



**ABN 48 142 901 353**

**AND ITS CONTROLLED ENTITIES**

**AUDITED FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2013**

**SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES**  
ABN 48 142 901 353  
**FINANCIAL REPORT 30 JUNE 2013**

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**SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES**

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**FINANCIAL REPORT 30 JUNE 2013**

**CORPORATE DIRECTORY**

**Directors**

Nigel Gellard

Leigh Junk

Peter Ellery (appointed 22 November 2012)

Executive Chairman

Non-Executive Director

Non-Executive Director

**Company Secretary**

Jay Stephenson

**Registered Office**

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**Share Registry**

Computershare Investor Services Pty Ltd

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Perth

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**Home Exchange**

Australian Securities Exchange Limited

Exchange Plaza

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Perth WA 6000

**ASX Code – SEO**

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

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## FINANCIAL REPORT 30 JUNE 2013

### CORPORATE GOVERNANCE STATEMENT

As the framework of how the Board of Directors of Sentosa Mining Limited ("the Company") carries out its duties and obligations, the Board has considered the eight principles of corporate governance as set out in the ASX Good Corporate Governance and Best Practice Recommendations.

The essential corporate governance principles are:

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

#### **1. Lay solid foundations for management and oversight.**

**Recommendation 1.1:** Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

##### **Roles and Responsibilities:**

The roles and responsibilities carried out by the Board are to:

- Oversee control and accountability of the Company;
- Set the broad targets, objectives, and strategies;
- Monitor financial performance;
- Assess and review risk exposure and management;
- Oversee compliance, corporate governance, and legal obligations;
- Approve all major purchases, disposals, acquisitions, and issue of new shares;
- Approve the annual and half-year financial statements;
- Appoint and remove the Company's Auditor;
- Appoint and assess the performance of the Managing Director and members of the senior management team;
- Report to shareholders.

**Recommendation 1.2:** Companies should disclose the process for evaluating the performance of senior executives.

The Board regularly reviews the performance of senior executives.

**Recommendation 1.3:** Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 1.

The evaluation of performance of senior executives has taken place throughout the period.

#### **2. Structure the Board to add value.**

**Recommendation 2.1:** A majority of the Board should be independent Directors. - All Directors are independent. Refer general comment below.

**Recommendation 2.2:** The Chairperson should be an independent Director. – The Chairman is independent. Refer general comment below.

**Recommendation 2.3:** The roles of the Chairperson and Chief Executive Officer should not be exercised by the same individual.

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### CORPORATE GOVERNANCE STATEMENT

**Recommendation 2.4:** *Establishment of a Nomination Committee.*

**Recommendation 2.5:** *Disclose the process for evaluating the performance of the Board, its Committees and individual Directors.*

**Recommendation 2.6:** *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 2.*

#### **General Comments:**

##### **Membership**

The Board's membership and structure is selected to provide the Company with the most appropriate direction in the areas of business controlled by the Company. The Board currently consists of one Executive Chairman and two Non-Executive Directors. Refer to the Directors' Report for details of each Director's profile. The majority of the Board is independent.

##### **Chairman and Managing Director**

The Chairman is responsible for leading the Board in its duties, and facilitating effective discussions at Board level.

##### **Nomination Committee**

The Company has a formal charter for the Nomination Committee, however, no Committee has been appointed to date. The Board as a whole deals with areas that would normally fall under the charter of the Nomination Committee. These include matters relating to the renewal of Board members and Board performance.

Refer to the table of departure from best practice recommendations.

##### **Performance Evaluation**

The Board assesses its performance, the performance of individual directors and the performance of its committees annually through a process of internal review. The Board also formally reviews its governance arrangements on a similar basis annually.

The performance of Key Management Personnel ("KMP") is reviewed on an annual basis by the Board and remuneration committee.

Further details regarding the Board's remuneration policy for KMP is provided in the Remuneration Report on page 13.

##### **Skills**

The Directors bring a range of skills and background to the Board including geological, legal, accounting, and finance.

##### **Experience**

The Directors have considerable experience in business at both operational and corporate levels.

##### **Meetings**

The Board endeavours to meet at least bi-monthly on a formal basis, although the Board regularly meets informally.

##### **Independent professional advice**

Each Director has the right to seek independent professional advice at the Company's expense for which the prior approval of the Chairman is required, and is not unreasonably withheld.

#### **3. Promote ethical and responsible decision-making.**

**Recommendation 3.1:** *Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent) and any other key executives as to:*

3.1.1 *The practices necessary to maintain confidence in the Company's integrity;*

3.1.2 *The practices necessary to take into account legal obligations and the reasonable expectations of shareholders;*

3.1.2 *The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

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### CORPORATE GOVERNANCE STATEMENT

**Recommendation 3.2:** *Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving team.*

#### **General Comments:**

The Company believes that the promotion of diversity on Boards, in senior management and within the organisation generally broadens the pool for recruitment of high quality Directors and employees; is likely to support employee retention; through the inclusion of different perspectives, is likely to encourage greater innovation; and is socially and economically responsible governance practice.

The Company is in compliance with the ASX Corporate Governance Council's Principles & Recommendations on Diversity. The Board of Directors is responsible for adopting and monitoring the Company's diversity policy. The policy sets out the beliefs and goals and strategies of the Company with respect to diversity within the Company. Diversity within the Company means all the things that make individuals different to one another including gender, ethnicity, religion, culture, language, sexual orientation, disability and age. It involves a commitment to equality and to treating of one another with respect.

The Company is dedicated to promoting a corporate culture that embraces diversity. The Company believes that diversity begins with the recruitment and selection practices of its Board and its staff. Hiring of new employees and promotion of current employees are made on the basis of performance, ability and attitude.

**Recommendation 3.3:** *Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.*

**Recommendation 3.4:** *Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.*

#### **General Comments:**

Currently there are no women employees in the whole organisation, in senior executive positions, or on the Board. Given the present size of the Company, there are no plans to establish measurable objectives for achieving gender diversity at this time. The need for establishing and assessing measurable objectives for achieving gender diversity will be re-assessed as the size of the Company increases.

**Recommendation 3.5:** *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 3.*

A summary of both the Company's Code of Conduct and its Share Trading Policy will be included on the Company's website, [www.sentosamining.com.au](http://www.sentosamining.com.au)

#### **4. Safeguard integrity in financial reporting.**

**Recommendation 4.1:** *The Board should establish an Audit Committee.*

**Recommendation 4.2:** *Structure the Audit Committee so that it consists of:*

- Only Non-Executive Directors;
- A majority of independent Directors;
- An independent Chairperson, who is not Chairperson of the Board;
- At least three members.

**Recommendation 4.3:** *The Audit Committee should have a formal charter.*

**Recommendation 4.4:** *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 4.*

#### **General Comments:**

##### **Integrity of Company's Financial Condition**

The Company's Financial Controller and Company Secretary report in writing to the Board that the financial statements of the Company for the half and full financial year present a true and fair view, in all material respects, of the Company's financial condition and operational results in accordance with relevant accounting standards.

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### CORPORATE GOVERNANCE STATEMENT

#### Audit Committee

The Company has a formal charter for an Audit Committee, however no Committee has been appointed to date. The Board as a whole deals with areas that would normally fall under the charter of the Audit Committee.

Refer to the table of departure from best practice recommendations.

#### 5. Make timely and balanced disclosure.

**Recommendation 5.1:** *Establish written policies and procedures designed to ensure compliance with ASX Listing rules disclosure requirements and to ensure accountability at a senior management level for that compliance.*

Being a listed entity on the ASX, the Company has an obligation under the ASX Listing Rules to maintain an informed market with respect to its securities. Accordingly, the Company advises the market of all information required to be disclosed under the Rules that the Board believes would have a material affect on the price of the Company's securities.

The Company Secretary has been appointed as the person responsible for communication with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules, and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media, and the public.

All shareholders have access to the annual report on the Company's website. Shareholders who have elected to receive a hardcopy will do so.

**Recommendation 5.2:** *Provide the information indicated in the ASX Corporate Governance Councils' Guide to Reporting on Principle 5.*

Disclosure is reviewed as a routine agenda item at each Board meeting.

#### 6. Respect the rights of shareholders.

**Recommendation 6.1:** *Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*

**Recommendation 6.2:** *Provide the information indicated in the ASX Corporate Governance Councils' Guide to Reporting on Principle 6.*

#### General Comments:

The Company is committed to keeping shareholders fully informed of significant developments at the Company. In addition to public announcements of its financial statements and significant matters, the Company provides the opportunity for shareholders to question the Board and management about its activities at the Company's annual general meeting.

The Company's auditor, Grant Thornton Audit Pty Ltd, will be in attendance at the annual general meeting and will also be available to answer questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report.

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### CORPORATE GOVERNANCE STATEMENT

#### 7. Recognise and manage risk

**Recommendation 7.1:** *The Board or appropriate Board Committee should establish policies on risk oversight and management of material business risks and disclose a summary of those policies.*

**Recommendation 7.2:** *The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) to state in writing to the Board that:*

7.2.1 *The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.*

7.2.2 *The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.*

**Recommendation 7.3:** *The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to the financial reporting risks.*

**Recommendation 7.4:** *Provide the information indicated in the ASX Corporate Governance Council's Guide to reporting on Principle 7.*

#### **General Comments:**

The Board oversees the Company's risk profile. The financial position of the Company and matters of risk are considered by the Board. The Board is responsible for ensuring that controls and procedures to identify, analyse, assess, prioritise, monitor and manage risk are in place, being maintained and adhered to.

The Chief Financial Officer/Company Secretary state in writing to the Board that:

- The statement given in accordance with best practice recommendation 4 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the Board.
- The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

#### 8. Remunerate fairly and responsibly

**Recommendation 8.1:** *The Board should establish a Remuneration Committee.*

**Recommendation 8.2:** *The Remuneration Committee should be structured so that it:*

- *consists of a majority of independent Directors;*
- *is chaired by an independent chair;*
- *has at least three members.*

**Recommendation 8.3:** *Clearly distinguish the structure of Non-Executive Directors' remuneration from that of executives and senior executives.*

**Recommendation 8.4:** *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 8.*



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### CORPORATE GOVERNANCE STATEMENT

#### **General Comments:**

##### **Principles used to determine the nature and amount of remuneration**

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate to the results delivered. The framework aligns executive reward with the creation of value for shareholders, and conforms to market best practice.

##### **Remuneration Committee**

The Company has a formal charter for the Remuneration Committee, however, no Committee has been appointed to date. The entire Board act as the Remuneration and Nomination Committee. The Board as a whole deals with areas that would normally fall under the charter of the Remuneration Committee.

Refer to the table of departure from best practice recommendations.

##### **Directors' Remuneration**

Further information on Directors' and Executives' remuneration is set out in the Directors' Report and Note 7 to the financial statements.

##### **Departure from Best Practice Recommendations**

From the Company's incorporation, the Company has complied with each of the Eight Essential Corporate Governance Principles and Best Practice Recommendations published by the ASX Corporate Governance Council, other than those items in the departure table below.

<b>Recommendation Reference – ASX Guidelines</b>	<b>Notification of Departure</b>	<b>Explanation for Departure</b>
2.4	A separate Nomination Committee has not been formed.	The Board considers that the Company is not currently of a size to justify the formation of a Nomination Committee. The Board as a whole undertakes the process of reviewing the skill base and experience of existing Directors to enable identification of attributes required in Directors.
4.1, 4.2	A separate Audit Committee has not been formed.	The Board considers that the Company is not of a size, nor is its financial affairs of such complexity to justify the formation of an Audit Committee. The Board as a whole undertakes the selection and proper application of accounting policies, the integrity of financial reporting, the identification and management of risk and review of operation of the internal control systems.
8.1, 8.2, 8.3	A separate Remuneration Committee has not been formed.	The Board considers that the Company is not currently of a size to justify the formation of a Remuneration Committee. The Board as a whole undertakes the process of reviewing the remuneration levels of the Board, and where required, outside advice is sought.

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

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## FINANCIAL REPORT 30 JUNE 2013

### DIRECTORS' REPORT

The Directors present the financial statements of Sentosa Mining Limited ("the Company") and its controlled entities, Toro Mining Pty Ltd and Sentosa Mining (Philippines) Inc. ("the Group") for the financial year ended 30 June 2013.

#### Directors

The following persons were Directors of the Company and were in office for the entire year, and up to the date of this report, unless otherwise stated:

Nigel Gellard	Executive Chairman
Leigh Junk	Non-Executive Director
Peter Ellery (appointed 22 November 2012)	Non-Executive Director
Dean Besserer (resigned 31 August 2012)	Managing Director
John Williamson (resigned 21 November 2012)	Non-Executive Director

#### Company secretary

The following person held the position of Company Secretary at the end of the financial year:

Jay Richard Stephenson - Chartered Secretary (FCIS), Master of Business Administration (MBA), Certified Management Accountant (CMA), Member of the Australian Institute of Company Directors (MAICD), Fellow of the Chartered Institute of Secretaries, was appointed as Company Secretary for Sentosa Mining Limited on 17 December 2010.

#### Principal activity

The Company is primarily involved in the exploration of its Jaurdi Hills project in Western Australia and the acquisition and development of Mongolian gold and copper projects.

#### Results of operations

The loss of the Group for the year ended 30 June 2013 amounted to \$389,328 (2012: \$1,146,859 loss).

#### Financial position

The net assets of the Group at 30 June 2013 were \$1,781,104 (2012: \$2,170,432).

#### Significant changes in the state of affairs

On 24 April 2013, the Company announced that it has signed a heads of agreement to acquire 100% interest in Darvii Naruu Copper Gold Project in the Gobi-Altai province in Western Mongolia. Under the terms of the agreement Sentosa spent around A\$150,000 on a work programme which involved flying an aeromagnetic and radiometric survey. In the event that the survey was successful and all necessary Mongolian government approvals have been received, then the Company will issue 5,500,000 fully paid ordinary shares and a 0.5% Net Smelter Return Royalty as consideration for a 100% interest in all of the tenements.

On 31 August 2012, Dean Besserer tendered his resignation as Managing Director of the Company. On 21 November 2012, John Williamson resigned as Non-executive Director of the Company.

On 22 November 2012, Peter Ellery was appointed as Non-executive Director of the Company.

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

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### DIRECTORS' REPORT

#### Dividends paid or recommended

No dividends were declared or paid during the year and the Directors do not recommend the payment of a dividend.

#### Significant events after the reporting date

On 20 September 2013 the company announced it was undertaking a placement of fully paid ordinary shares with new free attaching options to raise up to \$1,000,000. For every two shares subscribed one free attaching option exercisable at 15 cents on or before 30 November 2016 will be issued. Additional subscriptions may be accepted at the director's discretion. A non-renounceable pro rata entitlements issue will be undertaken on the basis of one new option for every two shares held at a price of 0.5 cents to raise up to \$130,000.

Other than the items above, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction, or event of a material and unusual nature not otherwise dealt with in the financial statements, likely in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of the operations or the state of affairs of the Group in future financial years.

#### Likely development

Likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations have not been included in this report as the Directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

#### Environmental regulations

In the normal course of business, there are no environmental regulations or requirements that the Group is subject to. The Directors will reassess this position as and when the need arises.

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

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### DIRECTORS' REPORT

#### Information on Directors

##### **Nigel Gellard**

##### **Executive Chairman– Appointed 17 December 2010**

##### Qualifications and Experience

Nigel has over 20 years' experience in the resources, agricultural and financial services/funds management sectors. Previously, Nigel was co-founder and Executive Director of a privately owned boutique funds management firm. Prior to this Nigel spent five years dealing in the equities markets, most notably with Patersons Securities Limited.

Prior to entering into the financial services and funds management industry, Nigel was Commercial Adviser to the Director of Exploration for Rio Tinto Plc, and based in London where he was responsible for advising on commercial matters relating to Rio Tinto's activities in Europe, Eastern Europe, South America and Africa. He was also responsible for the negotiation of commercial agreements and risk management.

Nigel is a fellow of the Australian Institute of Company Directors.

##### Interest in Shares and Options

1,100,000 ordinary shares  
650,000 options

##### Special Responsibilities

None

##### Directorships held in other listed entities

Strata Minerals Inc (formerly JBZ Capital Inc) - (April 2010 – November 2012)

##### **Leigh Junk**

##### **Non-Executive Director – Appointed 17 December 2010**

##### Qualifications and Experience

Leigh obtained a Diploma of Surveying from Wembley Technical College in 1992 and graduated from the University of Ballarat with a Graduate Diploma of Mining Engineering in 2000, and a Masters in Mineral Economics from Curtin University in 2008. Mr. Junk commenced his professional career in 1992 and went on to hold senior positions in several West Australian mining companies. In 1999 he co-founded Donegal Resources, a private mining company which obtained interests in several nickel mines in the Kambalda region of Western Australia.

Due to the success of Donegal Resources, Leigh received in 2003 the E&Y Young Entrepreneur of the Year Award and the Goldfields Business of the Year Award. He is a specialist in the area of planning mining operations involving project evaluation and feasibility studies, and has considerable experience in raising finance for mining operations.

##### Interest in Shares and Options

1,100,000 ordinary shares  
650,000 options

##### Special Responsibilities

None

##### Directorships held in other listed entities

Brilliant Resources Limited (since 2006) (resigned September 2012)

Doray Minerals Ltd (since May 2011)

Aura Energy Ltd (since May 2011) (resigned 13 July 2013)

Goldfields Money Ltd (Since May 2012)

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### DIRECTORS' REPORT

#### Information on Directors

##### Peter Ellery

Non-Executive Director – Appointed 22 November 2012

##### Qualifications and Experience

Mr Ellery has 40 years' experience in the Western Australian resources sector. In 2006, he was appointed a Member of the Order of Australia in recognition of his services to the resources industry of Western Australia. He has served as Manager of Government and Public Affairs for Woodside Petroleum Ltd and CEO of the Chamber of Minerals and Energy of WA. He is also a Fellow of the Public Relations Institute of Australia. He has been a pivotal figure in the formulation of company, industry and Government policy to maximise economic benefits from the development of Western Australia's resource industries.

##### Interest in Shares and Options

Nil ordinary shares

Nil options

##### Special Responsibilities

None

##### Directorships held in other listed entities

Strata Minerals Inc (formerly JBZ Capital Inc) - TSXV Listed

##### Dean Besserer

Managing Director – Appointed 17 December 2010, resigned 31 August 2012

##### Qualifications and Experience

Dean is a graduate of the University of Western Ontario (1995), and has been a geological consultant since 1994. During 2001, Mr. Besserer became a principal and Managing Director at APEX Geoscience Ltd., a geological consulting firm with offices in Canada and Australia. His industry experience includes exploration and property evaluations in Canada, Australia, Russia, South East Asia, South America and Africa for numerous major and junior mining companies for commodities including gold, base metals and diamonds. Also, Mr. Besserer has managed exploration programs with annual exploration budgets in excess of \$10 million.

Mr. Besserer is a member of The Association of Professional Engineers, Geologists and Geophysicists of Alberta, and the Australian Institute of Geoscientists.

##### Interest in Shares and Options

1,200,000 ordinary shares

1,100,000 options

##### Special Responsibilities

None

##### Directorships held in other listed entities

Niblack Mineral Development Inc (since April 2010)

Brilliant Resources Limited (previously Brilliant Mining Corp) (since June 2011)

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### DIRECTORS' REPORT

#### Information on Directors

##### John Williamson

**Non-Executive Director – Appointed 17 December 2010 Resigned 21 November 2012**

##### Qualifications and Experience

John has a Bachelor of Science, Specialisation in Geology, (1988) from the University of Alberta. He is an independent consultant and entrepreneur with more than twenty years experience, including fourteen years in the management, development and governance of public companies conducting worldwide mineral exploration and mining. He is a founder of ten junior resource and/or mining companies with gold, nickel and diamond-based operations in Canada, Western Australia, South America and Africa.

Mr. Williamson is a professional geologist registered with the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA). He is also a Fellow of the Geological Association of Canada and Member of the Society of Economic Geologists.

##### Interest in Shares and Options

1,100,000 ordinary shares  
650,000 options

##### Special Responsibilities

None

##### Directorships held in other listed entities

North Country Gold Corp (since April 2010)  
Brilliant Resources Limited (previously Brilliant Mining Corp) (since September 2003)  
Kaminak Gold Corporation (November 2005 to May 2012)  
Graphite One Resources (previously Cedar Mountain Exploration Inc) (March 2006 to March 2012)

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### DIRECTORS' REPORT

#### Information on Directors

#### Meetings of Directors

The number of Directors' meetings and meetings of Committees of Directors held in the period and the number of meetings attended by each of the Directors of the Company during the period are:

	Board of Directors' Meetings	
	Number attended	Number eligible to attend
Nigel Gellard	3	3
Peter Ellery (appointed 22 November 2012)	1	1
Leigh Junk	3	3
John Williamson (resigned 21 November 2012)	1	2
Dean Besserer (resigned 31 August 2012)	-	1

#### REMUNERATION REPORT (AUDITED)

The directors are pleased to present the remuneration report which sets out the remuneration information for Sentosa Mining Limited's non-executive directors, executive directors and other key management personnel.

#### A. Directors and Key Management personnel remuneration policy

The remuneration policy of the Company has been designed to align Director and management objectives with shareholder and business objectives by providing a fixed remuneration component, and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best management and Directors to run and manage the Company, as well as create goal congruence between Directors, executives and shareholders.

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

The remuneration policy, setting the terms and conditions for the Executive Directors and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, options and performance incentives. The Board reviews executive packages annually by reference to the Company's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries.

Executives are also entitled to participate in the employee share and option arrangements.

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### DIRECTORS' REPORT

#### REMUNERATION REPORT (AUDITED) (CONTINUED)

##### A. Directors and Key Management personnel remuneration policy (Continued)

The Non-Executive Directors and executives receive a superannuation guarantee contribution required by the government, which is 9% for period ending 30 June 2013, and 9.25% starting 1 July 2013 and do not receive any other retirement benefits. All remuneration paid to Directors and executives is valued at the cost to the Company and expensed. Options given to Directors and employees are valued using the Black-Scholes methodology.

The Board policy is to remunerate Non-Executive Directors at commercial market rates for comparable companies for time, commitment, and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually based on market practice, duties, and accountability. Independent external advice is sought when required. However, no such advice was sought during the year. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and Directors' and Executives' performance. Options are issued to Directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. For details of Directors' and Executives' interests in options at period end, refer to Note 7 of the financial statements.

##### B. Remuneration

Details of the nature and amount of each element of the emoluments of each of the KMP of the Group for the year ended 30 June 2013 and 2012 are set out in the following tables:

#### 2013

Group Key Management Personnel	Short-term benefits				Post-employment benefits	Long-term benefits	Equity-settled share-based payments		Total	% of remuneration as options
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other	Super-annuation	Other	Equity	Options		
Directors:	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Dean Besserer (resigned 31 August 2012)	30,000	-	-	-	-	-	-	-	30,000	-
John Williamson (resigned 21 November 2012)	12,500	-	-	-	-	-	-	-	12,500	-
Nigel Gellard	30,000	-	-	-	2,700	-	-	-	32,700	-
Leigh Junk	30,000	-	-	-	2,700	-	-	-	32,700	-
Peter Ellery (appointed 22 November 2012)	19,942	-	-	-	-	-	-	-	19,942	-
Company Secretary:										
Jay Stephenson	-	-	-	-	-	-	-	-	-	-
	122,442	-	-	-	5,400	-	-	-	127,842	



# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

ABN 48 142 901 353

## FINANCIAL REPORT 30 JUNE 2013

### DIRECTORS' REPORT

#### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### B. Remuneration (Continued)

2012

Group Key Management Personnel	Short-term benefits				Post- employment benefits	Long-term benefits	Equity-settled share- based payments		Total	% of remuneration as options
	Salary, fees and leave	Profit share and bonuses	Non- monetary	Other	Super- annuation	Other	Equity	Options		
Directors:	\$	\$	\$	\$	\$	\$	\$	\$	\$	
John Robins*	41,667	-	-	-	-	-	-	-	41,667	
Dean Besserer	180,000	-	-	-	-	-	-	-	180,000	-
Nigel Gellard	30,000	-	-	-	2,700	-	-	-	32,700	-
Leigh Junk	30,000	-	-	-	2,700	-	-	-	32,700	-
John Williamson	30,000	-	-	-	-	-	-	-	30,000	-
Sean Mager*	25,000	-	-	-	-	-	-	-	25,000	
Stephen Swatton*	25,000	-	-	-	-	-	-	-	25,000	
Company Secretary:										
Jay Stephenson	-	-	-	-	-	-	-	5,380	5,380	100
	361,667	-	-	-	5,400	-	-	5,380	372,447	

\*John Robins, Sean Mager and Stephen Swatton resigned as Non-Executive Directors of the Company on 21 May 2012.

#### C. Service agreements

The service agreement between the Company and the Managing Director stipulates a 4 weeks' termination notice in writing. The Company may terminate the agreement without cause by providing 4 weeks' written notice or making a payment in lieu of notice based on the individual's annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct, the Company can terminate employment at any time.

The Managing Director Dean Besserer resigned on 31 August 2012. There were no other service agreements with directors in place.

#### D. Options issued as part of remuneration for the year ended 30 June 2013

##### Incentive Option Scheme

Options are granted under the Company's Incentive Option Scheme. Eligible participants shall be full time or part time employees or consultants of the Company or an Associate Body Corporate. Options issued pursuant to the Scheme will be issued free of charge. The ability for the employee to exercise the options is restricted in accordance with the terms and conditions detailed in the Incentive Option Scheme. The exercise period may also be affected by other events as detailed in the terms and conditions in the Incentive Option Scheme.

Each option entitles the holder to subscribe for and be allotted one share. Shares issued pursuant to the exercise of options including bonus issues and new issues rank equally and carry the same rights and entitlements as other shares on issue. No options were issued to KMP in the year ended 30 June 2013.

#### E. Equity instruments issued on exercise of remuneration options

There were no equity instruments issued during the year to Directors or other KMP as a result of options exercised that had previously been granted as compensation.

**SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES**  
ABN 48 142 901 353  
**FINANCIAL REPORT 30 JUNE 2013**

**DIRECTORS' REPORT**

**REMUNERATION REPORT (AUDITED)**

**F. Loans to Directors and KMP**

No loans have been made to Directors or KMP of the Company during, or since, the year ended 30 June 2013.

**G. Company performance, shareholder wealth and Directors' and executives' remuneration**

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and Directors and executives' performance. This will be facilitated through the issue of options to the majority of Directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. At commencement of mine production, performance based bonuses based on key performance indicators are expected to be introduced.

**H. Voting and comments made at the Company's 2012 Annual General Meeting**

Sentosa Mining Limited received more than 65% of "yes" votes on its remuneration report for the 2012 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

**End of Audited Remuneration Report**

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

ABN 48 142 901 353

## FINANCIAL REPORT 30 JUNE 2013

### DIRECTORS' REPORT

#### Shares under option

At the date of this report, the un-issued ordinary shares of the Company under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
21 May 2010	25 August 2014	\$0.20	2,000,000
11 May 2011	17 December 2013	\$0.25	9,190,172
27 June 2011	30 June 2014	\$0.28	335,000
6 July 2011	17 December 2013	\$0.25	3,739,200
22 November 2011	17 December 2013	\$0.25	3,000,000
			<hr/>
			18,264,372

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

#### Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

#### Indemnifying officers or auditor

During or since the end of the financial period the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- The Company has entered into agreements to indemnify all Directors and provide access to documents, against any liability arising from a claim brought by a third party against the Company. The agreement provides for the Company to pay all damages and costs which may be awarded against the Directors.
- The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a willful breach of duty in relation to the Company. The amount of the premium was \$6,825.
- No indemnity has been paid to auditors.

#### Non-audit services

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Non-audit service fees related to the year amounted to \$6,400 for taxation services for the year ended 30 June 2013.

**SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES**

ABN 48 142 901 353

**FINANCIAL REPORT 30 JUNE 2013**

**DIRECTORS' REPORT**

**Auditor's independence declaration**

The lead auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 20 of the financial report.

This report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



**Nigel Gellard**

Executive-Chairman

Perth

25 September 2013

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**Auditor's Independence Declaration  
To the Directors of Sentosa Mining Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Sentosa Mining Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



C A Becker  
Partner - Audit & Assurance

Perth, 25 September 2013

Grant Thornton Audit Pty Ltd ACN 130 913 594  
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# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

ABN 48 142 901 353

## FINANCIAL REPORT 30 JUNE 2013

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Note	30 June 2013 \$	30 June 2012 \$
Interest revenue		21,808	75,795
Other Income – Foreign exchange gain		32,356	-
Accounting fees		(104,893)	(98,997)
Audit fees		(30,488)	(33,110)
Conferences		(4,767)	(5,630)
Consulting fees		4,782	(132,321)
Directors' fees		(127,842)	(367,067)
Doubtful debt expense		-	(28,777)
Due diligence expenses		(2,445)	(107,210)
Exploration expenditure written off	12	(48,823)	-
Legal fees		(32,853)	(42,526)
Rent		(25,713)	(109,503)
Share-based payment expense		-	(18,023)
Share registry and listing fees		(25,607)	(25,382)
Travel and accommodation expenses		(12,083)	(152,006)
Meals and entertainment		(2,384)	(28,437)
Other administration expenses		(30,376)	(73,665)
<b>Loss before income tax</b>		<b>(389,328)</b>	<b>(1,146,859)</b>
Income tax expense	6	-	-
<b>Loss for the period</b>		<b>(389,328)</b>	<b>(1,146,859)</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the period, net of income tax		-	-
<b>Total comprehensive loss for the year/ period attributable to members of the Company</b>		<b>(389,328)</b>	<b>(1,146,859)</b>
<b>Basic/diluted loss per share (cents)</b>	9	<b>(1.18)</b>	<b>(3.28)</b>

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

**SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES**

ABN 48 142 901 353

**FINANCIAL REPORT 30 JUNE 2013****CONSOLIDATED STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2013**

	Note	2013 \$	2012 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	10	252,844	1,260,030
Trade and other receivables	11	10,344	41,383
<b>TOTAL CURRENT ASSETS</b>		263,188	1,301,413
<b>NON-CURRENT ASSETS</b>			
Term deposit	10	46,867	44,876
Exploration and evaluation expenditure	12	1,602,381	1,017,823
<b>TOTAL NON-CURRENT ASSETS</b>		1,649,248	1,062,699
<b>TOTAL ASSETS</b>		1,912,436	2,364,112
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	89,932	152,280
<b>TOTAL CURRENT LIABILITIES</b>		89,932	152,280
<b>NON-CURRENT LIABILITIES</b>			
Provisions	14	41,400	41,400
<b>TOTAL NON-CURRENT LIABILITIES</b>		41,400	41,400
<b>TOTAL LIABILITIES</b>		131,332	193,680
<b>NET ASSETS</b>		1,781,104	2,170,432
<b>EQUITY</b>			
Issued capital	15	4,227,886	4,227,886
Reserves	15	18,023	18,023
Accumulated losses		(2,464,805)	(2,075,477)
<b>TOTAL EQUITY</b>		1,781,104	2,170,432

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

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

ABN 48 142 901 353

## FINANCIAL REPORT 30 JUNE 2013

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total \$
<b>Balance at 1 July 2011</b>	4,208,371	-	(928,618)	3,279,753
Loss attributable to members of the Company	-	-	(1,146,859)	(1,146,859)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(1,146,859)	(1,146,859)
<b>Transactions with owners, recognised directly in equity</b>				
Options exercised during the year	1,250	-	-	1,250
Loyalty options issued during the year	34,896	-	-	34,896
Capital raising costs	(16,631)	-	-	(16,631)
Share-based payment expense	-	18,023	-	18,023
<b>Balance at 30 June 2012</b>	<b>4,227,886</b>	<b>18,023</b>	<b>(2,075,477)</b>	<b>2,170,432</b>
<b>Balance at 1 July 2012</b>	4,227,886	18,023	(2,075,477)	2,170,432
Loss attributable to members of the Company	-	-	(389,328)	(389,328)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss for the year	-	-	(389,328)	(389,328)
<b>Transactions with owners, recognised directly in equity</b>				
Options exercised during the year	-	-	-	-
<b>Balance at 30 June 2013</b>	<b>4,227,886</b>	<b>18,023</b>	<b>(2,464,805)</b>	<b>1,781,104</b>

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



**SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES**

ABN 48 142 901 353

**FINANCIAL REPORT 30 JUNE 2013**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 30 JUNE 2013**

	<b>Note</b>	<b>2013</b>	<b>2012</b>
		<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees		(426,170)	(1,311,148)
Interest received		21,808	75,795
<b>Net cash used in operating activities</b>	<b>18</b>	<b>(404,362)</b>	<b>(1,235,353)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for exploration and evaluation expenditure		(633,382)	(318,262)
<b>Net cash used in investing activities</b>		<b>(633,382)</b>	<b>(318,262)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of loyalty options		-	30,146
Capital raising costs paid		-	(16,632)
<b>Net cash from financing activities</b>		<b>-</b>	<b>13,514</b>
Net decrease in cash and cash equivalents		(1,037,744)	(1,540,101)
Cash and cash equivalents at the beginning of the financial year		1,304,906	2,845,007
Effects of exchange rate changes on cash and cash equivalents		32,549	-
Cash and cash equivalents at the end of the financial year	<b>10</b>	<b>299,711</b>	<b>1,304,906</b>

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

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

ABN 48 142 901 353

## FINANCIAL REPORT 30 JUNE 2013

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

#### NOTE 1: REPORTING ENTITY

The financial report includes the consolidated financial statements and notes of Sentosa Mining Limited ("the Company") and its controlled entities ("the Consolidated Group" or "the Group"). Sentosa Mining Limited is a listed public company, incorporated and domiciled in Australia. The address of the Company's registered office is Level 4, 66 Kings Park Road, West Perth, Western Australia 6005

#### NOTE 2: BASIS OF PREPARATION

##### (a) Statement of compliance

This general purpose financial report has been prepared in accordance with Australian Accounting Standards ("AASBs") (including Australian interpretations) adopted by the Australian Accounting Standard Board ("AASB") and the Corporations Act 2001. Sentosa Mining Limited is a for-profit entity for the purposes of preparing the financial report. The consolidated financial report of the Group also complies with the International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were approved by the Board of Directors on 25 September 2013.

##### Basis of measurement

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

##### Going concern

The consolidated entity has incurred a net loss after tax for the year ended 30 June 2013 of \$389,328 (2012: \$1,146,859) and incurred net cash outflows from operations of \$404,362 (2012: \$1,235,353). As at 30 June 2013, the consolidated entity had cash and cash equivalents of \$299,711 (30 June 2012: \$1,304,906) and net assets of \$1,781,104 (30 June 2012: \$2,170,432).

In the forthcoming 12 months from the date of these financial statements, the Company and the consolidated entity will be required to meet various commitments, which require funds that are above and beyond the working capital of the consolidated entity at 30 June 2013. These commitments include evaluating a number of properties and continuing to conduct site visits to overseas projects.

The financial statements have been prepared on the basis that the Company and consolidated entity will continue to meet their commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. In arriving at this position, the Directors are reviewing various funding alternatives to meet these commitments. These funding alternatives include future raising through various equity issues and scaling back of corporate costs.

The Directors have concluded that the combination of these circumstances represent a material uncertainty that casts doubt upon the Company's and consolidated entity's ability to continue as a going concern. Nevertheless after making enquiries, and considering the uncertainties described above, the Directors have a reasonable expectation that the Company and consolidated entity have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the yearly report and accounts.

Should the Company and consolidated entity not achieve the matters set out above, there is significant uncertainty whether the Company and consolidated entity will continue as a going concern and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The annual report does not include any adjustment relating to the recoverability or classification of recorded asset amounts nor the amounts or classification of liabilities that might be necessary should the Company and consolidated entity not be able to continue as a going concern.

##### (b) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Group's functional currency.

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

ABN 48 142 901 353

## FINANCIAL REPORT 30 JUNE 2013

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### NOTE 2: BASIS OF PREPARATION

##### (c) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised in the period in which the estimate is revised if it affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

##### *Share-based payment transactions:*

The Company 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 using a Black and Scholes model.

##### *Impairment of capitalised exploration and evaluation expenditure:*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the period in which this determination is made.

#### NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in this financial report.

##### (a) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Sentosa Mining Limited at the end of the reporting period. A controlled entity is any entity over which Sentosa Mining Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled.

A list of controlled entities is contained in Note 22(b) to the financial statements.

##### **Business combinations**

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

ABN 48 142 901 353

## FINANCIAL REPORT 30 JUNE 2013

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

##### (a) Principles of consolidation

###### Business combinations

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the other comprehensive Income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the profit or loss unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the profit or loss.

###### (b) Income tax

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

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

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

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

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

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

ABN 48 142 901 353

## FINANCIAL REPORT 30 JUNE 2013

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

##### (b) Income tax (continued)

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

##### (c) Exploration and evaluation expenditure

Exploration and evaluation costs, including costs of acquiring licenses, are capitalised as exploration and evaluation assets on an area of interest basis. Costs of acquiring licences which are pending the approval of the Department of Mines and Petroleum, as at the date of reporting are capitalised as exploration and evaluation cost if in the opinion of the Directors it is virtually certain the Company will be granted the licences.

Exploration and evaluation assets are only recognised if the rights of tenure to the area of interest are current and either:

- i) The expenditures are expected to be recouped through successful development and exploitation of the area of interest, or
- ii) Activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment when:

- i) Sufficient data exists to determine technical feasibility and commercial viability, and
- ii) Facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy in Note 3(e)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from Intangible assets to mining property and development assets within property, plant and equipment.

##### (d) Financial instruments

###### Initial recognition and measurement

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

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

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

###### Loans and receivables

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

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

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

ABN 48 142 901 353

## FINANCIAL REPORT 30 JUNE 2013

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

##### (d) Financial instruments

###### Financial liabilities

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

###### Fair value

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

###### Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit or loss.

###### Derecognition

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

##### (e) Impairment

###### Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU").

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Company's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.



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## FINANCIAL REPORT 30 JUNE 2013

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

##### (e) Impairment

###### Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for receivables at a specific asset level. All receivables are individually assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### (f) Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

##### Equity-settled compensation

The Group operates an Incentive Option Scheme share-based compensation plan. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the profit or loss. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

##### (g) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

##### (h) Cash and cash equivalents

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

##### (i) Revenue and other income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Rental income is recognised on an accrual basis.

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

##### (j) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

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ABN 48 142 901 353

## FINANCIAL REPORT 30 JUNE 2013

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

##### **(k) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

##### **(l) Goods and services tax (GST)**

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

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

##### **(m) Earnings per share**

###### *i. Basic earnings per share*

Basic earnings per share is determined by dividing the profit/(loss) attributable to equity holders of the Company, excluding any costs of service equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

###### *ii. Diluted earnings per share*

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

##### **(n) Segment reporting**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are regularly reviewed by the Company's Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

##### **(o) Adoption of new and revised accounting standards**

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Sentosa Mining Limited.

##### **Adoption of AASBs and improvements to AASBs 2011-9**

AASB 2011-9 requires entities to group items in Other Comprehensive Income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently, and changes the title of 'statement of comprehensive income' to 'statement of profit or loss and other comprehensive income'.

The adoption of the new and revised Australian Accounting Standards and Interpretations has had no significant impact on the Group's accounting policies or the amounts reported during the year. The adoption of AASB 2011-9 has resulted in changes to the Group's presentation of its financial statements.



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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**(p) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted by the Group**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

New/revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Likely impact
AASB 9 Financial Instruments (December 2010)	AASB 139 Financial Instruments: Recognition and Measurement (in part)	<p>AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:</p> <p>(a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.</p> <p>(b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and</li> <li>The remaining change is presented in profit or loss.</li> </ul> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:</p>	1 January 2015	Depending on assets held, there may be movement of assets between fair value and amortised cost categories.

**SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**(p) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted by the Group**

New/revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Likely impact
		<ul style="list-style-type: none"> <li>Classification and measurement of financial liabilities; and</li> <li>Derecognition requirements for financial assets and liabilities.</li> </ul> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and AASB 2010-10.</p>		
AASB 10 Consolidated Financial Statements	AASB 127 AASB Int 112	<p>AASB 10 establishes a revised control model that applies to all entities. It replaces the consolidation requirements in AASB 127 <i>Consolidated and Separate Financial Statements</i> and AASB Interpretation 112 <i>Consolidation – Special Purpose Entities</i>.</p> <p>The revised control model broadens the situations when an entity is considered to be controlled by another entity and includes additional guidance for applying the model to specific situations, including when acting as an agent may give control, the impact of potential voting rights and when holding less than a majority voting rights may give 'de facto' control. This is likely to lead to more entities being consolidated into the group.</p>	1 January 2013	None – all controlled entities are wholly owned by Sentosa Mining Limited.
AASB 11 Joint Arrangements	AASB 131 AASB Int 113	<p>AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and AASB Interpretation 113 <i>Jointly- controlled Entities – Non-monetary Contributions by Ventures</i>. 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, AASB 11 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 are accounted for by recognising the share of those assets and liabilities. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.</p>	1 January 2013	None - there were no joint ventures previously accounted using proportionate consolidation. There were also no joint operations that have been previously accounted using equity accounting.
AASB 12 Disclosure of Interests in Other Entities	AASB 127 AASB 128 AASB 131	<p>AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures introduced by AASB 12 include disclosures about the judgements 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.</p>	1 January 2013	There are some additional disclosures centred on significant judgements and assumptions made around determining control, joint control and significant influence.

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**(p) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted by the Group**

New/revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Likely impact
AASB 13 Fair Value Measurement	None	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 by other Standards. 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.	1 January 2013	For financial assets, AASB 13's guidance is broadly consistent with existing practice. It will however also apply to the measurement of fair value for non-financial assets and will make a significant change to existing guidance in the applicable standards.
AASB 127 Separate Financial Statements  AASB 128 Investments in Associates and Joint Ventures	AASB 127 Consolidated and Separate Financial Statements  AASB 128 Investments in Associates	As a consequence of issuing AASB 10, AASB 11 and AASB 12, revised versions of AASB 127 and AASB 128 have also been issued.  AASB 127 now only deals with separate financial statements. AASB 128 incorporates the requirements in Interpretation 113 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, and guidance relating to the equity method for associates and joint ventures.	1 January 2013	<i>When these revised standards are adopted for the first time for the financial year ending 30 June 2014, there will be no impact on the financial statements because they introduce no new requirements.</i>
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	None	The Standard amends AASB 124 <i>Related Party Disclosures</i> to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. This amendment reflects the AASB's view that these disclosures are more in the nature of governance disclosures that are better dealt within the legislation, rather than by the accounting standards.  In March 2013, the Australian government released <i>Corporations Legislation Amendment Regulation 2013</i> which proposed to insert these disclosures into <i>Corporations Regulations 2001</i> to ensure the disclosure requirements continue to be operative for financial years commencing on or after 1 July 2013. The closing date for submissions was 10 May 2013.	1 July 2013	<i>When these amendments are first adopted for the year ending 30 June 2014, they are unlikely to have any significant impact on the entity.</i>

**SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES**

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**FINANCIAL REPORT 30 JUNE 2013****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013****NOTE 4: DETERMINATION OF FAIR VALUES**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

**Trade and other receivables**

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

**Share-based payment transactions**

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group, based on the value of goods and services provided, unless the value of the goods and services cannot be determined an options price model is used to determine value.

	30 June 2013	30 June 2012
	\$	\$
<b>NOTE 5: LOSS BEFORE INCOME TAX</b>		
Loss before income tax includes the following specific expenses:		
- Share-based payment expense	-	18,023
- Due diligence expenses	2,445	107,210
- Doubtful debt expense	-	28,777
- Directors' remuneration	127,842	367,067

**NOTE 6: INCOME TAX**

Reconciliation between tax expense and pre-tax loss:

Loss before income tax	(389,328)	(1,146,859)
Income tax benefit using the domestic corporate tax rate of 30%	(116,798)	(344,058)
Expenditure not allowed for income tax purposes	6,293	78,979
Deferred tax assets not brought to account	110,506	265,079
<b>Income tax expense reported in the profit or loss</b>	-	-
Unused tax losses	3,049,743	4,275,723
Temporary differences – profit and loss	33,560	29,258
Temporary differences - equity	219,153	328,795
	3,302,456	4,633,776
Potential benefit @ 30%	990,736	1,390,133
Tax benefits offset against deferred tax liability temporary differences	(956,497)	(816,644)
Unrecognised tax benefit	34,239	573,489

**Tax Consolidation**

Sentosa Mining Ltd and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The Group nominated to become consolidated for taxation purposes on 28 October 2010.

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**NOTE 6: INCOME TAX**

All unused tax losses were incurred in Australia.

Potential deferred tax assets net of deferred tax liabilities attributable to tax losses have not been brought to account because the Directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable as at the date of this report.

The benefits of these tax losses will only be obtained if:

- (i) Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (ii) The conditions for deductibility imposed by tax legislation continue to be complied with; and
- (iii) No changes in tax legislation adversely affect the Group in realising the benefit.

**NOTE 7: KEY MANAGEMENT PERSONNEL DISCLOSURES**

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2013.

The totals of remuneration paid to KMP during the year are as follows:

	2013 \$	2012 \$
Short-term benefits	122,442	361,667
Post employment benefits	5,400	5,400
Equity settled	-	5,380
Other Payments	-	-
	127,842	372,447

**KMP Options and Rights Holdings**

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable	Unvested
<b>30 June 2013</b>							
Dean Besserer (resigned 31 August 2012)	1,100,000	-	-	-	1,100,000	1,100,000	-
John Williamson (resigned 21 November 2012)	650,000	-	-	-	650,000	650,000	-
Nigel Gellard	650,000	-	-	-	650,000	650,000	-
Leigh Junk	650,000	-	-	-	650,000	650,000	-
Peter Ellery (appointed 22 November 2012)	-	-	-	-	-	-	-
<b>Total</b>	3,050,000	-	-	-	3,050,000	3,050,000	-

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

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## FINANCIAL REPORT 30 JUNE 2013

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### NOTE 7: KEY MANAGEMENT PERSONNEL DISCLOSURES

##### KMP Options and Rights Holdings (Continued)

	Balance at the start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable	Unvested
<b>30 June 2012</b>							
Dean Besserer	600,000	-	-	500,000	1,100,000	1,100,000	-
John Williamson	250,000	-	-	400,000	650,000	650,000	-
Nigel Gellard	250,000	-	-	400,000	650,000	650,000	-
Leigh Junk	250,000	-	-	400,000	650,000	650,000	-
John Robins	250,000	-	-	400,000	650,000	650,000	-
Sean Mager	250,000	-	-	400,000	650,000	650,000	-
Stephen Swatton	250,000	-	-	500,000	750,000	750,000	-
<b>Total</b>	<b>2,100,000</b>	<b>-</b>	<b>-</b>	<b>3,000,000</b>	<b>5,100,000</b>	<b>5,100,000</b>	<b>-</b>

##### KMP Shareholdings

The number of ordinary shares in Sentosa Mining Limited held by each KMP of the Group during the financial year is as follows:

	Balance at the start of the year	Granted as Remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of Year
<b>30 June 2013</b>					
Dean Besserer (resigned 31 August 2012)	1,200,000	-	-	-	1,200,000
John Williamson (resigned 21 November 2012)	1,100,000	-	-	-	1,100,000
Nigel Gellard	1,100,000	-	-	-	1,100,000
Leigh Junk	1,100,000	-	-	-	1,100,000
Peter Ellery (appointed 22 November 2012)	-	-	-	-	-
<b>Total</b>	<b>4,500,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,500,000</b>

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**NOTE 7: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)**

**KMP Shareholdings (Continued)**

<b>30 June 2012</b>	Balance at the start of the year	Granted as Remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of Year
Dean Besserer	1,200,000	-	-	-	1,200,000
John Williamson	1,100,000	-	-	-	1,100,000
Nigel Gellard	1,100,000	-	-	-	1,100,000
Leigh Junk	1,100,000	-	-	-	1,100,000
John Robins	1,100,000	-	-	-	1,100,000
Sean Mager	1,100,000	-	-	-	1,100,000
Stephen Swatton	1,100,000	-	-	-	1,100,000
<b>Total</b>	<b>7,800,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,800,000</b>

**(d) Loans to KMP**

There were no loans made to or from KMP of the Group during the year ended 30 June 2013 and the year ended 30 June 2012.

**(e) Other transactions with Directors and KMP**

There have been no other transactions with KMP involving equity instruments other than those described in the tables above.

**NOTE 8: AUDITOR'S REMUNERATION**

Remuneration of the auditor of the Group for:

**Auditors Services**

Audit and review of financial reports

**Taxation Services**

<b>30 June 2013</b>	<b>30 June 2012</b>
<b>\$</b>	<b>\$</b>
30,488	33,110
6,400	7,680
<b>36,888</b>	<b>40,790</b>

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

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## FINANCIAL REPORT 30 JUNE 2013

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### NOTE 9: BASIC AND DILUTED LOSS PER SHARE

##### Basic loss per share (cents)

Basic loss per share are calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average of ordinary shares outstanding during the year/period.

	2013 \$	2012 \$
<b>a. Reconciliation of earnings to profit/(loss)</b>		
Loss attributable to members of Sentosa Mining Limited	(389,328)	(1,146,859)
Earnings used to calculate basic EPS	(389,328)	(1,146,859)

##### b. Weighted average number of ordinary shares outstanding during the year/period used to calculate basic EPS

Weighted average number of ordinary shares outstanding during the year/period used in calculating basic EPS

32,875,000	32,874,932
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Potential shares as a result of options outstanding at the end of the year are not dilutive and therefore have not been included in the calculation of diluted loss per share.

#### NOTE 10: CASH AND CASH EQUIVALENTS

##### CURRENT

Cash on hand	1	1
Cash at bank	252,843	1,260,029
	252,844	1,260,030

##### NON-CURRENT

Term deposit	46,867	44,876
<b>Total cash and cash equivalents</b>	<b>299,711</b>	<b>1,304,906</b>

##### Reconciliation of cash

Cash at the end of the financial year/period as shown in the Consolidated Statement of Cash Flows is reconciled to items in the Consolidated Statement of Financial Position as follows:

Cash and cash equivalents	252,844	1,260,030
Term deposit (a)	46,867	44,876
	299,711	1,304,906

(a) The term deposit is rolled forward every three months and acts as a security for a rehabilitation bond set by the Department of Mines and Petroleum.



**SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES**

ABN 48 142 901 353

**FINANCIAL REPORT 30 JUNE 2013****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013****NOTE 11: TRADE AND OTHER RECEIVABLES**

	<b>2013</b>	<b>2012</b>
<b>CURRENT</b>	<b>\$</b>	<b>\$</b>
Trade and other receivables	-	15,029
GST receivable	6,901	13,079
Prepaid expenses	3,443	13,275
	<u>10,344</u>	<u>41,383</u>

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. The trade and other receivables balance do not contain impaired assets and are not past due. It is expected that these amounts will be received when due.

**NOTE 12: EXPLORATION AND EVALUATION ASSETS****NON-CURRENT**

Exploration and evaluation phases – at cost	<u>1,602,381</u>	<u>1,017,823</u>
<b>Exploration and evaluation</b>		
Opening balance	1,017,823	707,604
Exploration expenditure	709,634	310,219
Exploration written off	(48,823)	-
Write back of capitalised exploration	(76,253)	-
Closing balance	<u>1,602,381</u>	<u>1,017,823</u>

The Directors' assessment of the carrying amount for the Group's exploration properties was after consideration of prevailing market conditions; previous expenditure for exploration work carried out on the tenements; and the potential for mineralisation based on the Group's independent geological reports.

The ultimate value of these assets is dependent upon recoupment by commercial development or the sale of the whole or part of the Group's interests in these exploration properties for an amount at least equal to the carrying value. There may exist on the Group's exploration properties, areas subject to claim under Native Title or containing sacred sites or sites of significance to Aboriginal people.

As a result, the Group's exploration properties or areas within the tenements may be subject to exploration and mining restrictions.

**NOTE 13: TRADE AND OTHER PAYABLES****CURRENT**

Trade and other payables	71,432	133,780
Accrued expenses	18,500	18,500
	<u>89,932</u>	<u>152,280</u>

All amounts are short-term. The carrying values of trade and other payables are considered to be a reasonable approximation of fair value.

**NOTE 14: PROVISIONS****NON-CURRENT**

Rehabilitation provision	<u>41,400</u>	<u>41,400</u>
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# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

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## FINANCIAL REPORT 30 JUNE 2013

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### NOTE 15: ISSUED CAPITAL

	2013	2012
	\$	\$
<b>(a) Ordinary shares</b>		
32,875,000 (2012: 32,875,000) fully paid ordinary shares	4,227,886	4,227,886

<b>(b) Movements in ordinary shares</b>	<b>Date</b>	<b>Number</b>	<b>\$</b>
Balance at the beginning of the reporting period	1 July 2012	32,875,000	4,227,886
Balance at the end of the reporting period	30 June 2013	32,875,000	4,227,886

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

<b>(c) Movements in options</b>	<b>Date</b>	<b>Number</b>	<b>\$</b>
Balance at the beginning of the reporting period	1 July 2012	18,264,372	18,023
<b>Balance at the end of the reporting period</b>	30 June 2013	<b>18,264,372</b>	<b>18,023</b>

#### Capital risk management

The Directors' objectives when managing capital is to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is to maintain a sufficient current working capital position to meet the requirements of the Group's exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The working capital position of the Group at 30 June 2013 and 2012 are as follows:

	2013	2012
	\$	\$
Cash and cash equivalents	299,711	1,260,030
Trade and other receivables	10,344	41,383
Trade and other payables	(89,932)	(152,280)
Working capital position	220,123	1,149,133

**SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES**

ABN 48 142 901 353

**FINANCIAL REPORT 30 JUNE 2013****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013****NOTE 16: RESERVES****a) Option reserve**

The option reserve records items recognised as expenses on valuation of employee share options.

**NOTE 17: SHARE BASED PAYMENTS**

The following share-based payment arrangements existed at 30 June 2013:

- i. On 21 May 2010, 2,000,000 options were issued to Directors for nil consideration. These options have an exercise price of \$0.20 and expire on 25 August 2014. These options were calculated to have negligible value at date of grant therefore no share based payment expense has been recognised.
- ii. On 27 June 2011, 335,000 options were issued to employees for nil consideration exercisable on or before 30 June 2014 at an exercise price of \$0.28 per option. These options have a 4 month vesting period and the related share-based payment expense of \$18,023 was been fully recognised during the year ended 30 June 2012.
- iii. Options granted to Key Management Personnel are as follow:

<b>Grant Date</b>	<b>Number</b>
21 May 2010	2,000,000
22 November 2011	3,000,000

Further details of these options are provided in the directors report. The options hold no voting of dividend rights and are unlisted.

A summary of the movements of all company options issued is as follows:

	<b>Number</b>	<b>Weighted Average Exercise Price</b>
<b>Options outstanding as at 30 June 2011</b>	11,285,172	\$0.24
Granted	6,979,200	\$0.25
Forfeited	-	-
Exercised	-	-
Expired	-	-
<b>Options outstanding as at 30 June 2012</b>	18,264,372	\$0.25
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	-	-
<b>Options outstanding as at 30 June 2013</b>	18,264,372	\$0.25
Options exercisable as at 30 June 2013	18,264,372	\$0.25
Options exercisable as at 30 June 2012	18,264,372	\$0.25

**SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES**  
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**FINANCIAL REPORT 30 JUNE 2013**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013**

**NOTE 17: SHARE BASED PAYMENTS**

No options were exercised during the year.

The weighted average remaining contractual life of options outstanding at year-end was 0.55 years. The exercise of outstanding share options at the end of the reporting period was \$nil.

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

The weighted average fair value of options granted during the year was \$nil (2012: \$1.00). Historical values were Calculated using the Black-Scholes option pricing model.

Historical share price volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future volatility.

**NOTE 18: CASH FLOW INFORMATION**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Reconciliation of cash flow from operating activities with the loss after tax</b>		
Loss after income tax	(389,328)	(1,146,859)
Share-based payment expense	-	18,023
Exploration written off	48,823	
Foreign exchange gains	(32,549)	-
Changes in assets and liabilities		
(Increase)/decrease in receivables	21,207	(1,425)
(Increase)/decrease in prepayment	9,833	(9,002)
Increase/(decrease) in payables	(62,348)	(96,090)
Cash flow used in operating activities	<u>(404,362)</u>	<u>(1,235,353)</u>

**(b) Credit standby facilities**

The Company had no credit standby facilities as at 30 June 2013 and 2012.

**(c) Non-cash financing and investing activities**

During the year \$73,931 of exploration assets were written off, this amount did not get written back to the profit or loss. There were no non-cash financing and investing activities for the year ended 30 June 2012.

**SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES**

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**FINANCIAL REPORT 30 JUNE 2013****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013****NOTE 19: RELATED PARTY TRANSACTIONS**

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

Other than transactions with Key Management Personnel and their related entities (refer Note 7 for details of Directors Remuneration), there were no other related party transactions during the year.

	2013	2012
	\$	\$
<b>Dean Besserer - Apex Geoscience Ltd</b>		
Geological consulting fees (including reimbursable expenses)	-	79,559
<b>Apex Geoscience Australia Pty Ltd</b>		
Dean Besserer is also a Director of Apex Geoscience Australia Pty Ltd. Apex Geoscience Australia Pty Ltd charges the Group for the provision of geological consulting services.	-	-
Geological consulting fees (including reimbursable expenses)	-	124,965
	-	204,524

As at 30 June 2013 \$Nil (2012: \$1,161) was payable to Apex Geoscience Ltd. As at 30 June 2013 \$Nil (2012: \$63,740) to Apex Geoscience Australia Pty Ltd.

**Leigh Junk - Brilliant Resources Limited**

Leigh Junk is a Director of Brilliant Resources Limited. Brilliant Resources Limited charges the Group for certain corporate expenses.

Corporate expenses	-	437
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**John Williamson - Brilliant Resources Limited**

John Williamson is a Director of Brilliant Resources Limited. Brilliant Resources Limited charges the Group for certain corporate expenses.

Corporate expenses	-	437
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**North Country Gold Corp.**

John Williamson is also a Director of North Country Gold Corp. North Country Gold Corp. charges the Group for certain corporate expenses.

Corporate expenses	-	40,584
	-	41,021

As at 30 June 2013, \$Nil (2012: \$29,786) was payable to North Country Gold Corp.

**Jay Stephenson****Wolfstar Corporate Management Pty Ltd**

Jay Stephenson is a Director of Wolfstar Corporate Management Pty Ltd. Jay charges Sentosa Mining Limited for the provision of corporate secretarial and accounting services.

Corporate secretarial and accounting services fees (including reimbursable expenses)	86,500	90,060
	86,500	90,060

As at 30 June 2013 \$4,000 (2012: \$7,500) was payable to Wolfstar Corporate Management Pty Ltd, respectively.

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

ABN 48 142 901 353

## FINANCIAL REPORT 30 JUNE 2013

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### NOTE 20: CAPITAL COMMITMENTS

##### Capital expenditure commitments contracted for:

Exploration tenement minimum expenditure requirements

##### Amounts payable:

	2013	2012
	\$	\$
- not later than 12 months	436,519	529,708
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
	<u>436,519</u>	<u>529,708</u>

Commitments relate to granted exploration and prospecting tenements.

#### NOTE 21: FINANCIAL RISK MANAGEMENT

##### Overview

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, and accounts receivable and payable.

The main purpose of non-derivative financial instruments is to raise finance for Group operations.

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

A summary of the Group's financial assets and liabilities is shown below.

30 June 2013

	Floating Interest Rate	Non-interest bearing	Total
	\$	\$	\$
<b>Financial assets</b>			
<i>Maturity within one year</i>			
Cash and cash equivalents	299,711	-	299,711
Trade and other receivables	-	6,901	6,901
<b>Total financial assets</b>	<u>299,711</u>	<u>6,901</u>	<u>306,612</u>
Weighted average interest rate – cash assets	2.64%		
<b>Financial liabilities at amortised cost</b>			
Trade and other payables	-	89,932	89,932
<b>Total financial liabilities</b>	<u>-</u>	<u>89,932</u>	<u>89,932</u>
<b>Net financial assets</b>	<u>299,711</u>	<u>(83,031)</u>	<u>216,680</u>

30 June 2012

	Floating Interest Rate	Non-interest bearing	Total
	\$	\$	\$
<b>Financial assets</b>			
<i>Maturity within one year</i>			
Cash and cash equivalents	1,304,906	-	1,304,906
Trade and other receivables	-	28,108	28,108
<b>Total financial assets</b>	<u>1,304,906</u>	<u>28,108</u>	<u>1,333,014</u>
Weighted average interest rate – cash assets	4.06%		
<b>Financial liabilities at amortised cost</b>			
Trade and other payables	-	152,280	152,280
<b>Total financial liabilities</b>	<u>-</u>	<u>152,280</u>	<u>152,280</u>
<b>Net financial assets</b>	<u>1,304,906</u>	<u>(124,172)</u>	<u>1,180,734</u>

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

ABN 48 142 901 353

## FINANCIAL REPORT 30 JUNE 2013

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### NOTE 21: FINANCIAL RISK MANAGEMENT (CONTINUED)

##### Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate, foreign currency risk and equity price risk.

##### a. Credit risk

###### *Credit risk exposures*

Credit exposure represents the extent of credit related losses that the Group may be subject to on amounts to be received from financial assets. Credit risk arises principally from trade and other receivables including related party loans. The objective of the Group is to minimise the risk of loss from credit risk. Although revenue from operations is minimal, the Group trades only with creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is insignificant. The Company's maximum credit risk exposure is limited to the carrying value of its financial assets as indicated on the Consolidated Statement of Financial Position.

Trade and other receivables are expected to be settled within 30 days.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

	Note	2012 \$	2011 \$
Cash and cash equivalents			
- AA Rated	10	299,711	1,304,906

##### b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the Consolidated Statement of Financial Position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

##### c. Market risk

The Board meets on a regular basis to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

###### *Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.



# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

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## FINANCIAL REPORT 30 JUNE 2013

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### NOTE 21: FINANCIAL RISK MANAGEMENT (CONTINUED)

##### Specific Financial Risk Exposures and Management

##### c. Market risk

##### *Interest rate risk*

Interest rate risk is managed by closely monitoring the interest rates at various financial institutions. The Company has no debt and as such the interest rate risk is limited to the Company's investments in term deposits and other interest bearing investments.

##### *Sensitivity Analysis*

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at reporting date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Consolidated	
	Profit	Equity
Year ended 30 June 2013	\$	\$
+/-1% in interest rates	+/- 8,257	+/- 8,257
Period ended 30 June 2012		
+/-1% in interest rates	+/- 18,677	+/- 18,677

##### *Net Fair Values*

##### *Fair value estimation*

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the Consolidated Statement of Financial Position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Other assets and other liabilities approximate their carrying value.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at reporting date:

	2013 Carrying Amount \$	2013 Net Fair Value \$	2012 Carrying Amount \$	2012 Net Fair Value \$
<b>Financial assets</b>				
Cash and cash equivalents	299,711	299,711	1,304,906	1,304,906
Trade and other receivables	10,344	10,344	28,108	28,108
<b>Total financial assets</b>	<b>310,055</b>	<b>310,055</b>	<b>1,333,014</b>	<b>1,333,014</b>
<b>Financial liabilities at amortised cost</b>				
Trade and other payables	89,932	89,932	152,280	152,280
<b>Total financial liabilities</b>	<b>89,932</b>	<b>89,932</b>	<b>152,280</b>	<b>152,280</b>

Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term in nature whose carrying value is equivalent to fair value.

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

ABN 48 142 901 353

## FINANCIAL REPORT 30 JUNE 2013

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 22: PARENT ENTITY DISCLOSURES	Note	2013 \$	2012 \$
<b>(a) Financial position of Sentosa Mining Limited</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		252,843	1,260,029
Trade and other receivables		3,974	37,047
<b>TOTAL CURRENT ASSETS</b>		<b>256,817</b>	<b>1,297,076</b>
<b>NON-CURRENT ASSETS</b>			
Exploration and evaluation		118,379	-
Investment in controlled entities	22(b)	200,000	200,000
Loan to subsidiary		1,308,820	764,422
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,627,199</b>	<b>964,422</b>
<b>TOTAL ASSETS</b>		<b>1,884,016</b>	<b>2,261,498</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		43,725	80,421
<b>TOTAL CURRENT LIABILITIES</b>		<b>43,725</b>	<b>80,421</b>
<b>TOTAL LIABILITIES</b>		<b>43,725</b>	<b>80,421</b>
<b>NET ASSETS</b>		<b>1,840,291</b>	<b>2,181,077</b>
<b>EQUITY</b>			
Issued capital		4,227,886	4,227,886
Options reserve		18,023	18,023
Accumulated losses		(2,405,618)	(2,064,832)
<b>TOTAL EQUITY</b>		<b>1,840,291</b>	<b>2,181,077</b>
<b>(b) Financial asset</b>			
Shares in controlled entities at cost		200,000	200,000

Controlled entity	Date of Incorporation	Country of Incorporation	Class of Shares	Percentage Owned	Shares in controlled entities at cost
Toro Mining Pty Ltd	30 July 1997	Australia	Ordinary	100%	200,000
Sentosa Mining (Philippines) Inc.	20 July 2011	The Republic of the Philippines	Ordinary	100%	-
					<u>200,000</u>

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

ABN 48 142 901 353

## FINANCIAL REPORT 30 JUNE 2013

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### NOTE 22: PARENT ENTITY DISCLOSURES (CONTINUED)

	2013 \$	2012 \$
<b>(c) Financial performance of Sentosa Mining Limited</b>		
Loss for the year/period	(340,786)	(1,140,837)
Other comprehensive income, net of tax	-	-
<b>Total comprehensive loss</b>	<b>(340,786)</b>	<b>(1,140,837)</b>

#### **(d) Guarantees entered into by Sentosa Mining Limited for the debts of its subsidiaries**

There are no guarantees entered into by Sentosa Mining Limited for the debts of its subsidiaries as at 30 June 2013 and 2012.

#### **(e) Contingent liabilities of Sentosa Mining Limited**

There were no contingent liabilities as at 30 June 2013 and 2012.

#### **(f) Commitments by Sentosa Mining Limited**

There were no commitments as at 30 June 2013 and 2012.

#### NOTE 23: CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 June 2013.

#### NOTE 24: OPERATING SEGMENTS

##### Segment Information

##### Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The information presented in the financial report is the same information that is reviewed by the Directors.

The Group is currently operative in Australia (predominately Corporate and Exploration Related), during the year the Company began exploration in Mongolia.

##### Basis of accounting for purposes of reporting by operating segments

##### Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

##### Inter-segment transactions

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

##### Segment assets

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

ABN 48 142 901 353

## FINANCIAL REPORT 30 JUNE 2013

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### NOTE 24: OPERATING SEGMENTS - Continued

##### Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables.

##### Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Income tax expense
- Deferred tax assets and liabilities
- Depreciation expense

	Australian Exploration \$	Mongolian Exploration \$	Unallocated \$	Total \$
<b>30 June 2013</b>				
<b>REVENUE</b>				
Interest revenue	-	-	21,808	21,808
<b>Total segment revenue</b>	-	-	21,808	21,808
Reconciliation to net loss:	(48,823)		(340,505)	(389,328)
Depreciation expense				-
Loss before income tax				(389,328)
<b>As at 30 June 2013</b>				
Segment assets	1,484,002	118,379	310,055	1,912,436
Segment asset increases for the period:				
- Exploration expenditure	347,800	118,379	-	466,179
Segment liabilities	87,608	8,093	35,632	131,333
<b>30 June 2012</b>				
<b>REVENUE</b>				
Interest revenue	-	-	75,795	75,795
<b>Total segment revenue</b>			75,795	75,795
Reconciliation to net loss:	(28,777)	-	(1,118,082)	(1,146,859)
Depreciation expense				-
Loss before income tax				(1,146,859)
<b>As at 30 June 2012</b>				
Segment assets	1,017,823	-	1,346,289	2,364,112
Segment asset increases for the period:				
- Exploration expenditure	310,219	-	-	310,219
Segment liabilities	113,259	-	80,421	193,680

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

ABN 48 142 901 353

## FINANCIAL REPORT 30 JUNE 2013

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

#### NOTE 25: EVENTS SUBSEQUENT TO REPORTING DATE

On 20 September 2013 the company announced it was undertaking a placement of fully paid ordinary shares with new free attaching options to raise up to \$1,000,000. For every two shares subscribed one free attaching option exercisable at 15 cents on or before 30 November 2016 will be issued. Additional subscriptions may be accepted at the director's discretion. A non-renounceable pro rata entitlements issue will be undertaken on the basis of one new option for every two shares held at a price of 0.5 cents to raise up to \$130,000.

Other than the items above, there has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction, or event of a material and unusual nature not otherwise dealt with in the financial statements, likely in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of the operations or the state of affairs of the Group in future financial years.

#### NOTE 26: COMPANY DETAILS

##### Registered Office

Level 4, 66 Kings Park Road

West Perth

Western Australia 6005

Telephone +61 8 6141 3500

Facsimile +61 8 6141 3599

Website: [www.sentosamining.com](http://www.sentosamining.com)

Email: [info@sentosamining.com](mailto:info@sentosamining.com)

**SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES**

ABN 48 142 901 353

**FINANCIAL REPORT 30 JUNE 2013**

**DIRECTORS' DECLARATION**

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 21 to 51, are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standards; and
  - (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 2(a) to the financial statements; and
  - (c) give a true and fair view of the financial position as at 30 June 2013 and of the performance for the period ended on that date of the Group;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
  - (a) the financial records of the Company for the financial period have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
  - (b) the financial statements and notes for the financial period comply with the Accounting Standards; and
  - (c) the financial statements and notes for the financial period give a true and fair view;
3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Nigel Gellard  
**Executive-Chairman**  
Perth  
25 September 2013

**Independent Auditor's Report  
To the Members of Sentosa Mining Limited**

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W [www.grantthornton.com.au](http://www.grantthornton.com.au)

**Report on the financial report**

We have audited the accompanying financial report of Sentosa Mining Limited (the 'Company'), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies 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. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, 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 us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

### **Independence**

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

### **Auditor's opinion**

In our opinion:

- a the financial report of Sentosa Mining Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2013 and of their 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 the notes to the financial statements.

### **Emphasis of matter**

Without qualifying our opinion, we draw attention to the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows in the financial report which indicates that the consolidated entity incurred a net loss of \$389,328 during the year ended 30 June 2013 and operating cash outflows of \$404,362. These conditions, along with other matters as set forth in Note 2a, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



**Report on the remuneration report**

We have audited the remuneration report included in pages 14 to 17 of the directors' report for the year ended 30 June 2013. 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.

**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Sentosa Mining Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



C A Becker  
Partner - Audit & Assurance

Perth, 25 September 2013

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

ABN 48 142 901 353

## FINANCIAL REPORT 30 JUNE 2013

### ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only.

#### 1 Shareholding as at 24 September 2013

##### (a) Distribution of Shareholders

Category (size of holding)	Number of Shareholders
1 – 1,000	4
1,001 – 5,000	14
5,001 – 10,000	101
10,001 – 100,000	191
100,001 – and over	56
	<hr/> 366 <hr/>

(b) The number of shareholdings held in less than marketable parcels is 139.

##### (c) Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

##### (d) 20 Largest Shareholders — Ordinary Shares as at 24 September 2013

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1. Citicorp Nominees Pty Ltd	1,395,000	4.24
2. Merrill Lynch (Australia) Nominees Pty Ltd	1,120,000	3.41
3. Gellard Enterprises Pty Ltd	1,100,000	3.35
4. Mr Leigh Stanley Junk	1,100,000	3.35
5. Mr Stephen Paul Swatton	1,100,000	3.35
6. Mr Dean Besserer	1,000,000	3.04
7. Sean Richard William Mager	1,000,000	3.04
8. Matador Mining Pty Ltd	1,000,000	3.04
9. John Edward Robins	1,000,000	3.04
10. John Williamson	1,000,000	3.04
11. A W D Consultants Pty Ltd <Stevens Super Fund A/C>	990,000	3.01
12. Milstern Enterprises Pty Ltd	925,000	2.81
13. William Henry Hernstadt	850,000	2.59
14. JP Morgan Nominees Australia Limited <Cash Income A/C>	595,000	1.81
15. National Nominees Limited	560,000	1.70
16. ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	543,008	1.65
17. Ms Valeria Martinez Viademonte	476,670	1.45
18. St Barnabas Investments Pty Ltd <The Melvista Family A/C>	375,000	1.14
19. Octifil Pty Ltd	355,478	1.08
20. Calama Holdings Pty Ltd <Mambat Super Fund A/C>	325,000	0.99
	<hr/> 16,810,156 <hr/>	<hr/> 51.13 <hr/>

2 The name of the Company Secretary is Jay Richard Stephenson.

# SENTOSA MINING LIMITED AND ITS CONTROLLED ENTITIES

ABN 48 142 901 353

## FINANCIAL REPORT 30 JUNE 2013

- 3 The address of the principal registered office in Australia is Level 4, 66 Kings Park Road WA 6005. Telephone (08) 6141 3500.

4 **Registers of securities are held at the following addresses**

Computershare Investor Services Limited  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
Perth, Western Australia 6000

5 **Securities Exchange Listing**

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited.

6 **Unquoted Securities**

**Options over Unissued Shares**

**Options to employees and consultants**

Grant Date	Date of Expiry	Exercise Price	Number under Option	Number of holders	Name of holders holding >20%
21 May 2010	25 August 2014	\$0.20	2,000,000	7	Dean Besserer
27 June 2011	30 June 2014	\$0.28	335,000	7	Jay Stephenson, Brett Fraser
22 Nov 2011	17 December 2013	\$0.25	3,000,000	7	-

**Loyalty options**

Grant Date	Date of Expiry	Exercise Price	Number under Option
11 May 2011	17 December 2013	\$0.25	9,190,172
6 July 2011	17 December 2013	\$0.25	3,979,200

7 **Use of Funds**

The Company has used its funds in accordance with its initial business objectives.

### TENEMENT SCHEDULE

Project Area	Tenement Numbers
Jaurdi Hills (90% Toro Mining Pty Ltd, 10% JH Mining Pty Ltd)	P16/2411, P16/2412, P16/2413, P16/2414, P16/2433, P16/2434, P16/2435, P16/2438, P16/2439, P16/2440, P16/2441, P16/2442, P16/2443, P16/2444, P16/2460, P16/2627, P16/2653, P16/2654, P16/2655, P16/2656, P16/2657, P16/2658, P16/2659, P16/2678, M16/35, M16/113, M16/114, M16/193, M16/194, M16/201, M16/202, M16/203, M16/204, M16/205, M16/254, M16/255, M16/301, M16/365, M16/425, M16/462, E15/1061, P16/2672, P16/2673, P16/2674, P16/2675