

ABN: 67 072 595 576

MAWSON WEST LTD

Annual Report for the Year Ended 30 June 2011

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Corporate Information

This Annual Report is of the consolidated entity comprising Mawson West Limited and its subsidiaries (the Group).

At 1 July 2010 all companies in the Group adopted the US Dollar as the functional and presentation currency. Unless otherwise stated, all amounts in the Annual Report are in US Dollars.

An entity's functional currency is the currency of the primary economic environment in which the entity operates. The economic entity now has a significant US Dollar revenue stream and most of its costs are paid in US Dollars. Consequently the directors determined that the functional currency of the Company and all its subsidiaries is US Dollars. The change in functional currency was applied with effect from 1 July 2010 in accordance with the requirements of accounting standards.

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report on pages 5 to 14. The directors' report is not part of the financial report.

Directors

Mark Stowell (Non Executive Chairman)
Anthony Lloyd (Non-Executive Deputy Chairman)
Michael Lawlor (Non-Executive Director)
Louis Rozman (Non-Executive Director)
David Frances (Chief Executive)
Jonathan Asquith (Executive Director)
Glenn Zamudio (Executive Director)

Company Secretary

Jonathan Asquith

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Australia

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Share Registrar

Computershare
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Australia

CHAIRMAN'S LETTER

Dear Shareholder

It is with pleasure that we present the 2011 Annual Report, our first since successfully listing on TSX in March this year.

The Company reached a few major milestones in the 2010-2011 financial year, being:

- our first year of copper and silver production in DRC,
- first year of operating profit from the mine site of \$11.9m EBITDA,
- the completion of equity financings of C\$120m to fully fund the building of the Kapulo Mine and expand the Dikulushi mine, as well as fund a major regional exploration program over our large land holdings (over 7,000km sq),
- finalisation of the Kapulo Mine Definitive Feasibility Study with solid NPV and robust operating parameters,
- spin off our Australian exploration assets into a new ASX listing with \$4m raised to progress those gold projects, whilst retaining a 32% interest.

Internally the Company's staff numbers continue to grow to manage the expanding projects, and operations in Africa. Our team is currently over 1,000 people including part time and casuals, most of whom are local to the mine areas. This is great for the local areas and employees who are benefitting with jobs and training, almost none of which were available in the region before our involvement.

Internationally, the copper market year on year is interesting: from \$2.80 per lb in 2009, to \$3.32 per lb 2010, and \$3.34 per lb at the time of writing. Longer term the outlook remains solid, however caution is still required. With the grades of our deposits, and continued tight rein on operating costs, the Company's projects are likely to be robust in most copper price regimes.

On behalf of the Board and shareholders we would again like to thank all of the management, staff, consultants, and advisers, in Australia, Africa and Canada for their excellent efforts and dedication, resulting in a very successful year achieving all significant milestones. Also thanks to a number of our larger shareholders for their continued support and guidance.



Mark Stowell
Chairman
27 September 2011

Directors' Report

Your directors submit their report for the year ended 30 June 2011. All Dollar amounts in this report are in US Dollars unless otherwise indicated.

Directors

The names and details of the directors of Mawson West Ltd ("the Company" or "the Parent") in office during the financial year and until the date of this report are as set out below. Directors were in office for the entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Mark Stowell B.Bus CA (Non-executive Chairman)

Mr Stowell has been involved in the public company corporate sector for over 20 years, formerly as a manager in the Corporate division of an international accounting firm and subsequently in the establishment and management of a number of successful ventures as principal. These include Allight Pty Ltd (engineering, generators, lighting and hire), Anvil Mining Ltd (copper mining - DRC), Incremental Petroleum Ltd (oil and gas production – Turkey). During the past three years Mr Stowell has served as a director of Incremental Petroleum Ltd, Incremental Oil and Gas Ltd, Kula Gold Ltd and Orrex Resources Ltd.

Anthony Lloyd MBA BSc (Hons) (Non-Executive Deputy Chairman)

Mr Lloyd has over 35 years experience in corporate finance and private equity financing both as a principal and advisor in a broad range of public and private market transactions. He has served as an executive with Slater, Walker of Canada Ltd., Harlequin Enterprises, and Cavendish Investing, and from 1985 to 2000 he was a Senior Partner of Capital Canada Limited, a Toronto-based investment bank. He currently is President of Rivenhall Capital Limited, a private financial advisory firm. He has been a corporate director since 2001 and subsequently a board member of a number of public and private companies principally involved in the mining, minerals exploration and shipping industries. He currently serves as Chair of PC Gold Inc. and as a director of Legend Gold Corp. He is on the Board of the S-Vox Foundation and is a past President of The Learning Disabilities Association of Ontario. Mr. Lloyd graduated from The Royal School of Mines in 1968 with a B.Sc. (Hons.) in mining engineering, and in 1972 with an MBA from Columbia University. He holds the ICD.D designation from The Institute of Corporate Directors.

Michael Lawlor BEng MEngSc (Non-Executive director) (Appointed 7 April 2010)

Mr Lawlor holds the position of Manager Group Technical Services at Anvil Mining Ltd ("AVM"). Mr Lawlor has had 25 five years of experience as a mining engineer and joined AVM in July 2007 following a period of almost ten years as a Principal Mining Consultant and Division Manager for Snowden Mining Industry Consultants in Perth, Western Australia. Mr Lawlor has a Bachelor of Engineering (Mining) degree from the WA School of Mines and a Master of Engineering Science (Mining Geomechanics) degree from James Cook University. He holds additional qualifications in Mineral Economics and Project Management, is a Fellow of the Australasian Institute of Mining and Metallurgy and also a Chartered Engineer of the Institution of Engineers, Australia.

Louis Rozman BEng MGeos (Non-Executive director)

Mr Rozman is a Mining Engineer and executive with 30 years experience operating and constructing projects in Africa, Australia and PNG. Mr Rozman was Chief Operations Officer of Aurion Gold Limited and was instrumental in the development of its predecessor, Delta Gold Limited. Mr Rozman is currently Investment Director of Pacific Road Capital Management Pty Ltd, and Director of Kula Gold Ltd, Timmins Gold Corp, Pacific Energy Ltd and Carbon Energy Ltd. Mr Rozman is a Fellow and chartered Professional (Management) of the Australasian Institute Mining and Metallurgy and a Member of the Australian Institute of Company Directors. He has a B.Eng (Mining) degree from the University of Sydney and a Masters of Geoscience (Min Economics) from Macquarie University.

David Frances BSc Hons (Managing Director)

Mr Frances has over 15 years experience in multi-commodity mineral exploration, project evaluation, project finance, development and mining in Australia, China, North America, Africa and New Zealand. A team leader in the delineation and development of the complex Challenger gold deposit (Dominion Mining). Mr Frances brings to the Company considerable experience in management of, and strategic planning for projects from discovery to production. During the past three years Mr Frances has served as a director of Orrex Resources Ltd.

Jonathan Asquith BA (Hons) CA MBA (Executive Director, CFO, Company Secretary)

Mr Asquith is a chartered accountant with over 20 years corporate experience with major international accounting firms and commercial enterprises. He has held senior executive positions with a number of public and listed Australian companies. Mr Asquith completed a Masters of Business Administration at the University of Western Australia and brings to the Company considerable experience in managing and strategic planning of developing businesses.

Glenn Zamudio BSc MBA CFA (Executive Director)

Mr Zamudio has five years process and project engineering experience from feasibility through to commissioning. Mr Zamudio has 10 years merchant banking experience initially as a quantitative analyst and then in the investment banking division of a South African bank. For the past four years he has managed private businesses in Australia. Mr Zamudio brings to the Company a diverse set of skills with African and local exposure which complements the Board.

Directors' interests in the shares and options of the Company

As at the date of this report, the interests of the directors in the shares and options of Mawson West Limited were:

Director	Ordinary Shares	Unlisted Options A\$0.80	Unlisted Options A\$ 1.20	Unlisted Options C\$ 1.80
M Stowell	3,200,865	375,000	387,500	-
A Lloyd	425,000	100,000	125,000	-
M Lawlor (i)	-	-	-	32,500
L Rozman (ii)	-	-	-	-
D Frances	948,752	625,000	562,500	-
J Asquith	898,862	75,000	75,000	-
G Zamudio	778,846	250,000	487,500	-

- (i) Mr Lawlor is a senior executive of Anvil Mining Ltd. Anvil Mining Ltd owns 20,767,500 shares in the Company
- (ii) Mr Rozman is an associated party of Pacific Road Capital. Pacific Road Capital and associated parties own 17,833,333 shares and 216,667 options in the Company

Principal Activities

The principal activities during the year of entities within the consolidated entity are mineral exploration and development. There has been no significant change in the nature of these activities during the year. The Group commenced production of copper concentrate at Dikulushi in July 2010.

Review of operations:
Democratic Republic of Congo: Dikulushi Copper Project

During the year the Group undertook copper-concentrate production sourced from stockpiled ore at the Dikulushi mine site in the Democratic Republic of Congo.

Revenue from sales of concentrate for the year was \$44,648,985 and the gross margin from operations was \$14,534,006.

In addition the Company undertook feasibility studies into the possible sourcing of further ore at the Dikulushi mine site by re-commencing mining operations. Following positive feasibility results it was decided to expand the existing pit by a way of a cutback to access ore. The cut-back processes commenced in June 2011 and it is anticipated that ore from the pit will be available for processing in the second half of 2012.

Democratic Republic of Congo: Kapulo Project.

During the year the Group continued to evaluate the feasibility of commencing mining and processing operations at Kapulo in the Democratic Republic of Congo.

Following a positive feasibility study in June 2011 the Group decided to commence the construction of the mining infrastructure at the site.

Western Australia: Orrex Resources Ltd

During the year Orrex Resources Ltd (“Orrex”) made a successful initial public offer and became listed on the Australian Securities Exchange. The Company currently holds a 32.7% interest in Orrex.

Operating Results for the year

The Group’s operating profit after income tax and non-controlling interests for the year was \$5,827,727 (2010: \$5,420,045). The Group’s basic earnings per share for the year was \$5.94 cents (2010: \$10.61 cents).

Review of financial condition

Liquidity and Capital Resources

The consolidated cash flow statement illustrates that there was an increase in cash and cash equivalents in the year ended 30 June 2011 of \$110,952,607 (2010: Increase \$ 3,802,984). An analysis of the components of the increase are detailed in the consolidated statement of cash flows.

Asset and capital structure

Subsequent to the end of the financial year the Group entered into a finance lease in relation to drilling equipment for use in the Dikulushi cutback totalling \$2,550,000. Except for the foregoing, the Group has no debt or borrowings other than usual trade creditors paid on normal commercial terms.

Share issues during the year and to the date of this report

The number of shares on issue at 30 June 2011 was 143,300,811 (2010: 312,344,116 before 1:4 capital consolidation). This change is the result of issues of shares during the year and a 1:4 capital consolidation effected in January 2011.

Share options

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

Date of Expiry	Exercise Price	Number under option
22 August 2013	A\$ 0.80	1,656,250
22 August 2013	A\$ 1.20	1,800,000
8 April 2015	\$ 0.60	917,500
8 April 2015	C\$ 1.20	357,500
16 September 2012	C\$ 1.20	216,667
8 April 2015	C\$ 1.80	150,000
22 August 2013	C\$ 1.80	32,500
21 December 2012	C\$ 2.00	1,160,000

Dividends

The directors do not recommend that a dividend be paid. Since the end of the previous financial year, no dividend has been paid.

Risk management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities are identified on a timely basis and that the Group’s objectives and activities are aligned with the risks and opportunities identified by the Board.

The Group believes it is crucial for all Board members to be part of this process and as such the Board has not established a separate risk management committee and the Board as a whole acts in that role.

Significant changes in the State of Affairs

There were no significant changes in the state of affairs of the group during the financial year other than as disclosed elsewhere in this report.

Environmental Regulation and Performance

The Group's activities are subject to environmental regulations under either Commonwealth or State legislation. However, the Board believes that the group has adequate systems in place for the management of its environmental requirements in Australia and in the other countries in which it operates and is not aware of any breach of those environmental requirements as they apply to the Group.

Significant events after the balance date

The Group has entered into a memorandum of understanding with Senet Pty Ltd by which Senet Pty Ltd will provide technical services to advance the Kapulo Project. The indicative costs of the Kapulo Project are \$70,499,756. Construction of camp facilities at Kapulo has commenced. The Group has also commenced the cut-back earthmoving at the Dikulushi mine site. Except for the foregoing there were no significant events after the balance date.

Likely developments and expected results

The Group will continue to focus on mineral exploration and development opportunities, in particular the development of production of copper concentrate from the Dikulushi cutback and the Kapulo Project.

Indemnification and insurance of directors and officers

The Company has entered into Director and Officer Protection Deeds (Deed) with each Director and the Company Secretary (officers). Under the Deed, the Company indemnifies the officers to the maximum extent permitted by law and the Constitution against legal proceedings, damage, loss, liability, cost, charge, expense, outgoing or payment (including legal expenses on a solicitor/client basis) suffered, paid or incurred by the officers in connection with the officers being an officer of the Company, the employment of the officer with the Company or a breach by the Company of its obligations under the Deed. The premium for Directors and Officers cover for the year was \$37,751.

The Company has not provided any insurance or indemnification for the Auditor of the Company.

Remuneration Report (Audited)

The remuneration report outlines the director remuneration and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company, and includes the five executives in the Company and the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the chief executive, senior executives, general managers and secretaries of the Company and the Group.

Details of key management personnel (including the five most highly remunerated officers (other than the directors of the Group))

The directors of Mawson West Limited during the financial year were:

- Mark Stowell (Chairman)
- Anthony Lloyd (Non-Executive Deputy Chairman)
- Michael Lawlor (Non-Executive Director)
- Louis Rozman (Non-Executive Director)
- David Frances (Managing Director)
- Jonathan Asquith (Executive Director/CFO/Company Secretary)
- Glenn Zamudio (Executive Director)

The key management personnel and the five most highly remunerated officers of the Group (other than the directors) during the financial year were:

- Anton Joubert
- Quintin McClelland
- Carlos Dias
- Timothy Ireland

- Adam Anderson

Remuneration Policy

The performance of the Group depends on the quality of its key management and personnel. To prosper the Group must attract, motivate and retain highly skilled directors and executives.

To this end the Group embodies the following principles in its remuneration policy:

- Provide competitive rewards to attract high calibre executives;
- Link executive rewards to shareholder value;
- Significant proportion of executive compensation 'at risk', dependent upon meeting pre-determined targets; and
- Establishing demanding, appropriate performance hurdles in relation to variable executive compensation.

The members of the Company's remuneration committee are A Lloyd, M Stowell and L Rozman.

Non Executive Director Remuneration

Non Executive Directors' fees are determined within an aggregate fee pool limit, which is periodically recommended for approval by shareholders. This amount is separate from any specific tasks that the Directors may take on for the Group. The current aggregate fee pool limit approved by shareholders is A\$400,000. During the year the Group paid \$282,289 (2010: \$46,240) to an entity associated with Mr Stowell for special services.

Senior Executive Remuneration Policy

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

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

There are no fixed terms of employment in the senior executive employment agreements.

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

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

The Board may use its discretion with respect to the payment of bonuses, stock options, share purchase plans and other incentives.

During the previous year the Company granted 915,000 shares (228,750 post-consolidation shares) to two executive directors as additional remuneration.

Employment Arrangements and Termination and Change of Control Benefits

The Company has entered into employment agreements with Mr Frances, Mr Asquith and Mr Zamudio which provide for termination payments of two years' total salary for Mr Frances and one year's salary for each of Mr Zamudio and Mr Asquith in the event of a termination of employment due to a corporate takeover or merger. The amounts of such payments would be equal to A\$ 1,341,388

Remuneration of each Company director, the key management personnel and the five most highly remunerated officers of the Group (other than the directors)

June 2011	Short Term			Post Employment	Long Term	Equity	Total	Value of Equity based payments % of Remuneration
	Salary & Fees (i)	Non Monetary Benefits (ii)	Other Benefits (iii)	Super-annuation	Long Service Leave	Equity Based Payments (iv)		
Directors	\$	\$	\$	\$	\$	\$	\$	%
M Stowell	249,354	5,393	-	4,677	-	* 206,714	466,138	44%
A Lloyd	34,647	5,393	-	-	-	30,400	70,440	43%
M Lawlor	-	5,393	-	-	-	8,407	13,800	61%
L Rozman	34,647	5,393	-	-	-	-	40,040	0%
D Frances	334,091	5,393	41,997	19,773	8,087	**261,035	670,376	39%
J Asquith	196,961	5,393	22,955	16,956	1,227	**69,265	312,757	22%
G Zamudio	235,000	5,393	8,191	19,800	4,681	** 173,736	446,801	39%
Executives								
Anton Joubert	334,742	-	-	-	-	78,068	412,810	19%
Quintin McLennan	282,720	-	-	-	-	21,575	304,295	7%
Carlos Dias	266,992	-	-	-	-	87,376	354,368	25%
Tim Ireland	211,886	-	12,040	18,079	937	**91,073	334,015	27%
Adam Anderson	203,793	-	20,537	18,341	2,519	**66,489	311,679	21%
Total	2,384,833	37,751	105,720	97,626	17,451	1,094,138	3,737,519	29%

* Includes shares in lieu of consulting fees of \$84,905

** Includes shares issued in lieu of bonus payments totaling \$280,433

- (i) Included in Salary and Fees are amounts made available to related parties of directors. The amounts shown above in relation to directors include the provision of their services relating to other geologists and geological services and corporate services and administration.
- (ii) The cost of D&O insurance is split between the directors and is shown under Non Monetary Benefits
- (iii) Annual leave accrual movements are shown as Other Benefits.
- (iv) Benefits arose from the extension of expiry date of options, the grant of options and the vesting of options over the year and the issue of shares pursuant to the Employee Share Purchase Plan. On 20 January 2011, shareholders approved an extension of the expiry date of options held by directors and employees for two years. The options had exercise prices of A\$0.20 and A\$0.30. These exercise prices were subsequently changed as part of a capital re-construction to A\$0.80 and A\$1.20.

The Company received an independent valuation dated 26 November 2010 of the value of extending the expiry date for the A\$0.20 Options by two years. The valuation is based on the Black-Scholes option valuation model. The valuation amount is \$0.0368 per A\$0.20 Option. The valuation on a pre-consolidation basis is based on the following key assumptions:

- (a) Old option expiry date: 22 August 2011.
- (b) New option expiry date: 22 August 2013.
- (c) Underlying share price: A\$0.45
- (d) Option exercise price: Unchanged at A\$0.20 per option.
- (e) Risk free rate: 4.8%
- (f) Volatility: 70%
- (g) Dividend yield: nil.
- (h) A discount of 20% for non-marketability has been allowed

The Company also received an independent valuation dated 26 November 2010 of the value of extending the expiry date for the A\$0.30 by two years. The valuation is based on the Black-Scholes option valuation model. The valuation amount is \$0.0608 per A\$0.30 Option. The valuation on a pre-consolidation basis is based on the following key assumptions:

- (a) Old option expiry date: 22 August 2011.
- (b) New option expiry date: 22 August 2013.
- (c) Underlying share price: A\$0.45
- (d) Option exercise price: Unchanged at A\$0.30 per option.
- (e) Risk free rate: 4.8%
- (f) Volatility: 70%
- (g) Dividend yield: Nil
- (h) A discount of 20% for non-marketability has been allowed

The Company has received an independent valuation dated 13 December 2010 of the value of the 130,000 (pre-consolidation) options issued to Mr M Lawlor. The valuation is based on the Black-Scholes option valuation model. The valuation amount is \$0.1675 per Option. The valuation on a pre-consolidation basis is based on the following key assumptions:

- (a) Option expiry date: 22 August 2013.
- (b) Underlying share price: A\$0.45
- (c) Option exercise price: C\$ 0.45 per option.
- (d) Risk free rate: 5.0%
- (e) Volatility: 70%
- (f) Dividend yield: nil.
- (g) A discount of 20% for non-marketability has been allowed

For presentation purposes the derived values were translated to \$US at the \$US:A\$ exchange rate on 20 January 2011.

June 2010	Short Term			Post Employment	Equity	Total	Value of Equity based payments % of Remuneration
	Salary & Fees (i)	Non Monetary Benefits (ii)	Other Benefits (iii)	Super-annuation	Equity based payments (iv)		
	\$	\$	\$	\$	\$	\$	%
Directors							
M Stowell	97,316	998		4,597	66,226	169,137	39%
D Frances	230,134	998	14,949	20,712	211,562	478,355	44%
J Asquith	106,704	998	5,368	2,752	72,247	188,069	38%
G Zamudio	184,107	998	10,275	16,570	138,895	350,845	40%
A Lloyd	32,469	998	-	-	46,868	80,335	58%
L Rozman	17,408	998	-	-	-	18,406	0%
M Lawlor	6,898	998	-	-	-	7,896	0%
Executives							
A Anderson	177,875	-	6,432	16,009	60,206	260,522	23%
D Reid	101,687	-	-	9,151	27,018	137,856	20%
J Lloyd	88,650	-	-	-	9,234	97,884	9%
S Felderhof	76,034	-	5,716	6,843	-	88,593	0%
V Da Silva	70,814	-	4,074	6,374	6,021	87,283	7%
Total	1,190,096	6,986	46,814	83,008	638,277	1,965,181	32%

- (i) Included in Salary and Fees are amounts made available to related parties of directors. The amounts shown above in relation to directors include the provision of their services relating to other geologists and geological services and corporate services and administration.
- (ii) The cost of D&O insurance is split between the directors and is shown under Non Monetary Benefits
- (iii) Leave accrual movement is shown as Other Benefits.

- (iv) Employee options, shares issued pursuant to the Employee Share Purchase Plan and share issues in lieu of salary have been issued throughout the year as part of the remuneration philosophy of the Company. The value of the options and shares issued pursuant to the Employee Share Purchase Plan has been calculated using the Black-Scholes model. Included are amounts of share issues to associated parties of Mr Frances and Mr Zamudio of 610,000 and 305,000 (A\$0.14 per share) respectively in lieu of additional remuneration.

Analysis of movement in shares issued to directors pursuant to Share Purchase Plan

On 7 April 2010 approval was received from shareholders to the following allotment of shares to directors at \$0.15 per share pursuant to the Share Purchase Plan.

Director	Number of Shares (pre capital reconstruction)	Implied option value \$
Mark Stowell, or his nominees	1,100,000	\$71,500
Anthony Lloyd, or his nominees	700,000	\$45,500
David Frances, or his nominees	2,100,000	\$136,500
Jonathan Asquith, or his nominees	1,200,000	\$78,000
Glenn Zamudio, or his nominees	1,600,000	\$104,000
Total	6,700,000	\$435,500

The purchase of the shares was funded by limited recourse loans. The loans are for a period of five years from the date of allotment.

The implied option value of the shares issued pursuant to the Share Purchase plan at the grant date (8 April 2010) was \$0.065 per option. The implied option value has been calculated using the Black-Scholes option pricing model as follows:

Weighted average exercise price:	\$0.15
Weighted average life of options:	5.0 years
Underlying share price:	\$0.15
Expected volatility:	70%
Risk free interest rate:	4.91%

Analysis of movements in options

The movement during the current period of options over ordinary shares in the Company held by each Company director and the five most highly remunerated officers of the Group (other than the directors) is shown below

The changes occurred as a result of resolutions passed at a meeting of shareholders on 20 January 2011 by which the expiry date of certain options held by directors was extended from 22 August 2011 to 22 August 2013. At the same meeting shareholders approved a 1:4 capital consolidation. In accordance with the consolidation the number of options held was reduced in a 1:4 ratio and the exercise price of the options increased in a 1:4 ratio.

Year ended 30 June 2011	Change of Terms and Conditions for each Grant (post-consolidation)						
	Reduction in number of options No.	Date	Valuation of benefit of extension of expiry date (note 7)	Revised exercise price (note 7)	Expiry Date Extended to	First Exercise Date	Last Exercise Date
M Stowell	(562,500)	20/1/2011	\$27,567	A\$0.80	22/8/ 2013	31/07/08	22/8/ 2013
M Stowell	(1,162,500)	20/1/2011	\$94,242	A\$1.20	22/8/ 2013	31/07/08	22/8/ 2013
D Frances	(750,000)	20/1/2011	\$36,757	A\$0.80	22/8/ 2013	31/07/08	22/8/ 2013
D Frances	(1,687,500)	20/1/2011	\$136,802	A\$1.20	22/8/ 2013	31/07/08	22/8/ 2013
J Asquith	(75,000)	20/1/2011	\$3,676	A\$0.80	22/8/ 2013	31/07/08	22/8/ 2013
J Asquith	(225,000)	20/1/2011	\$18,240	A\$1.20	22/8/ 2013	31/07/08	22/8/ 2013
G Zamudio	(1,462,500)	20/1/2011	\$118,562	A\$1.20	22/8/ 2013	27/2/2007	22/8/ 2013
A Lloyd	(375,000)	20/1/2011	\$30,400	A\$1.20	22/8/ 2013	5/6/2007	22/8/ 2013
L Rozman	-	-	-	-	-	-	-
M Lawlor	-	-	-	-	-	-	-

All options were 100% vested.

In addition, options were granted to a director during the year as follows:

Terms and Conditions for each Grant (post-consolidation)								Vested	
Year ended 30 June 2011	Granted No.	Grant Date	Fair Value Per Option at Grant Date (\$) (note 7)	Exercise Price Per Option (note 7)	Expiry Date	First Exercise Date	Last Exercise Date	No.	%
M Lawlor	32,500	20/1/2011	0.67	C\$ 1.80	22/8/2013	20/2/2012	22/8/2013	nil	nil

During the year there were no shares issued on the exercise of compensation options.

The movement during the previous year of options over ordinary shares in the Company held by each Company director and the five most highly remunerated officers of the Group (other than the directors):

Terms and Conditions for each Grant (Pre-consolidation)								Vested	
Year ended 30 June 2010	Granted No.	Grant Date	Fair Value Per Option at Grant Date (\$) (note 7)	Exercise Price Per Option (note 7)	Expiry Date	First Exercise Date	Last Exercise Date	No.	%
J Lloyd	800,000	8/4/2010	\$0.065	\$ 0.15	8/4/2015	8/4/2011	8/4/2015	-	-

During the previous year there were no shares issued on the exercise of compensation options.

Summary of movements in options over ordinary shares in the Company held by each Company director and the five most highly remunerated officers of the Group (other than the directors) by value for the year ended 30 June 2011.

	Latest exercise date extended in year \$	Granted in year \$	Value of Options Exercised in year \$	Lapsed in Year \$
M Stowell	121,809	-	-	-
A Lloyd	30,400	-	-	-
M Lawlor	-	21,775	-	-
D Frances	173,559	-	-	-
J Asquith	21,916	-	-	-
G Zamudio	118,562	-	-	-
A Anderson	18,378	-	-	-
	484,624	21,775	-	-

Summary of movements in options over ordinary shares in the Company held by each Company director and the five most highly remunerated officers of the Group (other than the directors) by value for the year ended 30 June 2010

	Granted in year A\$	Value of Options Exercised in year A\$	Lapsed in Year A\$
J Lloyd	56,246*	-	-
	56,246	-	-

*Subject to achievement of KPI's

Committee Memberships

Memberships of Board committees by independent Board members is as follows:

Director	Audit committee	Remuneration and nomination committee	Corporate governance committee
M Stowell	x	x	
A Lloyd	x	x	x
L Rozman		x	x
M Lawlor	x		x

Directors' Meetings

The number of meetings of directors held during the year and the numbers of meetings attended by each director were as follows:

DIRECTORS	DIRECTORS MEETINGS		DIRECTORS	DIRECTORS MEETINGS	
	HELD	ATTENDED		HELD	ATTENDED
Mr M Stowell	9	9	Mr A Lloyd	9	8
Mr D Frances	9	8	Mr L Rozman	9	6
Mr J Asquith	9	7	Mr M Lawlor	9	4
Mr G Zamudio	9	8			

Directors' benefits

No director of the Company has received or become entitled to receive a benefit because a contract that the director or a firm of which the director is a member or an entity in which the director has a substantial financial interest made with the Company or an entity that the Company controlled, or a body corporate that was related to the Company, when the contract was made or when the director received, or became entitled to receive the benefit, other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors shown in Note 6 to the Financial Statements.

Number of Employees

The number of employees at 30 June 2011 is 602 (2010:228)

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 Consolidated Entity is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Auditor Independence Declaration to the Directors of Mawson West Limited

The auditor's independence declaration for the year ended 30 June 2011 has been received and is to be found on page 61.

Non-Audit Services

During the year \$149,895 was paid to Stantons International Securities, a related entity of Stantons International for the provision of non-audit services in respect of independent experts reports and audit reviewed financial information included in the prospectuses issued by the Company (2010: \$36,088). The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors enforced by the Corporations Act as the Board is satisfied that these services do not adversely affect the integrity and objectivity of the auditor.

This report is signed in accordance with a resolution of the directors, made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the directors



Jonathan Asquith
Director
27 September 2011

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011**

	<u>Notes</u>	30-Jun-11 \$	Supplementary Information Note 2 (e) 30-Jun-10 \$
Current Assets			
Cash and cash equivalents	9	117,103,972	6,151,365
Trade and other receivables	10	3,684,141	331,492
Inventories	11	7,289,764	547,495
Other financial assets	12	4,330,490	-
Total Current Assets		<u>132,408,367</u>	<u>7,030,352</u>
Non current Assets			
Investments accounted for using equity method	13	2,110,491	-
Other financial assets	12	618,410	368,410
Mining development assets	14	32,838,198	2,130,234
Exploration assets	15	958,612	25,535,732
Plant and equipment	16	6,995,875	3,949,576
Total Non current Assets		<u>43,521,586</u>	<u>31,983,952</u>
Total Assets		<u>175,929,953</u>	<u>39,014,304</u>
Current Liabilities			
Trade and other payables	17	6,509,227	901,380
Loans and borrowings	18	531,250	-
Income tax payable	5	552,051	-
Provisions	19	258,477	88,152
Total Current Liabilities		<u>7,851,005</u>	<u>989,532</u>
Non-Current Liabilities			
Loans and borrowings	18	2,018,750	-
Deferred taxation	20	691,904	-
Provisions	19	1,134,846	1,112,164
Total Non-Current Liabilities		<u>3,845,500</u>	<u>1,112,164</u>
Total Liabilities		<u>11,696,505</u>	<u>2,101,696</u>
Net Assets		<u>164,233,448</u>	<u>36,912,608</u>
Equity			
Equity attributable to equity holders of the parent			
Contributed Equity	21	165,375,271	46,891,487
Reserves	22	4,063,133	2,149,040
Accumulated Losses	23	(9,014,917)	(14,842,644)
		160,423,487	34,197,883
Non-controlling interests	24	3,809,961	2,714,725
Total Equity		<u>164,233,448</u>	<u>36,912,608</u>

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011**

	<u>Notes</u>	2011 \$	Supplementary Information Note 2 (e) 2010 \$
Revenue	4a	44,648,985	-
Operating expenses		(26,233,896)	-
Amortisation of capitalised costs	14	(1,436,886)	-
Depreciation		(2,444,197)	-
Gross margin		<u>14,534,006</u>	<u>-</u>
Cost of surrendered tenements		-	(118,252)
Depreciation – other		(180,126)	(109,357)
Other income	4(e)	230,729	67,494
Loss on derivative instruments		(99,655)	-
Gain on disposal of subsidiary	4(b)	1,219,352	-
Exploration expenses	15	(1,361,784)	(1,582,199)
Foreign exchange (losses)/gains		683,833	59,063
Provisions against doubtful debts	10	(792,652)	-
Share of net loss of associate	13	(244,875)	-
Discount on acquisition of business combinations	34	1,299,021	11,059,433
Share based payments		(1,350,843)	(878,612)
General, administration, corporate and marketing		(5,869,580)	(3,264,093)
Profit before income tax		<u>8,067,426</u>	<u>5,233,477</u>
Income tax (expense)/benefit	5	(980,119)	145,464
Profit after tax		<u>7,087,307</u>	<u>5,378,941</u>
Other comprehensive income for the year			
Foreign currency translation differences		86,885	2,038,323
Total comprehensive Income		<u>7,174,192</u>	<u>7,417,264</u>
Net profit/(loss) attributable to non-controlling interests		1,259,580	(41,104)
Net profit/(loss) attributable to the members of Mawson West Limited	23	<u>5,827,727</u>	<u>5,420,045</u>
		<u>7,087,307</u>	<u>5,378,941</u>
Total comprehensive income attributable to non-controlling interest		1,259,580	237,454
Total comprehensive income attributable to members of Mawson West Ltd		<u>5,914,612</u>	<u>7,179,810</u>
		<u>7,174,192</u>	<u>7,417,264</u>
Basic Earnings Per Share attributable to the members of Mawson West Limited (cents)	25	<u>5.94</u>	<u>10.61</u>
Diluted Earnings Per Share attributable to the members of Mawson West Limited (cents)		<u>5.84</u>	<u>10.61</u>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011**

	Issued capital	Accumulated losses	Other reserves	Non-controlling interests	Total equity
	\$	\$	\$	\$	\$
At 30 June 2010	46,891,487	(14,842,644)	2,149,040	2,714,725	36,912,608
Profit attributable to members of the Group	-	5,827,727	-	1,259,580	7,087,307
Other comprehensive income:					
Foreign currency reserve	-	-	66,454	20,431	86,885
Total comprehensive income for the period	-	5,827,727	66,454	1,280,011	7,174,192
Deconsolidation of subsidiary			(232,637)	(184,775)	(417,412)
Shares issued/to be issued for cash	127,900,377	-	-	-	127,900,377
Capital raising costs	(9,416,593)	-	87,184	-	(9,329,409)
Share equity reserve	-	-	134,718	-	134,718
Costs of share based payment	-	-	1,858,374	-	1,858,374
At 30 June 2011	165,375,271	(9,014,917)	4,063,133	3,809,961	164,233,448

Supplementary Information
Note 2 (e)

At 1 July 2009	25,509,341	(21,801,660)	987,006	-	4,694,687
Profit attributable to members of the Group	-	5,420,045	-	(41,104)	5,378,941
Other comprehensive income	-	-	1,759,765	278,558	2,038,323
Total comprehensive income for the year		5,420,045	1,759,765	237,454	7,417,264
Shares issued/to be issued for cash	9,430,142	-	-	215,790	9,645,932
Shares issued to acquire mineral interests	11,524,870	-	-	-	11,524,870
Shares issued in lieu of remuneration	127,695	-	-	-	127,695
Capital raising costs	(578,404)	-	-	-	(578,404)
Share equity reserve	-	-	532,746	-	532,746
Costs of share based payment	-	-	355,894	62,451	418,345
Non-controlling interests arising on subsidiary acquisitions	-	-	-	2,251,630	2,251,630
Gain on partial de-consolidation of subsidiary	-	52,600	-	(52,600)	-
Foreign exchange differences	-	1,486,371	(1,486,371)	-	-
	46,013,644	(14,842,644)	2,149,040	2,714,725	36,034,765
Shares to be issued	877,843	-	-	-	877,843
At 30 June 2010	46,891,487	(14,842,644)	2,149,040	2,714,725	36,912,608

The above Consolidated Statements of Changes in Equity is to be read in conjunction with the accompanying notes

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011**

	<u>Notes</u>	2011 \$	Supplementary Information Note 2 (e) 2010 \$
Cash flows from operating activities			
Other revenue		263,836	-
Receipts from customers		40,657,354	-
Payments to suppliers and employees		(32,999,255)	(2,512,238)
Interest received		151,319	56,113
Net cash from/(used) in operating activities	26	<u>8,073,254</u>	<u>(2,456,125)</u>
Cash flows from investing activities			
Payments for exploration		(9,053,349)	(1,787,106)
Payments for investment in associated company	13	(32,647)	-
Payments for plant and equipment		(2,876,456)	(294,318)
Payments for development	14	(305,237)	(1,929,293)
Hedge margin deposit and other deposits		(1,580,490)	-
Proceeds from sale of investment		-	199,431
Loan advanced to third party		(3,000,000)	-
Net cash from/(used) in investing activities		<u>(16,848,179)</u>	<u>(3,811,286)</u>
Cash flows from financing activities			
Proceeds from issue of shares		127,398,032	10,070,393
Capital raising costs		(8,406,373)	-
Net cash provided by financing activities		<u>118,991,659</u>	<u>10,070,393</u>
Net increase in cash and cash equivalents		110,216,734	3,802,982
Cash and cash equivalents at the beginning of year		6,151,365	2,348,383
Exchange differences on cash balances held		858,716	
Cash in de-consolidated subsidiary		(122,843)	-
Cash and cash equivalents at end of year	9	<u>117,103,972</u>	<u>6,151,365</u>

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. CORPORATE INFORMATION

The financial report of Mawson West Limited (the Company) for the financial year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 27 September 2011. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprises the Company and its subsidiaries (“Group”).

Mawson West Limited is a company limited by shares incorporated in Australia whose shares ceased being publicly traded on the Australian Securities Exchange on 17 June 2009. The Company’s shares commenced trading on the Toronto Stock Exchange on 24 March 2011

Separate financial statements for Mawson West Ltd as an individual entity are no longer presented as the consequence of a change in the Corporations Act 2001, however required financial information for Mawson West Ltd as an individual entity is included in Note 35.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies that have been adopted in the preparation of this financial report are:

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards including Australian Interpretations. The financial report has also been prepared on a historical cost basis and accrual accounting, modified where applicable by the measurement of selected financial assets and financial liabilities at fair value. The financial report is presented in Australian dollars.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The Company has adopted all new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current year. Disclosures required by the Standards that are deemed material have been included in this Financial Statement on the basis that they represent significant changes in information from that previously made available and are detailed below:

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of financial statements. Changes reflected in this financial report include:

- the replacement of the Income Statement with the Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of other comprehensive income. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income; and
- other financial statements are renamed in accordance with the Standard.

Other accounting standards which are effective for this accounting period include AASB 3 – Business Combinations and AASB 8.

Segment Reporting

The entity has applied AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires the entity to identify operating segments and disclose segment information on the basis of internal reports that are provided to, and reviewed by, the chief operating decision maker of the Company to allocate resources and assess performance. In the case of the Company, the chief operating decision maker is the Board of Directors. Operating segments now represent the basis on which the Company reports its segment information to the Board on a monthly basis. The change in policy has not resulted in a change to the disclosure presented.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Business combinations

Revised AASB 3 Business Combinations and AASB 127 Consolidated and Separate Financial Statements apply prospectively from 1 July 2009. Changes introduced by these standards which have affected the Company include the following:

- Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation;
- Any non-controlling interest (previously known as minority interest) in an acquiree is measured at either fair value or as the non-controlling interests proportionate share of net identifiable assets of the acquiree;
- The acquirer is prohibited from recognising contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability;
- Consideration for the acquisition, including contingent consideration, must be measured at fair value at acquisition date. Subsequent changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments but are rather recognised in accordance with other Australian Accounting Standards as appropriate;
- The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity; and
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.

New Accounting Standards for application in future periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Company follows;

AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Group has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a "related party" to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Group

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013).

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

- Tier 1: Australian Accounting Standards; and
- Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (ie full FRS):

- for-profit private sector entities that have public accountability; and
- the Australian Government and state, territory and local governments.

Since the Group is a for-profit private sector entity that has public accountability, it does not qualify for the reduced disclosure requirements for Tier 2 entities.

AASB 2010-2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific "RDR" disclosures.

AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

AASB 2009-14: Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This Standard is not expected to impact the Group.

AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial Instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Group.

AASB 2010-5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139; 140, 1023 & 1038 and interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretation, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

AASB 2010-6: Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Group.

AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property. Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Group.

AASB 2010-9: Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1] (applies to periods beginning on or after 1 July 2011).

This Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards.

The amendments brought in by this Standard provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards.

Furthermore, the amendments brought in by this Standard also provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian-Accounting-Standards financial statements or to present Australian-Accounting-Standards financial statements for the first time.

This Standard is not expected to impact the Group.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

AASB 2010-10: Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9, and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

The amendments brought in by this Standard ultimately affect AASB 1: First-time Adoption of Australian Accounting Standards and provide relief for first-time adopters from having to reconstruct transactions that occurred before their transition date.

[The amendments to AASB 2009-11 will only affect early adopters of AASB 2009-11 (and AASB 9: Financial Instruments that was issued in December 2009) as it has been superseded by AASB 2010-7.]

This Standard is not expected to impact the Group.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Mawson West Limited ("Mawson West ") and its subsidiaries (as outlined in note 29) as at and for the period ended 30 June each year. Interests in associates are equity accounted and are not part of the Consolidated Entity.

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

The financial statements of the subsidiaries are prepared for the same reporting period as the parent Company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profits and losses resulting from infra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which Mawson West obtains control until such time as Mawson West ceases to control such entities.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non controlling interest in the acquiree. The identifiable assets acquired and liabilities assumed are measured at their fair values at the date of acquisition. Any difference between the fair value of the consideration and the fair values of the identifiable net assets acquired is recognised as goodwill or a discount on acquisition.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented with equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If Mawson West loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying value of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises and surplus or deficit in the statement of comprehensive income;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

The Consolidated Entity has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when a revised AASB 127 *Consolidated and Separate Financial Statements* became operative. The revisions to AASB 127 contained consequential amendments to AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*.

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Previously, transactions with non-controlling interests were treated as transactions with parties external to the Consolidated Entity. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously when the Consolidated Entity ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The Consolidated Entity has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

(d) 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, being the entity that obtains control of another business (the acquiree). 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 (refer to Note 2 l) 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 acquires.

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 statement of 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 off 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 statement of comprehensive income 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 statement comprehensive income.

(e) Foreign currency translation

Functional and presentation currency

Until 30 June 2010, both the functional and presentation currency of Mawson West Limited and its Australian subsidiaries was Australian dollars. Each entity in the Group determined its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional

**NOTES TO THE FINANCIAL STATEMENTS
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currency for the Zambian subsidiary was Zambian Kwacha (ZMK). The functional currency for the DRC subsidiary was the US Dollar.

At 1 July 2010 all companies in the group adopted the US Dollar as the functional and presentation currency. All amounts included in the financial statements are in US Dollars unless otherwise indicated.

An entity's functional currency is the currency of the primary economic environment in which the entity operates. The economic entity now has a significant US dollar revenue stream and most of its costs are paid in US Dollars. Consequently the directors determined that the functional currency of the Company and all its subsidiaries is US dollars. The change in functional currency was applied with effect from 1 July 2010 in accordance with the requirements of accounting standards.

Following the change in functional currency Mawson West Ltd has elected to change its presentation currency from Australian Dollars to US dollars. The directors believe that changing the presentation currency to US dollars will enhance comparability with its industry peer group, a majority of which report in US dollars.

To give effect to the change in functional currency and presentation currency all balances of entities with an Australian dollar functional currency at 30 June 2010 were converted into US dollars at a fixed exchange rate on 1 July 2010 of US\$1:A\$1.1678, and comparative financial information has been translated at this rate.

(f) Taxation

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

(g) Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, or available-for-sale assets. When financial assets are recognised initially, they are measured at fair value, plus in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and when allowed and appropriate re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

(i) Financial assets at fair value through profit or loss

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

(ii) Held- to- maturity investments

Non derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through amortisation process.

(iii) Loans and receivables

Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

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

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

(h) Interest in a jointly controlled operation

A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than the establishment of a separate entity. The Group recognises its interest in the jointly controlled operation by recognising the assets that it controls and the liabilities that it incurs. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation.

(i) Plant and equipment

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Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land and buildings are measured at fair value less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows: Plant and equipment over 5 to 10 years.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. 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.

(j) Exploration and evaluation expenditure

Expenditure incurred during exploration and the early stages of evaluation of new areas of interest is written off as incurred.

Costs of acquisition and development of exploration areas of interest are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

(k) Development properties

Where projects have advanced to the stage that directors have made a decision to mine or commence mineral processing, they are classified as development properties. When further development expenditure is incurred in respect of a development property, such expenditure is carried forward as part of the cost of that development property only when substantial future economic benefits are established. Otherwise such expenditure is classified as part of the cost of production or written off where production has not commenced.

When production commences, carried forward development costs are amortised on a units of production basis over the life of economically recoverable reserves.

Development properties are assessed for impairment if facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, development assets are allocated to cash-generating units to which the development activity relates. The cash generating unit shall not be larger than the area of interest.

(l) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(m) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(n) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The plan in place that provides these benefits is the Employee Share Purchase Plan (ESPP), which provides benefits to directors and employees. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by the Company using the Black-Scholes option valuation model.

The value of shares issued to directors and employees by way of a non-recourse loan under the Employee share Purchase Plan is recognized with a corresponding increase in equity when the Company receives funds from either the employees re-paying the loan or upon loan termination. All shares issued under the Plan with non-recourse loans are considered, for accounting purposes, to be options.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Mawson West Ltd ('market conditions').

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects

- (i) the extent to which the vesting period has expired and
- (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

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

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

The value of shares issued to directors/employees financed by way of limited recourse loans under the Share Purchase Plan is recognized with a corresponding increase in equity when the Company receives funds from either the employees repaying the loan or upon the loan termination. All shares issued under the plan with limited recourse loans are considered for accounting purposes to be options.

(o) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

(p) Foreign currency translation*(i) Functional and presentation currency*

Both the functional and presentation currency of Mawson West Limited and all its subsidiaries is US Dollars (\$).

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation.

These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss. On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

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

(iii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognized directly in equity. Since 1 July 2004, the Group's date of transition to AASBs, such differences have been recognized in the foreign currency translation reserve (FCTR). When the foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit and loss.

(q) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely

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independent of those from other assets or groups of assets and the assets value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is carried as a revaluation decrease).

The Company has performed impairment testing at 30 June 2011 for all assets based on the estimated discounted cash flows and concluded that no carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

(r) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of those goods and services.

(s) Share capital

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(t) Trade and other receivables

Debtors are carried at amounts due. The recoverability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(u) Employee leave benefits

Wages, salaries, annual leave and sick leave liabilities for wages and salaries, including non-monetary benefits and annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employee's services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(v) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). 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 expenses.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(w) Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when title passes to the customer. This generally occurs when product is physically transferred onto a vessel, train, conveyor or other delivery mechanisms. Revenue is measured at the fair value of the consideration received or receivable.

The following criteria are also applicable to other specific revenue transactions

Copper and silver in concentrate sales

Contract terms for the Group's sale of copper and silver in concentrate (metal in concentrate) allow for a price adjustment based on final assay results of the metal in concentrate by the customer to determine the final content. Recognition of sales revenue for these commodities is based on the most recently determined estimate of metal in

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

concentrate (based on initial assay results) and the spot price at the date of shipment, with a subsequent adjustment made upon final determination and presented as part of "Other Income".

The terms of metal in concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer (the 'quotation period'). Adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement can be between one and six months.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

(x) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to include any costs of servicing equity (other than dividends) and preference share dividends divided by the average weighted number of ordinary shares adjusted for any bonus element.

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

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses and;
- Other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and
- dilutive potential ordinary shares, adjusted for any bonus element.

(y) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(z) Rehabilitation provision

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant accounting judgements

Classification of valuation of investments

The Group has decided to classify investments in listed and unlisted securities as 'available-for-sale' investments and movements in fair value are recognised directly in equity. The fair value of listed shares has been determined by reference to published price quotations in an active market. The fair values of unlisted securities not traded in an active market are determined by an appropriately qualified independent valuer by projecting future cash flows from expected future dividends and subsequent disposal of the securities.

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment, including economic and political environments. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

Allowance for impairment loss on trade receivables

Where receivables are outstanding beyond the normal trading terms, the likelihood of the recovery of these receivables is assessed by management.

Evaluation of capitalised 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 future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes and changes to commodity prices. To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable, profits and net assets will be reduced in the period in which determination is made.

Estimation of useful lives of assets

The estimation of useful lives of assets has been based on historical experience as well as manufacturers' warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies (for motor vehicles). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary. Depreciation charges are included in note 16.

Contingencies (Note 27)

By their nature, contingencies will only be resolved when one or more uncertain future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Recovery of deferred tax assets

Judgment is required in determining whether deferred tax assets are recognised on the statement of financial position. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

Ore reserve and resource estimates

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

Mine rehabilitation provision

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognised as part of an asset measured in accordance with AASB 116 Property, Plant and Equipment. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the asset, the entity is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with AASB 136. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense. For closed sites, changes to estimated costs are recognised immediately in profit or loss. Also rehabilitation obligations that arose as a result of the production phase of a mine, should be expensed as incurred.

Units-of-production depreciation

Estimated recoverable reserves are used in determining the depreciation and / or amortisation of mine specific assets. This results in a depreciation / amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Numerous units-of-production (UOP) depreciation methodologies are available to choose from. The Group adopts a Run of the Mine (ROM) tonnes of ore produced methodology for mining costs and an ounces / pounds of metal produced methodology for post-mining costs. Changes are accounted for prospectively.

Exploration and evaluation expenditure (Note 15)

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is likely that future economic benefits are likely either from future exploitation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of a Joint Ore Reserves Committee (JORC) resource is itself an estimation process that requires varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in statement of comprehensive income in the period when the new information becomes available.

	Consolidated 2011 \$	Supplementary Information Note 2 (e) Consolidated 2010 \$
4. Revenues and Expenses		
Revenue and expenses from continuing operations		
Profit/(Loss) from ordinary activities before income tax includes the following items of revenue and expense.		
(a) Sales Revenue		
Copper silver concentrate sales	44,648,985	-
(b) Gain on disposal of subsidiary		
On 17 November 2010 Orrex Resources Ltd issued shares pursuant to an Initial Public Offer and ceased to be a subsidiary Company. The gain on disposal of Orrex Resources Ltd is calculated as:		
Fair value of investment of Orrex Resources Ltd on listing on Australian Securities Exchange (11,975,000 shares @ A\$0.20 each)		
	2,322,719	-
Consolidated carrying value of Orrex Resources Ltd on disposal	(1,103,367)	-
Gain on disposal	1,219,352	-
(c) Loss on derivative instruments		
Loss on copper price derivative instruments	99,655	-
(d) Discount on acquisition of business combination		
Additional discount on recognition of increased inventories at acquisition	1,299,021	-
(e) Other income		
Interest income	205,911	60,733
Other income	24,818	-
Profit on sale of investments	-	6,761
	230,729	67,494

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	Consolidated 2011 \$	Supplementary Information Note 2 (e) Consolidated 2010 \$
5. Income tax		
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from ordinary activities before income tax	8,067,426	5,233,477
Prima facie tax payable on profit from ordinary activities	2,420,228	1,570,043
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Entertainment fees	958	1,272
Fines	148	17
DRC income tax concession	(673,463)	-
Other non-deductible expenses	(580,097)	-
Share based payments	323,153	225,275
	1,490,927	1,796,607
Movement in unrecognised temporary differences	(163,765)	(3,362,953)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	1,909,557	1,566,346
Research and development grant	(263,836)	(145,464)
Tax effect of prior year losses utilised	(186,312)	-
Effect of different tax rates	(1,806,452)	-
Income tax expense/(benefit)	980,119	(145,464)
(b) Recognised temporary differences deferred tax assets/(liabilities)		
Deferred tax assets (at applicable tax rates)		
Provision for doubtful debts	126,824	-
	126,824	-
Deferred tax liabilities		
Receivables	(402,273)	-
Depreciation/amortisation	(413,534)	-
Provision for expenses	(2,921)	-
	(818,728)	-
Net recognised deferred tax asset/(liability) Note 20	(691,904)	-
(c) Unrecognised temporary differences deferred tax assets		
Provision for diminution in value of investments	305,451	305,451
Accrued expenses	137,959	78,856
Provision for expenses	80,352	360,094
Capital raising costs	2,224,793	211,755
Carry forward revenue tax losses	4,259,869	2,551,550
Carry forward foreign tax losses	1,808,590	2,932,887
Carry forward capital tax losses	2,618,632	2,042,970
	11,435,646	8,483,563
Deferred tax liabilities		
Capitalised tenement acquisition costs	-	563,758
	-	563,758

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

The Group has income tax payable of \$552,051. The Group has \$14,199,562 in Australian income tax losses, \$5,167,401 in foreign losses and \$8,728,773 in Australian capital tax losses.

The unrecognized deferred tax assets have not been brought to account as the Company is not currently generating sufficient revenue to utilise them.

7. Directors' and key management personnel compensation

The aggregate compensation of the Company's directors and key management personnel is set out below.

	Consolidated 2011 \$	Supplementary Information Note 2 (e) Consolidated 2010 \$
Compensation by category-Key Management Personnel		
Short-Term	2,528,304	1,243,896
Post-Employment	97,626	83,008
Other long term	17,451	-
Termination Benefits	-	-
Equity-Based Payments	1,094,138	638,277
	<u>3,737,519</u>	<u>1,965,181</u>

Related Party Transactions

Specific transactions with directors and director-related entities:

- Fees of \$282,289 (2010:\$46,240) paid to Merchant Holdings Pty Ltd, of which Mr Stowell is a director, for the provision of corporate and management services on normal terms and conditions. \$84,905 of the fees relating to the prior year were paid by way of an issue of shares during the year.
- Fees of \$Nil (2010:\$ 6,118) paid to Linear A Pty Ltd, of which Mr Asquith is a director, for the provision of corporate and management services on normal terms and conditions;
- Payments of \$162,151 (2010:\$107,956) to Colliers International for office facilities in a building in which Mr Stowell has an interest.
- During the prior year the Company granted 915,000 pre-consolidation shares to two executive directors as additional remuneration.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**
Movement of shareholdings of each Company director and the key management personnel during the year ended 30 June 2011

	Balance 1 July 2010	Net Change Other to 20 Jan 2011	Capital Reconstruction on 20 Jan 2011	Net Change Other After 20 Jan 2011	Additional Remuneration in form of bonus shares (i)	Balance 30 June 2011
	Number	Number	Number		Number	Number
M Stowell	12,003,460		(9,002,595)	200,000	-	3,200,865
D Frances	3,620,000	-	(2,715,000)	-	43,752	948,752
J Asquith	3,500,000	-	(2,625,000)	-	23,862	898,862
G Zamudio	3,005,000	-	(2,253,750)	-	27,596	778,846
A Lloyd	1,700,000	-	(1,275,000)	-	-	425,000
L Rozman	-	-	-	-	-	-
M Lawlor	-	-	-	-	-	-
Executives						
A Joubert	-	256,089	(192,067)	-	-	64,022
Q McLennan	-	100,000	(75,000)	-	-	25,000
C Dias	-	144,880	(108,660)	-	-	36,220
T Ireland	-	750,000	(562,500)	-	21,168	208,668
A Anderson	1,098,150	-	(823,612)	-	24,063	298,601
D Reid (ii)	1,500,000	(1,500,000)	-	-	-	-
J Lloyd (iii)	-	-	-	-	-	-
V Da Silva (ii)	100,000	(100,000)	-	-	-	-
S Warusawithana (iii)	500,000	(500,000)	-	-	-	-
Total	27,026,610	(849,031)	(19,633,184)	200,000	140,441	6,884,836

- (i) Shares held in escrow. 50% of the Shares will be forfeited if employment terminates during one year from grant and 50% of Shares will be forfeited if employment terminates during eighteen months from grant date.
- (ii) Resigned during the year.
- (iii) No longer one of the five highest remunerated key management personnel during the year.

Movement of shareholdings of each Company director and the key management personnel during the year ended 30 June 2010 (on a pre-capital consolidation basis)

	Number 1 July 09	Granted as Remuneration via share Purchase Plan	Additional Remuneration	Net Change Other	Number 30 June 2010
	Number	Number	Number	Number	Number
M Stowell	8,820,025	1,100,000	-	2,083,435	12,003,460
D Frances	610,000	2,100,000	610,000	300,000	3,620,000
J Asquith	2,000,000	1,200,000	-	300,000	3,500,000
G Zamudio	1,000,000	1,600,000	305,000	100,000	3,005,000
A Lloyd	800,000	700,000	-	200,000	1,700,000
L Rozman					
M Lawlor					
Executives					
A Anderson	98,150	1,000,000	-	-	1,098,150
D Reid	-	1,500,000	-	-	1,500,000
J Lloyd	-	-	-	-	-
V Da Silva	-	100,000	-	-	100,000
S Warusawithana	-	500,000	-	-	500,000
Total	13,328,175	9,800,000	915,000	2,983,435	27,026,610

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**
Movement on option holdings of each Company director and the key management personnel during the year ended 30 June 2011

	Number at beginning of year 01 July 2010	Net change other	Capital Re-construction	Options Exercised	Number at end of year 30 June 2011	Vested at 30 June 2011		
						Total	Exercisable	Not Exercisable
Directors								
M Stowell	3,050,000	-	(2,287,500)	-	762,500	762,500	762,500	-
D Frances	4,750,000	-	(3,562,500)	-	1,187,500	1,187,500	1,187,500	-
J Asquith	600,000	-	(450,000)	-	150,000	150,000	150,000	-
G Zamudio	2,950,000	-	(2,212,500)	-	737,500	737,500	737,500	-
A Lloyd	900,000	-	(675,000)	-	225,000	225,000	225,000	-
Executives								
A Joubert	-	1,250,000	(937,500)	-	312,500	312,500	62,500	250,000
Q McLennan	-	500,000	(375,000)	-	125,000	125,000	31,250	93,750
C Dias	-	350,000	(262,500)	-	87,500	87,500	31,250	56,250
T Ireland	-	-	-	-	-	-	-	-
A Anderson	500,000	-	(375,000)	-	125,000	125,000	125,000	-
D Reid (i)	-	-	-	-	-	-	-	-
J Lloyd (ii)	1,500,000	(1,500,000)	-	-	-	-	-	-
V Da Silva (i)	375,000	(375,000)	-	-	-	-	-	-
S Warusawithana (ii)	-	-	-	-	-	-	-	-
Total	14,625,000	225,000	(11,137,500)	-	3,712,500	3,712,500	3,312,500	400,000

(i) Resigned during the year.

(ii) No longer one of the five highest remunerated key management personnel during the year

Movement on option holdings of each Company director and the key management personnel during the year ended 30 June 2010 (on a pre-capital consolidation basis)

	Balance at beginning of year 01 July 2009	Granted as Remuneration	Options Exercised	Net change other #	Balance at end of year 30 June 2010	Vested at 30 June 2010		
						Total	Exercisable	Not Exercisable
Directors								
M Stowell	3,050,000	-	-	-	3,050,000	3,050,000	3,050,000	-
D Frances	4,750,000	-	-	-	4,750,000	4,750,000	4,750,000	-
J Asquith	600,000	-	-	-	600,000	600,000	600,000	-
G Zamudio	2,950,000	-	-	-	2,950,000	2,950,000	2,950,000	-
A Lloyd	900,000	-	-	-	900,000	900,000	900,000	-
Executives								
A Anderson	500,000	-	-	-	500,000	500,000	500,000	-
D Reid	-	-	-	-	-	-	-	-
J Lloyd	700,000	800,000	-	-	1,500,000	1,500,000	700,000	800,000
V Da Silva	375,000	-	-	-	375,000	375,000	375,000	-
S Warusawithana	-	-	-	-	-	-	-	-
Total	13,825,000	800,000	-	-	14,625,000	14,625,000	13,825,000	800,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**
7. Equity-based payments to directors and employees

As set out in the Directors Report, during the year the Company extended the date of expiry of some options held by directors and employees.

The Company received an independent valuation 26 November 2010 of the value of extending the expiry date for the A\$0.20 Options by two years. The valuation is based on the Black-Scholes option valuation model. The valuation amount is \$0.0368 per A\$0.20 Option. The valuation on a pre-consolidation basis is based on the following key assumptions:

- (a) Old option expiry date: 22 August 2011.
- (b) New option expiry date: 22 August 2013.
- (c) Underlying share price: A\$0.45
- (d) Option exercise price: Unchanged at A\$0.20 per option.
- (e) Risk free rate: 4.8%
- (f) Volatility: 70%
- (g) Dividend yield: nil.
- (h) A discount of 20% for non-marketability has been allowed

The Company also received an independent valuation dated 26 November 2010 of the value of extending the expiry date for the A\$0.30 by two years. The valuation is based on the Black-Scholes option valuation model. The valuation amount is \$0.0608 per \$0.30 Option. The valuation on a pre-consolidation basis is based on the following key assumptions:

- (a) Old option expiry date: 22 August 2011.
- (b) New option expiry date: 22 August 2013.
- (c) Underlying share price: A\$0.45
- (d) Option exercise price: Unchanged at A\$0.30 per option.
- (e) Risk free rate: 4.8%
- (f) Volatility: 70%
- (g) Dividend yield: Nil
- (h) A discount of 20% for non-marketability has been allowed

During the year the Company granted 130,000 options to Michael Lawlor (pre-consolidation basis). The Company has received an independent valuation dated 13 December 2010 of the value of the options issued to Mr M Lawlor. The valuation is based on the Black-Scholes option valuation model. The valuation amount is \$0.1675 per Option. The valuation on a pre-consolidation basis is based on the following key assumptions:

- (a) Option expiry date: 22 August 2013.
- (b) Underlying share price: A\$0.45
- (c) Option exercise price: C\$0.45 per option.
- (d) Risk free rate: 5.0%
- (e) Volatility: 70%
- (f) Dividend yield: nil.
- (g) A discount of 20% for non-marketability has been allowed

During the year the Company granted 1,430,000 unlisted options to employees (excluding Directors), at an exercise price of C\$0.30 each and expiring on 8 April 2015. The fair value of the options at the grant date was \$0.1232 cents per option. The fair value of the options on a pre-consolidation basis has been calculated using the Black-Scholes option pricing model as follows:

Weighted average exercise price:	C\$0.30
Weighted average life of options:	4.6 years
Underlying share price:	C\$0.30
Expected volatility:	70%
Risk free interest rate:	6.0%

A discount of 30% in recognition of the illiquid nature of the options and the underlying shares was applied.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

During the year the Company granted 1,200,000 unlisted options to employees (excluding Directors), at an exercise price of C\$ 0.45 each and expiring on 8 April 2015. The fair value of the options at the grant date was \$0.2685 cents per option. The fair value of the options on a pre-consolidation basis has been calculated using the Black-Scholes option pricing model as follows:

Weighted average exercise price:	C\$0.45
Weighted average life of options:	4.4 years
Underlying share price:	C\$0.45
Expected volatility:	70%
Risk free interest rate:	6.0%

A discount of 30% in recognition of the illiquid nature of the options and the underlying shares was applied.

During the prior year the Company granted the following options to key management personnel and staff (on a pre-consolidation basis)

3,485,000 unlisted options to employees (excluding Directors), at an exercise price of \$0.15 cents each and expiring on 8 April 2015. The fair value of the options at the grant date was \$0.0650 per option. The fair value of the options has been calculated using the Black-Scholes option pricing model as follows:

Weighted average exercise price:	\$0.15
Weighted average life of options:	5.0 years
Underlying share price:	\$0.15
Expected volatility:	70%
Risk free interest rate:	6.0%

A discount of 30% in recognition of the illiquid nature of the options and the underlying shares was applied.

None of the options are exercisable until the expiry of specified employment periods and/or the satisfaction of key performance indicators by holders.

On 7 April 2010 approval was received from shareholders to the following allotment of shares to directors at \$0.15 cents per share pursuant to the Share Purchase Plan.

Director	Number of Shares (on a pre-consolidation basis)	Implied option value (\$)
Mark Stowell, or his nominees	1,100,000	\$71,500
Anthony Lloyd, or his nominees	700,000	\$45,500
David Frances, or his nominees	2,100,000	\$136,500
Glenn Zamudio, or his nominees	1,600,000	\$104,000
Jonathan Asquith, or his nominees	1,200,000	\$78,000
	6,700,000	\$435,500

The purchase of the shares was funded by limited recourse loans. The loan is for a period of five years from the date of allotment.

The implied option value of the shares issued pursuant to the Share Purchase plan at the grant date (8 April 2010) was \$0.065 cents per option. The implied option value has been calculated using the Black-Scholes option pricing model as follows:

Weighted average exercise price:	\$0.15
Weighted average life of options:	5.0 years
Underlying share price:	\$0.15
Expected volatility:	70%
Risk free interest rate:	4.91%

In addition to the 6,700,000 shares issued to Directors pursuant to the Share Purchase Plan, the Company also issued a further 3,200,000 shares to employees pursuant to the Share Purchase Plan on the same terms and conditions.

**NOTES TO THE FINANCIAL STATEMENTS
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In November 2009 the Company issued 610,000 and 305,000 shares in lieu of additional remuneration to nominees of D Frances and G Zamudio respectively.

Summary of options granted under share incentive arrangements

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options issued to directors and employees during the year.

	2011		Supplementary Information Note 2 (e) 2010	
	No.	WAEP (cents)	No.	WAEP (cents)
Outstanding at the beginning of the year	18,050,000	0.20	14,200,000	0.21
Capital Reconstruction				
Granted during the year	1,430,000	0.28	3,850,000	0.15
Granted during the year	1,200,000	0.44	-	-
Granted during the year	130,000	0.46	-	-
Forfeited during the year	(75,000)	0.17	-	-
Forfeited during the year	(175,000)	0.15	-	-
Forfeited during the year	(300,000)	0.25	-	-
Forfeited during the year	(600,000)	0.44	-	-
Forfeited during the year	(5,000)	0.15	-	-
Exercised during the year	-	-	-	-
Capital Reconstruction (1:4)	(14,741,250)	-	-	-
Expired during the year	-	-	-	-
Outstanding at end of year	4,913,750	0.86	18,050,000	0.20

The number of exercisable options issued to directors and employees at 30 June 2011 is 3,915,750.

The remaining contractual life for the share options issued to directors and employees outstanding is between 2 and 4 years (2010: 1 and 4 years). The range of exercise prices for options outstanding at the end of the year (post capital consolidation) was \$0.60 to C\$1.80 (2010: \$0.60-\$1.02). The fair value of options granted and expensed during the year was \$1,350,843 (2010: \$878,612).

The expected life of the options is based on historical data and does not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value. The fair value of the options is expensed over the vesting period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	Consolidated 2011 \$	Supplementary Information Note 2 (e) Consolidated 2010 \$
8. Auditors remuneration		
The auditor of Mawson West Limited is Stantons International		
Amounts received or due and receivable by Stantons International from Mawson West in relation to audit services	59,249	56,500
Amounts received or due and receivable by Stantons International from Mawson West in relation to non-audit services	149,895	41,717
	209,144	98,217

9. Cash and cash equivalents

For the purposes of the statements of cash flows, cash and cash equivalents comprise the following at 30 June

Cash at bank and on hand	117,103,972	6,151,365
	117,103,972	6,151,365

10. Trade and other receivables

Trade receivables	3,991,631	-
Other receivables	485,162	331,492
Allowance for impairment loss	(792,652)	-
	3,684,141	331,492

Movements on the provision for impairment loss were as follows:

At start of the year	-	-
Charge for the year	792,652	-
At end of the year	792,652	-

At 30 June 2011, the aging analysis of trade receivables was as follows:

	Total	0-30 days	31-60 days	61-90 days	+91 Days PDNI *	+91 Days CI**
2011	3,991,631	1,037,165	299,240	524,798	1,337,776	792,652

*Past due not impaired

**Considered impaired

Trade and other receivables are non interest bearing and generally 30 - 90 day terms except as disclosed above. An allowance for doubtful debts is made where there is objective evidence that a trade receivable is impaired.

Other receivables do not contain impaired assets and are not past due.

11. Inventories

Copper silver concentrate	2,059,513	-
Goods in transit	1,987,018	-
Consumables and spares at cost	3,243,233	547,495
	7,289,764	547,495

No amounts of inventories are carried at fair values less costs to sell. The amount of inventories recognised as an expense during the year was \$7,225,239 (2010:\$Nil). There were no write-downs of inventories or reversals of previous write-downs from prior years during the year (2010: None). No amounts of inventories are pledged as security for liabilities.

**NOTES TO THE FINANCIAL STATEMENTS
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	Consolidated 2011	Supplementary Information Note 2 (e) Consolidated 2010
	\$	\$
12. Other financial assets		
Current		
Other	30,490	-
Hedge margin account (iii)	1,550,000	-
Loan (ii)	2,750,000	-
	4,330,490	-
Non current		
Mining bonds (i)	368,410	368,410
Loan(ii)	250,000	-
	618,410	368,410
<p>(i) Mining bonds are bank guarantees held in relation to tenements held in the Democratic Republic of Congo with a local financial institution.</p> <p>(ii) The loan was advanced to the contractor for the Dikulushi cutback. The loan is secured, repayable within 12 months and carries an interest rate of 5% per annum. Repayment is by way of deduction from amounts payable to the contractor.</p> <p>(iii) The hedge margin amount was refunded subsequent to the balance date.</p>		
13. Investments accounted for using equity method		
At valuation on recognition	2,322,719	-
Purchase of options	32,647	-
Share of post-recognition losses	(244,875)	-
	2,110,491	-
<p>At 30 June 2011 the market value of the shares held in Orrex Resources Ltd was \$2,030,021 and as at 23 September 2011 the market value was \$2,215,375.</p>		
14. Mining development assets		
Opening balance: net of accumulated amortisation and impairment	2,130,234	-
Transfer from Exploration assets (Note 15)	31,839,613	-
Additions – capitalised refurbishment costs	305,237	2,130,234
Amortisation charge for the year	(1,436,886)	-
Closing balance: net of accumulated amortisation and impairment	32,838,198	2,130,234
Balance at beginning of the period		
Cost	2,130,234	-
Accumulated amortisation and impairment	-	-
Net carrying amount	2,130,234	-
Balance at end of the period		
Cost	34,275,084	2,130,234
Accumulated amortisation and impairment	(1,436,886)	-
Net carrying amount	32,838,198	2,130,234

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	Consolidated 2011	Supplementary Information Note 2 (e) Consolidated 2010
	\$	\$
15. Exploration assets		
Costs brought forward	25,535,732	1,417,203
Cost of tenements surrendered	-	(118,252)
De-consolidation of subsidiary	(1,388,018)	-
Exploration assets acquired from business combination	-	20,685,322
Exploration assets acquired from JV	-	1,389,363
Expenditure during the period	10,012,295	1,929,293
Expenditure written off	(1,361,784)	(1,582,199)
Foreign exchange gain	-	1,815,002
Transfer to Mining development assets* (Note 14)	(31,839,613)	-
Costs carried forward	<u>958,612</u>	<u>25,535,732</u>

*At 30 June 2011 the carried forward costs of exploration at Kapulo and the carried forward costs of the Dikulushi cut-back were transferred from Exploration assets to Mining Development assets following the decision to mine these assets.

16. Plant and equipment

Opening balance net of accumulated depreciation and impairment	3,949,576	241,233
Additions	5,670,622	294,318
Assets in acquired subsidiaries	-	3,505,000
Foreign exchange differences	-	18,382
Depreciation charge for the year	(2,624,323)	(109,357)
Closing balance net of accumulated depreciation and impairment	<u>6,995,875</u>	<u>3,949,576</u>

Balance at beginning of year

Cost	4,298,149	480,449
Accumulated depreciation and impairment	(348,573)	(239,216)
Net carrying amount	<u>3,949,576</u>	<u>241,233</u>

Balance at end of year

Cost	9,968,771	4,298,149
Accumulated depreciation and impairment	(2,972,896)	(348,573)
Net carrying amount	<u>6,995,875</u>	<u>3,949,576</u>

Included in plant and equipment are four drill rigs with a net book value at 30 June 2011 of \$3,492,049 which are subject to finance leases.

17. Trade and other payables

Trade payables and accruals	<u>6,509,227</u>	<u>901,380</u>
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Trade payables are non interest bearing payables and are normally settled on 30 day terms except for certain import duties amounting to \$1,402,005 which are subject to payment on receipt of invoice.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	Consolidated 2011 \$	Supplementary Information Note 2 (e) Consolidated 2010 \$
18. Loans and borrowings		
Current		
Finance lease liabilities	<u>531,250</u>	<u>-</u>
Non-Current		
Finance lease liabilities	<u>2,018,750</u>	<u>-</u>

Finance lease liabilities of the Group are payable as follows:

	Future Minimum lease payments \$	Interest \$	Present value of minimum lease payments \$
Less than one year	704,792	173,542	531,250
Between one and five years	2,316,958	298,208	2,018,750
More than five years	-	-	-
	<u>3,021,750</u>	<u>471,750</u>	<u>2,550,000</u>

The interest charge on the finance lease is 12% per annum.

	Consolidated 2011 \$	Supplementary Information Note 2 (e) Consolidated 2010 \$
19. Provisions		
Current		
Employee current entitlements to annual leave	<u>258,477</u>	<u>88,152</u>
Non Current		
Employee current entitlements to long service leave	<u>22,682</u>	<u>-</u>
Rehabilitation provision*		
Carried amount at the beginning of the year	1,112,164	1,112,164
Additional provisions made during the year	-	-
Amounts used during the year	-	-
Unused amounts reversed during the year	-	-
Increased due to time during the year	-	-
Total rehabilitation provision at the end of the year	<u>1,112,164</u>	<u>1,112,164</u>
	<u>1,134,846</u>	<u>1,112,164</u>

*Relates to the estimated rehabilitation costs of the Dikulushi mine site.

20. Deferred taxation		
Temporary differences (see note 5)	<u>691,904</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	Consolidated 2011		Supplementary Information Note 2 (e) Consolidated 2010	
	\$		\$	
21. Contributed Equity				
143,300,811 Fully paid ordinary shares (2010: 312,344,116)		165,375,271		46,891,487
Movement in ordinary shares on issue				
	12 months to 30 June 2011		Supplementary Information Note 2 (e) 12 months to 30 June 2010	
	\$	Number	\$	Number
Equity at start of year	46,891,487	312,344,116	25,509,341	154,473,439
Shares issued for cash	4,191,813	14,733,096	9,430,142	60,946,397
Issued to acquire mineral and tenement interests	-	-	11,524,870	83,070,000
Shares issued in lieu of payments to employees	116,430	408,479	127,695	915,000
Shares issued to employees payable in installments	490,989	1,737,750	-	-
Capital raising costs met by issue of options	(87,184)	-	-	-
Other capital raising costs	(263,288)	-	(578,404)	-
Shares issued pursuant to employee share purchase plan*	-	1,575,000	-	9,900,000
Shares cancelled pursuant to employee share purchase plan*	-	(1,350,000)	-	-
Capital reconstruction	-	(247,086,252)	-	-
Shares issued for cash	122,261,844	60,000,000	-	-
Shares issued for cash pursuant to exercise of options	463,762	750,000	-	-
Capital raising costs	(9,066,121)	-	-	-
Share issued to employees in lieu of bonus	375,539	188,622	-	-
Equity at end of year	<u>165,375,271</u>	<u>143,300,811</u>	<u>46,013,644</u>	<u>309,304,836</u>
Shares to be issued			<u>877,843</u>	<u>3,039,280</u>
			<u>46,891,487</u>	<u>312,344,116</u>

*These shares are issued/cancelled to directors and employees pursuant to Share Purchase Plan financed through limited recourse loans.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	Consolidated 2011 \$	Supplementary Information Note 2 (e) Consolidated 2010 \$
22. Reserves		
Share option reserve	3,395,669	1,616,293
Share equity reserve	667,464	532,747
	4,063,133	2,149,040
Movement in share option reserve		
At start of the year	1,616,293	1,260,399
Options issued by subsidiary company	-	228,635
Options issued as capital raising costs	1,010,220	125,021
Transfer of non-controlling interest portion of value of options issued by subsidiary company on reduction of the shareholding in the subsidiary	-	(62,451)
Extension of option expiry dates	466,246	-
Options issued to employees and directors	302,910	64,689
At end of the year	3,395,669	1,616,293

Share Options

At 30 June 2011 there were the following unlisted options over unissued fully paid ordinary shares on issue:

- 1,656,250 employee options exercisable at A\$0.80 per option before 22 August 2013
- 1,800,000 employee options exercisable at A\$1.20 per option before 22 August 2013
- 917,500 employee options exercisable at \$0.60 per option before 8 April 2015
- 357,500 employee options exercisable at C\$1.20 per option before 8 April 2015
- 216,667 options exercisable at C\$1.20 per option before 16 September 2012
- 150,000 employee options exercisable at C\$1.80 per option before 8 April 2015
- 32,500 employee options exercisable at C\$1.80 per option before 22 August 2013
- 1,160,000 broker options exercisable at C\$2.00 per option before 12 December 2012

During the year ended 30 June 2011, 750,000 shares were issued pursuant to the exercise of options at \$0.60 per share.

During the year ended 30 June 2010, 2,500,000 options exercisable at A\$0.30 per option (on a pre-consolidation basis) expired on 30 November 2009.

**NOTES TO THE FINANCIAL STATEMENTS
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	Consolidated 2011 \$	Supplementary Information Note 2 (e) Consolidated 2010 \$
Movement in share equity reserve		
At start of the year	532,746	-
Implied option value on issue of shares pursuant to Share Purchase Plan financed by way of limited recourse loans	134,718	505,728
Portion of implied option value of value of shares issued pursuant to Share Purchase Plan subject to key performance indicators and expensed over a period of time	-	27,018
At end of the year	<u>667,464</u>	<u>532,746</u>
Foreign currency translation reserve		
At start of the year	-	(273,394)
Translation differences	-	1,759,765
Foreign currency translation differences transferred to accumulated losses	-	(1,486,371)
At end of the year	<u>-</u>	<u>-</u>
23. Accumulated Losses		
At start of the year	(14,842,644)	(21,801,660)
Gain on reduction in shareholding in subsidiary company	-	52,600
Net Profit for the year	5,827,727	5,420,045
Foreign currency translation differences on change in functional currency	-	1,486,371
At end of the year	<u>(9,014,917)</u>	<u>(14,842,644)</u>
24. Non-controlling interests		
At start of the year	2,714,725	-
Interest in result for the year	1,259,580	-
Non-controlling interest arising on reduction in shareholding in subsidiary company	-	184,539
Foreign currency reserve	20,431	-
Gain on de-consolidation of subsidiary	(184,775)	-
Interests arising on subsidiary acquisitions	-	2,530,186
At end of the year	<u>3,809,961</u>	<u>2,714,725</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	Consolidated 2011 \$	Supplementary Information Note 2 (e) Consolidated 2010 \$
25. Earnings per share		
Basic earnings per share amounts are calculated by dividing net profit for the year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.		
The following reflects the income and share data used in the basic loss per share computations:		
Net profit attributable to equity holders of the parent	<u>5,827,727</u>	<u>5,420,045</u>
	Cents per share	Cents per share
Basic earnings per share	<u>5.94</u>	<u>10.61</u>
	No.	No.
The weighted average number of ordinary shares on issue during the financial year used in the calculation of basic earnings per share (adjusted for capital consolidation)	<u>98,091,496</u>	<u>51,096,064</u>
	Cents per share	Cents per share
Diluted earnings per share	<u>5.84</u>	<u>10.61</u>
	No.	No.
The weighted average number of ordinary shares on issue during the financial year used in the calculation of diluted earnings per share (adjusted for capital consolidation)	<u>99,742,500</u>	<u>51,096,064</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	Consolidated 2011 \$	Supplementary Information Note 2 (e) Consolidated 2010 \$
26. Reconciliation of net Profit after tax to net cash flows from operations		
Net loss	5,827,727	5,378,941
Adjustments for:		
Deferred taxation		
Depreciation and amortisation	4,061,209	109,357
Net loss of associated company	244,875	-
Provision for doubtful debts	792,652	-
Gain on business combination	-	(11,059,433)
Profit on sale of investments and tenements	-	(6,761)
Exploration expenditure expensed	1,361,784	1,582,199
Exploration tenement written off	-	118,252
Increase in provisions	-	50,552
Equity based payments	1,562,025	878,612
Tax provision and deferred tax liability	1,243,955	-
Foreign exchange (loss)/gain	(771,831)	(63,035)
Gain on disposal of subsidiary	(1,219,352)	-
Non-controlling interests	1,259,580	-
(Increase)/decrease in assets:		
Current receivables	(4,142,703)	696,144
Inventories	(5,720,105)	(547,495)
Increase/(decrease) in liabilities:		
Current payables	3,380,431	406,542
Leave entitlements	193,007	-
Cash (used) in operating activities	8,073,254	(2,456,125)

Non-cash transactions

During the year the Company issued a total of 357,500 options to employees exercisable at C\$1.20 up to 8 April 2015, 216,667 options by way of capital raising fees exercisable at C\$1.20 up to 16 September 2012, 300,000 options to employees exercisable at C\$1.80 up to 8 April 2015, 32,500 options to a director exercisable at C\$ 1.80 up to 22 August 2013 and 1,160,000 options as capital raising costs exercisable at C\$2.00 up to 21 December 2012. All amounts shown are on a post-consolidation basis.

During the previous year the Company issued 73,070,000 shares (on a pre-consolidation basis) to Anvil Mining Ltd as consideration for the purchase of subsidiaries whose principal assets are mineral tenements in the Democratic Republic of Congo. During the previous year the Company also issued 10,000,000 pre-consolidation shares to Anvil Mining Ltd as part of the farm-in agreement for the Kapulo project.

During the previous year the Company granted limited recourse loans to the value of \$1,485,000 to directors and employees to allow them to purchase 9,900,000 shares pursuant to the Company's Share Purchase Plan, granted 915,000 shares for nil consideration to nominees of two directors as additional remuneration, issued 3,845,000 options exercisable at \$0.15 prior to 8 April 2015 to employees and issued 3,000,000 options exercisable at \$0.15 prior to 22 October 2011 as part of capital raising costs.

During the previous year a subsidiary company issued 5,000,000 options exercisable at A\$0.30 per share prior to 22 April 2015.

27. Commitments and contingencies

The commitment for the lease for the Company's office space is A\$278,451. The lease expires on 31 March 2012 and may be extended for a further three year period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Finance lease commitments are shown under note 18.

A subsidiary company, Anvil Mining Congo SARL (to be re-named CMCC) (CMCC), continues to engage with DRC taxation authorities in relation to disputed income taxation assessments relating to matters arising prior to the acquisition by the Group of CMCC from Anvil Mining Ltd (Anvil) in April 2010. The purchase and sale agreement with Anvil includes indemnity provisions against prior claims that may arise. Some of the disputed assessments have been settled with nil or minimal payment to the DRC taxation authorities. The Group and its taxation advisers consider that no amounts are owing and the Group and Anvil will continue to vigorously defend this position with the DRC taxation authorities.

28. Interests in jointly controlled operations

Details of the economic entity's interest in joint venture operations are as follows:

Joint Venture	Principal Activity	Ownership Interest	
		2011	2010
Kiaby Well	Gold & base metals	100% diluting to 40%	100% diluting to 40%

The joint venture is not a separate legal entity. It is a contractual arrangement between the participants for sharing of exploration costs and does not in itself generate revenues or profits.

On 1 December 2003, the Company entered into a joint venture agreement with Crusader Holdings NL by which that company can earn 60% equity in the Company's Kiaby Well tenement by spending a minimum of \$300,000 over three years after the tenement is granted and meeting DMPR requirements on the tenement. Crusader Holdings rights were transferred to Silver Swan.

29. Controlled Entities

Name of entity	Country of Incorporation	Ownership Interest	
		2011	2010
Parent entity Mawson West Ltd	Australia		
Controlled entity Orrex Resources Ltd*	Australia	-	72.7%
Central Africa Resources Pty Ltd	Australia	100%	100%
Central Africa Resources Ltd	Zambia	100%	100%
Central Africa Resources SPRL	DRC	100%	100%
Anvil Mining Congo SARL (to be re-named CMCC)	DRC	90%	90%
Mawson West Investments Ltd	BVI	100%	100%
Anvil Mining Zambia Ltd	Zambia	100%	100%
Hydro Power SPRL	DRC	100%	-

*Orrex Resources Ltd became an associated company during the year on listing on the Australian Securities Exchange and the Group now holds an interest of 32.7% in Orrex Resources Ltd (refer to Note 13).

30. Segment Reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources.

The group operates in one operating segment and two geographical segments being mineral exploration in Australia and Africa and this is the basis on which internal reports are provided to the directors for assessing performance and determining the allocation of resources in the Group.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**
Geographical segments

The Group's geographical segments are determined based on location of the Group's assets.

Year ended 30 June 2011	Australia	Africa	Consolidated
	\$	\$	\$
Revenue	-	44,648,985	44,648,985
Total segment revenue	-	44,648,985	44,648,985
Segment Profit/(Loss)	(5,455,832)	12,263,678	6,807,846
Income tax benefit/(expense)	263,836	(1,243,955)	(980,119)
Segment loss after income tax benefit/expense	(5,191,996)	11,019,723	5,827,727
Assets			
Segment assets	115,760,213	60,169,740	175,929,953
Liabilities			
Segment liabilities	1,045,347	10,651,158	11,696,505
Other			
Depreciation of segment assets	99,480	2,524,843	2,624,323

**Supplementary Information
Note 2 (e)**

Year ended 30 June 2010	Australia	Africa	Consolidated
	\$	\$	\$
Revenue			
Income	67,494	-	67,494
Discount on acquisition of business combination	-	11,059,433	11,059,433
Total segment revenue	67,494	11,059,433	11,126,927
Segment Profit/(Loss)	(4,216,106)	9,449,583	5,233,477
Income tax benefit/(expense)	145,464	-	145,464
Segment loss after income tax expense	(4,070,642)	9,449,583	5,378,941
Assets			
Segment assets	8,553,507	30,460,796	39,014,304
Liabilities			
Segment liabilities	338,660	1,763,036	2,101,696
Other			
Depreciation of segment assets	64,109	45,248	109,357

31. Related Party Disclosures

The wholly-owned group includes the ultimate parent entity in the group and the controlled entities. The ultimate parent entity in the wholly owned group is Mawson West Ltd. During the year the Company met expenses of the wholly owned entities, totalling \$6,290,331 (2010: \$7,241,859) by way of loan account transactions. The loans are interest-free and have no fixed terms of repayment.

32. Events after the balance sheet date

The Group has delivered copper concentrate into hedging contracts still open at 30 June 2011. No new hedge contracts have been entered into subsequent to 30 June 2011. At the date of this report the Group has no open hedge positions. The hedge margin of \$1,550,000 has been repaid by LN Metals subsequent to 30 June 2011.

The Group has entered into a memorandum of understanding with Senet Pty Ltd by which Senet Pty Ltd will provide technical services to advance the Kapulo Project. The indicative costs of the Kapulo Project are \$70,499,756. Construction of camp facilities at Kapulo has commenced. The Group has also commenced the cut-back earthmoving at the Dikulushi mine site and expects to finalise the related contract in the near future. The mining contract is

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

estimated to total approximately \$50,000,000. Except for the foregoing there were no significant events after the balance date

33. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board. The Board provides policies for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

(a) Market Risk

(i) Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Canadian Dollar and Australian Dollar, South African Rand and Congolese Franc. The Group also has minor exposures to the South African Rand and Congolese Franc and the Zambian Kwacha.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency.

The material foreign exchange exposure on the net monetary position of key group entities against its respective functional currency, expressed in the group's presentation currency is an amount of cash held in currencies other than US Dollar by Group entities parent entity. A 10% movement in exchange rates would have the profit and loss effect as summarised below.

Currency	Effect of 10% change in rates
Australian Dollar	\$190,302
Canadian Dollar	\$9,974,866

(ii) Price Risk

The Group is not exposed to significant equity securities price risk. The Group does not hold investments classified in the statement of financial position either as available-for-sale or at fair value through profit or loss. Orrex Resources Ltd is accounted for as an associated Company and is not carried at fair value.

(iii) Interest Rate Risk

The consolidated entity is exposed to interest rate risk as it invests funds at floating interest rates.

Sensitivity analysis performed based on a movement of interest rates is noted below.

Currency	Effect of 10% change in rates
Australian Dollar	\$9,895
Canadian Dollar	\$104,360

(iv) The Group is exposed to commodity price risk as its major assets are copper development and exploration assets and its revenues are sales of copper concentrate. At 30 June 2011 the Group's receivables are based on the hedged contract prices.

(b) Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposure relating to outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Except for hedge contracts in place at the year end to fix the price of copper/silver concentrate sold, the Group does not have any exposure to any derivative financial instruments. At 30 June 2011 the group had the following hedge positions.

Sold 300t Cu @ 9,566 Expiry 13.07.2011

Sold 300t Cu @ 9,201 Expiry 3.08.2011

Credit risk further arises in relation to financial guarantees given to certain parties. Such guarantees are only provided in exceptional circumstances and are subject to specific board approval.

(c) Fair Values

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example investments in unlisted subsidiaries) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

	Average Interest Rate %	Variable Interest Rate \$	Fixed Interest Rate Maturity Less than 1 Year \$	Fixed Interest Rate Maturity 1-5 Years \$	Non Interest Bearing \$	Total \$
2011						
<u>Financial Assets</u>						
Cash and cash equivalents	0.98%	117,103,972	-	-	-	117,103,972
Trade and other receivables	0.00%	-	-	-	3,684,141	3,684,141
Other financial assets	3.03%	-	2,750,000	250,000	1,948,900	4,948,900
		117,103,972	2,750,000	250,000	5,633,041	125,737,013
<u>Financial Liabilities</u>						
Finance leases	12.00%	-	(531,250)	(2,018,750)	-	(2,550,000)
Trade and other payables	0.00%	-	-	-	(6,509,227)	(6,509,227)
Net financial assets/(liabilities)		117,103,972	2,218,750	(1,768,750)	(876,186)	116,677,786

**NOTES TO THE FINANCIAL STATEMENTS
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Supplementary Information Note 2 (e)	Average Interest Rate %	Variable Interest Rate \$	Fixed Interest Rate Maturity Less than 1 Year \$	Fixed Interest Rate Maturity 1-5 Years \$	Non Interest Bearing \$	Total \$
2010						
<u>Financial Assets</u>						
Cash and cash equivalents	0.24%	6,151,365	-	-	-	6,151,365
Trade and other receivables	0.00%	-	-	-	331,492	331,492
Other financial assets	0.00%	-	-	-	368,410	368,410
		6,151,365	-	-	699,902	6,851,267
<u>Financial Liabilities</u>						
Trade and other payables	0.00%	-	-	-	(901,380)	(901,380)
Net financial assets/(liabilities)		6,151,365	-	-	(201,478)	5,949,887

(d) Reconciliation of net financial assets to net assets

	Consolidated 2011 \$	Supplementary Information Note 2 (e) Consolidated 2010 \$
Net financial assets as above	116,677,786	5,949,887
Non-financial assets & liabilities		
Investments	2,110,491	-
Inventories	7,289,764	547,495
Mining development assets	32,838,198	2,130,234
Exploration assets	958,612	25,535,732
Plant and equipment	6,995,875	3,949,576
Provisions	(1,393,323)	(1,200,316)
Income tax payable	(552,051)	-
Deferred taxation	(691,904)	-
Net Assets per Statement of Financial Position	164,233,448	36,912,608

34. Business combinations

Summary of acquisitions

During the prior year the Company issued 73,070,000 ordinary shares (pre-consolidation basis) to acquire new subsidiary companies whose principal assets are copper projects in Africa.

At the point where control was obtained, in accordance with AASB 3 "Business Combinations", Mawson West recognised a gain in its statement of comprehensive income.

(a) Summary of goodwill and discounts on acquisition arising from business combinations.

The provisional goodwill or discount arising on business combinations results when comparing the assessment of the acquired identifiable assets, liabilities and contingent liabilities to the cost of the acquisition. Discounts on acquisition are recognized in the statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS
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Details of the discount on acquisition recognised are as follows:

	Consolidated 2011 \$	Supplementary Information Note 2 (e) Consolidated 2010 \$
Fair value of investment acquisition	1,229,021	23,446,568
Attributable to non-controlling interests	(122,902)	(2,251,630)
Group share of net assets	1,106,119	21,194,938
Consideration in shares	-	(10,135,505)
Discount on acquisition	1,106,119	11,059,433

(b) Summary of assets and liabilities acquired

The fair values of the assets and liabilities arising from the business acquisition are as follows:

Other financial assets	-	368,410
Inventories	1,229,021	-
Exploration assets	-	20,685,322
Plant and equipment	-	3,505,000
Re-habilitation liability	-	(1,112,164)
Net assets acquired	1,229,021	23,446,568
Attributable to non-controlling interests	(122,902)	(2,251,630)
Net assets acquired	1,106,119	21,194,938

The acquiree's carrying amounts for the assets and liabilities acquired/assumed have not been provided as it is impracticable given that certain accounting records were excluded from the assets acquired.

In accordance with the accounting policy set out in Note 2d the Group elected to recognise the non-controlling interests in CMCC at its proportionate share of the acquired net identifiable assets.

35. Parent entity disclosures

	2011 \$	Supplementary Information Note 2 (e) 2010 \$
Assets		
Current assets	113,302,894	5,322,962
Non-current Assets	23,297,189	20,394,722
Total assets	136,600,083	25,717,684
Liabilities		
Current liabilities	1,045,347	(294,424)
Total Liabilities	1,045,347	(294,424)
Net Assets	135,554,736	25,423,260
Equity		
Issued Capital	165,375,271	46,891,487
Accumulated Losses	(33,883,667)	(23,451,083)
Reserves		
Option Premium Reserve	3,395,668	1,450,110
Share Equity Reserve	667,464	532,746
Total Equity	135,554,736	25,423,260

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

	2011 \$	Supplementary Information Note 2 (e) 2010 \$
Financial performance		
Loss for the year	(10,432,584)	(540,906)
Other comprehensive income	-	-
Total comprehensive income	<u>(10,432,584)</u>	<u>(540,906)</u>

The Company has not guaranteed the debts of any of its subsidiaries.

The Company has no contingent liabilities.

The Company has no commitments for the acquisition of property, plant and equipment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011****DIRECTORS' DECLARATION**

In accordance with a resolution of the directors of Mawson West Limited I state that:

1. In the opinion of the directors
 - (a) The financial statements, and the additional disclosures included in the directors' report designated as audited and notes of the consolidated entity as set out on pages 15 to 57 are in accordance with the Corporations Act 2001, including;
 - (i) giving a true and fair view of consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date, and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
 - (iii) The financial report also complies with International Financial Reporting Standards as disclosed in note 2 b.
 - (b) There are grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ended 30 June 2011.

On behalf of the Board



Jonathan Asquith
Director
Perth
27 September 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAWSON WEST LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Mawson West Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2(b) the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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 Mawson West 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 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 2(b).


Report on the Remuneration Report

We have audited the remuneration report included in pages 8 to 13 of the directors' report for the year ended 30 June 2011. 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

In our opinion the remuneration report of Mawson West Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd


John Van Dieren
Director

West Perth, Western Australia
27 September 2011

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Stantons International
Chartered Accountants and Consultants

27 September 2011

Board of Directors
Mawson West Limited
20 Howard Street
PERTH WA 6005

Dear Directors

RE: MAWSON WEST LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Mawson West Limited.

As Audit Director for the audit of the financial statements of Mawson West Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)



John Van Dieren
Director