

Mongolian Resources Limited

(formerly Robe Australia Limited)

and its controlled entities

ABN 50 007 870 760

ANNUAL REPORT

30 June 2013

Corporate Information

Board of Directors

Peter Reilly	Chairman
Craig McGuckin	Managing Director (appointed 10 December 2012)
Peter Youd	Executive Director (appointed 10 December 2012)

Company Secretary

Nerida Schmidt

Auditors

Grant Thornton Audit Pty Ltd
Level 30, 525 Collins Street
MELBOURNE VIC 3000

Lawyers

Australia

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Sri Lanka

Varners
Level 14 West Tower
World Trade Centre
Echelon Square
COLOMBO 01
SRI LANKA

Bankers

Westpac Banking Corporation
Australia and New Zealand Banking Group Limited

Registered Office

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Share Registry

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Perth, Western Australia 6000
Toll Free telephone 1300 557 010
Telephone + 61 3 9415 4000

Securities Exchange Listing

Mongolian Resources Limited shares and options are listed on the Australian Securities Exchange Limited
(ASX Codes: **MRF**, **MRFO** and **MRFOA**)

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Chairman's Statement

In December 2012 the shareholders of the Company resolved to change activities from an investment company to a resources company with a focus on exploration of coking and thermal coal tenements in Mongolia and the acquisition of Kumai Energy Limited was approved.

Subsequent to this transaction the Mongolian Government announced proposed changes to the Mongolian Minerals Law which may restrict the mining exploration operations of foreign owned entities within Mongolia. The Board believed the proposed changes have the potential to adversely affect the Company's existing activities, and the Company needed to make a strategic change of focus in order to provide value for Shareholders. Accordingly, the Board continued to investigate additional mineral exploration opportunities around the globe.

On 10 April 2013, the Company announced the intention to diversify its asset base with the proposed acquisition of 45 graphite exploration licences in Sri Lanka which cover an area of approximately 45km². Upon approval of the acquisition at the General Meeting scheduled for 9 October 2013, the Company plans to undertake the rehabilitation of existing shaft areas and extensive exploration of the projects areas. The Board believes this is a unique opportunity to participate in a graphite project which has the potential to generate significant organic growth.

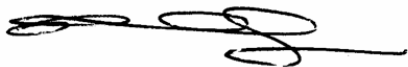
Sri Lanka is famed for being the only major producer of crystalline vein graphite (lump or Ceylon graphite), the highest quality of naturally occurring material in the world. The quality of vein graphite produced in the country has a purity level in excess of 90% carbon which means little upgrading and processing is required to make a high-quality saleable product.

The presence of vein graphite in Sri Lanka has been known since 1675, while the mining, processing and export of graphite have been continuous since 1821. According to the eminent geologist, Professor Dung Ham, Sri Lanka contains the largest known reserves of high quality natural graphite in the Commonwealth member countries. During the 19th century and the first decade of the 20th century, graphite was a major export product, equally important as tea, rubber and coconuts. Both as an industry and a commodity, graphite still occupies a leading position in the economy of the country.

During the year, the Company completed a successful placement of 12.5 million shares at \$0.20 with a free attaching option exercisable at 20 cents on or before 17 October 2016 raising \$2,500,000 (before costs). A further raising of up to 7.5 million shares at \$0.20 with a free attaching option exercisable at 20 cents on or before 17 October 2016 raising up to \$1,500,000 (before costs) is currently in process to enable the Company to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules and to satisfy ASX requirements for the re-listing of the Company on ASX, facilitate the exploration program for the purpose of defining JORC Resources on the Sri Lankan assets; and conduct due diligence on additional potential project acquisitions in Sri Lanka or elsewhere. This raising is also subject to approval by shareholders at the General Meeting to be held on 9 October 2013.

Finally, I would like to take this opportunity to thank our shareholders for your continuing support and look forward to your endorsement of the exciting Sri Lankan opportunity at the upcoming General Meeting.

Yours sincerely



Peter T Reilly
Chairman

Board of directors

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

Peter Reilly

Chairman and Non-Executive Director (appointed 21 April 2005)

Peter Reilly is the former Managing Director of the major Australasian business services group, AUSDOC Group Limited. Peter has over 35 years of commercial experience, holds a Bachelor of Business (Accounting) and is a member of the Institute of Chartered Accountants and the Institute of Company Directors.

Peter is a Non-Executive Director of Marbletrent Group Limited and Chairman of that Company's Audit and Risk Committee.

Craig McGuckin, Dip. Minsurv Class 1, Dip Surfmin

Managing Director (appointed 10 December 2012)

Craig McGuckin is a qualified mining professional with 26 years experience in the mining, drilling and petroleum industries. He has held senior positions including Senior Planning Engineer, Mine Manager and Managing Director of private and publicly listed companies. Mr McGuckin was a founding Executive Director of Rheochem Plc (now Lochar Energy Group Plc), which is quoted on the Alternative Investment Market of the London Stock Exchange and was previously listed on the ASX. As Executive Group General Manager, he was responsible for the company's expansion into the Indian, Indonesian and New Zealand drilling fluids market.

Peter Youd, B Bus (Accounting), AICA

Executive Director and Chief Financial Officer (appointed 10 December 2012)

Peter Youd is a Chartered Accountant and has extensive experience within the resources, oil and gas services, financial services and e-business industries. For the last 25 years Mr Youd has held a number of senior management positions and directorships for publicly listed and private companies in Australia and overseas.

Mr Youd has resided in Indonesia, Singapore and Malaysia as well as having operated in Morocco, sub-Saharan Africa and Central and South America.

Shaun Stone

Non-executive Director (resigned 10 December 2012)

Shaun is currently the Chief Financial Officer for an aged care management company and prior to this worked for Tolhurst Pty Ltd in the Corporate Finance division and also the Executive Office.

Board of directors *(continued)*

Rod Hodby

Non-executive Director (resigned 10 December 2012)

Robert Hodby holds a Bachelor of Commerce from Murdoch University and is a member of CPA Australia and Chartered Secretaries Australia.

Company Secretary

Ms Nerida Schmidt replaced Mr Peter Bolitho in the position of company secretary of Mongolian Resources Limited on 10 December 2012.

Ms. Schmidt holds a Bachelor of Commerce, is a Certified Practising Accountant and a Fellow of the Securities Institute of Australia. She also holds a Graduate Diploma in Company Secretarial Practice and Corporate Governance from Chartered Secretaries Australia Limited.

Ms. Schmidt has professional experience in the taxation and corporate recovery divisions of Arthur Andersen and was a manager in the Corporate division of the stockbroking firm Paterson Ord Minnett in Perth. Ms. Schmidt is an experienced Company Secretary with considerable experience working with listed companies on the ASX.

Directors' report

The Directors present their report together with the financial report of Mongolian Resources Limited ("the Company" or "MRL"), and of the Group, being the Company and its subsidiaries for the financial year ended 30 June 2013 and the auditor's report thereon.

Results and Dividends

The Group result for the year was a loss of \$4,368,700 (2012: loss of \$606,420).

No final dividend has been declared or recommended as at 30 June 2013 or as at the date of this report (2012: \$nil).

No interim dividends have been paid (2012: \$nil).

Principal Activities

The principal activities of the Group during the financial year changed from that of an investment company to a mineral resources exploration company.

Events since the balance sheet date

There are no known subsequent events of a material nature other than the following:

- The Company issued a Notice of Meeting to approve the acquisition of the Sri Lankan projects and raise additional capital for their development. The meeting is scheduled for 9 October 2013; and
- On 12 September 2013 the Company lodged a prospectus with ASIC for the issue of up to 7,500,000 shares and free attaching options to raise a maximum of \$1.5m (before costs).

Operational Overview

In December 2012 the shareholders of the Company resolved to change activities from an investment company to a resources company with a focus on exploration of coking and thermal coal tenements in Mongolia and the acquisition of Kumai Energy Limited was approved.

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On 10 April 2013, the Company announced the intention to diversify its asset base with the proposed acquisition of 45 graphite exploration licences in Sri Lanka which cover an area of approximately 45km². Upon approval of the acquisition at the General Meeting scheduled for 9 October 2013, the Company plans to undertake the rehabilitation of existing shaft areas and extensive exploration of the projects areas. The Board believes this is a unique opportunity to participate in a graphite project which has the potential to generate significant organic growth.

The Group's loss after tax as at 30 June 2013 was \$4,368,700 (2012: loss of \$606,420).

During the year, the Company completed a successful placement of 12.5 million shares at \$0.20 with a free attaching option exercisable at 20 cents on or before 17 October 2016 raising \$2,500,000 (before costs).

Financial Position

The successful capital raising in March 2013 and a further capital raising to be approved at the scheduled meeting of 9 October 2013 will strengthen the balance sheet, and place the Company in the position to develop the exciting Sri Lankan opportunity.

Directors' report (continued)

Future and likely developments

The Directors have excluded from this report any further information on the likely developments in the operations of the Group and the expected results of those operations in future financial years, other than as mentioned in the Chairman's Review and Operating Review as the Directors have reasonable grounds to believe that market volatility makes it impractical to forecast future profitability and other material financial events.

Directors' and other officers' emoluments

Details of the remuneration policy for Directors and other officers are included in Principle 8: "Remunerate fairly and responsibly" of the Remuneration Report (page 10) and the Corporate Governance Principles (page 13).

Details of the nature and amount of emoluments for each Director of the Company and Executive Officers are included in the Remuneration Report.

Environmental issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Proceedings on behalf of 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.

The Company was not a party to any such proceedings during the year.

Share options

At the date of this report, Mongolian Resources Limited has unlisted option holders holding options exercisable to ordinary shares in Mongolian Resources Limited as follows:

	Grant Date	Date of Expiry	Exercise price	Number under option
Share options (unlisted)	9 Jan 2013	17 Oct 16	\$0.20	13,000,000
Share options (unlisted)	6 Mar 2013	17 Oct 16	\$0.20	10,198,551

On 9 January 2013 11,000,000 options were issued to directors and consultants at an exercise price of \$0.20, expiring on 17 October 2016. A further 2,000,000 options of the same class were issued to past directors of Kumai Energy Limited.

On 6 March 2013, 10,198,551 unlisted options were granted to CPS Securities Pty Ltd (CPS) at an exercise price of \$0.20, as payment for the successful capital raising of the Company and assistance with the sourcing of the transaction resulting in the purchase of 100% of the equity of Kumai Energy Limited. These options expire on 17 October 2016.

At the date of this report, Mongolian Resources Limited has listed option holders holding unissued ordinary shares in Mongolian Resources Limited as follows:

	Grant Date	Date of Expiry	Exercise price	Number under option
Share options (listed "MRFO")	06 Jul 2011	31 Dec 14	\$0.40	4,554,053
Share options (listed "MRFO")	14 Jul 2011	31 Dec 14	\$0.40	2,500,000
Share options (listed "MRFOA")	06 Mar 2013	17 Oct 16	\$0.20	12,500,000

In December 2012 MRL consolidated its options (**MRFO**) on a basis of one for 40 options held. 710 ordinary shares of MRL were issued during the year on the exercise of options which raised further capital of \$284. A further 12,500,000 options were issued in a capital raising dated 6 March 2013. Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

Directors' report *(continued)*

Directors' meetings

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

	Directors meetings	
	Meetings Attended	Entitled to Attend
P Reilly	13	13
C McGuckin (appointed 10 December 2012)	5	5
P Youd (appointed 10 December 2012)	5	5
S Stone (resigned 10 December 2012)	8	8
R Hodby (resigned 10 December 2012)	8	8

Indemnification and insurance of officers and auditors

During or since the end of the financial year, the Company has not given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums, against costs incurred in defending any writ, summons, application or other originating legal or arbitral proceedings, cross claim or counterclaim issued against or served upon any Director or Officer alleging any wrongful act; or any written or verbal demand alleging any wrongful act communicated to any Director or Officer under any circumstances and by whatever means.

In relation to the other activities of the Company, the Company has not, during or since the financial year, in respect of any person who is or has been an officer of the Company or a related body corporate paid any premiums in regards to indemnification and insurance of Directors and Officers.

No indemnity or insurance is in place in respect of the auditor.

Directors' report *(continued)*

Remuneration report

This report outlines the remuneration arrangements in place for Directors of Mongolian Resources Limited and Executives of the Group.

Remuneration Policy

Emoluments of Directors and senior executives are set by reference to payments made by other companies of similar size and industry, and by reference to the skills and experience of the Directors and Executives. Details of the nature and amount of emoluments of each Director of the Company are disclosed annually in the Company's annual report.

Directors and Senior Executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

There has been no direct relationship between the Group's financial performance and remuneration of key management personnel over the previous 5 years.

Executive Director Remuneration

Executive pay and reward consists of a base fee and performance incentives. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. The grant of options is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles.

Executives are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness.

The remuneration policy is designed to encourage superior performance and long-term commitment to MRL.

Executive Directors do not receive any fees for being Directors of MRL or for attending Board and Board Committee meetings.

All Executive Directors, Non-Executive Directors and responsible executives of MRL are entitled to an Indemnity and Access Agreement under which, inter alia, they are indemnified as far as possible under the law for their actions as Directors and officers of MRL.

Non-Executive Director Remuneration

The Company's policy is to remunerate non-executive Directors at a fixed fee for time, commitment and responsibilities. Remuneration for Non-Executive Directors is not linked to individual performance. Given the Company is at its early stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unlisted options to Non-Executive Directors, subject to obtaining the relevant approvals. This Policy is subject to annual review. All of the Directors' option holdings are fully disclosed. From time to time the Company may grant options to non-executive Directors. The grant of options is designed to recognise and reward efforts as well as to provide Non-Executive Directors with additional incentive to continue those efforts for the benefit of the Company.

Non-Executive Directors are remunerated for their services from the maximum aggregate amount (currently \$300,000 per annum) approved by shareholders for that purpose. They receive a base fee, which is currently set at \$36,000 per annum effective 1 September 2011. The Chairman is entitled to receive an additional fee of \$10,000 per annum. There are no termination payments to Non-Executive Directors on their retirement from office.

The Company's policy for determining the nature and amount of emoluments of Board members and Senior Executives of the Company is set out below:

Setting Remuneration Arrangements

The Board has not established a separate Remuneration Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of the Remuneration Committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required.

Directors' report (continued)

Remuneration report (continued)

Executive Officer Remuneration, including Executive Directors

The remuneration structure for Executive Officers, including Executive Directors, is based on a number of factors, including length of service, the particular experience of the individual concerned, and the overall performance of the Company. The contracts for service between the Company and specified Directors and Executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement Executive Directors and Executives are paid employee benefit entitlements accrued to the date of retirement.

As an incentive, the Company has adopted an employee share option plan. The purpose of the plan is to give employees, directors and officers of the Company an opportunity, in the form of options, to subscribe for shares. The Directors consider the plan will enable the Company to retain and attract skilled and experienced employees, board members and officers, and provide them with the motivation to make the Company more successful.

Details of remuneration for the year ended 30 June 2013

The remuneration for each Director and key management executives of the Group during the year was as follows:

	Short Term Benefits				Long term benefits	Post employment benefits	Share Based Payments		Total	Value of options as proportion of remuneration
	Cash, Salary, Consulting fee and Commission	Bonus & cash profit share	Non-cash benefits	Termination	Long service leave	Retirement benefit entitlement	Shares	Share options		
30 June 2013	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$	%
Executive Directors										
Craig McGuckin (i)	102,000	-	-	-	-	-	-	640,000	742,000	86.2
Peter Youd (i)	102,000	-	-	-	-	-	-	640,000	742,000	86.2
Non-executive Directors										
Peter Reilly	46,000	-	-	-	-	-	-	64,000	110,000	58.2
Shaun Stone (ii)	16,000	-	-	10,000	-	-	-	-	26,000	-
Robert Hodby (ii)	16,000	-	-	10,000	-	-	-	-	26,000	-
Other key management personnel										
Peter Bolitho (iii)	11,753	-	-	10,000	-	-	-	-	21,753	-
	293,753	-	-	30,000	-	-	-	1,344,000	1,667,753	-
30 June 2012										
Non-executive Directors										
Peter Reilly	47,500	-	-	-	-	-	-	-	47,500	-
Shaun Stone	37,500	-	-	-	-	-	-	-	37,500	-
Robert Hodby	31,500	-	-	-	-	-	-	-	31,500	-
Peter Bolitho (ii)	7,500	-	-	-	-	-	-	-	7,500	-
	124,000	-	-	-	-	-	-	-	124,000	-
Other key management personnel										
Peter Bolitho (ii)	12,000	-	-	-	-	-	-	-	12,000	-
	136,000	-	-	-	-	-	-	-	136,000	-

- Mr Craig McGuckin and Mr Peter Youd were appointed to the Board 10 December 2012 as Directors. They do not receive directors fees however are compensated in accordance with their respective consultant agreement.
- Mr Shaun Stone and Mr Robert Hodby resigned as directors on the 10 December 2012.
- Mr Peter Bolitho resigned as company secretary on 10 December 2012. Remuneration received by Mr Bolitho related to his company secretarial and advisory roles in pursuing the Company's contingent assets

Directors' report (continued)

Remuneration report (continued)

Shares-based compensation

Shares issued as part of remuneration for the year ended 30 June 2013

No shares were issued to directors and other key management personnel as part of compensation during the year.

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

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant Date	Vesting date and exercisable date	Date of Expiry	Exercise price	Fair value per option at grant date	Fair value of options granted
9 Jan 2013	9 Jan 2013	17 Oct 16	\$0.20	\$0.128	1,344,000

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2013 are set out below:

	Number of options granted during the year	Number of options vested during the year	Value of options granted	Value of options exercised	Value of options lapsed
Directors			\$	\$	\$
P Reilly	500,000	500,000	64,000	-	-
C McGuckin	5,000,000	5,000,000	640,000	-	-
P Youd	5,000,000	5,000,000	640,000	-	-
TOTAL	10,500,000	10,500,000	1,344,000	-	-

These share options do not have service or performance vesting criteria as they have been granted to directors for their commitment and contributions to the Group to date.

End Remuneration Report

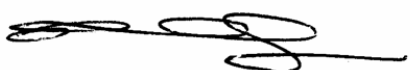
Auditor independence

The Directors received the independence declaration from the auditor of Mongolian Resources Limited as stated on page 19.

Non-audit services

The current Auditors have not received, or are due to receive any remuneration pertaining to non-audit services during the year. Refer to Note 27 for further details.

Signed in accordance with a Resolution of the Directors.



PETER T REILLY

Chairman

Dated at Melbourne this 26th day of September 2013.

Corporate governance statement

Mongolian Resources Ltd (**Company**) has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd edition (**Principles & Recommendations**), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where, the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" regime, where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and an explanation for the adoption of its own practice.

Board

Roles and responsibilities of the Board and Senior Executives (Recommendations: 1.1, 1.3)

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chair or the lead independent director, as appropriate.

The Company's Board Charter is available on the Company's website.

Skills, experience, expertise and period of office of each Director (Recommendation: 2.6)

A profile of each Director setting out their skills, experience, expertise and period of office is set out above under the section headed Board of Directors.

Director independence (Recommendations: 2.1, 2.2, 2.3, 2.6)

The Board does not have a majority of directors who are independent. Given the current size and composition of the Company, the Board believes that the Company does not have the resources nor a sufficient number of non-executive directors on the Board to have a majority of independent directors in compliance with this Recommendation. Additional directors would need to be appointed to the Board to have a sufficient number of independent directors to comply with this Recommendation. This would increase the remuneration costs of the Board to the Company and represent a significant and disproportionate compliance cost for the Company without providing outweighing benefits to the Company.

The independent director of the Company is Peter Reilly. He is independent as he is a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of his judgement.

Corporate governance statement (*continued*)

The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds.

The Board has agreed on the following guidelines, as set out in the Company's Board Charter for assessing the materiality of matters:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The non-independent directors of the Company are Craig McGuckin and Peter Youd.

The independent Chair of the Board is Peter Reilly.

The Managing Director is Craig McGuckin who is not Chair of the Board.

Independent professional advice **(Recommendation: 2.6)**

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Selection and (Re) Appointment of Directors **(Recommendation: 2.6)**

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed process whereby it evaluates the mix of skills, experience, expertise and diversity of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills and diversity that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

Corporate governance statement (*continued*)

The Company's Policy and Procedure for the Selection and (Re)Appointment of Directors is available on the Company's website.

Board committees

Nomination Committee

(Recommendations: 2.4, 2.6)

The Company has not established a separate Nomination Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated to it in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board carries out the role of the Nomination Committee. The full Board did not officially convene as a Nomination Committee during the Reporting Period, however nomination-related discussions occurred from time to time during the year as required.

The Company has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the Nomination Committee. A copy of the Nomination Committee Charter is available on the Company's website.

Audit Committee

(Recommendations: 4.1, 4.2, 4.3, 4.4)

The Company has not established a separate Audit Committee. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Audit Committee. Accordingly, the Board performs the role of Audit Committee. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Audit Committee it carries out those functions which are delegated in the Company's Audit Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Audit Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

The Audit Committee is not structured in compliance with Recommendation 4.2. Given the current size and composition of the Company, the Board believes that the Company does not have the resources nor a sufficient number of non-executive directors on the Board to structure the Audit Committee in compliance with this Recommendation. Additional directors would need to be appointed to the Board to have a sufficient number of independent directors to comply with this Recommendation. This would increase the remuneration costs of the Board to the Company and represent a significant and disproportionate compliance cost for the Company without providing outweighing benefits to the Company.

When the Board meets as the Audit Committee, Peter Reilly Chairs' the meeting. To assist the Board to fulfil its function as the Audit Committee, the Company has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the Audit Committee.

Details of each of the director's qualifications are set out above under the section headed Board of Directors.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

Corporate governance statement (*continued*)

The Company's Audit Committee Charter and the Company's Procedure for Selection, Appointment and Rotation of External Auditor are available on the Company's website.

Remuneration Committee

(Recommendations: 8.1, 8.2, 8.3, 8.4)

The Company has not established a separate Remuneration Committee. Given the current size and composition of the Company, the Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of Remuneration Committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of Remuneration Committee by ensuring the director with conflicting interests is not party to the relevant discussions.

The Remuneration Committee is not structured in accordance with Recommendation 8.2. Given the current size and composition of the Company, the Board believes that the Company does not have the resources nor a sufficient number of non-executive directors on the Board to structure the Remuneration Committee in compliance with this Recommendation. Additional directors would need to be appointed to the Board to have a sufficient number of independent directors to comply with this Recommendation. This would increase the remuneration costs of the Board to the Company and represent a significant and disproportionate compliance cost for the Company without providing outweighing benefits to the Company.

To assist the Board to fulfil its function as the Remuneration Committee, the Company has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms part of the Directors' Report. Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Given the Company is at its early stage of development and the financial restrictions placed on it, the Company may consider it appropriate to issue unlisted options to non-executive Directors, subject to obtaining the relevant approvals. This Policy is subject to annual review. All of the Directors' option holdings are fully disclosed. From time to time the Company may grant options to non-executive Directors. The grant of options is designed to recognise and reward efforts as well as to provide non-executive Directors with additional incentive to continue those efforts for the benefit of the Company. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

The Company's Remuneration Committee Charter is available on the Company's website.

Performance evaluation

Senior executives

(Recommendations: 1.2, 1.3)

The Nomination Committee (or its equivalent) annually reviews the performance of senior executives. The Managing Director conducts a performance evaluation of senior executives by interview with each senior executive and provides a written report to the Nomination Committee (or its equivalent).

Corporate governance statement (*continued*)

Board, its committees and individual directors

(Recommendations: 2.5, 2.6)

The Chair evaluates the performance of the Board and of its committees by way of informal round table discussions and a questionnaire completed annually by all directors regarding the following:

- comparing the performance of the Board with the requirements of its Charter;
- examination of the Board's interaction with management;
- the nature of information provided to the Board by management;
- management's performance in assisting the Board to meet its objectives; and
- assessing the performance of each committee and identifying areas where improvements can be made.

Individual director's performance evaluations are completed by the Chair. The Chair meets with each individual director for informal discussion.

The Managing Director's performance evaluation is reviewed by the Nomination Committee (or its equivalent). The Nomination Committee (or its equivalent) conducts a performance evaluation annually of the Managing Director by way of informal round table discussions based on specific criteria, including the business performance of the Company and its subsidiaries, whether strategic objectives are being achieved and the development of management and personnel.

Ethical and responsible decision making

Code of Conduct

(Recommendations: 3.1, 3.5)

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders, and practices necessary to allocate the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Company's Code of Conduct is available on the Company website.

Diversity

(Recommendations: 3.2, 3.3, 3.4, 3.5)

The Company has established a Diversity Policy, which includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress towards achieving them.

A summary of the Company's Diversity Policy is available on the Company's website.

The Board has not set measurable objectives for achieving gender diversity at this stage given the current size and composition of the Company.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board are set out in the following table:

	Proportion of women
Whole organisation	2 out of 5 (20%)
Senior Executive positions	1 out of 4 (25%)
Board	0 out of 3 (0%)

Continuous Disclosure

(Recommendations: 5.1, 5.2)

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

A summary of the Company's Policy on Continuous Disclosure and a summary of the Company's Compliance Procedures are available on the Company's website.

Corporate governance statement (*continued*)

Shareholder Communication

(Recommendations: 6.1, 6.2)

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

A summary of the Company's Shareholder Communication Policy is available on the Company's website.

Risk Management

(Recommendations: 7.1, 7.2, 7.3, 7.4)

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management, which, if proposed to be exceeded, requires prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

The Managing Director and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risk.

A summary of the Company's Risk Management Policy is available on the Company's website.



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**Auditor's Independence Declaration
To the Directors of Mongolian Resources Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Mongolian Resources 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.

A stylized signature of the Grant Thornton firm, written in a cursive script.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature of A. J. Pititto, written in dark ink.

A. J. Pititto
Partner - Audit & Assurance
Melbourne, 26 September 2013

Grant Thornton Audit Pty Ltd ACN 130 913 594
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Consolidated statement of profit and loss
for the year ended 30 June 2013

	<i>Note</i>	2013 A\$	2012 A\$
Continuing operations			
Revenue on trading operations		-	-
Other revenue	4(a)	-	17,472
Revenue		-	17,472
Other income	4(b)	117,086	9,862
Administration expense	4(c)	(739,118)	(371,941)
Insurance		(21,841)	(12,156)
Legal fees		(21,939)	(78,200)
Employee benefits expense	4(d)	-	(15,587)
Occupancy costs		(52,796)	(12,000)
Communication costs		(2,016)	(988)
Projects assessment expense		(125,758)	(76,031)
Impairment of exploration & evaluation assets	13	(1,872,293)	-
Depreciation		(2,684)	-
Write down of property, plant & equipment		(3,617)	-
Impairment of receivables		(2,551)	-
Share based payments expense	4(e)	(1,664,000)	(105,441)
Operating loss		(4,391,527)	(645,010)
Finance income	4(f)	22,827	38,591
Finance expense		-	(1)
Loss before tax		(4,368,700)	(606,420)
Income tax (expense)/credit	5	-	-
(Loss)/Profit for the financial year		(4,368,700)	(606,420)
Attributable to:			
Equity holders of the parent		(3,804,752)	(606,420)
Non-controlling interests		(563,948)	-
(Loss)/Profit for the financial year		(4,368,700)	(606,420)
Earnings per share			
Basic (loss)/profit per share (cents per share)	6	(13.69)	(5.54)
Diluted (loss)/profit per share (cents per share)	6	(13.69)	(5.54)

The above consolidated statement of profit and loss should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income
for the year ended 30 June 2013

	2013 A\$	2012 A\$
(Loss)/Profit for the year	(4,368,700)	(606,420)
Other comprehensive income		
Items that cannot be reclassified to profit and loss	-	-
Items that may be reclassified to profit and loss		
Exchange differences arising on translation of foreign operations	(31,393)	-
Other comprehensive income for the year	(31,393)	-
Total comprehensive income for the year	(4,400,093)	(606,420)
Attributable to:		
Equity holders of the parent	(3,836,145)	(606,420)
Non-controlling interests	(563,948)	-
	(4,400,093)	(606,420)

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

Consolidated statement of financial position

at 30 June 2013

	Note	Consolidated	
		2013 A\$	2012 A\$
Assets			
Current assets			
Cash and cash equivalents	8	1,065,139	673,496
Trade and other receivables	9	7,944	5,759
Deposits	10(a)	535,221	-
Other current assets	10(b)	45,958	7,193
Held for trading assets	11	-	38,932
Total current assets		1,654,262	725,380
Non-current assets			
Investments	12	-	-
Exploration and evaluation assets	13	-	-
Property, plant and equipment	14	5,139	-
Total non-current assets		5,139	-
Total assets		1,659,401	725,380
Liabilities			
Current liabilities			
Trade and other payables	15	289,273	54,432
Total current liabilities		289,273	54,432
Non-current liabilities			
Loans from related parties	16	253,558	-
Loans from shareholders	16	176,079	-
Total Non-current liabilities		429,637	-
Total liabilities		718,910	54,432
Net assets		940,491	670,948
Equity			
Equity attributable to equity holders of the parent			
Issued capital	17	55,212,885	52,234,717
Options reserve	19	-	126,453
Share based payments reserve	19	1,664,000	-
Translation reserve	19	(31,393)	-
Accumulated losses		(55,809,568)	(51,690,222)
Total equity		1,035,924	670,948
Non-controlling interests		(95,433)	-
Total equity		940,491	670,948

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

Consolidated statement of changes in equity

for the year ended 30 June 2013

	Issued capital	Options reserve	Share based payments reserve	Translation reserve	Accumulated losses	Total	Non- controlling interests	Total equity
	A\$	A\$	A\$	A\$	A\$	A\$	A\$	A\$
Consolidated Group								
As at 1 July 2012	52,234,717	126,453	-	-	(51,690,222)	670,948	-	670,948
Profit/(loss) for the year	-	-	-	-	(3,804,752)	(3,804,752)	(563,948)	(4,368,700)
Other comprehensive income	-	-	-	(31,393)	-	(31,393)	-	(31,393)
Total comprehensive income for the year	-	-	-	(31,393)	(3,804,752)	(3,836,145)	(563,948)	(4,400,093)
Transactions with owners in their capacity as owners								
Share placement during the year	3,560,000	-	-	-	-	3,560,000	-	3,560,000
Share issue costs	(582,116)	-	-	-	-	(582,116)	-	(582,116)
Minority interests acquired	-	-	-	-	(441,047)	(441,047)	468,515	27,468
Transfer of reserves	-	(126,453)	-	-	126,453	-	-	-
Issue of options	-	-	1,664,000	-	-	1,664,000	-	1,664,000
Conversion of options into shares	284	-	-	-	-	284	-	284
30 June 2013	55,212,885	-	1,664,000	(31,393)	(55,809,568)	1,035,924	(95,433)	940,491
As at 1 July 2011	51,062,395	126,453	-	-	(51,083,802)	105,046	-	105,046
Profit/(loss) for the year	-	-	-	-	(606,420)	(606,420)	-	(606,420)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(606,420)	(606,420)	-	(606,420)
Transactions with owners in their capacity as owners								
Share placement during the year	375,000	-	-	-	-	375,000	-	375,000
Share issue costs	(117,079)	-	-	-	-	(117,079)	-	(117,079)
Rights issue	912,096	-	-	-	-	912,096	-	912,096
Conversion of options into shares	2,305	-	-	-	-	2,305	-	2,305
Balance at 30 June 2012	52,234,717	126,453	-	-	(51,690,222)	670,948	-	670,948

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

Consolidated statement of cash flows
for the year ended 30 June 2013

	<i>Note</i>	Consolidated	
		2013 A\$	2012 A\$
Cash flows from operating activities			
Receipts from customers		-	27,971
Payments to suppliers and employees		(1,357,736)	(690,069)
Interest received		22,827	38,591
Finance costs		-	(1)
Net cash flows (used in)/from operating activities		(1,334,909)	(623,508)
Cash flows from investing activities			
Proceeds from sale of financial assets		39,302	9,472
Proceeds from disposal of subsidiary		10	-
Purchase of investments		-	(105,441)
Payments of deposit for investment		(535,221)	-
Payments for exploration expenditure		(67,143)	-
Payment of security deposit		(15,300)	-
Cash acquired on acquisition of Kumai group		3,065	-
Net cash flows used in (from) investment activities		(575,287)	(95,969)
Cash flow from financing activities			
Proceeds from rights issue/placement of shares		2,448,000	1,287,096
Payment for share issue/capital raising costs		(228,828)	(117,079)
Proceeds from issue of shares from exercise of options		284	2,305
Net cash flows (used in)/from financing activities		2,219,456	1,172,322
Net increase / (decrease) in cash and cash equivalents		309,260	452,845
Cash and cash equivalents at beginning of the year		673,496	220,651
Effect of exchange rate fluctuations on cash held		82,383	-
Cash and cash equivalents at end of year		1,065,139	673,496

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

Notes to the financial statements

Authorisation of financial statements and statement of compliance with IFRS

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

The financial report covers the consolidated group of Mongolian Resources Limited and controlled entities (**Group**). Mongolian Resources Limited (**MRL**) is a listed public Company, incorporated and domiciled in Australia.

The financial report of the Group complies with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation

The Group is a for-profit entity for the purpose of preparing the financial statements.

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

These consolidated financial statements are presented in Australian Dollars (A\$), which is the Company's functional currency.

Going concern assumption

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business even though the Group has incurred losses of \$4,368,700 during the year. Cash reserves were \$1,065,139 (2012: \$673,496) at 30 June 2013.

The Directors have prepared cash flow forecasts for the Group for the period to 30 September 2014 based on their assessment of the prospects of the Group's operations. The cash flow forecasts are based upon estimates of future operating expenditure in pursuing exploration in Sri Lanka, and successful capital raising initiatives including a minimum placement issue of 5,000,000 shares (maximum 7,500,000 shares) at \$0.20, with a free attaching option, to be completed in October 2013. Based on an assessment of the forecast cash flow pattern, the Directors have satisfied themselves that the Group has a reasonable prospect of being able to operate within its cash resources. As a result the financial report has been prepared on a going concern basis. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

Notes *(continued)*

1 Accounting policies

a) Principles of consolidation

A controlled entity is any entity controlled by MRL whereby MRL has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 12 to the financial statements. All controlled entities have a 30 June financial year end.

Investments in controlled entities held by MRL are accounted for at cost in the separate financial statement of the parent entity less any impairment charges.

All inter-company balances and transactions between entities in the Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the controlled group during the year, their operating results have been included / excluded from the date control was obtained or until the date control ceased. If applicable, non-controlling interests in the entity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

b) Foreign currency translation

The financial report is presented in Australian dollars, which is Mongolian Resources Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Notes (continued)

1 Accounting policies (continued)

c) Taxes

Income taxes

The charge for current income tax expense is based on the profit for the period adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

Deferred tax is not recognised for taxable temporary differences arising on the recognition of indefinite life intangibles including goodwill and trademarks.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

MLR formed an income tax Group under the Tax Consolidation Regime effective 1 July 2003, and its wholly-owned Australian subsidiaries were members of the tax consolidated group. Under Australian Accounting Interpretation 1052, each entity in the Group recognises its own current and deferred tax amounts, except for any deferred tax assets resulting from unused tax losses and tax credits assumed by the head entity. A new subsidiary, Mongolian Resources Pty Ltd was incorporated in December 2011 and joined as a member of the existing tax consolidated group.

Goods and services tax (GST)

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

Notes (continued)

1 Accounting policies (continued)

d) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

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

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

e) Financial Instruments

Recognition

Financial instruments are initially measured at fair value on trade date, which includes transaction costs for financial assets and liabilities not at fair value through the profit and loss, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Held for trading financial assets

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the profit and loss in the statement of comprehensive income in the period in which they arise.

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 stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not capable of being included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

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.

Notes (continued)

1 Accounting policies (continued)

Financial Instruments (continued)

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 prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the profit and loss in statement of comprehensive income.

f) Exploration and evaluation assets

Exploration and evaluation expenditure, including costs of acquiring the licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore the area are recognised in the statement of comprehensive income.

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

- i) The expenditures are expected to be recouped through successful development and exploitation or from sale 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 areas of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (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. For the purpose of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the 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 to mining property and development assets within property, plant and equipment.

When an area of interest is abandoned or the directors decide that it is not commercial, and accumulated costs in respect of that area are written off in the financial period the decision is made.

Notes (continued)

1 Accounting policies (continued)

g) Impairment of assets

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

Impairment testing is performed annually for goodwill and other intangible assets.

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

h) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and equipment 3-7 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to the profit and loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

i) Investments in associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting where significant influence is exercised over an investee. Significant influence exists where the investor has the power to participate in the financial and operating policy decisions of the investees but does not have control or joint control over those policies. The equity method of accounting recognises the Group's share of post acquisition reserves of its associates.

j) Contributed equity

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

Notes (continued)

1 Accounting policies (continued)

k) Employee benefits

Provision is made for the company'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.

l) 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.

m) 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-borrowings in current liabilities on the statement of financial position.

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

n) Revenue recognition

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

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

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

o) Finance costs

Finance 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 finance costs are recognised in income in the period in which they are incurred.

p) Comparative figures

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

Notes *(continued)*

1 Accounting policies *(continued)*

q) Critical accounting estimates and judgements

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

Key estimates - impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to the impairment of assets. When an impairment trigger exists, the recoverable amount of the asset is determined.

Share-based payment transactions

The consolidated entity 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 using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Notes (continued)

1 Accounting policies (continued)

r) Share-based payments transactions

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share the expected dividend yield and the risk free interest rate for the term of the option together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- During the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period;
- From the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Where equity instruments are granted to persons other than directors or employees the consolidated income statement is charged with the fair value of any goods or services received.

Notes (continued)

1 Accounting policies (continued)

s) Earnings per share

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

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

t) Adoption of new and revised standards

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income

The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The amendments also introduced the term 'Statement of profit or loss and other comprehensive income' clarifying that there are two discrete sections, the profit or loss section (or separate statement of profit or loss) and other comprehensive income section.

Notes (continued)

1 Accounting policies (continued)

Adoption of new and revised standards (continued)

The following standards, amendments to standards and interpretations have been identified as those that may impact the entity in the period of initial application. They are available for early adoption at 30 June 2013, but have not been applied in preparing this financial report:

Reference	Title	Nature of Change	Application date of standard	Impact on MRL financial statements	Application date for MRL
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods beginning on or after 1 January 2015	Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. MRL has not yet made an assessment of the impact of these amendments.	1 July 2015
AASB 10 (issued August 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: <ul style="list-style-type: none"> • Power over investee (whether or not power used in practice) • Exposure, or rights, to variable returns from investee • Ability to use power over investee to affect the MRL's returns from investee. • Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated. 	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because MRL does not have any special purpose entities. MRL does not have 'defacto' control of any entities with less than 50% ownership interest in an entity.	1 July 2013
AASB 11 (issued August 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement).	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because MRL has not entered into any joint arrangements.	1 July 2013
AASB 12 (issued August 2011)	Disclosure of Interests in	Combines existing disclosures from AASB 127 <i>Consolidated and Separate Financial</i>	Annual reporting periods commencing on	As this is a disclosure standard only, there will be no impact on	1 July 2013

2011)	Other Entities	<i>Statements</i> , AASB 128 <i>Investments in Associates</i> and AASB 131 <i>Interests in Joint Ventures</i> . Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	or after 1 January 2013	amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.	
AASB 13 (issued September 2011)	Fair Value Measurement	AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments	Annual reporting periods commencing on or after 1 January 2013	When this standard is adopted for the first time for the year ended 30 June 2014, additional disclosures will be required about fair values.	1 July 2013
AASB 119 (reissued September 2011)	Employee Benefits	Employee benefits expected to be settled (as opposed to due to be settled under current standard) wholly within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used wholly within 12 months of end of reporting period will in future be discounted when calculating leave liability.	Annual periods commencing on or after 1 January 2013	When this standard is first adopted for 30 June 2014 year end, annual leave liabilities will be recalculated on 1 July 2012 as long-term benefits because they are not expected to be settled wholly within 12 months after the end of the reporting period. This is expected to have minimal impact on MRL's financial statements	1 July 2013
AASB 2011-4 (issued July 2011)	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	Amendments to remove individual key management personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the <i>Corporation Act 2001</i>	Annual periods commencing on or after 1 July 2013	When this standard is first adopted for the year ended 30 June 2014 MRL will show reduced disclosures under Key Management Personnel note to the financial statements	1 July 2013
AASB 2012-5 (issued June 2012)	Annual Improvements to Australian Accounting Standards 2009-2011 Cycle	Non-urgent but necessary changes to IFRSs (IAS1, IAS 16 & IAS 32) e.g: AASB 116 clarifies that items such as spare parts, stand-by or service equipment are required to be classified as property, plant and equipment and not inventory	Periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no material impact.	1 July 2013

Notes (continued)

2 Financial Risk Management

(a) Financial risk management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (price risk, currency risk and interest rate risk). The Group's principal financial liabilities comprise trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has various financial assets such as trade and other receivables, deposits with banks, local money market instruments and short-term investments. The accounting policy with respect to these financial instruments is described in note 1.

Financial risk management structure:

Board of Directors

The Board is ultimately responsible for ensuring that there are adequate policies in relation to risk oversight and management and internal control systems. The Group's policies are designed to ensure that financial risks are identified, assessed, addressed and monitored to enable achievement of the Group's business objectives.

(b) Financial risks

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the Group. Credit risk is managed on a group basis and structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty or group of counterparties. The Group has no significant concentrations of credit risk.

It is the Group's policy to place funds generated internally and from deposits with clients with high quality financial institutions. The Group does not employ a formalised internal ratings system for the assessment of credit exposures. Amounts due from and to clients and dealers represents receivables sold and payables for securities purchased that have been contracted for but not yet settled on the reporting date, respectively. The majority of these transactions are carried out on a delivery versus payment basis, which results in securities and cash being exchanged within a very close timeframe. Settlement balances outside standard terms are monitored on a daily basis.

Exposure to credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the reporting date to recognised financial assets, is the carrying amount, net of any provision for impairment of those assets, as disclosed in the statement of financial position and the notes to the financial statements. The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

Notes (continued)

2 Financial Risk Management (continued)

b) Financial risks (continued)

Exposure to credit risk (continued)

The Group's maximum exposure to credit risk without taking account of any collateral or other credit enhancements at the reporting date was \$1,654,262 (2012: \$718,187).

	Group 2013 A\$	2012 A\$
Cash and cash equivalents	1,065,139	673,496
Trade and other receivables	7,944	5,759
Deposits	535,221	-
Other current assets	45,958	-
Held for trading financial assets	-	38,932
	<u>1,654,262</u>	<u>718,187</u>

Impairment and provisioning policies

Impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the reporting date, based on objective evidence of impairment. All credit exposures are reviewed at least annually. Impairment allowances on credit exposures are determined by an evaluation of the incurred loss at the reporting date. For the purposes of the Group's disclosures regarding credit quality, its financial assets have been analysed as follows:

	Neither Past Due nor individually impaired	Past due but not individually impaired	Individually impaired	Total	Impairment allowance	Total carrying amount
Consolidated 30 June 2013	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	1,065,139	-	-	1,065,139	-	1,065,139
Trade and other receivables	7,944	-	-	7,944	-	7,944
Deposits	535,221	-	-	535,221	-	535,221
Other current assets	45,958	-	-	45,958	-	45,958
	<u>1,654,262</u>	<u>-</u>	<u>-</u>	<u>1,654,262</u>	<u>-</u>	<u>1,654,262</u>
Consolidated 30 June 2012						
Cash and cash equivalents	673,496	-	-	673,496	-	673,496
Trade and other receivables	5,759	-	14,466	20,225	14,466	5,759
Financial assets held for trading	38,932	-	-	38,932	-	38,932
	<u>718,187</u>	<u>-</u>	<u>14,466</u>	<u>732,653</u>	<u>14,466</u>	<u>718,187</u>

Financial assets past due but not individually impaired

For the purpose of this analysis an asset is considered past due when any payment due under the contractual terms is received one day past the contractual due date. The majority of these transactions are carried out on a delivery versus payment basis, which results in securities and cash being exchanged within a very close timeframe. Settlement balances outside standard terms are monitored on a daily basis. Credit risk is also mitigated as securities held for the counterparty by the Group can ultimately be sold should the counterparty default. There were no renegotiated financial assets during the year.

Collateral pledged or held

There is no collateral held as security by the Group or its controlled entities.

Notes (continued)

2 Financial Risk Management (continued)

b) Financial risks (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by monitoring forecast cash requirements and cash flows.

The primary objective of the Group is to manage short-term liquidity requirements in such a way as to minimise financial risk. The Group maintains sufficient cash resources to meet its obligations, cash deposits are repayable on demand. Investments are traded in an active market and thus can be readily disposed of. Financial assets held for trading are considered readily realisable, as they are listed on the stock exchange.

The tables below present the cash flows receivable and payable by the Group under financial assets and liabilities by remaining contractual maturities at the balance sheet date. The amounts disclosed are the contractual, undiscounted cash flows.

	Weighted average effective interest rate	Floating interest rate	Fixed interest		Non-interest bearing		Total
		Within one year	Within one year	1 – 5 years	Within one year	1 – 5 years	
Consolidated 30 June 2013	%	\$	\$	\$	\$	\$	\$
Financial assets							
Cash and cash equivalents	1.82	1,065,139	-	-	-	-	1,065,139
Trade and other receivables	n/a	-	-	-	7,944	-	7,944
Deposits	n/a	-	-	-	535,221	-	535,221
Other current assets	n/a	-	-	-	45,958	-	45,958
Total financial assets at 30 June 2013		1,065,139	-	-	589,123	-	1,654,262
Financial liabilities							
Trade and other payables	n/a	-	-	-	289,273	-	289,273
Loans from related parties and shareholders	n/a	-	-	-	-	429,637	429,637
Total financial liabilities at 30 June 2013		-	-	-	289,273	429,637	718,910
Consolidated 30 June 2012							
Financial assets							
Cash and cash equivalents	3.5	673,496	-	-	-	-	673,496
Trade and other receivables	n/a	-	-	-	5,759	-	5,759
Financial assets held for trading	n/a	-	-	-	38,932	-	38,932
Total financial assets at 30 June 2012		673,496	-	-	44,691	-	718,187
Financial liabilities							
Trade and other payables	n/a	-	-	-	54,432	-	54,432
Total financial liabilities at 30 June 2012		-	-	-	54,432	-	54,432

Notes (continued)

2 Financial Risk Management (continued)

b) Financial risks (continued)

Liquidity risk (continued)

Trade and other payables and loans to related parties and shareholders are expected to be paid as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
30 June 2013	A\$	A\$	A\$	A\$
Trade and other payables (refer note 15)	289,273	-	-	-
Loans from related parties and shareholders (refer note 16)	-	429,637	-	-
	<u>289,273</u>	<u>429,637</u>	<u>-</u>	<u>-</u>
30 June 2012				
Trade and other payables (refer note 15)	54,432	-	-	-
	<u>54,432</u>	<u>-</u>	<u>-</u>	<u>-</u>

Market Risk

Market risk is the risk that fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The Group's activities expose it primarily to the financial risks of changes in equity prices.

(i) Price risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Group is potentially exposed to price risk on securities held for a counterparty, should a counterparty default the Group bears the risk of adverse movements in market price. At balance sheet date, the fair value of listed equity securities recognised on the balance sheet was \$nil (2012: \$38,932).

(ii) Foreign exchange risk

The consolidated entity undertakes certain transactions denominated in foreign currency and are exposed to foreign currency risk through foreign exchange fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cashflow forecasting.

The Group's profitability can be significantly affected by movements in the \$US/\$A exchange rates, and to a lesser degree, though movements in the Mongolian Tugrik and Sri Lanka Rupee versus the Australian dollar. Through reference to industry standard practices, and open market foreign currency trading patterns within the past 12 months, the group set the level of acceptable foreign exchange risk.

The Group seeks to manage this risk by holding foreign currency in \$US.

Notes (continued)

2 Financial Risk Management (continued)

b) Financial risks (continued)

Market Risk (continued)

(ii) Foreign exchange risk (continued)

Sensitivity analysis

The following table does not include intra group financial assets and liabilities. It summaries the sensitivity of the Group's financial assets and liabilities to external parties at 30 June 2013 to foreign exchange risk, based on foreign exchange rates as at 30 June 2013 and sensitivity of +/-10%:

	30 June 2013 rate (cents)	-10% (cents)	+10% (cents)
US\$/A\$	91.46	82.31	100.6
MT/A\$	1,388.9	1,250.0	1527.8
SLR/A\$	120	108	132

2013	Carrying amount A\$	Foreign exchange risk	
		-10.0% Profit or loss A\$	+10.0% Profit or loss A\$
Financial assets			
Cash at bank – USD	395,266	43,918	(35,933)
Financial liabilities			
Trade and other payables – USD	2,714	(302)	247
Loans from shareholders - USD (see note 16)	176,079	(19,564)	16,007
Total increase/(decrease)		<u>24,052</u>	<u>(19,679)</u>

The Group had no exposure to foreign exchange in the prior year.

(iii) Interest rate risk

Group

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash position. A change of 100 basis points in interest rates at the reporting date would result in a change of profit or loss by the amounts shown below. This analysis assumes that all other factors remain constant.

Profile

At reporting date the interest rate profile of the Group's financial instruments was:

	2013 A\$	Interest rate risk			
		-10bps Profit	Equity	+10bps Profit	Equity
Floating rate instruments					
Cash at bank	1,065,139	(1,926)	-	1,926	-
	<u>1,065,139</u>	<u>(1,926)</u>	<u>-</u>	<u>1,926</u>	<u>-</u>

Notes (continued)

2 Financial Risk Management (continued)

(c) Net fair values

Fair value versus carrying amount

Fair value of financial instruments

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

Methodologies and assumptions

For financial assets and liabilities that are liquid or have short term maturities it is assumed that the carrying amounts approximate to their 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.

	Note	30 June 2013		30 June 2012	
		Carrying amount A\$	Net fair value A\$	Carrying amount A\$	Net fair value A\$
Assets carried at amortised cost					
Trade and other receivables	9	7,944	7,944	5,759	5,759
Deposits	10(a)	535,221	535,221	-	-
Other current assets	10(b)	45,958	45,958	7,193	7,193
Financial assets held for trading	11	-	-	38,932	38,932
		<u>589,123</u>	<u>589,123</u>	<u>51,884</u>	<u>51,884</u>
Total financial assets		<u>589,123</u>	<u>589,123</u>	<u>51,884</u>	<u>51,884</u>
Liabilities carried at amortised cost					
Trade and other payables	15	289,273	289,273	54,432	54,432
Loans from related parties and shareholders	16	429,637	429,637	-	-
		<u>718,910</u>	<u>718,910</u>	<u>-</u>	<u>-</u>
Total financial liabilities		<u>718,910</u>	<u>718,910</u>	<u>-</u>	<u>-</u>

Notes (*continued*)

3 Operating segments

(a) Identification of reportable segments

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

The existing operating segments are identified by management based on the manner in which the Group's operations were carried out during the financial year. Discrete financial information about each of these operating businesses is reported to the Board on a monthly basis.

The reportable segments are based on aggregated operating segments determined by the similarity of the asset base and revenue or income streams, as these are the sources of the Group's major risks and have the most effect on the rates of return. The Group's segment information for the current reporting period is reported based on the following segments:

Mining and exploration activities

MRL acquired the Kumai group of companies in after shareholder approval was received in December 2012. Exploration assets held by the Group have since been impaired however the Group continues to assess exploration activities which is recognised as a separate business segment.

Corporate

This segment reflects the overheads associated with maintaining the ASX listed MRL corporate structure, identification of new assets and general management of an ASX listed entity.

MRL incorporated a new subsidiary intended to undertake the acquisition of a resource asset investment, which is expected to form a new operating segment upon successful completion of the transaction. This segment is not yet operative during the year ended 30 June 2013.

Total revenues and assets are within two geographical areas, being Australia and Asia.

Notes (continued)

3 Operating segments (continued)

Business Segment	Mining & Exploration		Corporate services		Total	
	2013	2012	2013	2012	2013	2012
	A\$	A\$	A\$	A\$	A\$	A\$
Revenue from external customers	-	-	23,107	56,063	23,107	56,063
Operating profit/(loss)	(562,768)	-	(3,805,932)	(606,420)	(4,368,700)	(606,420)
Interest revenue	-	-	22,827	38,591	22,827	38,591
Interest expense	-	-	-	1	-	1
Depreciation expense	-	-	2,684	-	2,684	-
Segment assets	564,677	-	2,192,039	725,380	2,756,716	725,380
Segment liabilities	(1,660,320)	-	(155,905)	(54,432)	(1,816,225)	(54,432)

(b) Geographical areas

In presenting the information on the basis of geographical areas, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Geographical segments	2013		2012	
	Revenue	Total assets	Revenue	Total assets
Australia	23,107	2,192,039	56,063	725,380
Asia *	-	564,677	-	-
Total	23,107	2,756,716	56,063	725,380

* includes Sri Lanka, Singapore, Mongolia and Indonesia

(c) Reconciliation of segment assets and liabilities to the Statement of financial Position

Reconciliation of segment assets to the Statement of Financial Position

	2013	2012
Total segments assets	2,756,716	725,380
Inter-segment elimination	(1,097,315)	-
Total assets per statement of financial position	1,659,401	725,380

Reconciliation of segment liabilities to the Statement of Financial Position

	2013	2012
Total segments liabilities	1,816,225	54,432
Inter-segment elimination	(1,097,315)	-
Total liabilities per statement of financial position	718,910	54,432

Notes (continued)

4 Operating profit and finance income and expense

Revenue and expenses from continuing operations

	Notes	2013 A\$	Group 2012 A\$
(a) Other revenue			
Debt recovery		-	8,000
Profit from sale of shares		-	9,472
		<hr/>	<hr/>
		-	17,472
		<hr/>	<hr/>
(b) Other income			
Reimbursement from workcover		-	15,904
Fair value movements on held for trading assets		370	(6,384)
Foreign exchange gains		116,806	-
Other		(90)	342
		<hr/>	<hr/>
		117,086	9,862
		<hr/>	<hr/>
(c) Other administrative expenses includes:			
Financial administration and other consultancy		132,249	172,706
Directors fee and directors consulting fee		308,000	123,979
Audit and accounting fees		69,960	28,500
Other accounting services		9,204	-
ASX listing and share registry fees		126,114	41,431
(d) Employee benefits expense		-	15,587
As at 30 June 2013 no employees remained within the group.			
(e) Share based payments expense	18	1,664,000	105,441
(f) Finance income and expense			
Interest income on bank deposits		22,827	38,591

Directors' Remuneration

Directors' remuneration, by director is separately disclosed in the Remuneration Report on pages 10 to 12.

Notes (*continued*)

5 Income tax

The major components of income tax expense are:

	2013 A\$	2012 A\$
Income statement		
Current tax	-	-
Foreign tax	-	-
	<hr/>	<hr/>
	-	-
Deferred income tax		
Deferred tax liabilities no longer recognised	-	-
Relating to origination and reversal of temporary differences	-	-
Prior year over/under adjustments	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Income tax expense/(credit) reported in the income statement (excluding tax on sale of business)	-	-
	<hr/>	<hr/>
Income tax expense from discontinued operation (excluding gain on sale of business)	-	-
Income tax on gain on sale of business	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
(Loss)/Profit for the year	-	-
Total income tax expense	-	-
	<hr/>	<hr/>
(Loss)/Profit before tax on all operations	-	-
	<hr/>	<hr/>

Notes (continued)

5 Income tax (continued)

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

	2013 A\$	2012 A\$
Total loss before income tax from all activities	(4,368,700)	(606,420)
Prima facie tax expense/ (benefit) on profit or loss before income tax at 30 % (2012: 30%)	(1,310,610)	(181,926)
Non assessable income	-	-
Non deductible expenses	-	-
R&D enhanced relief	-	-
Property plant and equipment temporary differences	-	-
Deferred tax on losses not recognised	-	-
Deferred tax asset not previously recognised	-	-
Utilisation of previously unrecognised tax losses	-	-
Effect of lower basis on gain on sale of discontinued operations	-	-
Unrecognised temporary differences and tax losses	1,310,610	181,926
Prior year over/under adjustment	-	-
Deferred tax asset not recognised on intercompany balances	-	-
	<hr/>	<hr/>
Income tax expense attributable to activities	-	-
	<hr/>	<hr/>
Income tax expense from continuing operations	-	-
Income tax expense from discontinued operations	-	-
	<hr/>	<hr/>
Total income tax expense	-	-
	<hr/>	<hr/>

Recognised deferred tax assets and liabilities

Deferred income tax at 30 June 2013 relates to the following:

Consolidated

Deferred tax liabilities

	2013 A\$ Current Income tax	2013 A\$ Deferred income tax	2012 A\$ Current income tax	2012 A\$ Deferred income tax
Opening balance	-	-	-	-
Charged to income	-	-	-	-
Charged to equity	-	-	-	-
Other payments	-	-	-	-
Acquisitions/deposits	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Closing balance	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Tax expense/benefit in statement of comprehensive income		-		-
Amounts recognised in the statement of financial position:				
Deferred tax asset		-		-
Deferred tax liability		-		-

Notes (continued)

5 Income tax (continued)

Deferred income tax at 30 June relates to the following:

	2013 A\$	2012 A\$
Consolidated		
(i) Deferred tax liabilities		
Available for sale financial assets	-	-
Gross deferred tax liabilities	-	-
Set-off of deferred tax assets	-	-
Net deferred tax liabilities	-	-
(ii) Deferred tax liabilities		
Available for sale financial assets	-	-
Gross deferred tax assets	-	-
Set-off of deferred liabilities	-	-
Net deferred tax liabilities	-	-

Tax losses

The Group has Australian capital losses and revenue losses from previous years for which no deferred tax assets have been recognised. The availability to carry forward these losses is uncertain.

Notes (continued)

6 Earnings per share

	2013 A\$	2012 A\$
Net (loss)/profit: Earnings used in calculating basic earnings per share	(4,368,700)	(606,420)
Net (loss)/profit: Earnings used in calculating diluted earnings per share	(4,368,700)	(606,420)
	<hr/>	<hr/>
	Number of shares	Number of shares
Weighted average ordinary shares used in calculating basic earnings per share	31,919,071	10,950,253
Weighted average ordinary shares used in calculating diluted earnings per share	31,919,071	10,950,253
	<hr/>	<hr/>
Basic (loss)/earnings per share (cents per share)	(13.69)	(5.54)
Diluted (loss)/earnings per share (cents per share)	(13.69)	(5.54)
	<hr/>	<hr/>

In accordance with AASB133 Earnings Per Share, the comparative earnings per share calculations have been restated for the share consolidation undertaken in December 2012. The weighted average number of shares reported as at June 2012 has been adjusted by a division of 40, being the conversion of every 40 shares into 1 ordinary share in the Group. Further, share options issued (refer to Note 17(b)) have not been included in the calculation of diluted earnings per share as they are anti-dilutive.

7 Dividends paid and proposed

Distributions proposed and paid:
No final dividend has been proposed or paid during the year (2012: \$nil).

Franking Account

	Group	
	2013 A\$	2012 A\$
Balance of franking account at year end	6,096,611	6,096,611
	<hr/>	<hr/>
	6,096,611	6,096,611
	<hr/>	<hr/>

Notes *(continued)*

8 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2013	2012
	A\$	A\$
Cash at bank and in hand	1,065,139	673,496
	<hr/>	<hr/>
	1,065,139	673,496
	<hr/>	<hr/>

9 Trade and other receivables

	Group	
	2013	2012
	A\$	A\$
Other receivables	-	14,466
Provision for impairment of receivables	-	(14,466)
GST receivables	7,944	5,759
	<hr/>	<hr/>
Total receivables (current)	7,944	5,759
	<hr/>	<hr/>

10 Other current assets

	Group	
	2013	2012
	A\$	A\$
(a) Deposits (i)	535,221	-
	<hr/>	<hr/>
	535,221	-
	<hr/>	<hr/>
(b) Other current assets		
Security deposit	15,300	-
Other receivable	30,658	-
Prepayments	-	7,193
	<hr/>	<hr/>
	45,958	7,193
	<hr/>	<hr/>
Total other current assets	581,179	7,193
	<hr/>	<hr/>

- (i) The Company has paid US\$500,000 (A\$535,221) to enable the acquisition of MRL Graphite (Private) Limited. This acquisition is subject to shareholder's approval at a General Meeting to be held on 9 October 2013. Should the approval not be obtained the amounts are fully refundable. Given that the acquisition is subject to shareholder approval the amount has been classified as a current asset. Full details of the acquisition are contained in Note 21 (b).

Notes (continued)

11 Current assets – financial assets

	Group	
	2013	2012
	A\$	A\$
Held for trading financial assets	-	38,932
	<u>-</u>	<u>38,932</u>
	<u>-</u>	<u>38,932</u>

12 Investments

The principal Group companies at 30 June 2013 are set out below:

Subsidiaries	Principal activity in the year	Proportion of voting rights and shares held		Class of share held	Place of incorporation
		2013	2012		
Kumai Energy Pty Ltd *	Holding company	100%	-	Ordinary	Australia
Kumai Energy Pvt Ltd *	Holding company	100%	-	Ordinary	Singapore
PT Kumai Energy Indonesia *	Dormant	100%	-	Ordinary	Indonesia
Khangri Prospecting LLC *	Exploration company	70%	-	Ordinary	Mongolia
MRL Investments (Pvt) Ltd	Holding company	100%	-	Ordinary	Sri Lanka

* During the year, MRL obtained control of the Kumai Group for consideration of 24,666,670 shares valued at \$750,000. No consideration was paid in cash. The major classes of assets and liabilities acquired are as follows:

Assets		Liabilities	
	A\$		A\$
Cash and cash equivalents	3,065	Trade and other payables	760,712
Other current assets	8,651		
Total current assets	<u>11,716</u>	Total current liabilities	<u>760,712</u>
Property, plant and equipment	11,402	Loans to related parties and	
Exploration and evaluation assets	1,832,782	shareholders	345,188
Total non-current assets	<u>1,844,184</u>	Total non-current liabilities	<u>345,188</u>
Total Assets	<u>1,855,900</u>		<u>1,105,900</u>
Net assets acquired	750,000		

Notes (continued)

13 Exploration and evaluation assets

	Group	
	2013	2012
	A\$	A\$
Non-current exploration and evaluation assets:		
Brought forward balance	-	-
Exploration and evaluation recognised on acquisition of Kumai group (i)	1,802,077	-
Impairment of capitalised exploration and evaluation expense (ii)	(1,872,292)	-
Foreign currency translation adjustment	70,215	-
	<hr/>	<hr/>
Carrying amount	-	-
	<hr/>	<hr/>

- (i) During the reporting period, MRL acquired exploration properties in Mongolia valued at \$1,802,077 through the acquisition of the ultimate parent entity of the license holding entity. The acquisition of Kumai Energy Limited and its controlled entities was deemed an asset acquisition rather than a business combination due to both companies not meeting the definition of a business under the accounting standards;
- (ii) Subsequent to the acquisition of Kumai Energy Limited, the Mongolian government announced proposed changes to the Mongolian Mineral Laws which may restrict the mining exploration operations of foreign owned entities within Mongolia. The Board believed the proposed changes have the potential to adversely affect the Group's activities. In June 2013 the Board elected to impair all capitalised expenditure related to the purchase of the Kumai assets. The Board determined there was significant uncertainty pertaining to the future economic benefits supporting the underlying assets.

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

14 Property, plant and equipment

	Group	
	2013	2012
	A\$	A\$
Year ended 30 June 2013		
At 1 July 2012, net of accumulated depreciation and impairment	-	-
Property, plant and equipment recognised on acquisition of Kumai group (i)	11,402	-
Depreciation and amortisation expense	(2,684)	-
Assets written off	(3,617)	-
Foreign currency translation adjustment	38	-
	<hr/>	<hr/>
At 30 June 2013, net of accumulated depreciation and impairment	5,139	-
	<hr/>	<hr/>

- (i) During the reporting period, MRL acquired office equipment in Perth, Western Australia, and in Singapore through the acquisition of Kumai Energy Limited and its controlled entities. The assets located in Singapore were subsequently written down during the reporting period.

Notes *(continued)*

15 Trade and other payables

	Group	
	2013	2012
	A\$	A\$
Current		
Trade and other payables	289,273	54,432
	<hr/>	<hr/>
	289,273	54,432
	<hr/>	<hr/>

Trade payables are non-interest bearing, unsecured and are normally settled on 30 day terms from end of month in which the invoice is received.

16 Loans from related parties and shareholders

	Group	
	2013	2012
	A\$	A\$
Non-current		
Loans from related parties (refer Note 26(f))	253,558	-
Loans from shareholders	66,070	-
Loans from minority shareholders	110,009	-
	<hr/>	<hr/>
	429,637	-
	<hr/>	<hr/>

Loans from shareholders are interest free with no terms of repayment. These amounts will not be recalled in the next 12 months.

Notes (continued)

17 Issued capital

Company

(a) Ordinary shares	2013	2012	2013	2012
	A\$	A\$	Number	Number
Issued and fully paid	55,212,885	52,234,717	58,773,104	456,278,415

Movement in shares on issue

At the beginning of the period		456,278,415	198,628,702
Consolidation (40:1) (a)		(444,871,242)	-
Placement of shares at 0.5 cents per share		-	75,000,000
Shares issued via Prospectus dated 11 December 2013 (b)		12,500,000	-
Shares issued in accordance with Share Sale Deed to Kumai Energy Limited Shareholders (c)		24,666,670	-
Placement/management fee to consultants (d)		10,198,551	-
Rights issue acceptances at 0.5 cents per share		-	182,419,135
Conversion of options		710	230,578
At the end of the period		58,773,104	456,278,415

During the year, the Company completed the following:

- Completed a consolidation of the shares of the company on issue on a one for forty basis in order to ensure compliance with Chapters 1 and 2 of the Listing Rules;
- Issued 12,500,000 shares, with matching listed options exercisable at \$0.20 on or before 17 October 2016, as per the Prospectus dated 11 December 2012;
- MRL issued 24,666,670 shares with matching options exercisable at \$0.20 on or before 17 October 2016 as consideration for the 100% acquisition of Kumai Energy Limited and its controlled subsidiaries.
- MRL also issued 10,198,551 shares with matching options exercisable at \$0.20 on or before 17 October 2016 as consideration to CPS Securities Pty Ltd for the successful facilitation and completion of the purchase 100% of the share capital of Kumai Energy Limited.

Notes (continued)

17 Issued capital (continued)

(b) Share options	2013 Number	2012 Number
<i>Listed share options</i>		
As at 1 July: Listed share options expiring 31 December 2014 – exercise price A\$0.01	282,188,557	-
	(275,133,794)	-
Consolidation (40:1) (a)	12,500,000	282,419,135
Options issued (b)	(710)	(230,578)
Exercise of options		
	<u>19,554,053</u>	<u>282,188,557</u>
As at 30 June		

During the year, the Company completed the following:

- (a) Completed a consolidation of the shares and options of the company on issue on a one for forty basis in order to ensure compliance with Chapters 1 and 2 of the Listing Rules. The exercise price of the listed options increased from \$0.01 to \$0.40 post consolidation
- (b) Issued 12,500,000 listed options, as free attaching to the 12,500,000 placement shares as per the Prospectus dated 11 December 2012, exercisable at 20 cent on or before 17 October 2016.

Refer to part (a) of this Note for details of the associated ordinary share movements.

<i>Unlisted share options</i>		
As at 1 July	25,290,593	25,290,593
Expired	(25,290,593)	
Options issued	23,198,551	-
Exercise of options	-	-
	<u>23,198,551</u>	<u>25,290,593</u>
As at 30 June		

13,000,000 options issued to directors, consultants and past directors of the Kumai group, exercisable at 20 cents on or before 17 October 2016;

10,198,551 options were issued as free attaching to shares issued to the corporate advisor of the Prospectus dated 11 December 2012 for the successful facilitation of the acquisition of 100% of the issued capital of Kumai Energy Limited. The options are exercisable at 20 cents on or before 17 October 2016.

Refer to Note 18 for further details.

Notes (continued)

18 Share based payments

The Company provides directors, certain employees and advisors with share options. The options are exercisable at set prices and the vesting and exercisable terms varied to suit each grant of options.

	2013		2012	
	Number of options	Weighted average exercise price (cents)	Number of options	Weighted average exercise price (cents)
<i>Outstanding at 1 July</i>	25,290,583	2.0	25,290,583	2.0
Issued (i)(ii)	23,198,551	20.0	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Lapsed	(25,290,583)	2.0	-	-
Outstanding at 30 June	23,198,551	20.0	25,290,583	2.0

(i) 10,198,551 unlisted options were granted to CPS Securities Pty Ltd at an exercise price of 20 cents in relation to the successful facilitation of the acquisition of 100% of the issued capital of Kumai Energy Limited. The options expire 17 October 2016; and

(ii) An additional 13,000,000 unlisted options were granted to directors, key management personnel and past directors of Kumai Energy Limited for an exercise price of 20 cents in accordance with the Employee Share Option Plan. The options expire 17 October 2016.

The above mentioned share options outstanding and exercisable at 30 June 2013 had a weighted average exercise price of 20 cents.

The pricing on the unlisted options at the time of issue was calculated using the Black-Scholes option valuation method applying the following inputs:

Exercise price range	\$0.20
List of options range	3.85 years
Underlying share price	\$0.20
Expected share price volatility	90%
Dividend yield	0%
Risk free interest rate	2.51%

Historical volatility has been the basis for determining expected share price volatility as it assumes that this is indicative of future tender, which may not eventuate. When applicable, market conditions have been built into the options pricing model to reflect the likelihood of those conditions being met. Historical data has been used to determine dividend yield and option life.

Share-based payments and options issued to directors and consultants

The Group recognised total expenses of \$1,408,000 (2012: \$105,441) related to director and consultant share based payment transactions in the year.

Other grants of options

The Group recognised total expenses of \$256,000 (2012: \$nil) related to options issued to the retiring directors of the Kumai Energy Limited at the time of the acquisition of the Kumai Energy Limited.

Notes (continued)

19 Reserves and accumulated losses

The share based payments reserve holds the directly attributable cost of services provided pursuant to the options issued to corporate advisors, directors, employees and past directors of the Group.

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

20 Statement of cash flow reconciliation

	Group	
	2013	2012
	A\$	A\$
(a) Reconciliation of net profit after tax to net cash flows from operations		
Net profit/(loss)	(4,368,700)	(606,420)
Adjustment for:		
Expenses relating to investing activities	-	95,968
Net unrealised (gain)/loss in value of investments	(370)	6,384
Net foreign exchange (gain)/loss	(139,382)	-
Depreciation	2,684	-
Impairment of other receivables	2,551	-
Write down of property, plant and equipment	3,617	-
Exploration expenditure reclassified as investing	67,143	-
Impairment of exploration assets	1,872,293	-
Options expensed	1,664,000	-
Loss on sale of shares	90	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	4,117	7,142
(Increase)/decrease in prepayments	6,725	158
(Decrease)/increase in trade and other payables	(350,677)	(125,036)
(Decrease)/increase in provisions	-	(1,704)
(Decrease)/increase in loans from shareholders	(99,000)	-
Net cash used in operating activities	(1,334,909)	(623,508)

(b) Non-cash investing and financing activities

During the reporting period the company acquired exploration and evaluation properties through the acquisition of 100% interest of Kumai Energy Limited and its controlled entities in consideration for the issue of 24,666,670 shares of MRL.

MRL also issued 10,198,551 shares of MRL with matching options exercisable at \$0.20 on or before 17 October 2016 as consideration to CPS Securities Pty Ltd for the successful facilitation and completion of the purchase 100% of the share capital of Kumai Energy Limited.

Notes (continued)

21 Commitments and contingencies

	2013 A\$	2012 A\$
(a) Lease expenditure commitments		
<i>Operating leases (non-cancellable):</i>		
Minimum lease payments		
- not later than one year	66,740	-
- later than one year and not later than five years	-	-
- later than five years	-	-
	<hr/>	<hr/>
Total operating leases (non-cancellable)	66,740	-
	<hr/>	<hr/>

The operating leases are entered into for the purposes of leasing company premises.

(b) Contingent liabilities

On 9 April 2013 the Company announced it had reached agreed terms with The Supreme Group of Sri Lanka for the acquisition of 45km² of graphite exploration licences representing 45 Grids. The terms of the acquisition are;

1. Payment of a refundable US\$100,000 Deposit at the time of entering into a Heads of Agreement.
2. Upon completion of documentation and transaction finalisation;
 - a. Payment of an additional US\$400,000; and
 - b. 5,000,000 vendor shares in MRL to be issued. These shares will be subject to escrow for a period of 12 months from the time of the issue of the securities.
3. Issue of a further 5,000,000 vendor shares in MRL on conversion of any of the areas to a mining licence.
4. Payment of US\$500,000 at the time of commencement of commercial mining activities.

On 12 April 2013 the Company confirmed it had executed the Heads of Agreement with The Supreme Group and had paid the Deposit amount. The additional US\$400,000 has also been paid as a refundable deposit and is represented in other current assets. The remaining 10,000,000 shares to be issued and US\$500,000 to be paid at the time of commencement of commercial mining activities are contingent liabilities.

The Directors do not believe there are any grounds for any other claims of a material nature as at the date of this report and as at reporting date.

(c) Contingent assets

The Group holds contingent assets of \$Nil (2012: \$Nil) relating to outstanding client debts. The Group is undertaking proceedings against a debtor; however there is no certainty that this will be successful. The remaining contingent asset whilst not being carried as an asset was fully impaired as at 30 June 2012 as a result of advice received by the liquidator in relation to the debt.

Notes *(continued)*

22 Results of the parent company

	Parent Entity	
	2013	2012
	A\$	A\$
Current assets		
Cash and cash equivalents	1,062,147	673,496
Trade and other receivables	7,276	5,759
Other current assets	25,300	7,193
Held for trading assets	-	38,932
Other financial assets	528,596	-
Total current assets	1,623,319	725,380
Total assets	1,623,319	725,380
Liabilities		
Current liabilities		
Trade and other payables	155,815	54,432
Total current liabilities	155,815	54,432
Total liabilities	155,815	54,432
Net assets	1,467,504	670,948
Equity		
Issued capital	55,212,885	52,234,717
Option reserve	-	126,453
Share based payments reserve	1,664,000	-
Accumulated losses	(55,409,381)	(51,690,222)
Total equity	1,467,504	670,948
Results of the parent entity:		
Loss for the period	(3,845,612)	(606,420)
Other comprehensive income	-	-
	(3,845,612)	(606,420)

Notes (continued)

23 Subsequent events

There are no known subsequent events of a material nature other than the following:

- The Company issued a Notice of Meeting to approve the acquisition of the Sri Lankan projects and raise additional capital for their development. The meeting is scheduled for 9 October 2013; and
- On 12 September 2013 the Company lodged a prospectus with ASIC for the issue of up to 7,500,000 shares and free attaching options to raise a maximum of \$1.5m (before costs).

24 Non-controlling interest

During the reporting period the Company completed the acquisition of 100% of the issued capital of Kumai Energy Limited and its controlled entities as per the Share Sale Deed dated 10 December 2012. The acquisition was settled via the issue of 24,666,670 shares of MRL to the shareholders of Kumai Energy Limited. Included in the Kumai group are minority interests of 30% of Khangi Prospecting LLC, a company incorporated in Mongolia.

25 Accounting records of Khangi Prospecting LLC

MRL has announced on the ASX that the Group is involved in arbitration with the vendors of Khangi Prospecting LLC ("Khangi"). The vendors refused to hand over the accounting records of Khangi and police action was instigated. The Group has fully impaired the value of all assets of Khangi in the consolidated results. Included in the results of the Group are liabilities of A\$112,808 and current year losses of A\$563,948 related to Khangi.

26 Related party transactions

Key management personnel

- (a) Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

C McGuckin	Managing director (appointed 10 December 2012)
P Youd	Executive director (appointed 10 December 2012)
P.Reilly	Non-executive Chairman
S. Stone	Non-executive director (resigned on 10 December 2012)
P. Hodby	Non-executive director (resigned on 10 December 2012)
P Bolitho	Company secretary (resigned on 10 December 2012)

- (b) *Compensation for key management personnel*

The aggregate compensation made to directors and other key management personnel is set out below:

	2013 A\$	2012 A\$
Short term employee benefits	323,753	136,000
Share based payments	1,344,000	-
	<hr/>	<hr/>
	1,667,753	136,000
	<hr/>	<hr/>

Notes (continued)

26 Related party transactions (continued)

(c) Options and rights holdings held by key management personnel

	Balance 01.07.12	Granted	Exercised	Consolidation	Acquired via capital raising	Balance 30.06.13	Total vested 30.06.13	Vested & exercisable 30.06.13	Vested & un- exercisable 30.06.13
Directors									
P Reilly	14,071,750	500,000	-	(13,719,955)	500,000	1,351,795	1,351,795	1,351,795	-
C McGuckin (i)	-	5,000,000	-	-	620,109	5,620,109	5,620,109	5,620,109	-
P Youd (i)	-	5,000,000	-	-	620,109	5,620,109	5,620,109	5,620,109	-
S Stone (ii)	20,000	-	-	-	-	-	-	-	-
R Hodby (iii)	-	-	-	-	-	-	-	-	-

	Balance 01.07.11	Granted	Exercised	Other	Acquired via capital raising	Balance 30.06.12	Total vested 30.06.12	Vested & exercisable 30.06.12	Vested & un- exercisable 30.06.12
Directors									
P Reilly	-	-	-	-	14,071,750	14,071,750	14,071,750	14,071,750	-
S Stone (ii)	-	-	-	-	20,000	20,000	20,000	20,000	-
R Hodby (iii)	-	-	-	-	-	-	-	-	-
P Bolitho (iv)	-	-	-	-	-	-	-	-	-

- (i) Appointed 10 December 2012
(ii) Resigned 10 December 2012
(iii) Appointed 16 August 2011, Resigned 10 December 2012
(iv) P Bolitho resigned as company secretary 10 December 2012

(d) Shareholdings held by key management personnel

	Balance 01.07.12	Granted	On Exercise of options	Consolidation	Other	Balance 30.06.13
Directors						
P Reilly	35,967,121	-	-	(35,067,942)	500,000	1,399,179
C McGuckin (i)	-	-	-	-	3,100,547	3,100,547
P Youd (i)	-	-	-	-	3,100,550	3,100,550
S Stone (ii)	50,000	-	-	-	-	-
R Hodby (iii)	-	-	-	-	-	-

	Balance 01.07.11	Granted	On Exercise of options	Consolidation	Other	Balance 30.06.12
Directors						
P Reilly	21,895,371	-	-	-	14,071,750	35,967,121
S Stone	30,000	-	-	-	20,000	50,000
R Hodby (iii)	-	-	-	-	-	-
P Bolitho(iv)	-	-	-	-	-	-

- (i) Appointed 10 December 2012
(ii) Resigned 10 December 2012
(iii) Appointed 16 August 2011
(iv) P Bolitho resigned as a director 31 August 2011, however continued as company secretary.

See Remuneration Report (page 10).

Notes (continued)

26 Related party transactions (continued)

(e) Transactions with Directors and key management personnel

During the reporting period, the group paid director and company secretarial fees to the following companies in which those persons have an interest:

		2013 A\$	2012 A\$
Clemm Pty Ltd	Craig McGuckin	102,000	-
Kingston Vale Pty Ltd	Peter Youd	102,000	-
Parmelia Pty Ltd	Peter Reilly	46,000	52,250
Crowan Consulting Pty Ltd	Peter Bolitho	21,753	54,450

The Group also made reimbursements for expenses incurred on its behalf to some of those entities. No other transactions were entered into with the entities related to the key management personnel.

(f) Loans payable to Directors and key management personnel

Included in Loans to shareholders (Note 16) were unsecured, interest free amounts payable to director related entities, noted as follows:

	2013 A\$	2012 A\$
Clemm Pty Ltd	118,450	-
Kingston Vale Pty Ltd	135,108	-
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	253,558	-
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The companies have agreed not to call on the loans within the next twelve months.

Notes (*continued*)

27 Auditors' remuneration

Services provided by the Group's auditor (in tenure as auditor) and associated firms

During the year, the Group (including its overseas subsidiaries) obtained the following services from Grant Thornton Audit Pty Ltd as detailed below:

Auditors' remuneration	2013	2012
	A\$	A\$
Remuneration of the auditor of the Group for:		
- Auditing or reviewing the financial report – Grant Thornton Audit Pty Ltd	50,000	28,500
- Review services - BDO Audit (WA) Pty Ltd	19,960	-
	<hr/>	<hr/>
	69,960	28,500
	<hr/>	<hr/>

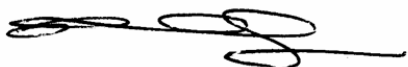
DIRECTOR'S DECLARATION

The Directors declare that:

1. the financial statements and notes, as set out on pages 20 to 64 are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standards and the Corporations Regulations 2001; and
 - b. give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the consolidated group;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - a. the financial records of the group for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b. the financial statements, and the notes for the financial year comply with the accounting standards; and
 - c. the financial statements and notes for the financial year give a true and fair view; and
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.
4. the consolidated group has included in the notes to the financial statements an explicit and unreserved statement of compliance with the International Financial Reporting Standards
5. the remuneration disclosures set out in the Directors' Report on pages 10 to 12 (as the audited Remuneration Report) comply with section 300A of the Corporations Act 2001;

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the Directors



Peter T Reilly

Chairman

26 September 2013



Grant Thornton Audit Pty Ltd
ACN 130 913 594

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Independent Auditor's Report To the Members of Mongolian Resources Limited

Report on the financial report

We have audited the accompanying financial report of Mongolian Resources Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit and 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.

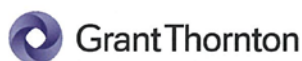
Auditor's responsibility

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.

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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

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

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

Independence

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

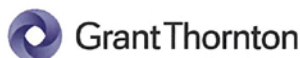
Basis for Qualified Auditor's Opinion

Mongolian Resources Limited ("the Company") acquired Kumai Energy Pty Limited ("Kumai") and its controlled entities during the year which includes a 70% interest in a Mongolian entity, Khangai Prospecting LLC ("Khangai"). As outlined in Note 25, there is a lack of accounting records for Khangai. As a result, we were unable to obtain sufficient appropriate audit evidence relating to the amounts included in the financial statements as outlined in Note 25 relating to Khangai because information could not be obtained from Khangai management located in Mongolia. Consequently, we were unable to determine whether any adjustments to the amounts included in the financial report, and disclosed in Note 25, for Khangai were necessary.

Qualified Auditor's opinion

In our opinion, except for the limitations described in the preceding paragraph:

- a the financial report of Mongolian Resources Limited is in accordance with the Corporations Act 2001, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.



Material uncertainty regarding going concern

Without further qualifying our opinion, we draw attention to the basis of preparation in the financial report on page 25. The consolidated entity incurred a net loss of \$4,368,700 and net cash out flows from operating activities of \$1,334,909 during the year ended 30 June 2013. As outlined on page 25 the consolidated entity's forecasts to September 2014 contemplate a successful capital raising. These conditions, along with other matters as set forth on page 25, indicate the existence of a material uncertainty which may cast significant doubt about the Company and 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 10 to 12 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 Mongolian Resources Limited for the year ended 30 June 2013, complies with section 300A of the Corporations Act 2001.

A handwritten signature in dark ink, appearing to read "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A handwritten signature in dark ink, appearing to read "A. J. Pititto".

A. J. Pititto
Partner - Audit & Assurance
Melbourne, 26 September 2013

ADDITIONAL SECURITIES EXCHANGE INFORMATION

(note, this information does not form part of the audited financial statements)

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows. This information is complete as at 23 September 2013.

(a) Substantial Shareholders

There are no substantial shareholders in the Company's register.

(b) Distribution of Shareholdings – Fully Paid Ordinary Shares:

Size of Holding	Number of Shareholders	Number of Shares
1 – 1,000	435	92,920
1,001 – 5,000	204	571,542
5,001 – 10,000	98	779,584
10,001 – 100,000	277	12,128,943
100,001 and over	91	45,200,115
	1,105	58,773,104

(c) Top 20 Security Holders Ordinary Fully Paid Shares (MRF)

Name of Holder	Number of Shares	%
BANK JULIUS BAER & CO. LTD	2,574,633	4.38%
HALLIDAF MANAGEMENT LTD	2,480,441	4.22%
MR CRAIG ROBERT MCGUCKIN + MRS LEE ANN MCGUCKIN <MCGUCKIN FAMILY A/C>	2,480,438	4.22%
REDHILL PARTNERS PTE LTD	2,323,447	3.95%
BURWOOD INVESTMENTS S.A.	2,323,445	3.95%
MR JASON PETERSON + MRS LISA PETERSON <JL PETERSON S/F A/C>	1,500,000	2.55%
CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	1,376,200	2.34%
GRAFTON RESOURCES INVESTMENTS LTD	1,255,916	2.14%
PLATINUM PRESTIGE LTD	918,609	1.56%
MITCHELL GRASS HOLDING SINGAPORE PTE LTD	867,342	1.48%
IML HOLDINGS PTY LTD	857,264	1.46%
MILWAL PTY LTD <THE PRICE SUPER FUND A/C>	857,264	1.46%
MACQUARIE FINANCIAL SERVICES HOLDINGS PTY LTD	836,286	1.42%
HUDSON BAY INVESTMENTS PTY LTD <HUDSON BAY INVESTMENTS A/C>	835,000	1.42%
TISIA NOMINEES PTY LTD <THE HENDERSON FAMILY A/C>	787,509	1.34%
MR PHILIP LEETON GREGORY	784,947	1.34%
PORT DEVON LIMITED <THE DEVON A/C>	760,289	1.29%
VICTORY MINES LTD	725,000	1.23%
VAGABOND RESOURCES PTY LTD	700,000	1.19%
ZACCARIA PROPERTY DEVELOPMENT PTY LTD <STMM SHARE A/C>	666,667	1.13%
Total Top 20	25,910,697	44.09%
Other Shareholders	32,862,407	55.91%
Total Shareholders	58,773,104	100%

ADDITIONAL SECURITIES EXCHANGE INFORMATION (CONTINUED)

(d) Top 20 Security Holders - Listed Options (**MRFO**) expiring 31 December 2014

Name of Holder	Number of Options	%
MILWAL PTY LTD <THE PRICE SUPER FUND A/C>	857,264	12.15%
TISIA NOMINEES PTY LTD <THE HENDERSON FAMILY A/C>	857,264	12.15%
IML HOLDINGS PTY LTD	721,764	10.23%
INTERNATIONAL BUSINESS NETWORK (SERVICES) PTY LTD	625,000	8.86%
MITCHELL GRASS HOLDING SINGAPORE PTE LTD	446,509	6.33%
CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	347,501	4.93%
SAMADA STREET NOMINEES PTY LTD <GILES FAMILY NO 2 A/C>	252,068	3.57%
JACOBS CORPORATION PTY LTD	240,627	3.41%
G & N LORD SUPERANNUATION PTY LTD <GNR SUPERANNUATION FUND A/C>	220,355	3.12%
PORT DEVON LIMITED <THE DEVON A/C>	212,905	3.02%
PARMELIA PTY LTD	138,890	1.97%
ROSS DIX HARVEY	108,577	1.54%
GIOJAZ MANAGEMENT PTY LTD <GIOJAZ SUPER FUND NO 3 A/C>	100,000	1.42%
RANDAL INVESTMENT HOLDINGS PTY LTD	99,151	1.41%
HONAN PTY LTD	91,824	1.30%
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	90,000	1.28%
MRS MARIE-MICHELE KYRIAKOPOULOS + MR JOHN KYRIAKOPOULOS	78,676	1.12%
MR TUAN TRAN	76,501	1.08%
MR CONSTANTINOS CASIOU	75,000	1.06%
MS THI MY HANH DANG	62,947	0.89%
Total Top 20	5,702,823	80.84%
Other Optionholders	1,351,230	19.16%
Total Optionholders	7,054,053	100%

ADDITIONAL SECURITIES EXCHANGE INFORMATION (CONTINUED)

(e) Top 20 Security Holders - Listed Options (**MRFOA**) expiring 17 October 2016

Name of Holder	Number of Options	%
VICTORY MINES LTD	725,000	5.80%
SADDIQUE NASSER OMAR HASSAN	625,000	5.00%
PARMELIA PTY LTD <THE REILLY FAMILY SUPERANNUATI>	500,000	4.00%
NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	325,000	2.60%
CELTIC CAPITAL PTY LTD <THE CELTIC CAPITAL A/C>	303,700	2.43%
VAGABOND RESOURCES PTY LTD	300,000	2.40%
AGENS PTY LIMITED <THE MARK COLLINS FAMILY A/C>	250,000	2.00%
MR JOHN ANTHONY DELLA BOSCA + MRS JONINA GUDBJORG DELLA BOSCA <JA & JG DELLA BOSCA S/F A/C>	250,000	2.00%
MULATO NOMINEES PTY LTD	250,000	2.00%
REDHILL PARTNERS PTE LTD	250,000	2.00%
BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	200,000	1.60%
VIRTUS CAPITAL PTY LTD	200,000	1.60%
FACILITATE CORPORATION PTY LTD	175,000	1.40%
ALBATROSS PASS PTY LTD	148,300	1.19%
MR PAUL GABRIEL SHARBANEE <THE SCORPION FUND A/C>	147,500	1.18%
BRAVE WARRIOR HOLDINGS LTD	125,000	1.00%
MS NICOLE GALLIN + MR KYLE HAYNES <GH SUPER FUND A/C>	125,000	1.00%
MITCHELL GRASS HOLDING SINGAPORE PTE LTD	125,000	1.00%
MR PAUL RAMSAY + MRS TERREL RAMSAY	125,000	1.00%
MR PETER DAVID SHEPPEARD + MRS SHARON FAY SHEPPEARD <SHEPPEARD FAMILY S/F A/C>	117,500	0.94%
Total Top 20	5,267,000	42.14%
Other Optionholders	7,233,000	57.86%
Total Optionholders	12,500,000	100%

(f) Shareholders with less than a marketable parcel

At 23 September 2013, there were 577 shareholders holding less than a marketable parcel of 3,572 shares (14 cents on that date) in the Company totalling 381,958 ordinary shares.