 2007, Mr Laufmann was previously a non-executive director following his original appointment on 1 May 2003.

Mr Laufmann is a mining engineer by vocation, with an extensive operations background in the resources sector both in Australia and overseas. Prior to Indophil, Mr Laufmann refinanced and spent five years as Managing Director of Ballarat Goldfields NL at which time Ballarat Goldfields merged with Lihir Gold Limited, the then operator of the Ballarat mine and Lihir gold mine in Papua New Guinea. Mr Laufmann spent 11 years with Western Mining Corporation in the Nickel, Gold and Copper divisions in various senior management roles.

Mr Laufmann was appointed as Indophil's nominated Director on the Sagittarius Mines, Inc. Board in February 2009. Mr Laufmann is also the past chairman of the Minerals Council of Australia, Victorian division.

During the past three years, Mr Laufmann has served as a Director of the following other listed company:

- Rex Minerals Limited - founding Director, appointed September 2007

TONY ROBBINS, BSc (Hons), MSc, MAusIMM, MIMMM, FAAG
Director, Executive

Appointed as a Non-Executive Director on 1 July 2007, Mr Robbins was previously the managing director until 12 June 2007. Mr Robbins also served as a member of the Remuneration Committee from 26 July 2011 to 7 October 2011.

Mr Robbins is a geologist/geochemist with over 40 years experience in the mining industry and has lived or worked in the South East Asia mining community for more than 20 years. From 1968 to 1996, Mr Robbins worked for WMC where he held senior positions including operations manager, exploration manager Eastern Australia and exploration manager South East Asia/Pacific region. In his last position, he managed the exploration program and the team that discovered the Tampakan Project.

Mr Robbins was involved in the discoveries of the Benambra copper deposit, Junction, Redeemer and Yandan gold deposits, Edwin nickel deposit and Olympic Dam. Mr Robbins is a past president of the Philippine Mineral Exploration Association and is a former member of the board of the Philippine Chamber of Mines. He is Indophil's representative in South East Asia and was Indophil’s nominated director on the Sagittarius Mines, Inc. Board until February 2009. Mr Robbins provides consultancy services to the Company.

During the past three years, Mr Robbins has not served as a director of any other listed company.

KYLE WIGHTMAN, BComm, MBA, FAICD, CFTP (Snr)
Director, Non-Executive

Appointed as a Non-Executive Director on 8 December 2006, Mr Wightman also serves as Chairman of the Audit Committee and as a member of the Remuneration and Nomination Committee.

Mr Wightman is an economist, financier and business consultant with over 40 years experience, particularly relating to the feasibility, development and financing of major projects and investments. Mr Wightman has held senior roles, including positions in CRA Limited (now Rio Tinto Limited) as treasurer AM&S and treasurer projects, in both Chase Manhattan Bank Australasia and Australia and New Zealand Banking Group Limited as head of project and structured finance, and in PricewaterhouseCoopers as director projects.

Mr Wightman now advises private and public sector clients on major projects through his own company, Tait Capital Pty Ltd. Mr Wightman has been involved in the development and financing of major projects including Argyle Diamonds, Tarong Coal, Mount Channar Iron Ore, Misima Gold, Energy Developments Ltd, Melbourne City Link and the Loy Yang A Power Privatisation.

During the past three years, Mr Wightman has served as a Director of the following other listed company:

- Ivanhoe Australia Limited - appointed July 2008

DAVID CARLAND, PhD, MEc, BEc (Hons), MAICD
Director, Non-Executive

Appointed as a Non-Executive Director on 1 September 2011, Dr Carland also serves as a member of the Audit Committee and the Remuneration and Nomination Committee. Dr Carland was appointed Chairman of the Remuneration and Nomination Committee on 15 June 2012.

Dr Carland has over 30 years of investment banking and commercial experience in both the private sector and government, and is the co-founder of BurnVoir Corporate Finance Limited, an independent and specialised investment banking firm focusing on the energy, resource and infrastructure sectors.

Prior to establishing BurnVoir, Dr Carland was executive vice president and head of energy and power at Bankers Trust, and before that he was deputy managing director and head of corporate finance at UBS Australia. Dr Carland has also held senior executive roles with the CRA Group (now Rio Tinto), including management of the commercial arrangements for the purchase of the Gladstone Power Station. His roles have seen him based in the US and London. He is now based in Sydney.

During the past three years, Dr Carland has served as a Director of the following other listed company:

- Polymetals Mining Limited - appointed April 2011

NICASIO ALCANTARA, BA, MBA
Director, Non-Executive

Appointed as a Non-Executive Director on 29 December 2011, Mr Alcantara also serves as a Director in the Alcantara Group of Companies, including the Alsons Power Holdings Corporation and Alsons Prime Investment Corporation, where he is Chairman of the latter. Mr Alcantara is a Director of other companies and corporations in the Philippines.

He has over 40 years of involvement in both public and private companies, and in diverse industries that include manufacturing, banking and finance, property, information technology, agriculture, and power and energy. He has served as an executive officer and maintained business interests in companies involved in cement, power and energy, financial services, agriculture and diversified holdings.

He was Petron Corporation's chairman from July 2001 to January 2009 as well as the company's chief executive officer from July 2002 to July 2003 and from 2006 to January 2009.

During the past three years, Mr Alcantara has served as a Director of the following other listed companies:

- Seafront Resources Corp. - appointed December 1995
- Philodrill Corporation - appointed December 1991
- Site Group International - appointed October 2010

FREDERIC DYBUNCIO, BBM, MBA
Director, Non-Executive

Appointed as a Non-Executive Director on 6 September 2012, Mr DyBuncio is the Vice Chairman of the Board of Atlas Consolidated Mining and Development Corporation and Chairman of its Executive Committee. He is also a Senior Vice President of SM Investments Corporation, the President, CEO and Director of APC Group Inc. and an Executive Committee member of Belle Corporation.

Prior to these positions, Mr DyBuncio was a career banker who spent over 20 years with JPMorgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various managerial/executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong and Manila.

He obtained his undergraduate degree in Business Management from the Ateneo de Manila University and his master's degree in Business Administration from the Asian Institute of Management.

During the past three years, Mr DyBuncio has served as a Director of the following other listed companies:

- Atlas Consolidated Mining and Development Corporation - appointed June 2011
- APC Group Inc - appointed June 2012
- Pacific Online Systems Corporation - appointed May 2012
- Sinophil Corporation - appointed July 2011

WALTER WASSMER, BSc. Mgmt Fin Inst
Director, Non-Executive

Mr Wassmer was appointed as a Non-Executive Director on 6 February 2012 and resigned on 6 September 2012. Mr Wassmer is Senior Executive Vice President and Head of Institutional Banking Group of BDO Unibank, Inc., the biggest bank in the Philippines in terms of asset size. He is also a member of BDO's Management Committee. Mr Wassmer holds Directorships in corporations including BDO Leasing and Finance Inc., BDO Elite Savings Bank, MDB Land Inc. and Carmen Copper Corporation.

He first joined EBC Investments Inc., a wholly-owned investment house of Equitable Banking Corporation, in September 1997 as senior vice president and head of corporate finance. He was head of the retail banking segment from May 2006 to May 2007. His professional career covers 26 years of banking experience with stints in Far East Bank and Trust Company, Union Bank of the Philippines, Bancom Finance Corporation and IFC Leasing and Acceptance Corporation.

During the past three years, Mr Wassmer has served as a Director of the following other listed companies:

- Atlas Consolidated Mining and Development Corporation - appointed June 2010
- Mabuhay Vinyl Corporation - appointed April 2005

COMPANY SECRETARY

Kay Donehue – CSA(Cert), AAICD

Ms Kay Donehue was appointed Company Secretary on 3 February 2012. She has been a member of Indophil's executive team since 2008, assisting the CEO and the executive group, whilst managing administration of the Company's corporate activities. Ms Donehue has over 25 years experience in the mining and banking industries and holds a CSA(Cert) with Chartered Secretaries Australia.

Ms Anita Krauser served as Company Secretary from 7 November 2008 until 3 February 2012. Ms Krauser is also the Company's Chief Financial Officer.

INTEREST IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, interests of the Directors in the shares and options of Indophil Resources NL (the Company) were:

Director	No. of Ordinary Shares	No. of Options over Ordinary Shares
B Phillips	1,700,000	-
R Laufmann	3,409,364	-
T Robbins	2,671,750	-
K Wightman	100,000	-
D Carland	200,000	-
N Alcantara	-	-
F DyBuncio (appointed 6 September 2012)	-	-
W Wassmer (appointed 6 February 2012; resigned 6 September 2012)	-	-

DIRECTORS' MEETINGS

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

Director	Directors Meetings	Audit	Remuneration and Nomination
Number of meetings held:	**11**	**2**	**1**
Number of meetings attended:			
B Phillips	11	2	1
R Laufmann	10	2	1
T Robbins	9	-	-
K Wightman	11	2	1
D Carland	11	2	1
N Alcantara	8	-	-
F DyBuncio (appointed 6 September 2012)	3	-	-
W Wassmer (appointed 6 February 2012; resigned 6 September 2012)	3	-	-

All directors were eligible to attend all Board meetings held, except for Mr DyBuncio, who was eligible to attend three meetings and Mr Wassmer, who was eligible to attend four meetings.

Mr Laufmann attends the Remuneration and Nomination Committee meetings by invitation.

COMMITTEE MEMBERSHIP

As at the date of this report, the Company had an Audit Committee and a Remuneration and Nomination Committee of the Board of Directors.

Members acting on the committees of the Board during the year were:

Audit	Remuneration and Nomination
K Wightman (Chairman)	D Carland (appointed Chairman 15 June 2012)
B Phillips	B Phillips (resigned as Chairman 15 June 2012)
D Carland	K Wightman

DIVIDENDS

No dividends have been paid, declared or proposed by the Board of Directors since the end of the previous financial year.

PRINCIPAL ACTIVITIES

The Company is a mining company focusing on exploration and development of gold and copper-gold opportunities in South East Asia. The Company is a joint venture partner in the world-class Tampakan Copper-Gold Project (Tampakan Project) in the southern Philippines.

The Company has other exploration interests in the Philippines and continues to advance existing exploration programs aside from the Tampakan Project.

OPERATING AND FINANCIAL REVIEW

Group overview

During the year, the Company continued to fund its 37.50% share of feasibility and development expenditure on the Tampakan Project, through Sagittarius Mines, Inc. (SMI). Xstrata Copper (Xstrata) (62.50% owner of SMI), on behalf of the operator SMI, manages the Tampakan Project.

Tampakan Copper-Gold Project

SMI's main focus for 2012 was a Continuing Development Program covering two main objectives of securing government approvals and endorsements, and resettlement planning.

SMI carried out work on the infrastructure corridor alignment and associated land acquisition activities throughout the year. Collection, recording and processing of data related to occupants of the Final Mine Area was carried out during the period under review.

A Joint Development Agreement and Framework Agreement covering ongoing development activities for the power station to supply the Tampakan Project was entered into in late 2012. On 6 March 2013, SMI and Alsons Energy Development Corporation (AEDC) announced in a joint press statement that the parties had entered into an agreement for the provision of electrical power with AEDC being SMI's preferred power generation supplier.

During the year, there were several security-related incidents. Local authorities continue to investigate these matters. The Company has made, and continues to make, recommendations to improve this situation. The Company supports SMI's commitment to the highest international standards of safety and security.

There was no drilling activity on site at Tampakan throughout the financial year.

OPERATING AND FINANCIAL REVIEW (continued)

Tampakan Mineral Resource Upgrade

On 27 January 2012, the Company received from Project Manager Xstrata a revised and upgraded mineral resource estimate for the Tampakan Project.

The total estimated mineral resources (Measured, Indicated and Inferred) for the Tampakan deposit have risen from 2.49 billion tonnes (Bt) at 0.6% copper at a 0.3% copper cut-off grade to 2.94Bt at 0.51% copper at a 0.2% copper cut-off grade. This represents a tonnage increase of 18% over the previously reported October 2009 total resource estimates.

Xstrata reports as a 'significant increase' the lift in the more-confident Measured and Indicated category, up from 1.69Bt (0.6% copper) to 2.27Bt (0.55% copper). This represents a 34% increase in tonnage in the Measured and Indicated category. The estimated contained copper at Tampakan in total resources has risen from 13.9 million tonnes (Mt) to 15.0Mt while estimated contained gold has risen from 16.2 million ounces (Moz) to 17.6Moz. The related Competent Person statement was issued to the ASX on 27 January 2012.

Tampakan Production Profile

The Tampakan Project has strong potential as a large, long-life, low-cost open pit producer of copper and gold.

The Mine Project Feasibility Study (MPFS) confirmed that Tampakan is a world-class copper and gold development opportunity. Highlights of the MPFS include:

- Long-life (minimum 17 years) open pit, with potential for extension.
- Average planned annual production over the first 17 years of 375,000 tonnes of copper and 360,000 ounces of gold.
- Average planned annual production over the first five years of 450,000 tonnes of copper and 435,000 ounces of gold.
- Capital requirements of US$5.9 billion (including a US$900M allocation for power plant).
- Low life-of-mine C1 cash costs (net of gold by-product credits) in bottom quartile of global producers.
- Low stripping ratio of 1.19:1 (waste:ore tonnes).

Tampakan Revised Development Plan

On 12 December 2012, SMI announced that it had provided the Philippines Government with an updated development plan that outlines commercial production to commence in 2019. The Mine Project Feasibility Study, submitted to the government in 2010, had targeted first production in 2016.

SMI cited the reasons for the revised project plan as:

- Extending the timeframe to obtain approval for development from affected communities; and
- Completing resettlement plans along with formalising consent of the Indigenous Peoples in the project area.

SMI highlighted challenges facing project development as:

- Restrictions on field activities resulting from security issues;
- Redevelopment of power supply options;
- Ongoing uncertainty resulting from a local government ordinance that defies the Philippines' Constitution and national laws; and
- The determination of an appeal to the Office of the President following denial of a key environmental approval by the relevant national government department.

The Company made the following observations following the announcement by SMI:

- Xstrata has set and maintained high standards of design and technical project management performance, including the use of world-class specialists;
- The Company has for some time disagreed with several key assumptions made by Xstrata, and it is the Company's view that a different approach is warranted;
- The Tampakan Project awaits a significant watershed in the form of the near-term acquisition of Xstrata by Glencore, which already has a significant and well-established presence in the Philippines. In this context, and underpinned by a considerable level of domestic support and expertise available through the Company's Filipino shareholders, Glencore's involvement in the Tampakan Project will represent an opportunity to address the Company's concerns.
- The period leading up to the May 2013 elections in the Philippines represents a unique opportunity to strengthen an understanding of the benefits that a flagship project like Tampakan can bring to the economy and the people of the Philippines, while seeking to deliver a renewed vision of in-country support for the Project.

The Company has made clear recommendations to address its concerns and has formally put Xstrata on notice that it has not complied with its contractual obligations under the relevant agreements. A mediation was conducted last year between Xstrata and the Company. However, the parties were unable to resolve their differences. The Company has since invited Xstrata to re-enter mediation and to include a representative from Glencore to sensibly accommodate the likely new owner's views. Xstrata has denied the Company's allegations and refused to consider further mediation and the involvement of Glencore.

The timing of the final regulatory approval for the Glencore acquisition of Xstrata appears imminent, hence the Company has informed Xstrata that it will seek to engage with the new owner and has reserved all its rights at this point in time.

Environmental Compliance Certificate (ECC)

In October 2011, SMI's application for the Mine ECC was submitted to the Philippines Government. The Environmental Impact Statement (EIS) identifies potential environmental impacts of the proposed mining operation and details SMI's comprehensive mitigation strategies.

SMI received official notification from the Philippines national government's Department of Environment and Natural Resources (DENR) on 13 January 2012, denying its application for the ECC without prejudice for resubmittal until issues with the use of the open pit mining methods have been resolved with the provincial government of South Cotabato. The Tampakan deposit is located in South Cotabato.

SMI filed a motion for reconsideration of the decision on 27 January 2012, as permitted under the ECC application process.

On 5 February 2013, SMI advised that it had received a copy of an official notification from the Office of the President to the DENR with the direction to: "*resolve the abovementioned application for an ECC without any consideration of requirements other than those imposed under the EIS system itself.*"

OPERATING AND FINANCIAL REVIEW (continued)

Environmental Compliance Certificate (ECC) (continued)

The DENR had previously confirmed in May 2012 that the Environmental Management Bureau (EMB) and independent Environmental Impact Assessment Review Committee both concluded that SMI had satisfactorily complied with all the requirements under the EIS system.

On 19 February 2013, SMI received the Mine ECC subject to certain terms and conditions. SMI has reviewed the terms and conditions, and is corresponding with the DENR on the matter. The Company awaits the outcome at the date of this report.

Open Pit Mining - South Cotabato

In June 2010, the South Cotabato provincial government (the jurisdiction in which the Tampakan deposit is located) approved a new Environment Code (Code) that included a ban on open pit mining. The Code took effect in October 2010.

The national government has stated that the ban is contrary to national laws and must be amended in accordance with those laws which allow open pit mining. The Philippines' President has expressed support for minerals development in the Philippines and the need for the open pit issue to be resolved. At the time of publication, the Code, and the section pertaining to a provincial ban on open pit mining, remains in place.

On 9 July 2012, the Philippines Government issued a new Mining Policy in the form of an Executive Order (EO79) under the authority of the Philippines' President, His Excellency Benigno S Aquino III. The EO included direction which requires local government ordinances to be brought into line with the Philippines' Constitution and national laws.

On 10 September 2012, the Implementing Rules and Regulations (IRRs) of EO79 were signed by the Secretary of the DENR. The IRR's were published on 10 October 2012 and took effect 15 days after publication.

The Company believes that the issuing of EO79 should be a catalyst to resolving the open pit mining ban. The Company has made recommendations regarding these matters to Xstrata and feels confident that, if agreed, these issues can be satisfactorily resolved.

Other Exploration

Northern Luzon – Itogon Gold Project

The Group continued drilling at the Itogon Gold Project in Northern Luzon during the year, testing shallow positions as well as lateral and depth extensions of the Frog, Taka Barr, Sesame, Gilkison and Pine Fault vein systems. All drill results and assays received to date for Itogon have been reported in the Company's quarterly reports. Although all drill holes successfully intersected their designated targets, the drilling did not define a significant shallow mineable resource on the Frog and Taka Barr vein systems.

Towards the end of 2012, the first two holes of a four-hole program were tested below the 1300 level which was the prime target. Drill hole ITDH046 at Itogon South, testing a potential porphyry copper target defined by Induced Polarisation geophysics, was completed in the last quarter. All assays have been received, with no significant copper or gold intersections. The Mining Lease Contract (MRD 479) for Itogon was due to expire after its initial 25 year term on 28 September 2012 and the Company filed its application for renewal/conversion prior to the expiry date. On 18 March 2013, the Philippines Government formally ended a long-running moratorium on the processing and renewal of applications. At the date of this report, the Group awaits the outcome of the application.

As there have been no significant drilling results to date and with the impending license renewal/conversion, the Group has expensed all deferred exploration costs in the Statement of Comprehensive Income.

Eastern Mindanao – Manat Gold Project

The Group holds a 25% interest in the Manat Gold Project, located in Eastern Mindanao. The Declaration of Mining Project Feasibility (DMPF) has been submitted to the Philippines Government. On 9 January 2013, the DMPF successfully passed through the regional Mines and Geosciences Bureau (MGB) process and has been referred to the MGB central office in Manila and is under review and consideration.

Central Mindanao – Buda and Mt Kinabalin

In Central Mindanao, the Group held three tenement applications in the Buda area as well as a joint venture interest with Freeport McMoRan over two blocks of tenement applications at Mt Kinabalin and Buda.

Following the issue of EO79 by the Philippines Government and changes in the MGB approach to permitting matters, these applications were denied as part of an industry-wide policy change. After due consideration and consultation with Freeport McMoRan, the Group has opted not to pursue the applications.

Placement Agreement with Alsons Power Holdings Corp (APHC)

On 12 December 2011, the Company moved to strengthen its offshore strategic alliance by entering into a placement agreement to raise A$97.700M (US$99.361M) with APHC, which is controlled by long-term Philippine-based Indophil shareholder, the Alsons Group. APHC's investment was undertaken with financial support arranged by a major Philippines bank, BDO Unibank.

The placement consisted of two tranches:

- Tranche 1 – the issue of 66,666,667 shares at $0.45 per share, at a premium to the prevailing share price, to raise $30.000M.

- Tranche 2 – the issue of 141,041,667 shares at $0.48 per share, at a premium to the prevailing share price, to raise $67.700M. The issue of Tranche 2 shares was conditional upon both Australian Foreign Investment Review Board (FIRB) and shareholder approval.

Australian FIRB approval was received on 24 January 2012 and shareholder approval on 3 February 2012. On completion of the two tranches, the Alsons Group controls 19.99% of the Company. As part of the placement agreement, APHC had the right to nominate two representatives to the Company's Board. Mr Nicasio Alcantara was appointed to the Board on 29 December 2011, followed by Mr Walter Wassmer who was appointed on 6 February 2012. Mr Wassmer resigned on 6 September 2012, and Mr Frederic DyBuncio was appointed on the same date.

The funds raised under the placement will be used for the primary purpose of advancing the Tampakan Project.

Executive Management

Mr Neil Grimes joined the Company on 9 January 2012, as Executive General Manager Corporate Development and Vice President International Business. Mr Grimes comes with a wealth of industry experience and has taken an active role in managing the Company's international asset base. For more detail, refer to the Company's announcement of 29 December 2011.

OPERATING AND FINANCIAL REVIEW (continued)

Operating results for the year

The Group recorded a net profit after tax of $5.488M (2011: $0.984M) for the year. The change resulted predominantly from:

(i) Revenue for the year was $21.212M (2011: $13.011M), increased by interest revenue earned on cash balances as a result of the 2011 capital raising and the completion of the APHC placement agreement in 2012.

(ii) Fair value adjustment to the contingent consideration on the Itogon Gold Project of $3.847M (2011: nil).

(iii) Exploration and evaluation costs of $7.517M (2011: $2.310M) of which $5.007M was previously deferred exploration costs, has been expensed during 2012 on the Itogon Gold Project.

(iv) Other expenses $10.330M (2011: $5.581M).

(v) Share of profit/(loss) from associate of $0.548M (2011: ($4.136M)).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On completion of Tranche 1 (12 December 2011) and Tranche 2 (6 February 2012) of the Placement Agreement with APHC, the Company raised a total of $97.700M (before transaction costs) and issued 207,708,334 new ordinary shares. The Alsons Group now holds a 19.99% interest in the Company's shares.

SIGNIFICANT EVENTS AFTER BALANCE DATE

On 5 February 2013, SMI advised it had received a copy of an official notification from the Office of the President to the government's Department of Environmental and Natural Resources (DENR) with the direction to: "*resolve the abovementioned application for an ECC without any consideration of requirements other than those imposed under the EIS system itself.*"

On 19 February 2013, SMI received the Mine Environmental Compliance Certificate, subject to certain terms and conditions. SMI has reviewed the terms and conditions and is corresponding with the DENR on the matter. The Company awaits the outcome as at the date of this report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The pending Glencore acquisition of Xstrata is one of the largest global resource transactions ever undertaken. It is a significant and likely development, with implications for the Company.

Recently, closure of the deal was foreshadowed to be mid-January 2013. The final outstanding regulatory approval is being sought from the Ministry of Commerce People's Republic of China (MOFCOM). While this has delayed the deal closure and no firm timeframe is available, the expectation is that final approval is imminent.

The Company believes the transition to a new owner for Xstrata provides a significant opportunity to address our concerns and focus on unlocking the value in the Tampakan Project, in the interest of all stakeholders.

The Company continues to work closely with SMI to find a resolution to both the granting of the ECC and addressing the ongoing ban on open pit mining in South Cotabato. It is believed that these issues can be resolved.

As previously reported, the Company, as part of a longer-term commitment, continues to consider seeking an additional listing on the Philippine Stock Exchange.

The Group is reviewing its non-Tampakan exploration portfolio. Given the issuance of EO79 by the Philippines Government and subsequent developments, coupled with the Company's emphasis on developing the Tampakan Project, the Group is considering a range of options, including divestment of these non-Tampakan assets.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The environmental obligations of the Company and its controlled entities arise primarily from exploration and evaluation activities at its various project sites in the Philippines. As a minimum, the policies of the Company require management and employees to meet environmental performance standards required by law in the Philippines. In 2012, the Tampakan Project received its sixth Presidential Award for industry leading practices in environmental management.

During 2012 and at the date of this report, there have been no significant known breaches of standards or regulations of environmental agencies in Australia or the Philippines.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into agreements to indemnify the Directors, Officers and the Company Secretary named in this report against all liabilities to persons (other than the Company), which arise out of the performance of their normal duties as Directors, Officers or Company Secretary, unless the liability relates to conduct involving a lack of good faith or is otherwise prohibited by law. The Company has agreed to indemnify the Directors, Officers and the Company Secretary against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

SHARE OPTIONS

Unissued Shares

At the reporting date and the date of this report, there were 3,374,750 unissued ordinary shares under options. Refer to the Remuneration Report for further details of the options outstanding.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Shares issued as a result of the exercise of Options

During the financial year, no options were exercised by employees or executives to acquire fully paid ordinary shares in Indophil Resources NL. During the year, 1,950,000 options expired:

- 1,000,000 options expired with an exercise price of $0.80 per share;
- 500,000 options expired with an exercise price of $0.85 per share; and
- 450,000 options expired with an exercise price of $0.95 per share.

No Directors or Executives received any financial benefit from these expired options.

ROUNDING

The amounts contained in this report and in the Financial Report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under *ASIC Class Order CO 98/0100*. The Company is an entity to which the Class Order applies.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received, or was due to receive, the following amounts for the provision of non-audit services:

	$
Tax and corporate advice	**113,820**

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Auditor's Independence Declaration to the Directors of Indophil Resources NL

In relation to our audit of the financial report of Indophil Resources NL for the financial year ended 31 December 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.

Ernst & Young

Ernst & Young

Michael Collins
Partner
27 March 2013

REMUNERATION REPORT (audited)

This Remuneration Report for the year ended 31 December 2012 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. This information has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

For the purpose of this report, Key Management Personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether Executive or otherwise) of the Company. For the purposes of this report, the term 'Executive' encompasses the Chief Executive Officer and Managing Director (CEO) and other Executives of the Company. For further details of KMP, refer to Note 21 in the Financial Report.

Key Management Personnel

(i) Directors

B Phillips	Non-Executive Chairman
K Wightman	Non-Executive
T Robbins	Executive
D Carland	Non-Executive
N Alcantara	Non-Executive
F DyBuncio	Non-Executive (appointed 6 September 2012)
W Wassmer	Non-Executive (appointed 6 February 2012; resigned 6 September 2012)

(ii) Chief Executive Officer and Managing Director

R Laufmann

(iii) Executives

N Grimes	Executive General Manager Corporate Development (appointed 9 January 2012)
A Krauser	Chief Financial Officer (resigned as Company Secretary on 3 February 2012)
K Donehue	Company Secretary (appointed on 3 February 2012)
G Collery	Manager Corporate Affairs

There were no other changes to Key Management Personnel after the reporting date and before the date the financial report was authorised for issue.

Remuneration Governance

Remuneration and Nomination Committee

The Remuneration Committee was established on 26 July 2011 and comprises three independent Non-Executive Directors (NEDs). The Board established a Nomination Committee as part of the Remuneration Committee on 15 June 2012.

The Remuneration and Nomination Committee has delegated decision-making authority for some matters related to the remuneration arrangements for the NEDs and Executives, and is required to make recommendations to the Board on other matters. Specifically, the Board approves the remuneration arrangements of the CEO and other Executives and all awards made under the long-term incentive (LTI) plan, following recommendations from the Remuneration and Nomination Committee. The Board also sets the aggregate remuneration of NEDs, which is then subject to shareholder approval, and NED fee levels. The Remuneration and Nomination Committee approves, having regard to the recommendations made by the CEO, the level of the Group short-term incentive (STI) pool.

REMUNERATION REPORT (audited) (continued)

Remuneration Governance (continued)

The Remuneration and Nomination Committee will meet six monthly or more frequently if required. The CEO attends Committee meetings by invitation, where management input is required. The CEO is not present during any discussions related to his own remuneration arrangements.

Further information on the Remuneration and Nomination Committee's role, responsibilities and membership can be seen at www.indophil.com.

Use of Remuneration Consultants

To ensure that the Remuneration and Nomination Committee is fully informed when making remuneration decisions, it seeks external remuneration advice. Remuneration Consultants are engaged by, and report directly to, the Committee. In selecting remuneration consultants, the Committee considers potential conflicts of interests and requires independence from the Group's KMP and other executives as part of their terms of engagement.

During the financial year, the Remuneration and Nomination Committee recommended and the Board approved the engagement of Swann Global to provide remuneration recommendations regarding:

- Insights on trends, regulatory developments and shareholder views;
- Market benchmarking data in relation to the Board, CEO and Executive remuneration;
- Remuneration for the CEO and Executives; and
- The Company's existing incentive plans.

The remuneration recommendations were provided to the Committee as an input into decision-making only. The Remuneration and Nomination Committee considered the recommendations, along with other factors, in making its remuneration decisions.

The fee paid to Swann Global for the remuneration recommendations was $25,000. Other services provided by Swann Global included advisory services of $15,000 for the year.

The Committee is satisfied that the advice received from Swann Global is free from undue influence from the KMP to whom the recommendations apply, as Swann Global was engaged by, and reported directly to, the Chair of the Remuneration and Nomination Committee. Swann Global also confirmed in writing to the Chair that the recommendations were made free from undue influence by the Group's KMP.

Remuneration Report approval at 2011 Financial Year (FY) AGM

In May 2012, the 2011 Remuneration Report received positive shareholder support at the FY11 Annual General Meeting with a vote of 91.44% in favour.

Remuneration Structure

The Board assesses the appropriateness of the nature and amount of remuneration of Directors on a discretionary basis and Executives on a periodic basis by reference to relevant employment market conditions. The Board's aim is to ensure that remuneration packages properly reflect each person's duties and responsibilities, qualifications and experience, and that the Company remains competitive in attracting, retaining and motivating people of the highest calibre.

Non-Executive and Executive Director Remuneration

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The Company's constitution and the ASX rules specify that the NED fee pool shall be determined from time to time by a general meeting. The latest determination was at the FY 2011 Annual General Meeting (AGM) held on 2 May 2012 when shareholders approved an aggregate pool fee of $800,000 per year.

The Board will not seek any increase for the NED pool at the FY 2012 AGM.

Fees paid to Non-Executive and Executive Directors reflect the demands that are made on, and responsibilities of, Non-Executive and Executive Directors in discharging their duties. The fees are fixed and no remuneration is tied to the Company's performance. Each NED and Executive Director receives a fee for being a Director of the Company. No additional fee is paid for each Board committee on which a Director sits.

Mr Robbins, Mr Wightman, Dr Carland, Mr Alcantara and Mr DyBuncio each receive a fee of $80,000 per annum, inclusive of the statutory 9% superannuation contribution for being a Director of the Group. There was no increase in Directors fees during the financial year. Directors are also entitled to be reimbursed for all business related expenses, including travel on company business as may be incurred on the discharge of their duties. Such reimbursements are not included in the remuneration cap. In addition, under a consultancy agreement with the Company, Mr Robbins provides consultancy services on a monthly basis limited to a maximum of 10 days per month at $2,000 per day. A portion of these services are recharged to SMI in accordance with an agreement between SMI and the Company (refer Note 21 for details).

The Chairman receives a fee of $174,000 per annum inclusive of the statutory 9% superannuation contribution, plus life insurance coverage. There was no increase in fees paid to the Chairman during the year.

Executive Remuneration

During the 2012 year, the Executive remuneration framework consisted of Fixed Remuneration, Short, Medium and Long-Term incentives as outlined below.

The Group aims to reward Executives with a level and mix of remuneration appropriate to their position, responsibilities and performance within the Group and aligned with market practice.
Remuneration levels are considered annually through a remuneration review that considers market data, insights into remuneration trends, the performance of the Company and the individual, and the broader economic environment.

The following summarises the CEO and Executives remuneration mix:

	CEO	EGM Corporate Development	Executives
Fixed Remuneration (FR)	✓	✓	✓
Short-term incentive opportunity	-	-	up to a max 20% of FR
Medium-term performance incentive opportunity	as defined in this report		-
Long-term incentive opportunity	as defined in this report	-	up to a max 30% of FR

(i) Fixed Remuneration (FR)

FR refers to agreed base salary plus associated benefits. This includes insurance premiums and statutory benefits such as superannuation, annual and long service leave. FR is benchmarked against industry and job role comparator groups. Individual performance will influence the changes in FR.

REMUNERATION REPORT (audited) (continued)

Executive Remuneration (continued)

(ii) Short-term Incentives (STI) - Executives

The STI is an annual cash-based incentive and is payable up to a maximum of 20% of FR. STI's are linked to achieving key objectives of the Company within the financial year, as well as to reward individual performance. The Company uses a mix of Key Behavioral Indicators and Key Performance Indicators.

(iii) Medium-term Performance Incentives (MTI)

(a) CEO - MTI

The CEO is entitled to a cash incentive payment under his current employment contract, payable in tranches over a three-year period, potentially earning up to a maximum of $750,000. The objective of the MTI is to align decision-making of the CEO with shareholder value in the longer term.

The MTI is subject to market performance conditions, linked to an annual increase in the Company's share price over each year of the CEO's contract term. The incentive payment commences at 20% of the maximum possible incentive payment for a share price increase of 6% in a year, increasing linearly up to the maximum incentive payment for a share price increase of at least 10% in a year.

The CEO has indicated that he intends to convert the net proceeds of the MTI incentive to Indophil shares at market when and if the incentive is paid.

The possible maximum entitlement to MTI for each discrete year of the contract term was determined as follows:

- Up to $200,000 inclusive of statutory superannuation, payable immediately following one year after the commencement date. The CEO received no entitlement during the 2012 year due to the share price performance.
- Up to $250,000 inclusive of statutory superannuation, payable immediately following two years after the commencement date. The 2013 MTI will only trigger if the share price is in excess of $0.42 in June 2013.
- Up to $300,000 inclusive of statutory superannuation, payable immediately following three years after the commencement date.

(b) EGM - MTI

The EGM Corporate Development is entitled to a cash incentive payment under his current employment contract entered into 9 January 2012, payable in tranches over a three-year period, potentially earning up to a maximum of $497,000. The objective of the MTI is to align decision-making of the EGM Corporate Development with shareholder value in the longer term.

The MTI is subject to market performance conditions, linked to an annual increase in the Company's share price over each year of the EGM's Corporate Development contract term. The incentive payment commences at 20% of the maximum possible incentive payment for a share price increase of 6% in a year, increasing linearly up to the maximum incentive payment for a share price increase of at least 10% in a year.

The possible maximum entitlement to MTI for each discrete year of the contract term was determined as follows:

- Up to $132,000 inclusive of statutory superannuation, payable immediately following one year after the commencement date. The EGM received no entitlement in relation to this award due to the share price performance.

- Up to $165,000 inclusive of statutory superannuation, payable immediately following two years after the commencement date.
- Up to $200,000 inclusive of statutory superannuation, payable immediately following three years after the commencement date.

(iv) Long-term Incentive – CEO

The CEO is entitled to a cash incentive payment of $600,000 (based on $200,000 annual accrual) inclusive of statutory superannuation at the expiry of his three-year contract (see next page for detail). As with the MTI and to align the CEO with shareholders, he has indicated that he intends to commit any incentive payments he receives on an after tax and superannuation basis into on-market purchase of Indophil shares.

(v) Long-term Incentives (LTI) – Executives (excluding CEO and EGM)

The objective of the LTI is to encourage Executive performance to deliver sustained shareholder value. The LTI is a grant of options to Executives under the current Employee Option Plan and is reviewed annually. The Company has reviewed and adjusted the LTI mechanism each year in response to the changing circumstances of the Company, the regulatory environment, governance trends and shareholder feedback.

The previous LTI plan horizon of three years has been lengthened with the introduction of three tranches exercisable at three, four and five years. The previous low hurdle has been increased to 5%, 15% and 30% absolute price performance premium to each tranche. The Indophil Board does not consider that any sensible configuration of relative performance hurdles can be applied to vesting criteria as it would trigger a large and unreasonable upfront tax liability on the Executive based on a proxy value that may never be realised.

(a) *Employee Option Plan (EOP)*

The EOP was implemented on 4 August 2011 as an incentive scheme to directly align Executives and employees with shareholders' interests. The incentive scheme was not offered to the CEO, EGM or Directors during the reporting period. On 20 December 2012, the Company issued 2,760,750 (2011: 614,000) premium priced options to Executives and employees divided into three equal tranches as follows:

	Tranche 1	Tranche 2	Tranche 3
No. of Options	920,250	920,250	920,250
Expiry Date	19 December 2015	19 December 2016	19 December 2017
Exercise Price	$0.25	$0.28	$0.31
Premium to share price	5%	15%	30%

The options were issued in three tranches, with increasing performance hurdles (they were subject to tax on issue as no vesting criteria applied). They expire in the event that employment is terminated.

(b) Indophil Employee Share Plan (ESP)

The ESP was implemented to directly align Executives' and shareholders' interests. The ESP involved the issue of shares in the Company. A total of 1,755,641 ESP shares had fully vested at 31 December 2011. The ESP shares expired on 4 June 2012. The share-based payment benefits tabled in the 2009 and 2010 annual report were not received by KMP's and the shares were sold by the Company on market. The proceeds of the share sales were applied to the Executives' loans and the remainder of the loans were forgiven. At 31 December 2012, there were no ESP shares outstanding.

REMUNERATION REPORT (audited) (continued)

Executive Remuneration (continued)

(b) Indophil Employee Share Plan (ESP) (continued)

Under the terms of the ESP, an initial share allocation was made after completion by the Executive of a qualifying period of 12 months. The Company adopted an initial four-year vesting period for shares issued under the ESP. The Board approved a resolution at a meeting on 17 September 2010 to facilitate takeover discussion at that time, for the full vesting of the remaining 50% of shares under the ESP.

Under the ESP, an interest free non-recourse loan was made to the Executives to fund the acquisition of shares in the Company. Dividends were required to be applied to the loan reduction, and the loan balance was to be paid out from any share sale proceeds. If the loan balance had not retired, the Executive was unable to receive any benefit from the shares. Generally, if an Executive left the Company prior to the vesting of shares, then the unvested shares were forfeited and the loans were forgiven.

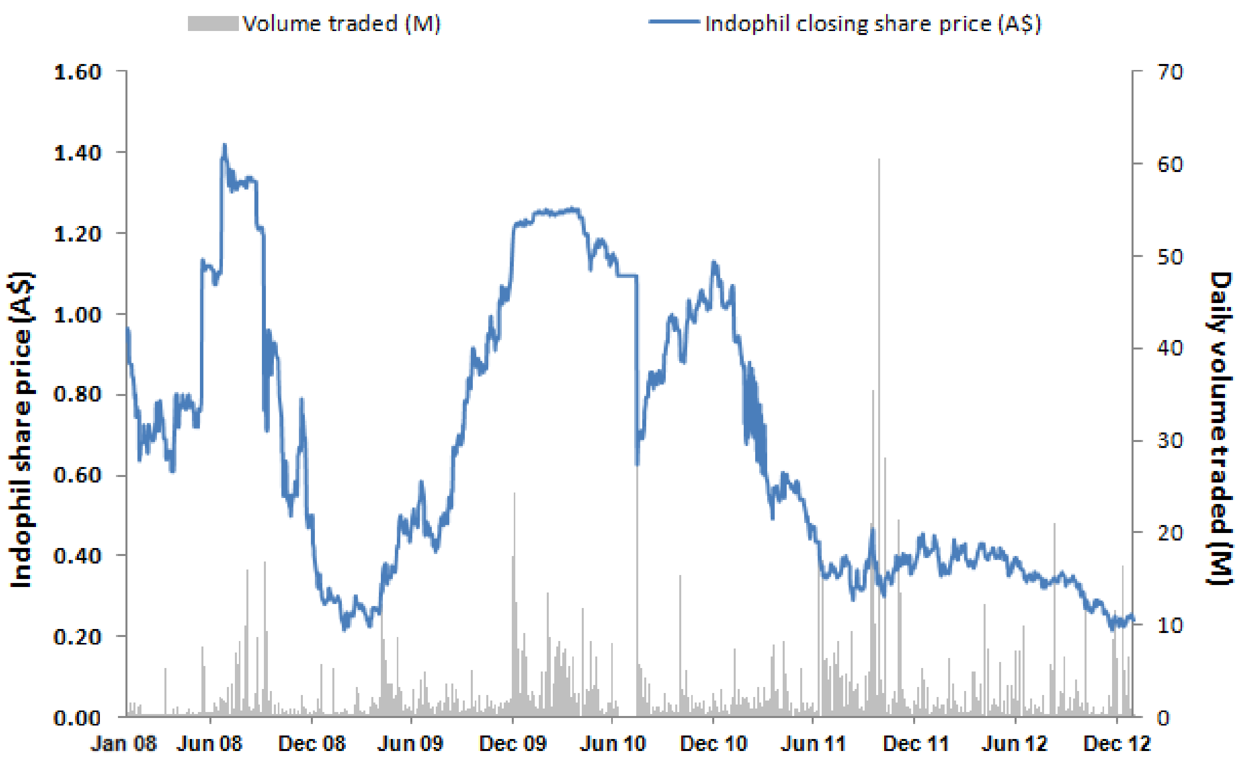
(c) Indophil Option Plan (Option Plan)

The Company has not issued any options under the Option Plan since 1 May 2007. Under the terms of the Option Plan, options granted to Non-Executive Directors and Executives vested over a period of three years. All options under this Option Plan had vested on 31 December 2011 and 1,950,000 options expired during 2012 with no benefit realised by Non-Executive Directors and KMP. At 31 December 2012, there were no options outstanding and no further options will be issued under the Option Plan.

(vi) Hedging of equity awards

The Company prohibits Executives and employees from entering into arrangements to protect the value of unvested long-term incentive awards. The prohibition includes entering into contracts to hedge their exposure to options awarded as part of their remuneration package.

The graph below shows the share price of the Group from 1 January 2008 to 31 December 2012:



Summary of Executive Contractual Arrangements

Remuneration arrangements for KMP are formalised in employment agreements. The contracts below include arrangements entered into prior to the amendments to the *Corporations Act 2001* regarding termination payments which came into effect 24 November 2009. The new legislative provisions apply to KMP contract variations after 24 November 2009 and to agreements with KMP appointed after 24 November 2009. As such, pre-existing contracts are generally not subject to the new limits on termination payments.

(i) Chief Executive Officer and Managing Director

R Laufmann

Mr Laufmann is employed under a three-year contract entered into 1 June 2011, terminating 31 May 2014. Mr Laufmann has been the CEO since June 2007. Under the terms of his present contract:

- The CEO was entitled to a base remuneration of $600,000 per annum plus 9% statutory superannuation. The CEO's salary increased 5% effective 1 July 2012 to $630,000 per annum;
- The CEO is entitled to the MTI as detailed in this report; and
- The CEO is entitled to the LTI as detailed in this report.

Mr Laufmann has advised the Company that he intends to commit any incentive payments he receives on an after tax and superannuation basis into on-market purchase of Indophil shares, subject to any trading blackout periods and assuming that Indophil is listed at that time.

Mr Laufmann may terminate his contract by giving three months notice. The Company may terminate his contract, and for reasons other than breach of contract, the redundancy provisions apply.

In the event that the CEO is terminated as a result of redundancy, the CEO is entitled to a payment equivalent to 12 months salary. In certain circumstances where redundancy is not applicable under the contract:

- some or all of the LTI is payable; and
- the MTI in the relevant year may be payable in part, subject to performance hurdles.

(ii) Executives

N Grimes – Executive General Manager Corporate Development

Mr Grimes was appointed as EGM Corporate Development on 9 January 2012 and may resign from the Company by giving three months notice. The Company may terminate his employment as of right on three months notice.

In the event that the employment of Mr Grimes is terminated as a result of a redundancy, Mr Grimes will be entitled to a payment equivalent to 12 months salary.

Mr Grimes received a sign-on bonus of $74,000 on commencement of employment in lieu of foregone benefits and incentives from his previous employment.

A Krauser – Chief Financial Officer

Ms Krauser was appointed CFO on 1 December 2007 and Company Secretary on 7 November 2008. Ms Krauser resigned as Company Secretary on 3 February 2012. Ms Krauser may resign from the Company by giving three months notice. The Company may terminate her employment as of right on three months notice.

In the event that the employment of Ms Krauser is terminated as a result of a redundancy, Ms Krauser will be entitled to a payment equivalent to 12 months salary.

REMUNERATION REPORT (audited) (continued)

Executive Remuneration (continued)

(ii) Executives (continued)

K Donehue – Company Secretary

Ms Donehue has been employed with the Company since 6 February 2008 and was appointed Company Secretary on 3 February 2012. Ms Donehue may resign from the Company by giving three months notice. The Company may terminate her employment as of right on three months notice.

In the event that the employment of Ms Donehue is terminated as a result of a redundancy, Ms Donehue will be entitled to a payment equivalent to six months salary.

G Collery – Manager Corporate Affairs

Mr Collery was appointed Manager Corporate Affairs on 12 September 2005 and may resign from the Company by giving three months notice. The Company may terminate his employment as of right on six months notice.

In the event that the employment of Mr Collery is terminated as a result of the acquisition of the Company by a third party, Mr Collery will be entitled to a severance payment equivalent to a minimum of 12 months fixed annual reward.

REMUNERATION REPORT (audited) (continued)

Composition of Remuneration of Key Management Personnel

		Short-term benefits			Post-Employment	Long-term benefits		Share based payments	Termination payments	Total	Performance related
Directors		Salary & Fees $	Cash Bonus $	Non-Monetary Benefits (1) $	Super-annuation $	Long Service Leave $	MTI//LTI (3)/(8) $	Employee Option Plan (2) $	$	$	%
B Phillips	**2012**	**145,133**	**-**	**24,666**	**28,867**	**-**	**-**	**-**	**-**	**198,666**	**-**
	2011	152,408	-	21,532	16,341	-	-	-	-	190,281	-
R Laufmann (3)	**2012**	**615,000**	**-**	**16,615**	**55,350**	**15,642**	**250,000**	**-**	**-**	**952,607**	**5**
	2011	775,000	-	8,265	69,750	464	116,667	-	-	970,146	-
T Robbins (4)	**2012**	**289,900**	**-**	**-**	**30,001**	**-**	**-**	**-**	**-**	**319,901**	**-**
	2011	230,122	-	-	69,975	-	-	-	-	300,097	-
K Wightman	**2012**	**68,739**	**-**	**-**	**11,261**	**-**	**-**	**-**	**-**	**80,000**	**-**
	2011	21,875	-	-	48,100	-	-	-	-	69,975	-
D Carland	**2012**	**73,394**	**-**	**-**	**6,606**	**-**	**-**	**-**	**-**	**80,000**	**-**
	2011	27,332	-	-	-	-	-	-	-	27,332	-
N Alcantara (5)	**2012**	**80,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**80,000**	**-**
	2011	-	-	-	-	-	-	-	-	-	-
W Wassmer (6)	**2012**	**47,204**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**47,204**	**-**
	2011	-	-	-	-	-	-	-	-	-	-
F DyBuncio (7)	**2012**	**25,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**25,000**	**-**
	2011	-	-	-	-	-	-	-	-	-	-
KMP											
N Grimes (8)	**2012**	**392,820**	**74,000**	**8,823**	**28,935**	**1,594**	**75,000**	**-**	**-**	**581,172**	**13**
	2011	-	-	-	-	-	-	-	-	-	-
A Krauser	**2012**	**228,635**	**14,202**	**12,303**	**21,855**	**8,006**	**-**	**56,728**	**-**	**341,729**	**21**
	2011	185,000	10,000	4,908	17,550	4,401	-	16,942	-	238,801	11
K Donehue (9)	**2012**	**120,270**	**15,266**	**13,532**	**12,198**	**3,860**	**-**	**22,822**	**-**	**187,948**	**20**
	2011	-	-	-	-	-	-	-	-	-	-
G Collery	**2012**	**174,242**	**23,864**	**34,159**	**30,430**	**5,070**	**-**	**47,600**	**-**	**315,365**	**23**
	2011	157,189	5,000	23,320	38,577	10,036	-	24,109	-	258,231	11
R Mirfield (10)	**2012**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2011	179,780	1,000	22,653	55,946	5,007	-	9,122	-	273,508	4
Total	**2012**	**2,260,337**	**127,332**	**110,098**	**225,503**	**34,172**	**325,000**	**127,150**	**-**	**3,209,592**	
Total	2011	1,728,706	16,000	80,678	316,239	19,908	116,667	50,173	-	2,328,371	

REMUNERATION REPORT (audited) (continued)

Remuneration of Key Management Personnel (continued)

Notes:

(1) Non-monetary benefits includes insurance premiums paid by the Company and parking benefits for three Executives.

(2) Fair value charge of Long-term Incentives granted to Executives.

(3) Should Mr Laufmann complete his full three year contract, then a long-term incentive of $600,000 will be payable under his employment contract. Mr Laufmann has advised the Company that he intends to commit any incentive payments he receives on an after tax and superannuation basis into on-market purchase of Indophil shares, subject to any trading blackout periods and assuming that Indophil is listed at that time.

Mr Laufmann is also entitled to the MTI as detailed in this report. Mr Laufmann received no benefit under this Plan for the 2012 year.

(4) The remuneration paid to Mr Robbins includes a consultancy fee of $239,900 (2011: $230,122) of which $68,123 (2011: $67,929) relates to his secondment to SMI.

(5) Mr Alcantara was appointed as a Non-Executive Director on 29 December 2011 and received no directors' fees during the 2011 year.

(6) Mr Wassmer served as a Non-Executive Director from 6 February 2012 to 6 September 2012.

(7) Mr DyBuncio was appointed as a Non-Executive Director on 6 September 2012.

(8) Mr Grimes was appointed on 9 January 2012 and received a sign on bonus of $74,000 on commencement of employment in lieu of foregone benefits and incentives in his previous employment. Mr Grimes is further entitled to the MTI under his contract as detailed in this report. No cash incentive was received in the 2012 year apart from the sign on bonus.

(9) Ms Donehue has been employed with the Company since 6 February 2008 and appointed as Company Secretary on 6 February 2012. Ms Donehue was not classified as KMP for the 2011 reporting year.

(10) Mr Mirfield is no longer classified as KMP for the 2012 year as a result of the change in definition of KMP which no longer includes the five highest paid Executives.

Long-term incentives

Indophil Employee Share Plan (ESP)

There were no shares issued under the ESP to Executives in 2012. There was a total of 1,755,641 ESP shares that expired on 4 June 2012 and they were sold by the Company on market.

Options granted as part of remuneration

The table below discloses share options granted to Executives as remuneration during 2012. Share options do not carry voting or dividend rights. There was a total of 1,950,000 options that lapsed during the year.

Options awarded and lapsed during the year

	Options awarded during the year No.	Award and vesting date	Fair value per option at award date $	Exercise Price $	Expiry date	Options lapsed during the year No.
Directors						
T Robbins	-	-	-	-	-	500,000
K Wightman	-	-	-	-	-	250,000
Key management personnel						
A Krauser	304,500	20 Dec 2012	$0.06	$0.25	19 Dec 2015	-
	304,500	20 Dec 2012	$0.06	$0.28	19 Dec 2016	-
	304,500	20 Dec 2012	$0.06	$0.31	19 Dec 2017	-
K Donehue	122,500	20 Dec 2012	$0.06	$0.25	19 Dec 2015	-
	122,500	20 Dec 2012	$0.06	$0.28	19 Dec 2016	-
	122,500	20 Dec 2012	$0.06	$0.31	19 Dec 2017	-
G Collery	255,500	20 Dec 2012	$0.06	$0.25	19 Dec 2015	100,000
	255,500	20 Dec 2012	$0.06	$0.28	19 Dec 2016	-
	255,500	20 Dec 2012	$0.06	$0.31	19 Dec 2017	-
Total	**2,047,500**					**850,000**

Value of options awarded, exercised and lapsed during the year

	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of share options for the year %
Executive director				
T Robbins	-	-	(149,999)	-
K Wightman	-	-	(77,501)	-
Key management personnel				
A Krauser	56,728	-	-	17
K Donehue	22,822	-	-	12
G Collery	47,600	-	(27,001)	15
Total	**127,150**	**-**	**(254,501)**	

Signed in accordance with a resolution of the Directors.

B Phillips
Chairman
Melbourne, 27 March 2013

Corporate Governance Statement

The Board of Directors of Indophil Resources NL (the Company) is responsible for establishing the corporate governance framework of the Group, having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. Entities are required to disclose corporate governance principles that they have not adopted and to state the reasons why specific principles have not been adopted and the details of any departures are set out below. The corporate governance principles and policies of the Company have been structured with reference to the Council's eight corporate governance principles.

(1) Lay solid foundations for management and oversight

The Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant risk and ensuring arrangements are in place to adequately manage those risks.

To ensure the Board is well equipped to discharge its responsibilities, it has established guidelines for the nomination and selection of directors and for the operation of the Board.

The responsibility of the operation and administration of the Group is delegated, by the Board, to the CEO and the executive management team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the executive management team.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved and responsibilities of the Board include:

(i) providing input into and final approval of management's strategy and goals designed to promote the achievement of those strategic objectives;

(ii) delegating the necessary authorities and ensuring appropriate resources are available to the CEO and senior Executives to deal with the day-to-day operational aspects of the Company;

(iii) monitoring the performance of the CEO and senior Executives against these goals and objectives;

(iv) ensuring that the business risks facing the Company are, wherever possible, identified and that the appropriate monitoring and reporting controls are in place to manage these risks; and

(v) through the operation of the Remuneration and Nomination Committee, appointing the CEO, approving the performance evaluation and determining the remuneration of executive levels of management. Ensuring that appropriate policies and procedures are in place for recruitment, remuneration and succession planning.

(2) Structure the Board to add value

The Directors of the Company and details of their skills, experience and expertise, attendances at meetings and the period of office held are included in this Directors' Report. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with the exercise of their unfettered and independent judgement.

The Company has seven Directors including the CEO, five of whom are Non-Executive Directors.

The Board of the Company satisfies the Council's Recommendation 2.1 that a majority of the Board members are independent. Taking into account the factors set out in commentary to Recommendation 2.1, Mr Phillips (Chairman), Mr Wightman, Dr Carland and Mr DyBuncio are considered to be independent. The Company considers Mr Robbins to be an Executive Director as he provides a range of consultancy services to the Company and is therefore not considered independent. Mr Alcantara serves as a director in the Alsons Group of Companies which is a substantial shareholder and is therefore not considered independent. The seventh member of the Board is Mr Laufmann who is the CEO. The Board has a diverse skills base with its members having substantial experience in mining, geosciences, commercial and financial activities. The Board also has extensive experience in financing, constructing, commissioning and operating mining projects. Further, the Board also has diverse representation beyond the Company's domestic border. For these reasons and having regard to the fact that the Chairman is an independent Director, the Board considers that its structure is reasonable for an organisation of its size and nature.

Each Director has the right of access to all relevant Company information and to the Company's Executives and, subject to prior consultation with and approval from the Chairman, may seek independent professional advice from a suitably-qualified advisor at the Company's expense. The Director must consult with an advisor suitably qualified in the relevant field and obtain the Chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the Director is made available to all other members of the Board.

The Board established a Nomination Committee on 15 June 2012 which serves as a combined Remuneration and Nomination Committee. The Committee meets at least annually to ensure that the Board continues to operate within the established guidelines, including where necessary, selecting candidates for the position of director. The Remuneration and Nomination Committee comprises three Non-Executive Directors, namely: Dr Carland who serves as Chairman, Mr Phillips and Mr Wightman.

(3) Promote ethical and responsible decision-making

The Company recognises the need to ensure that high ethical standards are adopted at all times. As per the Company's Code of Conduct Policy (a copy of which can be found on the Company's website), all Directors, Executives and employees must conduct themselves with the utmost integrity and objectivity in their business dealings, comply with their legal obligations, and have regard to reasonable expectations of its stakeholders.

The Company has established a Diversity Policy (a copy of which can be found on the Company's website) which provides the written framework and objectives for achieving a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives, irrespective of gender, age, ethnicity or cultural background. The Board is responsible for developing, where possible, measurable objectives and strategies to support the framework and objectives of the Diversity Policy. The Remuneration and Nomination Committee is responsible for monitoring the progress of the measurable objectives through various monitoring, evaluation and reporting mechanisms.

In addition, the Company has well-developed cultural awareness and social justice policies and practices that, where appropriate, contribute to the education and welfare of indigenous people within its areas of activity, including establishing the framework for sustainable development.

The achievement of the measurable objectives in the current financial year was taken into consideration in assessing bonuses for employees. The Group will continue to review and update the measurable objectives to promote diversity for the upcoming year.

(3) Promote ethical and responsible decision-making (continued)

The table below outlines the diversity objectives established by the Board, the steps taken during the year to achieve these objectives and the outcomes.

Objectives	Steps taken/outcome
Promote a diverse Board structure	- Appointed a second Philippine-based director to the Board. - We have two Philippine-based Directors and one Thai-based Director.
Increase the number of women in the workforce, including into senior management positions and at Board level, where appropriate.	Key senior female appointments during the year included: - Appointment of Finance Manager on 2 February 2012. - Promoted Ms Donehue into a KMP position as Company Secretary. - At 31 December 2012, women made up 37% of the Group's permanent workforce, and 33% of senior executives. There are no women on the Board of the Company. The Board has always focused on diversity and the CFO and Company Secretary are present at all Board meetings.
Create development opportunities for women that prepare them to take on senior positions.	- Professional memberships offered to all senior executive females which encourage networking and mentoring opportunities. - Encourage and support tertiary education opportunities.
Provide flexible workplace arrangements including part-time arrangements for women returning from maternity leave and other long term leave.	- Flexible/part-time arrangements have been availed by two women in the Company.
Review gender pay gaps on an annual basis and implement actions to address any variances.	- Appointed remuneration consultants to undertake annual reviews and provide recommendations to the Remuneration and Nomination Committee.
Promote an inclusive culture that treats the workforce with fairness and respect. Ensure workplace practices don't actively discriminate against women.	- The Company has set a zero tolerance policy on any discrimination against employees. - No cases of discrimination were reported during the year.
Provide career development opportunities for every employee, irrespective of any culture, gender or other differences.	- Whilst the Company places special focus on gender diversity, career development opportunities are equal for all employees.
Flexible employment contract conditions to accommodate executives being made available to take an appointment as an NED of a publicly listed Company.	- The CFO's contract will be amended to accommodate this.

In relation to dealings in shares of the Company, the approved policy of the Board is that:

(i) Directors, Executives and employees are entitled to purchase/sell shares and other securities in the Company for a six-week period following the electronic release of the annual report, half-year report, quarterly reports and the Company's Annual General Meeting, provided no price sensitive information arises during the prescribed period following the release of these reports.

(ii) The six-week period in which Directors, Executives and employees can purchase/sell shares and other securities in the Company will commence one business day after the release of these reports.

(iii) Where a Director, Executive or employee wishes to transact in shares and other securities of the Company outside periods referred to above, the Director, Executive or employee must seek the approval of the Chairman prior to purchasing/selling shares or other securities.

(iv) Where the Chairman wishes to transact in shares and other securities of the Company outside periods referred above, the Chairman must advise the CEO prior to purchasing/selling shares or other securities.

(v) The Company prohibits the hedging of unvested options or trading in products that limit the economic risk of security entitlements in the Company over unvested entitlements.

(4) Safeguard integrity in financial reporting

The Audit Committee comprises three independent Non-Executive Directors. Mr Wightman was appointed as Chairman of the Audit Committee on 14 February 2007. Mr Phillips and Dr Carland serve as Audit Committee members. The members have a good knowledge of finance and accounting practices (see details of their respective skills and experience in the Directors' Report).

The role of the Audit Committee is to consider those matters relating to the financial affairs of the Company and the Group as set out in the Audit Committee Charter (a copy of which is on the Company's website), as well as other matters that may be referred to it by the Board.

Details on the number of meetings of the Audit Committee held during the year, and the attendees of those meetings, are contained in the Directors' Report.

The external auditors are invited to attend every meeting of the Audit Committee.

(5) Make timely and balanced disclosure

The Board is committed to the promotion of investor confidence by ensuring that trading in its securities takes place in an efficient, competitive and informed market. In accordance with the continuous disclosure requirements of the ASX Listing Rules, the Company has written policies and procedures in place (copies of which are on the Company's website) to ensure that price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner and that all information provided to the ASX is posted on the Company's website as soon as possible after its disclosure to the ASX. The Company Secretary manages the Company's compliance with its continuous disclosure obligations, and is responsible for communications with the ASX.

From time to time, the Company conducts briefings with analysts, media representatives and major shareholders in order to promote a better understanding of the Company. In conducting such briefings, the Company takes care to ensure that any price sensitive information included in the content of the briefings has already been made available to the market.

(6) Respect the rights of shareholders

The Board aims to ensure that shareholders are informed of all information necessary to assess the performance of the Directors, Executives and the Company through:

(i) the half-yearly report and annual report;

(ii) quarterly reports;

(iii) the Annual General Meeting of Shareholders and any other meeting called to obtain approval for the Board to take appropriate action to strengthen the Company; and

(iv) the Indophil website, which contains ASX announcements and other relevant information.

The Company welcomes questions and endeavours to answer such questions within the confines of information that is not market sensitive or that is already in the public domain.

The external auditor attends the Annual General Meeting of Shareholders and is available to answer questions in relation to the conduct of the audit and preparation of the audit report.

(7) Recognise and managing risk

As a matter of practice, the Board retains overall responsibility for risk oversight and management. Given the modest size of the Company and the fact that the Company is not the manager of its main asset (the Tampakan Project), the Board does not consider it appropriate to have separate risk management and control systems designed by management which are to be reported to the Board.

The Board defines risk to be any event that, if it occurs, will have a material impact (whether financial or non-financial) on the Company's ability to achieve its business objectives. The Board has established various policies and practices designed to identify and manage significant business risks controllable by the Company, including:

(i) the Company's business plan;

(ii) approval of budgets by the Board;

(iii) detailed monthly financial and operational reporting to the Board;

(iv) policies regarding internal controls, authority levels for expenditure, commitments and general decision making;

(v) policies and procedures relating to health, safety and environment designed to ensure a high standard of performance and regulatory compliance; and

(vi) policies and procedures to promote cultural awareness amongst employees and consultants. Day-to-day responsibility for risk oversight and management is delegated to the CEO, who is primarily responsible for identifying risks, monitoring risks, promptly communicating risk events to the Board and responding to risk events.

The above policies can be found on the Company's website.

The Board requires the CEO and CFO to certify annually that the financial statements of the Company and the Group are founded on a sound system of risk management and internal control which implements the policies adopted by the Board, and that these systems operate effectively in all material respects in relation to the financial reporting risks.

(8) Remunerate fairly and responsibly

The Remuneration and Nomination Committee comprises three independent Non-Executive Directors. Mr Phillips served as Chairman of the Remuneration Committee from 26 July 2011 until 15 June 2012. Dr Carland was appointed as Chairman on 15 June 2012. Mr Wightman and Mr Phillips serve as Committee members.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high-quality Board and Executive team by remunerating Directors and key Executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration and Nomination Committee links the nature and amount of Executive Directors' and Executives' remuneration to the Company's financial and operating performance.

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by Directors and Executives in the current period, please refer to the Remuneration Report, which is contained within the Directors' Report.

Details on the number of meetings of the Remuneration and Nomination Committee held during the year, and the attendees of those meetings, are also contained in the Directors' Report.

For details regarding the Remuneration and Nomination Committee, including a copy of its charter, please refer to the Company's website.

Statement of Comprehensive Income
FOR YEAR ENDED 31 DECEMBER 2012

	Note	Consolidated 2012 $000	Consolidated 2011 $000
Revenue	5	**21,212**	13,011
Change in fair value of contingent consideration payable	5	**3,847**	-
Other expenses	5	**(10,330)**	(5,581)
Exploration and evaluation	14	**(7,517)**	(2,310)
Share of profit/(loss) of an associate entity	12	**548**	(4,136)
Profit before income tax		**7,760**	984
Income tax expense	6	**(2,272)**	-
Profit after income tax		**5,488**	984
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**5,488**	984
		Cents	**Cents**
Earnings per share for profit attributable to the ordinary equity holders of the Parent:	7		
Basic profit per share		**0.46**	0.13
Diluted profit per share		**0.46**	0.13

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position
AS AT 31 DECEMBER 2012

	Note	Consolidated 2012 $000	Consolidated 2011 $000
ASSETS			
Current Assets			
Cash and cash equivalents	9	**235,037**	195,867
Other receivables	10	**1,628**	1,266
Prepayments		**97**	220
Total Current Assets		**236,762**	197,353
Non-Current Assets			
Other financial assets	11	**2,624**	2,687
Investment in an associate	12	**267,992**	231,677
Plant and equipment	13	**137**	79
Deferred tax asset	6	**3,198**	-
Exploration and evaluation assets	14	**-**	5,007
Total Non-Current Assets		**273,951**	239,450
TOTAL ASSETS		**510,713**	436,803
LIABILITIES			
Current Liabilities			
Trade and other payables	15	**1,080**	624
Provisions	16	**279**	249
Income tax payable		**907**	-
Total Current Liabilities		**2,266**	873
Non-Current Liabilities			
Trade and other payables	15	**-**	3,847
Provisions	16	**94**	81
Total Non-Current Liabilities		**94**	3,928
TOTAL LIABILITIES		**2,360**	4,801
NET ASSETS		**508,353**	432,002
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	17	**494,215**	423,523
Retained earnings	17	**13,900**	7,266
Other capital reserves	17	**238**	1,213
TOTAL EQUITY		**508,353**	432,002

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

Statement of Cash Flows
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	Consolidated 2012 $000	2011 $000
Operating activities			
Payments to suppliers and employees (inclusive of GST)		**(9,258)**	(5,785)
Exploration and evaluation		**(2,532)**	(2,278)
Income tax paid		**(248)**	-
Interest received		**11,981**	4,717
Net cash flows used in operating activities		**(57)**	(3,346)
Investing activities			
Purchase of plant and equipment		**(105)**	(78)
Loans made- associate entity		**(27,000)**	(35,250)
Net cash flows used in investing activities		**(27,105)**	(35,328)
Cash flows from financing activities			
Proceeds from private placement		**67,700**	30,000
Proceeds from exercise of options		**-**	87
Proceeds from Indophil Employee Share Plan		**621**	-
Proceeds from Rights Issue		**-**	183,397
Transaction costs of Rights & Share issue		**(1,944)**	(11,093)
Net cash flows from financing activities		**66,377**	202,391
Net increase in cash and cash equivalents		**39,215**	163,717
Net foreign exchange differences		**(45)**	(10)
Cash and cash equivalents at the beginning of the period		**195,867**	32,160
Cash and cash equivalents at the end of the period	9	**235,037**	195,867

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

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED ENTITY	Note	Contributed Equity $000	Retained Earnings $000	Reserves $000	Total Equity $000
		Attributable to equity holders of the Consolidated Entity			
At 1 January 2011		221,053	6,023	1,476	**228,552**
Total comprehensive profit for the period		-	984	-	**984**
Issue of share capital	17	213,397	-	-	**213,397**
Transaction costs of shares issued	17	(11,139)	-	-	**(11,139)**
Share-based payment expense		-	-	67	**67**
Lapsed options	17	52	259	(311)	**-**
Exercised options	17	19	-	(19)	-
Shares issued – Indophil Employee Share Plan	17	141	-	-	141
At 31 December 2011		**423,523**	**7,266**	**1,213**	**432,002**
Total comprehensive profit for the period		-	5,488	-	**5,488**
Issue of share capital	17	67,700	-	-	**67,700**
Transaction costs on shares issued	17	(1,944)	-	-	**(1,944)**
Deferred tax in respect of transaction costs on shares issued	17	4,315	-	-	**4,315**
Share-based payment expense		-	-	171	**171**
Lapsed options	17	-	567	(567)	**-**
Proceeds from Indophil Employee Share Plan	17	621	-	-	**621**
Lapsed shares – Indophil Employee Share Plan	17	-	579	(579)	**-**
At 31 December 2012		**494,215**	**13,900**	**238**	**508,353**

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

1. CORPORATE INFORMATION

The Financial Report of Indophil Resources NL (the Company) for the year ended 31 December 2012 was authorised for issue in accordance with a resolution of the Directors on 27 March 2013.

Indophil Resources NL (the Parent) is a for-profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX code: IRN).

The nature of the operations and principal activities of the Company and its controlled entities (the Group) are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Financial Report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The Financial Report has been prepared on a historical cost basis.

This Financial Report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

(b) Compliance with IFRS

The Financial Report complies with Australian Accounting Standards and International Financial Reporting Standards issued by the International Accounting Standards Board.

(c) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures.

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

The Group has adopted the following new and amended Australian Accounting Standards and Interpretations as of 1 January 2012.

- AASB 7 *Financial Instruments; Disclosures – Enhanced Derecognition Disclosure Requirements*.
- AASB 1054 *Australian Additional Disclosures*

Other Standards and Amendments applied from 1 January 2012 have not had an impact on the accounting policies of the Group. The adoption of the standards or interpretations is described below:

AASB 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity's continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

AASB 1054 Australian Additional Disclosures

The standard with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place and revises other disclosures. There has been no effect on the presentation of the Group's financial statements.

(ii) Accounting Standards and Interpretations issued but not yet effective.

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective, have not been adopted by the Group for the annual reporting year ended 31 December 2012, outlined in the table below:

Reference	Title	Summary	Application date of standard	Application date for Group
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 Jul 2012	1 Jan 2013
AASB10	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 Jan 2013	1 Jan 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) New Accounting Standards and Interpretations (continued)

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 Jan 2013	1 Jan 2013
AASB12	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 Jan 2013	1 Jan 2013
AASB13	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 Jan 2013	1 Jan 2013

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2012-2	Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 *Financial Instruments*: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 Jan 2013	1 Jan 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 Jul 2013	1 Jan 2014
AASB 2012-3	Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 Jan 2014	1 Jan 2014

None of the accounting standards or interpretations that have recently been issued or amended, but are not yet effective, are expected to have any impact on the Group's Financial Report.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its controlled entities (the Group) as at 31 December 2012. Interests in associates are equity accounted and are not part of the Consolidated Group (see Note 2(i)).

Controlled entities are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of controlled entities are prepared for the same reporting period as the Parent, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation (continued)

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

Investments in controlled subsidiaries held by the Company are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the Parent entity, and do not impact recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the Parent will assess whether any indicators of impairment of the carrying value of the investment in subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

(e) Foreign currency translation

(i) Functional and presentation currency

Both the functional and presentation currency of Indophil and its Australian controlled entities are Australian dollars (AUD). The Philippines controlled entities' functional currency is AUD.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the reporting date.

All exchange differences in the consolidated Financial Report are taken to the Statement of Comprehensive Income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(f) Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash-in-hand and at bank and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Statement of Cash Flows, cash and cash equivalents are as defined above.

(g) Other receivables

Other receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the receivable.

The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(h) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through the profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were required. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments, in the three categories other than those at fair value through the Statement of Comprehensive Income, directly attributable transaction costs.

Recognition and derecognition

All regular purchases and sales of financial assets are recognised on the trade date, ie. the date that the Group commits to purchase the asset. Regular purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established, generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or are being transferred.

Subsequent measurement

(i) Financial assets at fair value through the Statement of Comprehensive Income

Financial assets classified as held-for-trading are included in the category 'financial assets at fair value' through the Statement of Comprehensive Income. Financial assets are classified as held-for-trading if they were acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held-for-trading unless they are designated as effective hedging instruments. Gains or losses on financial assets and investments held-for-trading are recognised in the Statement of Comprehensive Income and the related assets are classified as current assets in the Statement of Financial Position.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity.
Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the Statement of Comprehensive Income when the investments are derecognised or impaired, as well as through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Investments and other financial assets (continued)

(iii) Loans and receivables

Loans and receivables, including loan notes and loans to Key Management Personnel (KMP), are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the Statement of Comprehensive Income when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after the reporting date, which are classified as non-current.

(iv) Available-for-sale securities

Available-for-sale investments are those non-derivative financial assets, principally equity securities, that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition, available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the Statement of Comprehensive Income.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

(i) Investment in associate

The Group's investment in associate is accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities over which the Group has significant influence and that are neither controlled entities nor joint ventures.

The contractual arrangements between the Company and Xstrata Copper (Xstrata) have resulted in the Group having an interest of 37.50% (2011: 37.50%) and Xstrata having an interest of 62.50% (2011: 62.50%) of the Class 'A' Shares in Sagittarius Mines, Inc. (SMI) with Xstrata accordingly exercising control over the financial and operating policies of SMI.

Under the equity method, investments in associates are carried in the consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the Statement of Comprehensive Income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the Parent entity's Statement of Comprehensive Income, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the income statement.

(j) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Plant and equipment – over 3 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

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

Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Comprehensive Income in the year the asset is derecognised.

(k) Exploration and evaluation expenditure

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to the Statement of Comprehensive Income as incurred, unless the Directors conclude that a future economic benefit is more likely to be realised than not. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest are current and either:

(i) the exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest or, alternatively, by its sale; or

(ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Exploration and evaluation assets acquired as part of a business combination will be capitalised and assessed for impairment where circumstances suggest the carrying amount of the asset may exceed its recoverable amount.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Exploration and evaluation expenditure (continued)

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

Impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the Statement of Comprehensive Income.

(l) Trade and other payables

Trade payables and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date using a discounted cash flow methodology. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits

(i) Wages, 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 respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

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

(n) Share-based payment transactions

The Group provides benefits to its employees (including Directors and KMP) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There were three plans in place to provide these benefits of which only the Employee Option Plan is current:

(i) the Indophil Option Plan which provided benefits to Directors and Senior Executives and employees (no further options have been granted under this plan);

(ii) the Indophil Employee Share Plan (ESP) which provided benefits to employees only (no further shares have been granted under this ESP); and

(iii) the Employee Option Plan (EOP).

The Company operated the ESP where shares were issued to qualifying employees and financed by way of an interest-free non-recourse loan to the employee. At the date of this report, all shares under the ESP have vested and the rights to these shares expired on 4 June 2012.

The Company operates the EOP where premium priced options are issued to employees who are not directors. The options have a life of between three and five years.

The cost of these equity-settled transactions with employees was measured by reference to the fair value of the equity instrument at the date at which they were granted. The fair value is determined by an external valuer, Cape Leveque, using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any vesting conditions, other than, if applicable, conditions that are linked to the share price of the Company (market conditions). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled (vesting period), ending on the date on which the relevant employees become fully entitled to the award (vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the Statement of Comprehensive Income is the product of (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the Statement of Comprehensive Income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Derivative financial instruments

From time to time, the Group uses derivative financial instruments such as option arrangements in order to advance its exploration portfolio.

The Group values derivative financial instruments on a fair value basis.

Movements in the fair value from re-measuring derivative financial instruments are recognised in the Statement of Comprehensive Income.

(p) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Reserved shares

The Group's own equity instruments, which are re-acquired for later use in employee share-based payment arrangements (reserved shares), are deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

(q) Revenue recognition

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

(i) Rendering of services

The Group provides commercial, financial, management and technical expertise to SMI, an associate entity, to assist the latter with the advancement of the Tampakan Copper-Gold Project and accordingly, revenue is recognised for those services when SMI is invoiced.

(ii) Interest income

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

(r) Leases

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Lease incentives are recognised in the Statement of Comprehensive Income as an integral part of the total lease expense.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the Statement of Comprehensive Income.

(s) Income tax

Current income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Statement of Financial Position date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date.

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

(i) when the DTL arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

(ii) in respect of taxable temporary differences associated with investments in controlled entities, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(i) when the DTA relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

(ii) in respect of deductible temporary differences associated with investments in controlled entities, associates or interests in joint ventures, in which case a DTA is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of DTA's is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the DTA to be utilised. Unrecognised DTA's are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the DTA to be recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Income tax (continued)

DTA's and DTL's are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

(t) Other taxes

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

(i) the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables are stated with the amount of GST included.

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

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

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

(u) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by taking the net profit or loss attributable to members of the parent, adjusted to exclude preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share

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

(i) cost of servicing equity (other than dividends) and preference share dividends;

(ii) the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and

(iii) other non-discretionary changes in revenues or expenses during that period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(v) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions other than components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes startup operations which are yet to earn revenues.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

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

(w) Business combinations

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies or other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in those contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

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

(x) Significant accounting judgements, estimates and assumptions

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Significant accounting judgements, estimates and assumptions (continued)

Significant accounting estimates and assumptions

(i) Carrying value of the investment in associate

The Group's Investment in Associate represents its 37.5% investment in SMI which holds the Tampakan Project for which the Group's Joint Venture partner, Xstrata , continues to manage a Continuing Development Program, following submission of the Final Feasibility Study to the Philippines Government in April 2010.

In December 2012, the Group's Associate, SMI, provided project partners with an updated development plan that outlines the potential for commercial production to commence in 2019.

SMI cited the reasons for the revised project development plan as:

- Extending the timeframe to obtain approval for project development from the affected communities; and
- Completing resettlement plans along with formalising consent of the Indigenous Peoples in the project area.

SMI highlighted challenges facing project development as:

- Restrictions on field activities resulting from security issues;
- A change of approach and redevelopment of power supply options;
- Ongoing uncertainty resulting from a local government ordinance that defies the Constitution and national laws; and
- The determination of an appeal to the Office of the President following the denial of a key environmental approval by the relevant national government department.

The Tampakan copper and gold deposit, discovered in 1992, is one of the largest-known undeveloped copper-gold deposits in the world. Tampakan is a 2.94 billion tonnes mineral resource at 0.51% copper when measured at a 0.2% copper cut-off grade. It is estimated to contain 15 million tonnes of copper and almost 18 million ounces of gold, with potential for growth.

The Tampakan Mine Project Feasibility Study outlines a proposed mining operation that involves:

- An initial 17 year life-of-mine, with potential for extension;
- A start-up mining and milling capacity of 66 million tonnes per annum;
- Annual copper production of 450,000 tonnes and annual gold production of 435,000 ounces over the first five years of operation;
- An average life-of-mine copper production rate of 375,000 tonnes per year;
- An average life-of-mine gold production rate of 360,000 ounces per year; and
- A development cost of US$5.9 billion, including the provision of US$900 million for a power station.

First production is now planned for 2019.

Local Government Ordinance

In June 2010 the South Cotabato provincial council (the jurisdiction in which the Tampakan deposit is located) approved a new Environment Code that includes a ban on open pit mining. The Code took effect in October 2010 and remains in place at the date of this report. The national government has stated in writing that the ban is contrary to national law and must be amended in accordance with national law which allows open pit mining. The Company has made recommendations to Xstrata and feels confident, if agreed, that this issue can be resolved in a satisfactory manner.

Key Environmental Approvals

In October 2011, the Mine EIS was finalised and SMI's application for the Mine ECC was submitted to the Philippines Government. SMI received official notification from the Philippine national government's Department of Natural Resources (DENR) on 13 January 2012, denying its application for the ECC without prejudice for resubmittal until issues with the use of the open pit mining methods have been resolved with the Provincial Government of South Cotabato. SMI filed a motion for reconsideration of the decision on 27 January 2012, as permitted under the ECC application process. On 5 February 2013, SMI advised that it had received a copy of an official notification from the Office of the President to the government's DENR with the direction to: "*resolve the abovementioned application for an ECC without any consideration of requirements other than those imposed under the EIS system itself.*"

On 19 February 2013, SMI received the Mine ECC from the DENR through the EMB subject to certain terms and conditions. SMI has reviewed the terms and conditions and are corresponding with the DENR on the matter. The Company awaits the outcome as at the date of this report.

The nature of the Tampakan Project is such that continuing work is being performed to assess the potential development of the Tampakan Project. Given the ongoing Continuing Development Program, the Company considers the carrying value of these assets with regard to existing estimates of development timetables, future development costs and estimates of future cashflows in addition to other corroborative evidence of observed market values for copper development projects

In the event local government and environmental matters are not appropriately resolved, or if development timetables, costs and processes are varied, and expected cashflows are consequently affected, an adverse impact on the decision to proceed with development of the Tampakan Project may result. These matters would provide objective evidence of potential indicators of impairment and the carrying value of the investment in SMI may be affected.

(ii) 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 external valuer, Cape Leveque, using a Black-Scholes model, with the assumptions detailed in Note 18. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(iii) Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Previously unrecognised tax losses have been recognised in the current period on the basis that realisation of those losses is considered probable as taxable income is expected to arise from interest income on the Group's cash balances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Significant accounting judgements, estimates and assumptions (continued)

(iv) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

(v) Contingent Consideration

In determining the contingent consideration liabilities acquired with Anvil Philippines Mining Ventures Inc.(AMPMVI) (Itogon Project), the Group has made assumptions in respect of the probability of future expected milestones upon which the contingent liability is triggered. The related carrying amounts are disclosed in Note 15.

As part of accounting for APMVI, contingent consideration with an estimated fair value of $3.847M was recognised at the acquisition date and remeasured to $nil at the reporting date. The contingent liability is classified as Trade and other payables (non-current).

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short-term deposits, receivables and payables.

The main purpose of the first two of these financial instruments is to invest funds raised by the Company until utilised in exploration and evaluation activities, including the Tampakan Project.

The Group has various other financial instruments such as receivables (current) and payables (current), arising from corporate activities.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group manages its exposure to key financial risks in accordance with the Group's Treasury Policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Risk Exposures and Responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's short-term deposits.

At 31 December, the Group had the following financial assets exposed to Australian variable interest rate risk:

	Consolidated	
	2012 $000	2011 $000
Cash and cash equivalents	**235,037**	**195,867**

At 31 December, the Group had no financial liabilities exposed to variable interest rate risks.

The Group's policy is to manage its interest revenue using a mix of fixed rate interest of periods of 30, 60 and 90 days.

The Group's exposure to interest rate risk increased during the period primarily due to the equity fund raising and the following sensitivity analysis is based on the interest rate risk exposure in existence at the Statement of Financial Position date.

At 31 December, if interest rates had moved, as illustrated in the table below, with all other variables constant, post tax profit and equity would have been affected as follows:

Judgments of reasonable possible movements

	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2012 $000	**2011 $000**	**2012 $000**	**2011 $000**
Consolidated				
+1% (100 basis points)	**1,645**	1,371	**1,645**	1,371
-1% (100 basis points)	**(1,645)**	(1,371)	**(1,645)**	(1,371)

The movements in equity are directly linked to movements in the Statement of Comprehensive Income as no hedging relationships exist as at 31 December 2012.

Foreign currency risk

The Group makes Australian dollar advances to Philippine incorporated entities to enable these entities to conduct exploration and evaluation activities. The Philippine entities convert Australian dollar advances, as and when required, to Philippine pesos in order to meet Philippine peso obligations. The Group, as far as practicable, minimises foreign currency transactions by retaining consultants and contractors on contractual terms that require settlement by way of Australian dollars. Foreign currency balances are also minimised through internal policies that require, as far as practicable, cash balances to be maintained in Australian dollars.

At the reporting date, the Group and Parent hold minimal financial assets or liabilities which are exposed to foreign currency risk. There was minimal foreign currency risk in the prior period.

Commodity price risk

Given the Tampakan Project is in the pre-production phase, the Group's financial assets and liabilities are subject to minimal commodity price risk.

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and other receivables. The Company only deals with credit-worthy counter-parties and the Company's Treasury Policy allows the investment of short-term deposits with institutions that have a Standard & Poor's rating of AA/Stable/A-1+ for short-term credit.

Current receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Concentration risk

Currently, the Group and Parent undertakes exploration and evaluation activities exclusively in the Philippines. There are no significant concentrations of credit risk within the Group and Parent and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposures and Responses (continued)

Liquidity risk

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

The Group does not have any external borrowings. Short-term deposits are invested with several financial organisations.

Other financial assets in the Parent entity represent advances to controlled and associate entities. The liquidity of the advances is directly linked to the successful future development of the Tampakan Project.

Maturity analysis of financial assets and liabilities:

Year ended 31 December 2012	0-30 Days $000	31-60 Days $000	61-90 Days $000	>91 Days $000	Total $000
Consolidated Financial Assets					
Cash and cash equivalents	68,937	90,900	75,200	-	**235,037**
Interest receivables	750	600	243	-	**1,593**
Other financial assets	-	-	-	2,625	**2,625**
	69,687	91,500	75,443	2,625	**239,255**
Consolidated Financial Liabilities					
Trade and other payables	(764)	-	-	(316)	**(1,080)**
Net maturity	**68,923**	**91,500**	**75,443**	**2,309**	**238,175**
Year ended 31 December 2011					
Consolidated Financial Assets					
Cash and cash equivalents	77,396	33,167	85,304	-	**195,867**
Interest receivables	612	278	336	-	**1,226**
Other financial assets	-	-	-	2,687	**2,687**
	78,008	33,445	85,640	2,687	**199,780**
Consolidated Financial Liabilities					
Trade and other payables	(624)	-	-	(3,847)	**(4,471)**
Net maturity	**77,384**	**33,445**	**85,640**	**(1,160)**	**195,309**

Fair values

All assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or at fair value, are recognised as amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

4. SEGMENT INFORMATION

The Group operates solely in the mining exploration industry, and to date has only had one flagship project, the Tampakan Project. With the Group's other mining tenements in the Philippines, additional segments may be disclosed in the future.

The Group determines its operating segments by reference to internal reports that are reviewed and used by the executive management team (the chief operating decision maker) in assessing performance and in determining the allocation of resources. The executive management team currently receive consolidated balance sheet and profit and loss information that is prepared in accordance with Australian Accounting Standards.

5. REVENUE AND EXPENSES

	2012 $000	2011 $000
Revenue		
Interest income - related entities	**8,795**	7,170
Interest income - other entities	**12,349**	5,771
Management fees – related entities	**68**	68
Sale of Fixed Assets	**-**	2
	21,212	13,011
Change in fair value in contingent consideration payable (1)	**3,847**	-
Other expenses		
Administration	**1,861**	1,366
Employee & Director Benefits	**3,254**	2,026
Corporate	**4,350**	1,502
Share-based payments expense	**171**	67
Operating lease payments	**278**	282
Depreciation	**41**	59
Disposal of fixed assets	**8**	-
Superannuation expense	**287**	348
Unrealised exchange losses/(gains)	**83**	(98)
Realised exchange gains	**(3)**	(25)
Write down of loans receivable	**-**	54
Total other expenses	**10,330**	5,581

Note:

(1) As part of accounting for Anvil Philippines Mining Ventures Inc, contingent consideration with an estimated fair value of $3.847M was recognised at the acquisition date and remeasured to $nil at the reporting date. The contingent liability is classified as Trade and other payables (non-current) - refer Note 15.

6. INCOME TAX

	Consolidated 2012 $000	Consolidated 2011 $000
(a) Income tax expense		
The major components of Income tax expense are:		
Current Income Tax		
- Current income tax charge	**2,552**	678
- Adjustments in respect of current income tax of previous years	**841**	-
- Utilisation of previously unrecognised tax losses	**(517)**	-
Deferred Income Tax		
Relating to origination and reversal of temporary differences	**(1,095)**	-
Adjustment in respect of deferred tax of previous year	**1,032**	-
Utilisation of previously unrecognised tax losses	**(541)**	(678)
Income tax expense reported in the Statement of Comprehensive Income	**2,272**	-
(b) Amounts charged or credited directly to equity		
Relating to origination and reversal of temporary difference	**(581)**	-
Recognition of previously unrecognised temporary differences	**(3,342)**	-
Recognition of previously unrecognised tax losses	**(392)**	-
	(4,315)	-

(c) Numerical reconciliation between aggregate tax expense recognised in the Statement of Comprehensive Income and tax expense calculated per the statutory income tax rate

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	2012 $000	2011 $000
Accounting profit before tax from continuing operations	**7,760**	984
At the Parent entity's statutory income tax rate 30% (2011: 30%)	**2,328**	295
Exploration and evaluation	**2,255**	678
Fair value adjustment to contingent consideration	**(1,154)**	-
Adjustment in respect to current income tax of previous years	**841**	-
Exchange fluctuations arising on translation of foreign currency financial statements	**203**	(30)
Share-based payments	**51**	20
Share of net (profit)/loss of associate entity	**(164)**	1,241
Other	**(91)**	11
Relating origination and reversal of temporary differences	**(1,095)**	-
Adjustments in respect of temporary differences of previous years	**1,032**	-
Utilisation of blackhole expenditure deductions	**(876)**	-
Temporary difference where no DTA/DTL have been recognised	**-**	(1,537)
Utilisation of previously unrecognised tax losses	**(1,058)**	(678)
Income tax expense	**2,272**	**-**

Deferred tax

Deferred tax relates to the following:

	Consolidated Statement of Financial Position		Consolidated Income Statement	
	2012	2011	2012	2011
	$000	$000	$000	$000
Equity raising costs	2,472	-	-	-
Interest accrued	(239)	-	(239)	-
Blackhole expenditure	186	-	186	-
Software pool and low value pool	7	-	7	-
Accruals	4	-	4	-
Employee benefits	106	-	106	-
Losses available for offsetting future taxable income	662	-	541	-
Deferred tax expense	-	-	605	-
Net deferred tax assets	3,198	-	-	-
Reflected in the statement of financial position as follows:				
Deferred tax assets	3,198	-	-	-
Deferred tax liabilities	-	-	-	-
Deferred tax assets net	3,198	-	-	-
Reconciliation of deferred tax liabilities net			-	-
Opening Balance as of 1 January			-	-
Recognised in profit or loss			605	-
Recognised in equity			2,593	-
Closing Balance as of 31 December			3,198	-

Net capital DTA's of $9.189M (2011: $9.054M) relating to temporary differences, which primarily relate to impairment on loans, have not been recognised at the reporting date, as it is not expected the Company will have sufficient capital gains in the foreseeable future to offset these temporary capital differences.

Tax losses of $2.898M have not been brought to account and relate to net operating losses carried over from Philippine subsidiaries that have an expiry period of three years. In 2013, $0.180M of carried forward tax losses will expire if not recouped.

Tax consolidation

Indophil Resources NL and its 100% owned Australian resident subsidiaries formed a tax-consolidated group with effect from 1 January 2011 and are taxed as a single entity from that date. The head entity of the tax-consolidated group is Indophil Resources NL.

Current tax expense (or benefit) and deferred tax assets and liabilities arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the Group allocation approach.

6. INCOME TAX (continued)

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (or receivable from) other entities in the tax-consolidated group under the tax funding agreement. Any difference between the amounts assumed and amounts receivable/payable under the tax funding agreement are recognised by the Company as an equity contribution to or distribution from its subsidiaries.

The members of the tax-consolidated group have entered into a tax funding arrangement that sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. Contributions to fund the current tax liabilities are payable in accordance with the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant taxation authority.

7. EARNINGS PER SHARE

	Consolidated	
	2012 $000	**2011 $000**
Net profit after tax attributable to ordinary equitable holders of the Parent from continuing operations	**5,488**	984

	Consolidated	
	Shares 2012 No.	**Shares 2011 No.**
Weighted average number of ordinary shares used in calculating basic earnings per share	**1,187,625,387**	748,420,635
Effect of dilution:		
Share options	**2,300,071**	614,000
Weighted average number of ordinary shares adjusted for the effect of dilution	**1,189,925,458**	749,034,635

Options granted to employees as described in Note 18 are considered to be potential ordinary shares and are included in the determination of diluted earnings per share to the extent that they are dilutive. There are 614,000 share options excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for the current period presented.

There are no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

8. DIVIDENDS PAID AND PROPOSED

No dividends were paid during the period (2011: nil) and no dividend is proposed to be paid at 31 December 2012 (2011: nil).

There are $1.465M (2011: $1.218M) franking credits available for future reporting periods.

9. CASH AND CASH EQUIVALENTS

	Consolidated 2012 $000	2011 $000
Cash in hand	**11**	5
Cash at bank	**830**	29,597
Short-term deposits	**234,196**	166,265
	235,037	195,867

Cash at bank accrues interest at floating rates based on daily bank deposit rates.

Short-term deposits with banks are made for varying periods of between 30 and 90 days depending on the immediate cash requirements of the Group, and accrue interest at the respective short-term deposit rates.

Cash Flow Statement Reconciliation

(a) Reconciliation from the net profit/(loss) after tax to the net cash flows from operating activities

	Consolidated 2012 $000	2011 $000
Net profit before income tax	**7,760**	984
Adjustments for:		
Depreciation of plant and equipment	**41**	59
Capitalised interest income	**(8,795)**	(7,170)
Write down of deferred exploration costs	**5,007**	
Share of associate entity's net loss	**(548)**	4,136
Indophil Employee Share Plan – Loan	**-**	54
Unrealised foreign exchange differences	**83**	11
Share based payments expense	**171**	67
Loss on disposal of asset	**8**	-
Income tax paid	**(248)**	-
Changes in assets and liabilities		
(Increase)/decrease in assets		
- Other receivables	**(362)**	(1,069)
- Prepayments	**120**	(34)
(Decrease)/ increase in liabilities		
- Trade and other payables	**(3,337)**	(290)
- Provisions	**43**	(94)
Net cash flows (used in)/from operating activities	**(57)**	(3,346)

(b) Non-cash investing and financing activities

Interest charged by the Company on shareholders' advances to SMI of $8.767M (2011: $7.141M) has been credited to the advances balance as disclosed in Note 12.

10. OTHER RECEIVABLES

	Consolidated 2012 $000	2011 $000
Interest receivables	**1,593**	1,226
Related party receivables *(a)*	**12**	12
Other	**23**	28
	1,628	1,266

(a) Related party receivables

These receivables relate to the provision of consulting fees to an associated entity.

(b) Interest rate risk and foreign exchange risk

Risk management policies of the Group are set out in Note 3.

(c) Fair value and credit risk

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

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

11. OTHER FINANCIAL ASSETS

	Consolidated 2012 $000	2011 $000
Advances	**2,528**	2,499
Other	**96**	188
	2,624	2,687

12. INVESTMENT IN ASSOCIATE

The Group accounted for its 37.50% share of the operating result of SMI for the year ended 31 December 2012.

SMI was registered by the DENR as the holder of the Columbio Financial and Technical Assistance Agreement (FTAA) following the exercise by the Tampakan Group of Companies of their right of first refusal over the Columbio FTAA previously held by WMC Philippines Inc., in December 2001. The Columbio FTAA held by SMI includes the Tampakan Copper-Gold Project. On 1 December 2005, the Supreme Court declared the FTAA both valid and constitutional and declared its 1 December 2005 decision final and executory on 1 February 2006.

The Group has accounted for its interest in SMI in accordance with the accounting policy described in Note 2(i).

The following table sets out the composition and the movement in the carrying value of the Group's investment in SMI:

	Consolidated 2012 $000	Consolidated 2011 $000
Cost		
Opening balance	**231,677**	193,421
Advances during the year	**27,000**	35,250
Interest income on advances	**8,767**	7,142
Share of net profit/(loss) for period	**548**	(4,136)
Carrying value	**267,992**	231,677

The following table summarises financial information relating to assets, liabilities, revenues and losses of SMI:

	Consolidated 2012 $000	Consolidated 2011 $000
Share of associate's Statement of Financial Position		
Beneficial interest	**37.50%**	37.50%
Current assets	**1,562**	1,558
Non-current assets	**194,875**	160,404
Current liabilities	**(4,442)**	(3,550)
Non-current liabilities	**(205,058)**	(172,023)
Net liabilities	**(13,063)**	(13,611)
Extract from associate's Statement of Comprehensive Income		
Revenue	**-**	-
Profit/(loss) before income tax	**548**	(4,136)
Income tax expense	**-**	-
Profit/(loss) after income tax	**548**	(4,136)

	Consolidated 2012 $000	Consolidated 2011 $000
Share of associate's commitments		
Share of capital commitments (refer Note 19(b))	**-**	-
Share of associate's contingent liabilities		
Share of contingent liabilities (refer Note 19)	**3,612**	**3,685**

13. PLANT AND EQUIPMENT

	Consolidated 2012 $000	2011 $000
Cost		
At 1 January	**652**	574
Additions	**105**	78
Disposals	**(293)**	-
Exchange Adjustment	**11**	-
At 31 December	**475**	652
Depreciation and Impairment		
At 1 January	**(573)**	(513)
Depreciation charge for the year	**(41)**	(62)
Disposals	**284**	-
Exchange Adjustment	**(8)**	2
At 31 December	**(338)**	(573)
Net Book Value		
At 31 December	**137**	79

14 EXPLORATION AND EVALUATION ASSETS

	Consolidated 2012 $000	2011 $000
Cost		
At 1 January	**5,007**	5,007
Deferred exploration expenditure expensed	**(5,007)**	-
At 31 December	**-**	5,007

The ultimate recoupment of costs carried forward for exploration and evaluation expenditure is dependent on the successful development and commercial exploitation or the sale of the respective mining areas. At the reporting date, the license renewal for the Itogon Project was pending approval with the Philippines government, thus all deferred exploration costs have been expensed during the current year.

Exploration and evaluation expenditure immediately expensed to the Statement of Comprehensive Income as per Note 2(k) amounted to $2.510M (2011: $2.310M)

15. TRADE AND OTHER PAYABLES

	Consolidated 2012 $000	2011 $000
CURRENT		
Trade payables *(a)*	**559**	444
Other payables *(b)*	**521**	180
	1,080	624

(a) Trade payables

Are non-interest bearing and are normally settled on 30 day terms.

(b) Other payables

Are non-interest bearing and have an average term of 30 days.

(c) Interest rate risk and foreign exchange risk

Risk management policies of the Group are set out in Note 3.

(d) Fair value and credit risk

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

NON-CURRENT		
Contingent consideration liability	**-**	3,847

In determining the contingent consideration liabilities acquired with Anvil Philippines Mining Ventures Inc., the Group has made assumptions in respect of the probability of future expected milestones upon which the contingent liability is triggered. At the reporting date, the licence for the Itogon Project was pending approval with the Philippines government for renewal. The contingent consideration was assessed with no fair value due to the probability of the liability not being triggered with no current licence. The Group awaits the outcome of the renewal application at the date of this report.

16. PROVISIONS

	Consolidated 2012 $000	2011 $000
CURRENT		
Employee benefits		
Annual leave	**252**	249
Long service leave – current	**27**	-
	279	249
NON-CURRENT		
Long service leave – non-current	**94**	**81**

17. ISSUED CAPITAL AND RESERVES

	Ordinary Shares 2012 No.	Ordinary Shares 2011 No.	Ordinary Shares 2012 $000	Ordinary Shares 2011 $000
Balance at the start of the period	**1,062,104,527**	471,445,763	**423,523**	222,353
Movements in contributed equity for the financial year				
Issue of shares pursuant to:				
- Issue of shares under institutional entitlement and Placement offer (net of transaction costs)	**-**	523,992,097	**-**	183,397
- Issue of placement shares to Alsons	**141,041,667**	66,666,667	**67,700**	30,000
Equity Raising Costs	**-**	-	**(1,944)**	(11,139)
Deferred tax in respect of transaction costs on shares issued	**-**	-	**4,315**	-
Proceeds from Indophil Employee Share Plan sale	**-**	-	**621**	71
Balance at the end of the period Parent Entity	**1,203,146,194**	1,062,104,527	**494,215**	424,682
Less Employee Share Purchase Plan [(1)]	**-**	(1,755,641)	**-**	(1,159)
Balance at the end of the period Consolidated Entity	**1,203,146,194**	1,060,348,886	**494,215**	423,523

Notes:

(1) Shares issued under the Indophil Employee Share Plan have been eliminated on consolidation. Refer Note 18 for additional details in relation to the Indophil Employee Share Plan.

(2) Ordinary shares entitle their holder to one vote per share, either in person or by proxy, at a meeting of the Company.

(3) Ordinary shares have the rights to receive dividends as declared and, in the event of winding up, participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on, the shares held.

(4) The Company has granted Executives and employees options over ordinary shares (refer Note 18).

(5) Ordinary shares issued to shareholders since incorporation have had no par value.

Capital management

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

(a) Movements in Retained Earnings were as follows:

	Consolidated 2012 $000	Consolidated 2011 $000
Opening balance at 1 January	**7,266**	6,023
Net profit	**5,488**	984
Transfer from reserves – lapsed options	**567**	259
Transfer from reserves – lapsed shares Indophil Employee Share Plan	**579**	-
Closing balance at 31 December	**13,900**	7,266

Retained Earnings and Reserves

(b) Movements in Reserves were as follows:

	Consolidated Employee Equity Benefits $000
At 1 January 2011	1,476
Share-based payments expense	67
Transfer of exercised options	(71)
Transfer of lapsed options	(259)
At 31 December 2011	1,213
At 1 January 2012	
Share-based payments expense	**171**
Transfer of exercised options	**-**
Transfer of lapsed shares	**(579)**
Transfer of lapsed options	**(567)**
At 31 December 2012	**238**

Nature and purpose of reserves

Employee Equity Benefits Reserve

The employee equity benefits reserve represents the fair value of equity benefits provided to Executive and Non-Executive Directors, Executives and employees as part of their remuneration (see Note 18).

18. EMPLOYEE BENEFITS

Recognised share-based payment expense

The share-based expense recognised for employee and director services received during the year was $0.171M (2011: $0.067M).

Types of share-based payment plans

(a) Indophil Employee Share Plan (ESP)

Shares were granted to employees to align interests with those of shareholders to increase the value of the Company's shares. Under the terms of grant, the share price was set by reference to the weighted average share price five days prior to issue on the grant. The shares were issued as restricted securities. There were no ongoing performance hurdles governing vesting other than the continued employment of the employee for longer than 12 months. Subject to that continued employment, the shares had an initial four year vesting period. The Board approved a resolution at a meeting held on 17 September 2010 for the full vesting of the remaining fifty percent of shares under the ESP. All shares under the ESP had fully vested at 31 December 2011 and expired on 4 June 2012. A total of 1,755,641 ESP shares were sold on market and the proceeds of the share sales were applied to the Executives' loans and the remainder of the loans forgiven. No further shares will be issued under the ESP.

18. EMPLOYEE BENEFITS (continued)

Types of share-based payment plans (continued)

(a) Indophil Employee Share Plan (ESP) (continued)

(i) Employee Share Loans

Employees were also granted a share loan which is applied to payment of the subscription price of the ESP shares issued. The loan was interest free with recourse limited to the underlying shares. The loan was made based on the market price of the underlying shares on the grant date and not subject to any specific vesting conditions. The loan was repayable at the employee's option, however, all dividends and proceeds from share sales had to be applied against the repayment of the loan.

Dividends were required to be applied to the loan reduction and the loan balance had to be paid out from any share sale proceeds. If the loan balance was not retired, the employee was unable to receive any benefit from the shares. If an employee left the Company prior to the vesting of shares then the unvested shares were forfeited and the loans were forgiven.

(ii) Summary of ESP shares granted

The following table illustrates the number and weighted average issue prices (WAIP) of, and movements in, shares issued during the year.

	Shares 2012 No.	WAIP 2012 $	Shares 2011 No.	WAIP 2011 $
Outstanding at the beginning of the year	**1,755,641**	**0.66**	1,969,613	0.66
Granted during the year	**-**	**-**	-	-
Forfeited during the year	**-**	**-**	(156,804)	0.66
Exercised during the year	**-**	**-**	(57,168)	0.66
Expired during the year	**(1,755,641)**	**0.66**	-	-
Outstanding at the end of the year	**-**	**-**	1,755,641	0.66

(iii) Weighted average fair value of ESP

The provision of the non-recourse loan has required that the ESP shares issued be treated as if the issue was a grant of options on the relevant date. Under those principles, the fair value of the ESP on the date of issue was $0.33, the assumptions of which are outlined in note (iv) below.

(iv) Fair Value pricing model: ESP

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

(b) Indophil Option Plan (Option Plan)

The Company has not issued any options under the Option Plan since 1 May 2007. Under the Option Plan, options were granted to Executive and Non-Executive Directors and Executives and equally vested over a period of three years. There were no options granted or outstanding under the Option Plan at the end of the Reporting Period.

The life and exercise period of the options is no greater than five years. All options under the Option Plan were fully vested on 31 December 2011 and expired during 2012. No further options will be issued under this Option Plan.

Change of control provisions

If a notice is lodged with the ASX which states that a person has become entitled to 'not less than 50%' of all the Company's shares, all such options will immediately vest and be exercisable for a period of 30 days. Any such options which have not been exercised during the 30 day period will lapse.

The table below sets out the number and weighted average exercise prices (WAEP) of options over ordinary shares under the Option Plan:

	Options 2012 No.	WAEP 2012 $	Options 2011 No.	WAEP 2011 $
Outstanding at the beginning of the year	**1,950,000**	**0.85**	2,600,000	0.84
Options:				
- Granted during the year	**-**	**-**	-	-
- Forfeited during the year	**-**	**-**	-	-
- Exercised during the year	**-**	**-**	-	-
- Expired during the year	**(1,950,000)**	**0.85**	(650,000)	0.80
Outstanding at the end of the year [(1)]	**-**	**-**	1,950,000	0.85
Number of options vested under the Option Plan at the end of the year [(1)]			1,950,000	0.85

Note:

(1) *The options outstanding and options vested only relate to options held by Directors, Executives and employees.*

(c) Employee Option Plan (EOP)

The table below sets out the number and weighted average exercise prices (WAEP) of options over ordinary shares under the EOP:

	Options 2012 No.	WAEP 2012 $	Options 2011 No.	WAEP 2011 $
Outstanding at the beginning of the year	**614,000**	**0.41**	-	-
Options:				
- Granted during the year	**2,760,750**	**0.28**	614,000	0.41
- Forfeited during the year	**-**	**-**	-	-
- Exercised during the year	**-**	**-**	-	-
- Expired during the year	**-**	**-**	-	-
Outstanding at the end of the year [(1)]	**3,374,750**	**0.30**	614,000	0.41
Number of options vested under the Option Plan at the end of the year [(1)]	**2,760,750**	**0.28**	614,000	0.41

Note:

(1) *The options outstanding and options vested only relate to options held by Executives and employees.*

18. EMPLOYEE BENEFITS (continued)

Types of share-based payment plans (continued)

(c) Employee Option Plan (EOP) (continued)

Options over ordinary shares granted under the EOP outstanding at the end of the year are represented by:

	Exercise Price $	Options No.
3 April 2014	**0.41**	**614,000**
19 December 2015	**0.25**	**920,250**
19 December 2016	**0.28**	**920,250**
19 December 2017	**0.31**	**920,250**
Total		**3,374,750**

Fair Value pricing model: EOP

The fair value of the EOP is estimated as at the date of issue using the Black Scholes option pricing model. The following table lists the key assumptions to the model used in relation to those options issued for the year ended 31 December 2012.

Model Used	Measurement	Black-Scholes	Black-Scholes	Black-Scholes
Dividend yield	%	-	-	-
Expected Volatility	%	40	40	40
Risk-free cost of capital	%	2.66	2.64	2.65
Expected life of options	Years	2.50	3.25	4.00
Share price at grant date	$	0.24	0.24	0.24
Exercise Price	$	0.25	0.28	0.31

The share price at grant date is the share market price on the issue date (20 December 2012).

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

Option pricing model

Equity-settled transactions

The fair value of the equity-settled share options and performance rights granted is estimated as at the date of grant using a Black-Scholes Model taking into account the terms and conditions upon which the options and performance rights were granted.

Superannuation

The Group does not operate a superannuation plan. In Australia, the Group contributes 9% of the salary paid to an employee to the employee-nominated approved superannuation funds.

In the Philippines, the Group contributes to government prescribed social security plans at varying rates. In addition, the Group is required to provide for a retirement plan for employees who, at the age of 60, have worked more than five consecutive years of service.

Medium Term Incentives

Certain executives are eligible to receive a cash incentive payable in three discrete tranches, subject to increase in the Company's share price in each discrete year of their contract terms. The incentive payment commences at 20% of the maximum possible incentive payment for a share price increase of 6% in a year, increasing linearly to the maximum incentive payment for a share price increase of at least 10% in a year.

The fair value of cash settled share based payments is estimated at grant date and remeasured at each reporting date taking into account the terms and conditions upon which the entitlement is based, including the likelihood of achieving market based vesting conditions.

19. COMMITMENTS AND CONTINGENCIES

(a) Commitments

Operating lease commitments

The Group has entered into commercial leases on office space and items of plant and equipment. These leases have an average life of between one to five years.

Future minimum rental payments under non-cancellable operating leases as at 31 December 2012:

	Consolidated	
	2012 $000	**2011 $000**
Estimated lease expenditure contracted for at the reporting date, but not provided for, payable:		
- Within one year	**200**	246
- After one year but not more than five years	**689**	66
- After more than five years	**-**	-
	889	312

Exploration and evaluation expenditure commitments

Board approved exploration and evaluation expenditure budget for its controlled entities	**764**	6,955
Tampakan Project committed expenditure	**-**	-

The 2013 Continuing Development Program for the Tampakan Project was approved by SMI in January 2013 at a cost of US$53.9M, of which the Company's share is US$20.2M (37.5%).

19. COMMITMENTS AND CONTINGENCIES (continued)

(b) Contingent Liabilities

	Consolidated 2012 $000	Consolidated 2011 $000
Contingent Liabilities		
Amount due to WMC Resources International Pty Ltd (WMCR Int'l)		
As part of the Sale & Purchase Agreement between WMCR Int'l and the Tampakan Group of Companies, Sagittarius Mines Inc. (SMI) is required to pay, in two equal instalments, for the shares transferred by WMCR Int'l in Tampakan Mineral Resources Corporation (formerly WMC Philippines Inc.) to SMI after the commencement of production.		
The amount due to WMCR Int'l on the commencement of production is US$10m with the Company's share of this obligation being 37.50% (2011: 37.50%)	**3,612**	3,685

Corporate Advisors

The Company retains Corporate Advisors that earn fees in the event of a change of control.

20. EVENTS AFTER BALANCE DATE

On 5 February 2013, SMI advised it had received a copy of an official notification from the Office of the President to the government's DENR with the direction to: "*resolve the abovementioned application for an ECC without any consideration of requirements other than those imposed under the EIS system itself.*"

On 19 February 2013, SMI received the Mine ECC from the DENR through the EMB, subject to certain terms and conditions. SMI has reviewed the terms and conditions and is corresponding with the DENR on the matter. The Company awaits the outcome as at the date of this report.

21. RELATED PARTY DISCLOSURES

Directors

The Directors of the Company during the financial year were:

B Phillips
R Laufmann
T Robbins
K Wightman
D Carland
N Alcantara
F DyBuncio (appointed 6 September 2012)
W Wassmer (appointed 6 February 2012; resigned 6 September 2012)

Wholly-owned group transactions

During the financial year, the Company advanced $2,395M (2011: $1.673M) to controlled entities. At 31 December 2012, Indophil provided $2,395M (2011: $1.673M) against monies advanced to controlled entities in the Philippines by way of shareholder advances.

Investments in controlled entities

Name	Country of Incorporation	Equity interest held by the Consolidated Entity 2012 %	2011 %
Indophil Resources Phils Inc. *(3)*	Philippines	**100**	100
Luzon Resources Pty Ltd *(6)*	Australia	**100**	100
Omega Mineral Exploration Corp Inc. *(1)*	Philippines	**100**	100
Osprey Mineral Exploration Corp *(4)/(6)*	Philippines	**60**	60
Pulong Ilog Mineral Exploration Corp *(4)/(6)*	Philippines	**60**	60
San Christo Mineral Exploration Corp *(2)/(4)*	Philippines	**100**	100
San Eduardo Mineral Exploration Corp *(6)*	Philippines	**100**	100
San Leonardo Mineral Exploration Corp *(4)/(6)*	Philippines	**60**	60
Southern Exploration Corporation *(5)*	Philippines	**100**	100
Southern Philippines Exploration Pty Ltd *(6)*	Australia	**100**	100
Visayan Resources Pty Ltd *(6)*	Australia	**100**	100
Xenia Mineral Exploration Corp *(2)*	Philippines	**100**	100
Indophil Services International Pty Ltd *(6)*	Australia	**100**	100
Indophil (Itogon) Holdings Pty Ltd *(6)*	Australia	**100**	100
Indophil (Sagittarius) Holdings Pty Ltd *(6)*	Australia	**100**	100
Indophil (Balatoc) Holdings Pty Ltd *(6)*	Australia	**100**	100
Indophil Finance Limited *(3)*	Australia	**100**	100
Indophil Southern Philippines Holdings Limited (3)	Australia	**100**	100
Indophil Employee Share Plan Pty Ltd (3)	Australia	**100**	100

Notes:

(1) Investments in Omega Mineral Exploration Corporation are held by Luzon Resources Pty Ltd.

(2) Investments in San Christo Mineral Exploration Corporation and Xenia Mineral Exploration Corporation are held by Visayan Resources Pty Ltd.

(3) Investments held by Indophil Resources NL.

(4) Investments held by San Eduardo Mineral Exploration Corporation.

(5) Investment in Southern Exploration Corporation held by Southern Philippines Exploration Pty Ltd.

(6) Investments held by Indophil Southern Philippines Holdings Limited.

Entities subject to Class Order relief

Pursuant to Class Order 98/1418, relief has been granted to Indophil Finance Ltd (IFL) and Indophil Southern Philippines Holdings Limited (ISPHL) from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, the Company, IFL and ISPHL (the 'Closed Group'), entered into a Deed of Cross Guarantee on 21 December 2009. The effect of the deed is that the Company has guaranteed to pay any deficiency in the event of winding up of the controlled entities or if they do not meet their obligations when they become due. The controlled entities have also given a similar guarantee in the event that the Company is wound up or if it does not meet its obligations when they become due subject to the guarantee.

21. RELATED PARTY DISCLOSURES (Continued)

The consolidated Statement of Comprehensive Income and Statement of Financial Position of the entities that are members of the Closed Group are as follows:

Consolidated Statement of Comprehensive Income	Closed Group 2012 $000	Closed Group 2011 $000
Profit from continuing operations before income tax	**8,262**	5,818
Income tax expense	**(2,465)**	-
Net profit for the period	**5,797**	5,818
Retained earnings at the beginning of the period	**20,350**	14,273
Transfer of lapsed options/loss on ESP	**1,381**	259
Retained earnings at the end of the period	**27,528**	20,350

Consolidated Statement of Financial Position		
ASSETS		
Current Assets		
Cash and cash equivalents	**234,941**	195,712
Other receivables	**1,628**	1,265
Prepayments	**224**	260
Total Current Assets	**236,793**	197,237
Non-Current Assets		
Other financial assets	**284,028**	251,956
Deferred Tax Asset	**3,198**	32
Plant and equipment	**96**	-
Total Non-Current Assets	**287,322**	251,988
TOTAL ASSETS	**524,115**	449,225
LIABILITIES		
Current Liabilities		
Trade and other liabilities	**873**	2,659
Income tax payable	**907**	-
Provisions	**260**	240
Total Current Liabilities	**2,040**	2,899
Non-Current Liabilities		
Provisions	**94**	81
Total Non-Current Liabilities	**94**	81
TOTAL LIABILITIES	**2,134**	2,980
NET ASSETS	**521,981**	446,245
EQUITY		
Equity attributable to equity holders of the Parent		
Contributed Equity	**494,215**	424,682
Retained earnings	**27,528**	20,350
Reserves	**238**	1,213
TOTAL EQUITY	**521,981**	446,245

Other related party transactions

Sagittarius Mines, Inc. (SMI)

The Company has provided loans to an associate entity, SMI, totalling $235.741M (2011: $199.975M) under a number of Loan Deeds. An amount of $3.197M advanced to SMI has previously been provided against.

Interest earned by the Company on loans made to SMI was $8.767M (2011: $7.141M).

The Company provides certain commercial, corporate relations, financial and management support services to SMI and accordingly, invoiced $0.068M (2011: $0.068M) during the financial year for management fees.

The remuneration paid to Mr Robbins includes a consultancy fee of $239,900 (2011: $230,122) of which $68,123 (2011: $67,929) relates to his secondment to SMI.

Xstrata Queensland Limited (Xstrata)

At the reporting date, 31 December 2012, Xstrata held 157,189,422 (13.06%) ordinary shares in the Company (2011: 157,189,422).

Alsons Group (Alsons)

At the date of this report, Alsons and its related bodies held 240,508,334 (19.99%) ordinary shares in the Company (2011: 99,466,667). Mr Paul Dominguez acts as Nominee Director on the board of SMI on behalf of Indophil Resources Philippines, Inc.

Mr Nicasio Alcantara also serves as a director in the Alcantara group of Companies.

Ultimate parent entity

Indophil Resources NL is the ultimate parent entity.

Key Management Personnel

(a) Details of Key Management Personnel

(i) Directors

B Phillips	Non-Executive Chairman
T Robbins	Executive
K Wightman	Non-Executive
D Carland	Non-Executive
N Alcantara	Non-Executive
F DyBuncio	Non-Executive (appointed 6 September 2012)
W Wassmer	Non-Executive (appointed 6 February 2012; resigned 6 September 2012)

(ii) Chief Executive Officer and Managing Director

R Laufmann

(iii) Other Executives

N Grimes	Executive General Manager
A Krauser	Chief Financial Officer and Company Secretary (resigned as Company Secretary on 3 February 2012)
K Donehue	Company Secretary (appointed as Company Secretary 3 February 2012)
G Collery	Manager Corporate Affairs

21. RELATED PARTY DISCLOSURES (continued)

(b) Compensation of Key Management Personnel

	Consolidated 2012 $000	2011 $000
Short-term employee benefits	**2,498**	1,825
Post-employment benefits	**226**	316
Other long-term benefits	**359**	20
Termination benefits	**-**	-
Share-based payments	**127**	50
	3,210	2,211

(c) Executives' interests in the Employee Option Plan

Share options held by Executives and under the Employee Option Plan to purchase ordinary shares have the following expiry dates and expiry dates.

Issue date	Expiry date	Exercise price	No. outstanding 2012	No. outstanding 2011
2011	3 Apr 14	0.41	454,000	454,000
2012	19 Dec 15	0.25	682,500	-
2012	19 Dec 16	0.28	682,500	-
2012	19 Dec 17	0.31	682,500	-
Total			**2,501,500**	**454,000**

(d) Shares held by Key Management Personnel

	Balance 1 Jan '12	Granted as Remuneration	On Exercise of Options	Other Changes	Balance 31 Dec '12
Directors					
B Phillips	1,700,000	-	-	-	1,700,000
R Laufmann	3,409,364	-	-	-	3,409,364
T Robbins	2,671,750	-	-	-	2,671,750
K Wightman	100,000	-	-	-	100,000
D Carland	200,000	-	-	-	200,000
N Alcantara	-	-	-	-	-
F DyBuncio (appointed 6 Sep 2012)	-	-	-	-	-
W Wassmer (appointed 6 Feb 2012); resigned 6 Sep 2012)	-	-	-	-	-
	8,081,114	-	-	-	8,081,114
Executives					
N Grimes (appointed 9 Jan 2012)	-	-	-	50,082	50,082
A Krauser	-	-	-	-	-
K Donehue (appointed Company Secretary on 3 Feb 2012)	-	-	-	5,000	5,000
G Collery	30,000	-	-	-	30,000
	30,000	-	-	55,082	93,082
Total	**8,111,114**	-	-	**55,082**	**8,166,196**

	Balance 1 Jan '11	Granted as Remuneration	On Exercise of Options	Other Changes[(1)/(2)]	Balance 31 Dec '11
Directors					
B Phillips [(1)]	1,100,000	-	-	600,000	1,700,000
R Laufmann [(1)]	1,967,616	-	-	1,441,748	3,409,364
T Robbins	2,671,750	-	-	-	2,671,750
K Wightman [(1)]	50,000	-	-	50,000	100,000
D Carland (appointed 1 Sep 2011) [(2)]	-	-	-	200,000	200,000
N Alcantara (appointed 29 Dec 2011)	-	-	-	-	-
	5,789,366	-	-	2,291,748	8,081,114
Executives					
A Krauser	-	-	-	-	-
G Collery [(1)]	13,000	-	-	17,000	30,000
R Mirfield	-	-	-	-	-
	13,000	-	-	17,000	30,000
Total	**5,802,366**	-	-	**2,308,748**	**8,111,114**

Notes:

(1) Shares issued as part of rights taken up under the capital raising as announced 8 June 2011.

(2) Shares acquired prior to being appointed as a Non-Executive Director.

22. AUDITOR'S REMUNERATION

	Consolidated 2012 $000	2011 $000
Amounts received or due and receivable by Ernst & Young (Australia) for:		
An audit or review of the financial report of the Consolidated Entity and Indophil Resources NL	**168**	139
Other services in relation to the Consolidated Entity and any other entity in the Consolidated Entity	**-**	-
- Accounting advice		
- Tax and corporate advice	**114**	23
- Assurance services - other	**-**	126
	282	288
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
An audit or review of the financial report of the Consolidated Entity and any other entity in the Consolidated Entity	**69**	58
Other services in relation to the Consolidated Entity and any other entity in the Consolidated Entity		
- Tax and corporate advice	**10**	8
- Assurance services - other	**-**	-
	361	354

23. INFORMATION RELATING TO INDOPHIL RESOURCES NL (THE PARENT)

	2012 $000	2011 $000
Current assets	**236,682**	197,134
Total assets	**524,005**	446,648
Current Liabilities	**2,039**	719
Total Liabilities	**2,134**	800
Issued Capital	**494,215**	424,682
Retained Earnings	**27,418**	19,953
Employee equity benefits reserve	**238**	1,213
	521,871	445,848
Profit after tax of the Parent entity	**6,085**	5,774
Total comprehensive income of the Parent entity	**6,085**	5,774

Directors' Declaration

FOR THE YEAR ENDED 31 DECEMBER 2012

In accordance with a resolution of the Directors of Indophil Resources NL, I state that:

1. In the opinion of the Directors:

   (a) the financial statements, notes and the additional disclosures included in the Directors' Report designated as audited of the Company and the Group are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2012 and their performance for the year ended on that date;

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

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

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

   (d) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 21 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 31 December 2012.

On behalf of the Board of Directors

B Phillips
Chairman
Melbourne, 27 March 2013

ERNST & YOUNG

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Independent auditor's report to the members of Indophil Resources NL

Report on the financial report

We have audited the accompanying financial report of Indophil Resources NL, which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal 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 2b, 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 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 our 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.

ERNST & YOUNG

Opinion

In our opinion:

a. the financial report of Indophil Resources NL is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 31 December 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 2b.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Indophil Resources NL for the year ended 31 December 2012, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Michael Collins
Partner
Melbourne
27 March 2013

Additional information required by the Australian Securities Exchange Ltd (ASX) and not shown elsewhere in this report is as follows. The information is current as at 22 March 2013:

Distribution of ordinary shares

The number of shareholders, by size of holding, is:

		Ordinary Shares
	Holders No.	Shares No.
1 – 1,000	242	96,124
1,001 – 5,000	464	1,436,049
5,001 – 10,000	363	3,031,688
10,001 – 100,000	892	31,013,401
100,001 – 999,999,999	187	1,167,568,932
Total	**2,148**	**1,203,146,194**

The number of parcels with holdings less than a marketable parcel of shares as defined in the ASX listing rules	**279**	**140,146**

Twenty largest shareholders

	Listed Ordinary Shares	
	Holders No.	Shares %
Alsons Group of Companies	240,508,334	19.99
JP Morgan Nominees Australia Limited	184,408,604	15.24
Xstrata Queensland Limited	157,189,422	13.06
National Nominees Limited	147,779,892	12.28
HSBC Custody Nominees (Australia) Limited	87,147,131	7.24
JP Morgan Nominees Australia Limited <Cash Income A/C>	85,553,548	7.11
Coastal View Exploration Corporation	48,016,960	3.99
Zero Nominees Pty Ltd	37,337,000	3.10
Merrill Lynch (Australia) Nominees Pty Ltd	27,838,723	2.31
Philex Mining Corporation	15,630,806	1.30
CitiCorp Nominees Pty Limited	14,932,500	1.24
William Taylor Nominees Pty Ltd	9,600,000	0.80
Citicorp Nominees Pty Ltd	9,174,728	0.76
HSBC Custody Nominees (Australia) Limited	6,954,077	0.58
Matutum Consolidated Mining Corporation	5,500,000	0.46
HSBC Custody Nominees (Australia) Limited	5,058,905	0.42
Buttonwood Nominees Pty Ltd	4,159,681	0.35
Asia Union Investments Pty Ltd	4,000,000	0.33
Mr Jay Evan Dale Hughes	3,500,000	0.29
Inkese Pty Ltd	3,500,000	0.29
Total	**1,096,790,311**	**91.16**

Substantial Shareholders

There were no substantial shareholders who have notified Indophil Resources NL in accordance with Section 671B of the Corporations Act 2001.

Schedule of Interests in Approved Mining Tenements

Tenement	Approval Date	Current Ownership	Project	Area (Km^2)	Agreement Type	Equity
FTAA 02-95-X1 (Columbio)	23/03/1995 (R)11/12/02	Sagittarius Mines, Inc.	Tampakan	304.9	Operating Royalty	37.50%
MPSA 094-97-XI	20/11/1997 (R)12/04/2002	Alsons Development Corporation	Manat	15.47	Farm-in & JV	25%

Corporate Directory

Directors

Brian Phillips
Chairman (Non-Executive)

Richard Laufmann
Chief Executive Officer and Managing Director

Tony Robbins
Director (Executive)

Kyle Wightman
Director (Non-Executive)

David Carland
Director (Non-Executive)

Nicasio Alcantara
Director (Non-Executive)

Frederick DyBuncio
Director (Non-Executive)

Company Secretary

Kay Donehue

Principal and Registered Office

Indophil Resources NL
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Australia

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Facsimile: +61 3 8620 5888

Postal Address
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Melbourne VIC 8007
Australia

Regional Office
Level 3, L & F Building
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Legaspi Village
Makati City, Manila
The Philippines

Auditors – Australia

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000
Australia

Auditors – Philippines

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
Makati City, Manila
The Philippines

Solicitors/Attorneys

White & Case
9th Floor, Central Tower
28 Queen's Road Central
Hong Kong

Baker & McKenzie
Level 19, 181 William Street
Melbourne VIC 3000
Australia

Fortun Narvasa Salazar
23rd Floor Multinational Bancorporation Centre
6805 Ayala Avenue
Makati City, Manila
The Philippines

Share Registry

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001
Australia
Telephone: (within Australia): 1300 850 505
(from outside Australia): +61 3 9415 4000

Bankers

Australia and New Zealand Banking Group Limited
388 Collins Street
Melbourne VIC 3000
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Website

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Enquiries

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Indophil Resources NL

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