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PARMELIA
RESOURCES

ABN 48 142 901 353

AND ITS CONTROLLED ENTITIES
(Formerly known as Sentosa Mining Ltd)

AUDITED FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
(Formerly known as Sentosa Mining Limited)
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

CONTENTS

Corporate Directory	2
Corporate Governance Statement	3
Directors' Report	9
Auditor's Independence Declaration	19
Consolidated Statement of Profit or Loss and other Comprehensive Income	20
Consolidated Statement of Financial Position	21
Consolidated Statement of Changes in Equity	22
Consolidated Statement of Cash Flows	23
Notes to the Consolidated Financial Statements	24
Directors' Declaration	51
Independent Auditor's Report	52
Shareholder Information	55
Tenement Report	56

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

CORPORATE DIRECTORY

Directors

Nigel Gellard Executive Chairman
Peter Ellery Non-Executive Director
Jay Stephenson Non-Executive Director

Company Secretary

Jay Stephenson

Registered Office

Level 4, 66 Kings Park Road
West Perth
Western Australia 6005
Telephone +61 8 6141 3500
Facsimile +61 8 6141 3599
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Auditor

Grant Thornton Audit Pty Ltd
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West Perth
Western Australia 6005
Telephone +61 8 9480 2000
Facsimile +61 8 9322 7787
Website: www.grantthornton.com.au
Email: info.wa@au.gt.com

Share Registry

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth
Western Australia 6000
Telephone 1300 557 010
Telephone +61 3 9415 4000 Outside Australia
Facsimile +61 8 9323 2033
Email: web.queries@computershare.com.au

Home Exchange

Australian Securities Exchange Limited
Exchange Plaza
2, The Esplanade
Perth WA 6000
ASX Code – PML

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

CORPORATE GOVERNANCE STATEMENT

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

The essential corporate governance principles are:

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

1. Lay solid foundations for management and oversight.

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

Roles and Responsibilities:

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

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

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

The Board regularly reviews the performance of senior executives.

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

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

2. Structure the Board to add value.

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

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

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

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

CORPORATE GOVERNANCE STATEMENT

Recommendation 2.4: Establishment of a Nomination Committee.

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

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

General Comments:

Membership

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

Chairman and Managing Director

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

Nomination Committee

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

Refer to the table of departure from best practice recommendations.

Performance Evaluation

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

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

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

Skills

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

Experience

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

Meetings

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

Independent professional advice

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

3. Promote ethical and responsible decision-making.

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

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

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

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

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

CORPORATE GOVERNANCE STATEMENT

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

General Comments:

The Company has a diversity policy included in its Corporate Governance Policy.

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

General Comments:

The Board has established and disclosed its policy concerning diversity. However, the Board considers due to the size of the Company that setting measurable diversity objectives is not appropriate. The Company currently has no employees and utilises external consultants and contractors as and when required.

The Board will review this position on an annual basis and will implement measurable objectives as and when they deem the Company to require them.

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

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

A summary of both the Company's Code of Conduct and its Share Trading Policy will be included on the Company's website, www.parmeliaresources.com.au

4. Safeguard integrity in financial reporting.

Recommendation 4.1: The Board should establish an Audit Committee.

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

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

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

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

General Comments:

Integrity of Company's Financial Condition

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

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

CORPORATE GOVERNANCE STATEMENT

Audit Committee

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

Refer to the table of departure from best practice recommendations.

5. Make timely and balanced disclosure.

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

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

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

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

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

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

6. Respect the rights of shareholders.

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

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

General Comments:

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

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

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

CORPORATE GOVERNANCE STATEMENT

7. Recognise and manage risk

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

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

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

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

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

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

General Comments:

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

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

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

8. Remunerate fairly and responsibly

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

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

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

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

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

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

CORPORATE GOVERNANCE STATEMENT

General Comments:

Principles used to determine the nature and amount of remuneration

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

Remuneration Committee

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

Refer to the table of departure from best practice recommendations.

Directors' Remuneration

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

Departure from Best Practice Recommendations

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

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

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

DIRECTORS' REPORT

The Directors of Parmelia Resources Limited present their report together with the financial statements of the consolidated entity being Parmelia Resources Limited ("the Company") and its controlled entities ("the Group") for the financial year ended 30 June 2014.

Directors

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

Mr Nigel Gellard	Executive Chairman
Mr Peter Ellery	Non-Executive Director
Mr Jay Stephenson (appointed 26 May 2014)	Non-Executive Director
Mr Leigh Junk (resigned 26 May 2014)	Non-Executive Director

Company secretary

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

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

Principal activity

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

Results of operations

The loss of the Group for the year ended 30 June 2014 amounted to \$533,403 (2013: \$389,328 loss).

Financial position

The net assets of the Group at 30 June 2014 were \$2,549,519 (2013: \$1,781,104).

Significant changes in the state of affairs

On 1 October 2013, the Company announced that it had exercised the Option to acquire the Darvii Naruu Porphyry Gold Copper and Polymetallic Project in Western Mongolia. To complete the purchase, the Company issued 5,500,000 fully paid ordinary shares and a 0.5% Net Smelter Return Royalty as consideration for 100% ownership of Australian Company St Nicolas Mines Pty Ltd which owns 100% of Niquaero LLC, a Mongolian registered company which owns the permits which comprise the project. The acquisition was completed on the 19 March 2014.

On 24 October 2013, the Company announced that it had commenced a 2000 metre drill programme at the Mongolian project. Completion of the Drill programme was announced on 12 November 2013 and results of the Drill programme were announced on 28 January 2014.

On the 9 January 2014 the Company's code on the ASX was officially changed from SEO to PML. This was consistent with the change of Company name from Sentosa Mining Limited to Parmelia Resources Limited as approved at the AGM held on the 7 November 2013.

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

DIRECTORS' REPORT

Significant changes in the state of affairs

On the 6 March 2014 a formal Option and Sale agreement was executed with Black Fire Minerals Limited (BFE) (60%) and Entrée Gold Inc (40%) over the Mystique Gold Project (E28/1915). Parmelia was granted a six month option period to conduct due diligence over the tenement. PML paid BFE a \$12,957 option fee which covered the annual department of mine and petroleum (DMP) license fee. The fee was payable upon receipt of a shortfall in expenditure requirements for the 2013 reporting period. At the expiry of the option period Parmelia decided not to exercise the options to acquire the Mystique Gold Project.

On the 26 May 2014, Leigh Junk tendered his resignation as Non-executive Director of the Company. On the 26 May 2014, Jay Stephenson was appointed as Non-executive director of the Company.

On the 17 June 2014, the Company announced it has entered into an agreement with Maincoast Pty Ltd where by Parmelia secured the exclusive right to farm in and earn an 80% interest in Exploration License Application E15/1410. The tenement, known as the "Spa Go West" tenement, is located in the highly prospective Kambalda / Widgiemooltha nickel province of Western Australia. Key terms of the farm-in include the sole and exclusive right to farm in and earn an 80% interest in the Tenement in consideration for Parmelia paying \$15,000 cash and issuing 2.5 million shares to Maincoast. Maincoast has agreed to enter into a voluntary escrow agreement in respect of the 2.5 million shares pursuant to which it will be restricted from selling those shares for 12 months.

On the 6 June 2014 the Company announced a pro-rata non-renounceable rights issue of options on the basis of 1 new option for every 2 shares held as at the record date (24 June 2014) at \$0.005 per new option. The options rights issue was fully subscribed and closed after the 30 June 2014.

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

Dividends paid or recommended

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

Significant events after the reporting date

The Company announced on the 23 July 2014, that the recent non-renounceable rights issue of one new option for every two shares held, at an issue price of \$0.005 per new option, closed on 18th July 2014. The total number of options placed 33,375,384 at \$0.005 to raise proceeds of \$166,877.

On the 23 September 2014 the Company announced a placement of 20,000,000 shares at \$0.055 per share, with one free attaching listed option for every three shares subscribed for to raise a gross amount of \$1,100,000. The listed attaching options will be exercisable at 5 cents on or before the 30 May 2017. The Placement will be undertaken in two tranches. Tranche one is for up to 8,250,000 Placement Shares ("Tranche 1 Shares") and 2,750,000 Placement Options ("Tranche 1 Options"), all of which will be issued immediately under the Company's capacity under ASX Listing Rule 7.1 and 7.1A. Tranche two is for up to 11,750,000 Placement Shares ("Tranche 2 Shares") and 3,916,667 options ("Tranche 2 Options"). The Tranche 2 Shares and Tranche 2 Options are subject to shareholder approval.

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

DIRECTORS' REPORT

Significant events after the reporting date

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

Likely development

As announced to the market on the 27 August 2014 Parmelia Resources Limited will broaden its current focus from nickel to include other base metal commodities which are expected to have positive future supply demand fundamentals. The Jaurdi Hills nickel project will be the first project to be progressed under this new strategy.

Environmental regulations

The mining leases granted to the Company pursuant to Mining Acts are granted subject to various conditions, which include standard environmental requirements. The Company adheres to these conditions and the Directors are not aware of any contraventions of these requirements.

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the first measurement period the directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

Information on Directors

Nigel Gellard

Executive Chairman– Appointed 17 December 2010

Qualifications and Experience

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

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

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

Interest in Shares and Options

1,544,444 ordinary shares 2,972,219 options

Special Responsibilities

None

Directorships held in other listed entities

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

Peter Ellery

Non-Executive Director – Appointed 22 November 2012

Qualifications and Experience

Peter has 40 years' experience in the Western Australian resources sector. In 2006, he was appointed a Member of the Order of Australia in recognition of his services to the resources industry of Western Australia. He has served as Manager of Government and Public Affairs for Woodside Petroleum Ltd and CEO of the Chamber of Minerals and Energy of WA. He is also a Fellow of the Public Relations Institute of Australia.

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

DIRECTORS' REPORT

Information on Directors

Qualifications and Experience	He has been a pivotal figure in the formulation of company, industry and Government policy to maximise economic benefits from the development of Western Australia's resource industries.
Interest in Shares and Options	Nil ordinary shares 250,000 options
Special Responsibilities	None
Directorships held in other listed entities	Strata Minerals Inc (formerly JBZ Capital Inc) - TSXV Listed

Jay Stephenson

Non-Executive Director – Appointed 26 May 2014

Qualifications and Experience	Fellow of Certified Practicing Accountants; Certified Management Accountant; Member Australian Institute of Company Directors; Master of Business Administration; Fellow of the Institute of Chartered Secretaries Australia.
Interest in Shares and Options	190,000 ordinary shares Nil options
Special Responsibilities	Company Secretary
Directorships held in other listed entities	Strategic Minerals Corporation NL (since July 2009) Doray Mining Limited (since August 2009) Nickelore Limited (since July 2011) Quintessential Resources Limited (since February 2011) Drake Resources Limited (since 2004) Aura Energy Limited (August 2005 to July 2013) Bulletproof Limited (formerly Spencer Resources Limited) (July 2011 to January 2014) Parker Resources Limited (January 2011 to December 2012)

Leigh Junk

Non-Executive Director – Resigned 26 May 2014

Qualifications and Experience	Leigh obtained a Diploma of Surveying from Wembley Technical College in 1992 and graduated from the University of Ballarat with a Graduate Diploma of Mining Engineering in 2000, and a Masters in Mineral Economics from Curtin University in 2008. Mr. Junk commenced his professional career in 1992 and went on to hold senior positions in several West Australian mining companies. In 1999 he co-founded Donegal Resources, a private mining company which obtained interests in several nickel mines in the Kambalda region of Western Australia. Due to the success of Donegal Resources, Leigh received in 2003 the E&Y Young Entrepreneur of the Year Award and the Goldfields Business of the Year Award. He is a specialist in the area of planning mining operations involving project evaluation and feasibility studies, and has considerable experience in raising finance for mining operations.
Interest in Shares and Options	4,558,334 ordinary shares 3,666,667 options
Special Responsibilities	None
Directorships held in other listed entities	Doray Minerals Ltd (since May 2011) Goldfields Money Ltd (since May 2012) Brilliant Resources Limited (since 2006) (resigned September 2012) Aura Energy Ltd (since May 2011) (resigned 13 July 2013)

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

DIRECTORS' REPORT

Meetings of Directors

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

	Board of Directors' Meetings	
	Number attended	Number eligible to attend
Nigel Gellard	-	-
Peter Ellery	-	-
Jay Stephenson (appointed 26 May 2014)	-	-
Leigh Junk (resigned 26 May 2014)	-	-

Number of Circular Resolutions: 6

REMUNERATION REPORT (AUDITED)

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

A. Principles used to determine the nature and amount of remuneration

Key Management Personnel (KMP) have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel comprise the directors of the Company.

Remuneration levels for Key Management Personnel are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board may seek independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally and the objectives of the Group's remuneration strategy.

The remuneration structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Remuneration packages include a mix of fixed compensation, equity-based compensation, as well as employer contributions to superannuation funds.

Options may only be issued to directors subject to approval by shareholders in a general meeting.

The Board has no established retirement or redundancy schemes.

The remuneration structure that has been adopted by the Group consists of the following components:

- Fixed remuneration being base fees as well as employer contributions to superannuation funds; and
- Short term incentives, being employee share schemes and bonuses.

Compensation levels are reviewed annually by the Board through a process that considers individual and overall performance of the Group. In addition, external consultants provide analysis and advice to ensure the directors' and senior executives' compensation is competitive in the market place. During the period no such remuneration consultant was used and no senior executive's other than directors were employed.

Results of the 2013 remuneration report at the Annual General Meeting

A total of 100% of the proxies received for the Annual General Meeting voted yes on the 2013 remuneration report.

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
(Formerly known as Sentosa Mining Limited)
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

A. Principles used to determine the nature and amount of remuneration

Performance Based Remuneration

Short-term and long-term incentive structure

Given the current size, nature and opportunities of the Group, the Board has given more significance to service criteria instead of market related criteria in setting the Group's incentive schemes. Accordingly, at this stage the Board does not consider the Group's earnings or earnings related measures to be an appropriate key performance indicator (KPI). In considering the relationship between the Group's remuneration policy and the consequences for the Company's shareholder wealth, changes in share price are analysed as well as measures such as successful completion of exploration activities (e.g. completion of exploration programs within budgeted timeframes and costs), development activities (e.g. completion of scoping and/or feasibilities studies), corporate activities (e.g. recruitment of key personnel/contractors) and business development activities (e.g. project acquisitions and capital raisings).

Short-term incentives

No short-term incentives in the form of cash bonuses were granted during the year.

Long-term incentives

The Board has a policy of granting incentive options to executives with exercise prices above market share price. As such, incentive options granted to executives will generally only be of benefit if the executives perform to the level whereby the value of the Group increases sufficiently to warrant exercising the incentive options granted.

B. Details of Remuneration

Details of the nature and amount of each element of the emoluments of each of the KMP of the Group for the year ended 30 June 2014 and 2013 are set out in the following tables:

2014 <i>Group Key Management Personnel</i>	Short-term benefits				Post-employment benefits	Long-term benefits	Equity-settled share-based payments		Total	% of remuneration as options
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other ¹			Other	Equity ²	Options	
Directors:	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Nigel Gellard	30,000	-	-	68,400	2,775	-	20,000	49,793	170,968	29.12%
Peter Ellery	24,686	-	-	3,927	-	-	-	4,979	33,592	14.82%
Jay Stephenson (appointed 26 May 2014)	-	-	-	48,000	-	-	-	-	48,000	-
Leigh Junk (resigned 26 May 2014)	27,500	-	-	-	2,544	-	-	34,855	64,899	53.71%
	82,186	-	-	120,327	5,319	-	20,000	89,627	317,459	

¹ Refer to section **F. Other Information, Other Transactions with Key Management Personnel**, for a description of Other Short Term Benefits.

² Chairman fees of \$20,000 owed to Nigel Gellard was re-invested as equity through the share issue which occurred during the year.

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

B. Details of Remuneration (Continued)

2013

Group Key Management Personnel	Short-term benefits				Post-employment benefits	Long-term benefits	Equity-settled share-based payments		Total	% of remuneration as options
	Salary, fees and leave	Profit share and bonuses	Non-monetary	Other			Other	Equity		
Directors:	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Nigel Gellard	30,000	-	-	-	2,700	-	-	-	32,700	-
Leigh Junk	30,000	-	-	-	2,700	-	-	-	32,700	-
Peter Ellery (appointed 22 November 2012)	19,942	-	-	-	-	-	-	-	19,942	-
Dean Besserer (resigned 31 August 2012)	30,000	-	-	-	-	-	-	-	30,000	-
John Williamson (resigned 21 November 2012)	12,500	-	-	-	-	-	-	-	12,500	-
Company Secretary:										
Jay Stephenson	-	-	-	86,500	-	-	-	-	86,500	-
	122,442	-	-	86,500	5,400	-	-	-	214,342	

C. Service agreements

Mr Nigel Gellard

Parmelia Resources Limited entered into a Contracting agreement with Mr Nigel Gellard to provide executive services for the Company. The contract commenced on 1 September 2013 and will conclude on earlier of termination of the agreement or the third anniversary of the commencement date.

There were no other service agreements with directors in place.

D. Share-based remuneration

Incentive Option Scheme

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

Each option entitles the holder to subscribe for and be allotted one share. Shares issued pursuant to the exercise of options including bonus issues and new issues rank equally and carry the same rights and entitlements as other shares on issue.

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

D. Share-based remuneration

	Grant Date	No.	FV per option at grant date	No. vested during the year	% of grant vested	% of grant forfeited	Exercise Price	Expiry date
<i>Directors:</i>								
Nigel Gellard	28/11/2013	2,500,000	\$0.0199	2,500,000	100	-	\$0.065	31 October 2016
Peter Ellery	28/11/2013	250,000	\$0.0199	250,000	100	-	\$0.065	31 October 2016
Jay Stephenson (appointed 26 May 2014)	-	-	-	-	100	-	-	-
Leigh Junk (resigned 26 May 2014)	28/11/2013	<u>1,750,000</u>	\$0.0199	1,750,000	100	-	\$0.065	31 October 2016
		<u>4,500,000</u>						

The options have been granted to Key Management Personnel (KMP) to provide a market-linked incentive package in their capacity as KMP and for future performance by them in their roles. The KMP options vested immediately after the issue date.

The value of options granted as remuneration and as shown in the table above has been determined in accordance with applicable valuation models and accounting standards.

The dollar value of the percentage vested during the period has been reflected in the Directors' and executive officers' remuneration tables.

All options were issued by Parmelia Resources Limited and entitle the holder to one ordinary share in Parmelia Resource Limited for each option exercised.

No options were issued to KMP for the financial year ending 30 June 2013.

E. Equity instruments issued on exercise of remuneration options

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

F. Other Information

Options held by Key Management Personnel

The number of options to acquire shares in the Company held during the 2014 reporting period by each of the Key Management Personnel of the Group; including their related parties are set out below.

30 June 2014	Balance at the start of the year	Granted as remuneration	Exercised	Other changes	Balance at the end of the year	Vested and exercisable	Unvested
Nigel Gellard	650,000	2,500,000	-	(177,781)	2,972,219	2,972,219	-
Peter Ellery	-	250,000	-	-	250,000	250,000	-
Jay Stephenson (appointed 26 May 2014)	-	-	-	-	-	-	-

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED)

30 June 2014	Balance at the start of the year	Granted as remuneration	Exercised	Other changes	Balance at the end of the year	Vested and exercisable	Unvested
Leigh Junk (resigned 26 May 2014)	650,000	1,750,000	-	1,266,667	3,666,667	3,666,667	-
Total	1,300,000	4,500,000	-	1,088,886	6,888,886	6,888,886	-

Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2014 reporting period held by each of the Key Management Personnel of the Group; including their related parties are set out below.

30 June 2014	Balance at the start of the year	Granted as Remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of Year
Nigel Gellard	1,100,000	444,444	-	-	1,544,444
Peter Ellery	-	-	-	-	-
Jay Stephenson (appointed 26 May 2014)	190,000	-	-	-	190,000
Leigh Junk (resigned 26 May 2014)	1,225,000	-	-	3,333,334	4,558,334
Total	2,515,000	444,444	-	3,333,334	6,292,778

None of the shares included in the table above are held nominally by key management personnel.

Loans to Key Management Personnel

There were no loans to Key Management Personnel during the financial year.

Other transactions with Key Management Personnel

During 2014, the Group used the following services of the directors of the Company.

- Consulting services of Company Director (Nigel Gellard) and the Company which he controls. The amounts billed related to this consulting service amounted to \$68,400 based on normal market rates and the amount outstanding at reporting date was \$14,400 (2013: \$Nil)
- Consulting services of Company Director (Peter Ellery) and the Company which he controls. The amounts billed related to this consulting service amounted to \$3,927 based on normal market rates and the amount outstanding at reporting date was Nil (2013: \$Nil)
- Corporate Secretarial and Accounting service of Company Director (Jay Stephenson) and the firm over which he exercises significant influence. The amounts billed related to this Corporate Secretarial and Accounting service amounted to \$48,000 (2013: \$86,500) and the amount outstanding at reporting date was \$4,000 (2013: \$4,000).

End of Audited Remuneration Report

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
(Formerly known as Sentosa Mining Limited)
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

DIRECTORS' REPORT

Shares under option

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

Grant Date	Date of Expiry	Exercise Price	Number under Option
15 November 2013	31 October 2016	\$0.065	4,500,000
15 November 2013	15 November 2016	\$0.15	15,941,667
8 September 2014	30 May 2017	\$0.05	8,300,000
14 September 2014	30 May 2017	\$0.05	9,000,000
23 September 2014	30 May 2017	\$0.05	<hr/> 17,075,384
			<hr/> 54,817,051

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

Proceedings on behalf of the Company

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

Indemnifying officers or auditor

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

- The Company has entered into agreements to indemnify all Directors and provide access to documents, against any liability arising from a claim brought by a third party against the Company. The agreement provides for the Company to pay all damages and costs which may be awarded against the Directors.
- The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a willful breach of duty in relation to the Company. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.
- No indemnity has been paid to auditors.

Non-audit services

The Board of Directors is satisfied that the provision of non-audit services during the period is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. Non-audit service fees related to the year amounted to \$6,500 for taxation services for the year ended 30 June 2014.

Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2014 has been received and can be found on page 19 of the financial report.

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



Nigel Gellard
Executive-Chairman
30 September 2014

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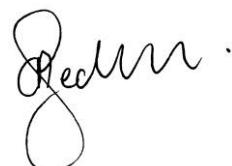
**Auditor's Independence Declaration
To the Directors of Parmelia Resources Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Parmelia Resources Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C A Becker
Partner - Audit & Assurance

Perth, 30 September 2014

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PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
(Formerly known as Sentosa Mining Limited)
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014**

	Note	30 June 2014	30 June 2013
		\$	\$
Interest revenue		8,788	21,808
Other Income – Foreign exchange gain		-	32,356
Accounting fees		(58,939)	(104,893)
Audit fees		(30,592)	(30,488)
Conferences		(1,773)	(4,767)
Consulting fees		(72,327)	4,782
Directors' fees		(109,183)	(127,842)
Due diligence expenses		(13,793)	(2,445)
Exploration expenditure written off	12	(856)	(48,823)
Legal fees		(24,277)	(32,853)
Office rent expense		(34,200)	(25,713)
Share-based payment expense		(89,627)	-
Share registry and listing fees		(39,596)	(25,607)
Travel and accommodation expenses		(7,102)	(12,083)
Meals and entertainment		(6,352)	(2,384)
Other administration expenses		(53,574)	(30,376)
Loss before income tax		<hr/> (533,403)	<hr/> (389,328)
Income tax expense	6	-	-
Loss for the period		<hr/> (533,403)	<hr/> (389,328)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss - exchange differences on translating controlled entities		(78,774)	-
Other comprehensive income for the year/period, net of tax		<hr/> (78,774)	<hr/> -
Total comprehensive loss for the year/ period attributable to members of the Company		<hr/> (612,177)	<hr/> (389,328)
Basic/diluted loss per share (cents)	9	(1.03)	(1.18)

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

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
(Formerly known as Sentosa Mining Limited)
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

		2014	2013
	Note	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	10	109,043	252,844
Trade and other receivables	11	9,914	10,344
TOTAL CURRENT ASSETS		<u>118,957</u>	<u>263,188</u>
NON-CURRENT ASSETS			
Term deposit	10	48,300	46,867
Exploration and evaluation expenditure	12	2,546,779	1,602,381
TOTAL NON-CURRENT ASSETS		<u>2,595,079</u>	<u>1,649,248</u>
TOTAL ASSETS		<u>2,714,036</u>	<u>1,912,436</u>
CURRENT LIABILITIES			
Trade and other payables	13	123,117	89,932
TOTAL CURRENT LIABILITIES		<u>123,117</u>	<u>89,932</u>
NON-CURRENT LIABILITIES			
Long-term Provisions	14	41,400	41,400
TOTAL NON-CURRENT LIABILITIES		<u>41,400</u>	<u>41,400</u>
TOTAL LIABILITIES		<u>164,517</u>	<u>131,332</u>
NET ASSETS		<u>2,549,519</u>	<u>1,781,104</u>
EQUITY			
Issued capital	15	5,472,269	4,227,886
Reserves	16	75,458	18,023
Accumulated losses		<u>(2,998,208)</u>	<u>(2,464,805)</u>
TOTAL EQUITY		<u>2,549,519</u>	<u>1,781,104</u>

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

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Issued Capital	Option Reserves	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$		\$	\$
Balance at 1 July 2012	4,227,886	18,023	-	(2,075,477)	2,170,432
Loss attributable to members of the Company	-	-	-	(389,328)	(389,328)
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(389,328)	(389,328)
Transactions with owners, recognised directly in equity					
Options exercised during the year	-	-	-	-	-
Balance at 30 June 2013	4,227,886	18,023	-	(2,464,805)	1,781,104
Balance at 1 July 2013	4,227,886	18,023	-	(2,464,805)	1,781,104
Loss attributable to members of the Company	-	-	-	(533,403)	(533,403)
Other comprehensive income, net of tax	-	-	(78,774)	-	(78,774)
Total comprehensive loss for the year	-	-	(78,774)	(533,403)	(612,177)
Transactions with owners, recognised directly in equity					
Capital raising	1,164,750	-	-	-	1,164,750
Capital raising costs	(129,867)	-	-	-	(129,867)
Share-based payments	209,500	136,209	-	-	345,709
Balance at 30 June 2014	5,472,269	154,232	(78,774)	(2,998,208)	2,549,519

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

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
(Formerly known as Sentosa Mining Limited)
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(384,191)	(426,170)
Interest received		8,788	21,808
Net cash used in operating activities	18	(375,403)	(404,362)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation expenditure		(828,431)	(633,382)
Net cash used in investing activities		(828,431)	(633,382)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,133,250	-
Payments for capital raising		(71,784)	-
Net cash from financing activities		1,061,466	-
Net decrease in cash and cash equivalents		(142,368)	(1,037,744)
Cash and cash equivalents at the beginning of the financial year		299,711	1,304,906
Effects of exchange rate changes on cash and cash equivalents		-	32,549
Cash and cash equivalents at the end of the financial year	10	157,343	299,711

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

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1: REPORTING ENTITY

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

NOTE 2: BASIS OF PREPARATION

(a) Statement of compliance

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

The financial statements were approved by the Board of Directors on 30 September 2014.

Basis of measurement

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

Going concern

The consolidated group has incurred a net loss after tax for the year ended 30 June 2014 of \$533,403 (2013: \$389,328 loss) and incurred net cash outflows from operations of \$375,403 (2013: \$404,362). As at 30 June 2014, the consolidated group had cash and cash equivalents of \$157,343 (30 June 2013: \$299,711) and net assets of \$2,549,519 (30 June 2013: \$1,781,104).

In the forthcoming 12 months from the date of these financial statements, the Company and the consolidated group will be required to meet various commitments, which require funds that are above and beyond the working capital of the consolidated group at 30 June 2014. These commitments include evaluating a number of properties and continuing to conduct site visits to overseas projects.

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

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

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

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

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 2: BASIS OF PREPARATION (Continued)

(b) Functional and presentation currency

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

(c) Use of estimates and judgements

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

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

Share-based payment transactions:

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black and Scholes model.

Impairment of capitalised exploration and evaluation expenditure:

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

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

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

Refer to Note 12, for details of Impairments against capitalised exploration.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as of 30 June 2014. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

A list of controlled entities is contained in Note 23 to the financial statements.

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

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

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

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

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

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

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

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

(b) Income tax

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

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

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

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

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

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Income tax (continued)

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

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

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

(c) Exploration and evaluation expenditure

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

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

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

Exploration and evaluation assets are assessed for impairment when:

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

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

(d) Financial instruments

Initial recognition and measurement

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

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

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

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments (Continued)

Loans and receivables

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

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

Financial liabilities

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

Fair value

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

Impairment

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

Derecognition

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

(e) Impairment

Non-financial assets

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

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

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

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

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

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Impairment (Continued)

Non-financial assets

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

Financial assets (including receivables)

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

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

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

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

(f) Employee benefits

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

Equity-settled compensation

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

(g) Provisions

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

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
(Formerly known as Sentosa Mining Limited)
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Revenue and other income

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

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

(j) Trade and other payables

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

(k) Borrowing costs

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

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

(l) Goods and services tax (GST)

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

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

(m) Earnings per share

i. Basic earnings per share

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

ii. Diluted earnings per share

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

(n) Segment reporting

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

(o) Adoption of new and revised accounting standards

In the current year, the Group has applied a number of new and revised standards issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

(Formerly known as Sentosa Mining Limited)

ABN 48 142 901 353

FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Adoption of new and revised accounting standards (Continued)

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements AASB

Applicable for annual reporting periods commencing on or after 1 July 2013.

AASB 2011-4 makes amendments to AASB 124 Related Party Disclosure to achieve consistency with the international equivalent (which includes requirements for disclose aggregate (rather than individual) amounts of key management personnel compensation) and removes duplication within Corporate Act 2001. This has resulted in some disclosures relating to Directors now being included in the audited remuneration report.

AASB 12 Disclosure of Interests in Other Entities (issued August 2011)

Applicable for annual reporting periods commencing on or after 1 January 2013.

AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures introduced by AASB 12 include disclosures about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

AASB 10 Consolidated Financial Statements (issued August 2011)

Applicable for annual reporting periods commencing on or after 1 January 2013.

AASB 10 establishes a revised control model that applies to all entities. It replaces the consolidation requirements in AASB 127 *Consolidated and Separate Financial Statements* and AASB Interpretation 112 *Consolidation – Special Purpose Entities*.

The revised control model broadens the situations when an entity is considered to be controlled by another entity and includes additional guidance for applying the model to specific situations, including when acting as an agent may give control, the impact of potential voting rights and when holding less than a majority voting rights may give 'de facto' control.

This Standard was first adopted for the year ended 30 June 2014. There was no impact on the transactions and balances recognised in the financial statements. The Group does not utilise any special purpose entities.

AASB 13: Fair Value Measurement (issued September 2011)

Applicable for annual reporting periods commencing on or after 1 January 2013.

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted by other Standards.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

This Standard was first adopted for the year ended 30 June 2014. The Group does not have any material assets or liabilities significantly impacted by this Standard. Consequently, additional disclosures under this Standard, required about fair values, have had minimal impact to the financial statements.

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
(Formerly known as Sentosa Mining Limited)
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

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

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

New/revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Likely impact
AASB 9 Financial Instruments (December 2010)	AASB 139 Financial Instruments: Recognition and Measurement (in part)	<p>AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:</p> <ul style="list-style-type: none"> (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: <ul style="list-style-type: none"> • The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and • The remaining change is presented in profit or loss. <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p> <p>Otherwise, the following requirements have generally been carried forward</p>	1 January 2018	Depending on assets held, there may be movement of assets between fair value and amortised cost categories.

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
(Formerly known as Sentosa Mining Limited)
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

New/revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Likely impact
		<p>unchanged from AASB 139 into AASB 9:</p> <ul style="list-style-type: none"> Classification and measurement of financial liabilities; and Derecognition requirements for financial assets and liabilities. <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and AASB 2010-10.</p> <p>On 24 July 2014, the IASB issued IFRS 9 Financial Instruments (2014) which marked the completion of its project to replace IAS 39 Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 (2014):</p> <ul style="list-style-type: none"> added requirements dealing with expected credit losses (impairment) amended the Standard's classification and measurement requirements by adding a new measurement category of fair value through other comprehensive income for particular simple debt instruments introduced a new mandatory effective date of accounting periods beginning on or after 1 January 2018 <p>The AASB has already amended the effective date of AASB 9 to '1 January 2018' through its Amending Standard AASB 2014-1 Amendments to Australian Accounting Standards. It is expected that the AASB will issue the remaining amendments arising from IFRS 9 (2014) in the near future.</p>		
AASB 2012-3 <i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities</i>	None	AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	<i>When AASB 2012-3 is first adopted for the year ending 30 June 2015, there will be no impact on the entity as this standard merely clarifies existing requirements in AASB 132.</i>
AASB 2013-3 <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	None	<p>These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.</p> <p>When developing IFRS 13 Fair Value Measurement, the IASB decided to amend</p>	1 January 2014	<i>When these amendments are first adopted for the year ending 30 June 2015, they are unlikely to have any significant impact on</i>

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
(Formerly known as Sentosa Mining Limited)
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

New/revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Likely impact
		<p>IAS 36 <i>Impairment of Assets</i> to require disclosures about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.</p> <p>AASB 2013-3 makes the equivalent amendments to AASB 136 <i>Impairment of Assets</i>.</p>		<i>the entity given that they are largely of the nature of clarification of existing requirements.</i>
AASB 2014-1 <i>Amendments to Australian Accounting Standards</i> (Part A: Annual Improvements 2010–2012 and 2011–2013 Cycles)	None	<p>Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards <i>Annual Improvements to IFRSs 2010-2012 Cycle</i> and <i>Annual Improvements to IFRSs 2011-2013 Cycle</i>. Among other improvements, the amendments arising from <i>Annual Improvements to IFRSs 2010-2012 Cycle</i>:</p> <ul style="list-style-type: none"> (a) clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity); and (b) amend AASB 8 <i>Operating Segments</i> to explicitly require the disclosure of judgements made by management in applying the aggregation criteria. <p>Among other improvements, the amendments arising from <i>Annual Improvements to IFRSs 2011-2013 Cycle</i> clarify that an entity should assess whether an acquired property is an investment property under AASB 140 <i>Investment Property</i> and perform a separate assessment under AASB 3 <i>Business Combinations</i> to determine whether the acquisition of the investment property constitutes a business combination.</p>	1 July 2014	<i>When these amendments are first adopted for the year ending 30 June 2015, there will be no material impact on the entity.</i>
AASB 2014-1 <i>Amendments to Australian Accounting Standards</i> (Part E: Financial)	None	Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 <i>Financial Instruments</i> to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 <i>Hedge Accounting</i> into AASB 9	1 January 2015	<i>The entity has not yet assessed the full impact of these amendments, it is unlikely to have a significant impact on the</i>

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
(Formerly known as Sentosa Mining Limited)
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

New/revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Likely impact

Instruments)		and to amend reduced disclosure requirements for AASB 7 <i>Financial Instruments: Disclosures</i> and AASB 101 <i>Presentation of Financial Statements</i> .		entity.
<i>Accounting for Acquisitions of Interests in Joint Operations</i> (Amendments to IFRS 11)	None	<p>The amendments to IFRS 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in IFRS 3 <i>Business Combinations</i>, should:</p> <ul style="list-style-type: none"> • apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except principles that conflict with the guidance of IFRS 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e. the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and • provide disclosures for business combinations as required by IFRS 3 and other IFRSs. <p>The Australian Accounting Standards Board (AASB) is expected to issue the equivalent Australian amendment shortly.</p>	1 January 2016	<i>When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.</i>

**PARMELIA RESOURCES LTD (FORMERLY SENTOSA MINING LIMITED) AND ITS
CONTROLLED ENTITIES**
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 4: DETERMINATION OF FAIR VALUES

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

Trade and other receivables

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

Share-based payment transactions

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

	30 June 2014	30 June 2013
	\$	\$
NOTE 5: LOSS BEFORE INCOME TAX		
Loss before income tax includes the following specific expenses:		
- Share-based payment expense	89,627	-
- Due diligence expenses	13,793	2,445
- Directors' remuneration	109,183	127,842

NOTE 6: INCOME TAX

Reconciliation between tax expense and pre-tax loss:

Loss before income tax	(533,403)	(389,328)
Income tax benefit using the domestic corporate tax rate of 30%	(160,020)	(116,798)
Expenditure not allowed for income tax purposes	38,873	6,293
Deferred tax assets not brought to account	121,147	110,505
Income tax expense reported in the profit or loss	-	-
Unused tax losses	3,600,749	3,049,743
Temporary differences – profit and loss	7,138	33,560
Temporary differences - equity	289,580	219,153
Potential benefit @ 30%	1,169,240	990,736
Tax benefits offset against deferred tax liability temporary differences	(552,782)	(956,497)
Unrecognised tax benefit	616,458	34,239

Tax Consolidation

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

**PARMELIA RESOURCES LTD (FORMERLY SENTOSA MINING LIMITED) AND ITS
CONTROLLED ENTITIES**
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 6: INCOME TAX

All unused tax losses were incurred in Australia.

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

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

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

NOTE 7: KEY MANAGEMENT PERSONNEL DISCLOSURES

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2014.

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

	2014	2013
	\$	\$
Short-term benefits	202,513	122,442
Post employment benefits	5,319	5,400
Equity settled	109,627	-
Other long term benefits	-	-
	<hr/>	<hr/>
	317,459	127,842

Loans to Key Management Personnel

There were no loans to Key Management Personnel during the financial year.

Other transactions with Key Management Personnel

During 2014, the Group used the following services of the directors of the Company.

- Consulting services of Company Director (Nigel Gellard) and the Company which he controls. The amounts billed related to this consulting service amounted to \$68,400 based on normal market rates and the amount outstanding at reporting date was \$14,400 (2013: \$Nil).
- Consulting services of Company Director (Peter Ellery) and the Company which he controls. The amounts billed related to this consulting service amounted to \$3,927 based on normal market rates and the amount outstanding at reporting date was Nil (2013: \$Nil).
- Corporate Secretarial and Accounting service of Company Director (Jay Stephenson) and the firm over which he exercises significant influence. The amounts billed related to this Corporate Secretarial and Accounting service amounted to \$48,000 and the amount outstanding at reporting date was \$4,000.

30 June 2014 30 June 2013

NOTE 8: AUDITOR'S REMUNERATION

\$ \$

Remuneration of the auditor of the Group for:

Auditors Services

Audit and review of financial reports	30,592	30,488
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Taxation Services

6,500	6,400
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The auditor of the Group is Grant Thornton Audit Pty Ltd.

37,092	36,888
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**PARMELIA RESOURCES LTD (FORMERLY SENTOSA MINING LIMITED) AND ITS
CONTROLLED ENTITIES**
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 9: BASIC AND DILUTED LOSS PER SHARE

Basic loss per share (cents)

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

	2014	2013
	\$	\$
a. Reconciliation of earnings to profit/(loss)		
Loss attributable to members of Parmelia Resources Limited	(533,403)	(389,328)
Earnings used to calculate basic EPS	(533,403)	(389,328)

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

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

51,984,213 32,875,000

Potential shares as a result of options could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented. There are no other dilutive instruments.

NOTE 10: CASH AND CASH EQUIVALENTS

CURRENT

Cash on hand	1	1
Cash at bank	109,042	252,843
	<u>109,043</u>	<u>252,844</u>

NON-CURRENT

Cash at Bank - Term deposit	48,300	46,867
Total cash and cash equivalents	157,343	299,711

Reconciliation of cash

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

Cash and cash equivalents	109,043	252,844
Term deposit	48,300	46,867
	<u>157,343</u>	<u>299,711</u>

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

NOTE 11: TRADE AND OTHER RECEIVABLES

CURRENT

	2014	2013
	\$	\$
Trade and other receivables	445	-
GST receivable	4,862	6,901
Prepaid expenses	4,607	3,443
	<u>9,914</u>	<u>10,344</u>

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

**PARMELIA RESOURCES LTD (FORMERLY SENTOSA MINING LIMITED) AND ITS
CONTROLLED ENTITIES**
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 12: EXPLORATION AND EVALUATION ASSETS

NON-CURRENT

Exploration and evaluation phases – at cost	2,546,779	1,602,381
<hr/>		
Exploration and evaluation		
Opening balance	1,602,381	1,017,823
Exploration expenditure	802,489	709,634
Asset acquisition	23	158,682
Tenements acquired	62,800	-
Exploration written off	(856)	(48,823)
Write back of capitalised exploration	-	(76,253)
Foreign exchange on movement of asset	(78,717)	-
Closing balance	2,546,779	1,602,381

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

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

As a result, the Group's exploration properties or areas within the tenements may be subject to exploration and mining restrictions. Items written off during the period are in accordance with the Groups accounting policy 3(c).

NOTE 13: TRADE AND OTHER PAYABLES

CURRENT

Trade and other payables	99,323	71,432
Accrued expenses	23,794	18,500
	<hr/>	<hr/>
	123,117	89,932

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

NOTE 14: PROVISIONS

NON-CURRENT

Rehabilitation provision	41,400	41,400
	<hr/>	<hr/>

**PARMELIA RESOURCES LTD (FORMERLY SENTOSA MINING LIMITED) AND ITS
CONTROLLED ENTITIES**
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 15: ISSUED CAPITAL		2014	2013
		\$	\$
(a) Ordinary shares			
66,758,331 (2013: 32,875,000) fully paid ordinary shares		5,472,269	4,227,886
(b) Movements in ordinary shares	Note	Date	Number
Balance at the beginning of the reporting period		1 July 2012	32,875,000
Balance at the end of the reporting period		30 June 2013	32,875,000
			4,227,886
Balance at the beginning of the reporting period		1 July 2013	32,875,000
• Placement		2 October 2013	8,216,111
• Placement		7 November 2013	17,667,220
• Acquisition of St Nicholas Mines Pty Ltd	23	19 March 2014	5,500,000
• Share based payment		18 June 2014	2,500,000
• Capital raising costs			-
Balance at the end of the reporting period		30 June 2014	66,758,331
			5,472,269

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

Capital risk management

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

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

The working capital position of the Group at 30 June 2014 and 2013 are as follows:

	2014	2013
	\$	\$
Cash and cash equivalents	157,343	299,711
Trade and other receivables	9,916	10,344
Trade and other payables	(123,117)	(89,932)
Working capital position	44,142	220,123

**PARMELIA RESOURCES LTD (FORMELY SENTOSA MINING LIMITED) AND ITS
CONTROLLED ENTITIES**
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 16: RESERVES

a) Option reserve

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

b) Foreign currency translation reserve

The foreign currency reserve records exchange differences arising on translation of a foreign controlled subsidiary.

NOTE 17: SHARE BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2014:

- i. On 21 May 2010, 2,000,000 options were issued to Directors for nil consideration. These options have an exercise price of \$0.20 and expire on 25 August 2014. These options were calculated to have negligible value at date of grant therefore no share based payment expense was recognised.
- ii. On 15 November 2013, 4,500,000 options were issued to Directors for nil consideration exercisable on or before 15 November 2016 at an exercise price of \$0.065 per option. These options vested immediately and the related share-based payment of \$89,627 was fully recognised to the Profit and Loss during the year ended 30 June 2014.
- iii. On 15 November 2013, 3,000,000 options were issued to Brokers for nil consideration exercisable on or before 15 November 2016 at an exercise price of \$0.15 per option. These options vested immediately and the related share-based payment of \$46,582 was fully recognised as a cost of equity during the year ended 30 June 2014.
- iv. Options granted to Key Management Personnel are as follow:

Grant Date	Number
21 May 2010	2,000,000
15 November 2013	4,500,000

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

- v. On 19 March 2014, 5,500,000 fully paid ordinary shares at a market value of \$0.029 per share were issued to acquire St Nicholas Mines Pty Ltd. The fair value of this consideration was deemed to the market value at the date of the asset acquisition (see Note 18(c)).
- vi. On 18 June 2014, 2,500,000 fully paid ordinary shares at a market value of \$0.02 per share were issued to acquire an 80% interest in Spa Go West, E15/1410. The fair value of this consideration was deemed to the market value at the date of the asset acquisition (see Note 18(c)).

**PARMELIA RESOURCES LTD (FORMERLY SENTOSA MINING LIMITED) AND ITS
CONTROLLED ENTITIES**
 ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 17: SHARE BASED PAYMENTS (Continued)

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

	Number	Weighted Average Exercise Price
Options outstanding as at 30 June 2012	18,264,372	\$0.25
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	-	-
Options outstanding as at 30 June 2013	18,264,372	\$0.25
Granted	20,441,667	\$0.007
Forfeited	-	-
Exercised	-	-
Expired	(16,264,372)	-
Options outstanding as at 30 June 2014	<u>22,441,667</u>	<u>\$0.14</u>
Options exercisable as at 30 June 2014	22,441,667	\$0.14
Options exercisable as at 30 June 2013	18,264,372	\$0.25

No options were exercised during the year.

The weighted average remaining contractual life of options outstanding at year-end was 2.17 years. The exercise price of outstanding share options at the end of the reporting period was \$0.14.

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

The weighted average fair value of options granted during the year was \$0.0007 (2013: \$0.02). These values were calculated using the Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price:	\$0.10
Weighted average life of the option:	2.36 years
Expected share price volatility:	121%
Risk-free interest rate:	2.99%

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

**PARMELIA RESOURCES LTD (FORMERLY SENTOSA MINING LIMITED) AND ITS
CONTROLLED ENTITIES**
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 18: CASH FLOW INFORMATION	2014	2013
(a) Reconciliation of cash flow from operating activities with the loss after tax	\$	\$
Loss after income tax	(533,403)	(389,328)
Share-based payment	89,627	-
Directors fees settled with shares	20,000	-
Exploration written off	856	48,823
Foreign exchange movement	13,904	(32,549)
Changes in assets and liabilities		
(AIncrease)/decrease in receivables	1,593	21,207
(AIncrease)/decrease in prepayment	(1,164)	9,833
Increase/(decrease) in payables	33,184	(62,348)
Cash flow used in operating activities	<u>(375,403)</u>	<u>(404,362)</u>

(b) Credit standby facilities

The Company had no credit standby facilities as at 30 June 2014 and 2013.

(c) Non-cash financing and investing activities

On 19 March 2014, Parmelia Resources Limited acquired St Nicholas Pty Ltd (see Note 23). The consideration transferred included an equity payment of 5,500,000 at \$0.029 per share totalling \$159,500. The transaction is a non-cash transaction and excluded from the statement of cash flows.

On 18 June 2014, Parmelia Resources Limited acquired an 80% interest in Spa Go West E15/1410. The consideration transferred included an equity payment of 2,500,000 at \$0.02 per share totalling \$50,000. The transaction is a non-cash transaction and excluded from the statement of cash flows.

NOTE 19: RELATED PARTY TRANSACTIONS

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

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

NOTE 20: CAPITAL COMMITMENTS	2014	2013
Capital expenditure commitments contracted for:	\$	\$
Exploration tenement minimum expenditure requirements		
Amounts payable:		
- not later than 12 months	659,780	436,519
- between 12 months and 5 years	-	-
- greater than 5 years	-	-
	<u>659,780</u>	<u>436,519</u>

Commitments relate to granted exploration and prospecting tenements. It is not possible to present commitments greater than 12 months as tenements are assessed on an annual basis and are based on the results of exploration during the period.

**PARMELIA RESOURCES LTD (FORMERLY SENTOSA MINING LIMITED) AND ITS
CONTROLLED ENTITIES**
 ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 21: FINANCIAL RISK MANAGEMENT

Overview

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

The main purpose of non-derivative financial instruments is to raise finance for Group operations. The Group does not speculate in the trading of derivative instruments.

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

30 June 2014

	Floating Interest Rate	Non-interest bearing	Total
	\$	\$	\$
Financial assets			
<i>Maturity within one year</i>			
Cash and cash equivalents	157,343	-	157,343
Trade and other receivables	-	9,916	9,916
Total financial assets	157,343	9,916	167,259
Weighted average interest rate – cash assets	2.21%		
Financial liabilities at amortised cost			
Trade and other payables	-	123,117	123,117
Total financial liabilities	-	123,117	123,117
Net financial assets	157,343	(113,201)	44,142

30 June 2013

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

Specific Financial Risk Exposures and Management

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

**PARMELIA RESOURCES LTD (FORMERLY SENTOSA MINING LIMITED) AND ITS
CONTROLLED ENTITIES**
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 21: FINANCIAL RISK MANAGEMENT

a. Credit risk

Credit risk exposures

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

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

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

	Note	2014 \$	2013 \$
Cash and cash equivalents			
- AA Rated	10	157,343	299,711

b. Liquidity risk

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

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

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

c. Market risk

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

Interest rate risk

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

Interest rate risk

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

**PARMELIA RESOURCES LTD (FORMERLY SENTOSA MINING LIMITED) AND ITS
CONTROLLED ENTITIES**
 ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 21: FINANCIAL RISK MANAGEMENT (CONTINUED)

Specific Financial Risk Exposures and Management

c. Market risk

Sensitivity Analysis

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

	Profit	Equity
Year ended 30 June 2014	\$	\$
+/-1% in interest rates	+/- 3,974	+/- 3,974
Period ended 30 June 2013		
+/-1% in interest rates	+/- 8,257	+/- 8,257

Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the Consolidated Statement of Financial Position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Other assets and other liabilities approximate their carrying value.

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

	2014	2014	2013	2013
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	157,343	157,343	299,711	299,711
Trade and other receivables	9,916	9,916	10,344	10,344
Total financial assets	167,259	167,259	310,055	310,055
Financial liabilities at amortised cost				
Trade and other payables	123,117	123,117	89,932	89,932
Total financial liabilities	123,117	123,117	89,932	89,932

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

**PARMELIA RESOURCES LTD (FORMERLY SENTOSA MINING LIMITED) AND ITS
CONTROLLED ENTITIES**
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 22: PARENT ENTITY DISCLOSURES

Information relating to Parmelia Resources Limited ('the Parent Entity').

	Note	2014 \$	2013 \$
Statement of financial position			
Current assets		117,885	256,817
Total assets		2,665,846	1,884,016
Current liabilities		116,327	43,725
Total liabilities		116,327	43,725
Net assets		2,549,519	1,840,291
Issued capital		5,472,269	4,227,886
Option Reserve		154,232	18,023
Accumulated losses		(3,076,982)	(2,405,618)
Total equity		2,549,519	1,840,291
Statement of profit or loss and other comprehensive income			
Loss for the year		(671,365)	(340,786)
Other comprehensive income		-	-
Total comprehensive income		(671,365)	(340,786)

The Parent Entity has granted exploration and prospecting commitments at 30 June 2014 of \$91,000 (2013: \$Nil). Refer to Note 20.

NOTE 23: INTERESTS IN SUBSIDIARIES

Controlled entity	Country of Incorporation	Class of Shares	Percentage Owned	Percentage Owned
			30 June 2014	30 June 2013
Toro Mining Pty Ltd	Australia	Ordinary	100%	100%
Sentosa Mining (Philippines) Inc.	The Republic of the Philippines	Ordinary	100%	100%
St Nicholas Pty Ltd	Australia	Ordinary	100%	-
Niquaero LLC	Mongolia	Ordinary	100%	-

Acquisition of St Nicholas Pty Ltd

On 19 March 2014, the Company acquired St Nicholas Mines Pty Ltd ("St Nicholas"). St Nicholas holds equity in Mongolian incorporated entity Niquaero LLC. Niquaero LLC holds various granted mining tenements located in Mongolia. The consideration consisted of 5,500,000 ordinary shares at \$0.029 per share. This acquisition has not been accounted for as a business combination under AASB 3: "Business Combination" as the assets of St

**PARMELIA RESOURCES LTD (FORMERLY SENTOSA MINING LIMITED) AND ITS
CONTROLLED ENTITIES**
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 23: INTERESTS IN SUBSIDIARIES

Acquisition of St Nicholas Pty Ltd

Nicholas were considered not to constitute a business. Accordingly, the St Nicholas acquisition has been accounted for as an acquisition of assets, at cost based on the fair value of shares issued on the transaction date. The purchase price has been allocated to the identifiable assets and liabilities of St Nicholas as of the date of acquisition as follows:

	Note	\$
Trade and other receivables		818
Exploration and evaluation assets	12	<u>158,682</u>
Total value of assets acquired		159,500
Deduct liabilities assumed:		-
Net assets acquired		<u>159,500</u>
Acquisition date fair value of consideration:		
Shares issued	15b	<u>159,500</u>

NOTE 24: CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 June 2014.

NOTE 25: OPERATING SEGMENTS

Segment Information

Identification of reportable segments

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

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

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

Inter-segment transactions

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

Segment assets

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

**PARMELIA RESOURCES LTD (FORMERLY SENTOSA MINING LIMITED) AND ITS
CONTROLLED ENTITIES**
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 25: OPERATING SEGMENTS (Continued)

Segment liabilities

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

Unallocated items

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

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

	Australian Exploration \$	Mongolian Exploration \$	Unallocated \$	Total \$
30 June 2014				
REVENUE				
Interest revenue	-	-	8,788	8,788
Total segment revenue	-	-	8,788	8,788
Reconciliation to net loss:	(14,649)	-	(518,754)	(533,403)
Depreciation expense				-
Loss before income tax				<u>(533,403)</u>

As at 30 June 2014

Segment assets	1,764,000	692,000	258,036	2,714,036
Segment asset increases for the period:				
- Exploration expenditure	279,832	821,999	-	1,101,831
Segment liabilities	<u>56,606</u>	<u>28,648</u>	<u>79,263</u>	<u>164,517</u>

30 June 2013

REVENUE				
Interest revenue	-	-	21,808	21,808
Total segment revenue	-	-	21,808	21,808
Reconciliation to net loss:	(48,823)	(340,505)	(389,328)	(389,328)
Loss before income tax				<u>(389,328)</u>

As at 30 June 2013

Segment assets	1,484,002	118,379	310,055	1,912,436
Segment asset increases for the period:				
- Exploration expenditure	347,800	118,379	-	466,179
Segment liabilities	<u>87,608</u>	<u>8,093</u>	<u>35,632</u>	<u>131,333</u>

**PARMELIA RESOURCES LTD (FORMELY SENTOSA MINING LIMITED) AND ITS
CONTROLLED ENTITIES**
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 26: EVENTS SUBSEQUENT TO REPORTING DATE

The Company announced on the 23 July 2014, that the recent non-renounceable rights issue of one new option for every two shares held, at an issue price of \$0.005 per new option, closed on 18th July 2014. The total number of options placed 33,375,384 at \$0.005 to raise proceeds of \$166,877.

On the 23 September 2014 the Company announced a placement of 20,000,000 shares at \$0.055 per share, with one free attaching listed option for every three shares subscribed for to raise a gross amount of \$1,100,000. The listed attaching options will be exercisable at 5 cents on or before the 30 May 2017. The Placement will be undertaken in two tranches. Tranche one is for up to 8,250,000 Placement Shares ("Tranche 1 Shares") and 2,750,000 Placement Options ("Tranche 1 Options"), all of which will be issued immediately under the Company's capacity under ASX Listing Rule 7.1 and 7.1A. Tranche two is for up to 11,750,000 Placement Shares ("Tranche 2 Shares") and 3,916,667 options ("Tranche 2 Options"). The Tranche 2 Shares and Tranche 2 Options are subject to shareholder approval.

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

PARMELIA RESOURCES LIMITED AND ITS CONTROLLED ENTITIES
(Formerly known as Sentosa Mining Limited)
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 20 to 50, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards; and
 - (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 2(a) to the financial statements; and
 - (c) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the period ended on that date of the Group;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the Company for the financial period have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial period comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial period give a true and fair view;
3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Nigel Gellard
Executive-Chairman
Perth
30 September 2014

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

Report on the financial report

We have audited the accompanying financial report of Parmelia Resources Limited (the “Company”), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors’ declaration of the consolidated entity comprising the Company and the entities it controlled at the year’s end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors’ responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

Grant Thornton Audit Pty Ltd ACN 130 913 594
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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.

Auditor's opinion

In our opinion:

- a the financial report of Parmelia 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 2014 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 continuation as a going concern

Without qualifying our opinion, we draw attention to Note 2 in the financial report which indicates that the consolidated entity incurred a net loss of \$533,403 and net cash outflows from operating activities of \$375,403 for the year ended 30 June 2014. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

Report on the remuneration report

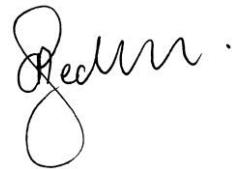
We have audited the remuneration report included in pages 13 to 17 of the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility 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 Parmelia Resources Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



C A Becker
Partner - Audit & Assurance

Perth, 30 September 2014

**PARMELIA RESOURCES LTD (FORMERLY SENTOSA MINING LIMITED) AND ITS
CONTROLLED ENTITIES**
 ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

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

1 Shareholding as at 25 September 2014

(a) Distribution of Shareholders

Category (size of holding)	Number of Shareholders
1 – 1,000	5
1,001 – 5,000	14
5,001 – 10,000	90
10,001 – 100,000	169
100,001 – and over	93
	371

(b) The number of shareholdings held in less than marketable parcels is 109.

(c) Voting Rights

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

Ordinary shares

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

(d) 20 Largest Shareholders — Ordinary Shares as at 25 September 2014

Name	Number of Ordinary Paid Shares Held	% Held of Ordinary Capital
1. Jolee Corporation Pty Ltd <Jolee Investment A/C>	4,433,334	6.64
2. Everest Minerals Limited	4,000,000	5.99
3. Maincoast Pty Ltd	2,500,000	3.75
4. BM Geological Services Pty Ltd	2,361,195	3.54
5. Mr Sean Muffet	1,797,563	2.69
6. Mersound Pty Ltd	1,650,000	2.47
7. Citicorp Nominees Pty Limited	1,635,000	2.45
8. Gellard Enterprises Pty Ltd	1,544,444	2.31
9. Mr Terence Edgar Bates	1,267,583	1.90
10. A W D Consultants Pty Ltd <Stevens Super Fund A/C>	1,248,201	1.87
11. Mr Russell Neil Creagh	1,210,000	1.81
12. Redtown Enterprises Pty Ltd	1,111,111	1.66
13. Mr Stephen Paul Swatton	1,100,000	1.65
14. ALR Investments Pty Ltd <ALR Superannuation Fund A/C>	1,000,000	1.50
15. Mr Dean Besserer	1,000,000	1.50
16. CBR Australia Holdings Inc	1,000,000	1.50
17. Mr Sean Richard William Mager	1,000,000	1.50
18. Mr John Edward Robins	1,000,000	1.50
19. Mr John Williamson	1,000,000	1.50
20. Ms Vareria Martinez Viademonte	942,518	1.41
	32,800,949	49.13

**PARMELIA RESOURCES LTD (FORMELY SENTOSA MINING LIMITED) AND ITS
CONTROLLED ENTITIES**
ABN 48 142 901 353
FINANCIAL REPORT 30 JUNE 2014

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

- 2** The name of the Company Secretary is Jay Richard Stephenson.
- 3** The address of the principal registered office in Australia is Level 4, 66 Kings Park Road WA 6005. Telephone (08) 6141 3500.
- 4 Registers of securities are held at the following addresses**
Computershare Investor Services Limited
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth, Western Australia 6000
- 5 Securities Exchange Listing**
Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited.
- 6 Unquoted Securities**
15,941,667 Options, exercise price of 15 cents, expiring 15 November 2016
4,500,000 Options, exercise price of 6.5 cents, expiring 31 October 2016
- 7 Use of Funds**
The Company has used its funds in accordance with its initial business objectives.

TENEMENT SCHEDULE

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