



**COPPERMOLY**  
Limited

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**ASX Announcement**

**21 September 2011**

**ASX Code: COY**

**ANNUAL REPORT FOR YEAR ENDED 30 JUNE 2011**

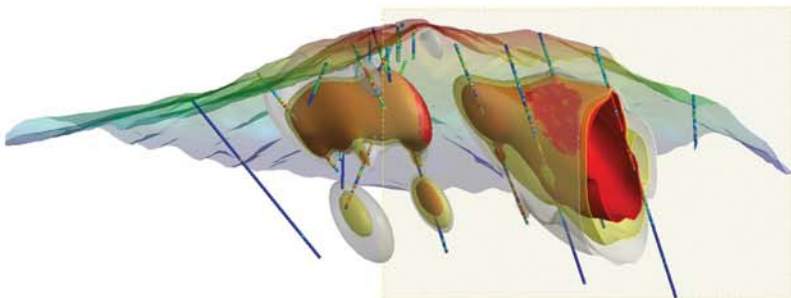
We attach the Annual Report for the year ended 30 June 2011.

The Annual General Meeting of Shareholders will be held at The Winner's Circle Room, Gold Coast Turf Club, Racecourse Drive, Surfers Paradise, Queensland on Wednesday 16th November 2010 at 1.00pm (Brisbane time).

Yours faithfully

M. Gannon  
**Director & Company Secretary**

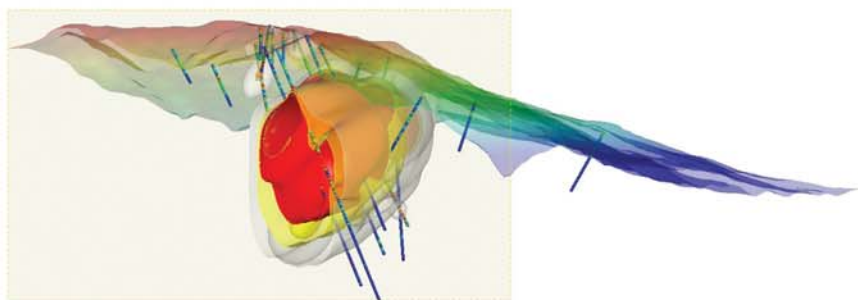
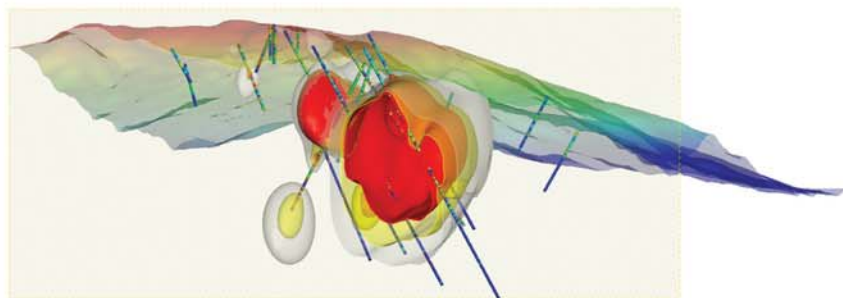
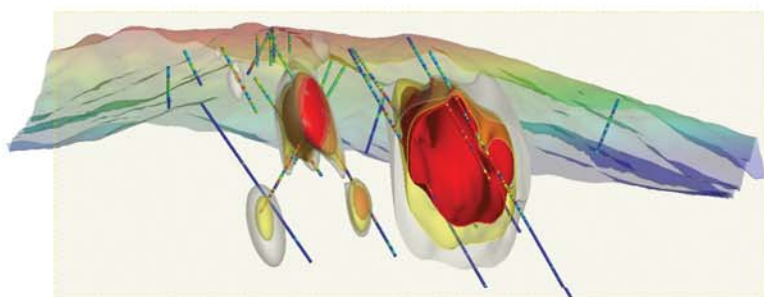
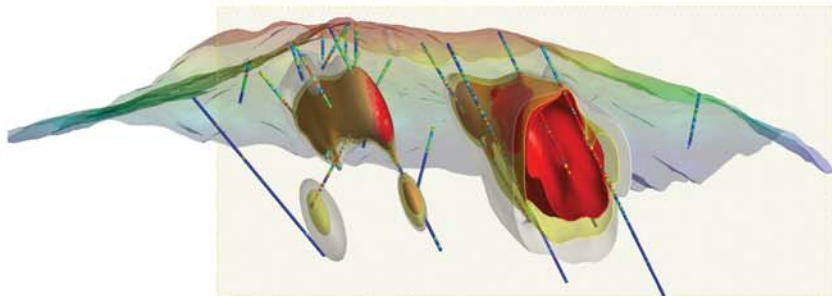
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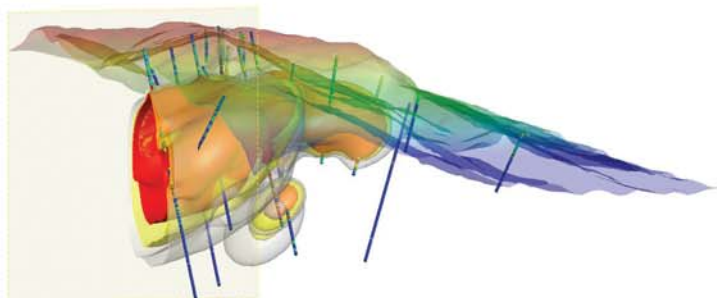
**COPPERMOLY**  
Limited

ABN 54 126 490 855

# 2011 ANNUAL REPORT



Progressive Rotation of 3-Dimensional Modelling, Nakru-1 Copper Deposit



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## THE CHAIRMAN'S LETTER

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Dear Shareholder,

It is with pleasure that your Board of Directors present you with this fourth Annual Report of Coppermoly Limited ('the Company').

In October 2009 an exploration agreement was signed under which Barrick Gold Corporation (Barrick) agreed to sole fund up to AUD\$20 million on the Company's three Exploration Licences on New Britain Island. Exploration activity under that agreement is now well advanced and ongoing. Results to-date have substantially enhanced the Company's mineral assets by expanding the size of previously identified mineralisation and by identifying potentially economic grades.

The association and working relationship with Barrick is strong. It is most likely that Barrick will reach the AUD\$20 million expenditure level during the financial year ending June 2012 at which point it will earn a 72% interest in the tenements. Coppermoly Limited can retain a 28% interest carried to completion of a Feasibility Study by delaying its cash contribution until the commencement of production.

The Company also has applications pending for additional exploration tenements on New Britain Island and is evaluating the potential of other exploration properties. Coppermoly has always kept its operating costs to a bare minimum and continues to do so whilst also keeping its exploration base on New Britain in readiness to remobilise.

The political changes in Papua New Guinea have caused flow-on delays in the mineral tenement administration and as a result the grant of new tenements has, unfortunately, taken much longer than anticipated. I assure shareholders that the Company is doing everything possible to have the applications granted.

Coppermoly has ensured that its New Britain exploration licences have been continuously explored and, if ultimately proven feasible, has potentially also secured the development of any resources that may be discovered and the retention of a significant percentage of production.

Your Company is a successful and well managed explorer. On behalf of the Board I would, once again, like to thank all shareholders and the Company's personnel for their continued support.

A handwritten signature in blue ink, appearing to read 'D. Brynelsen', with a horizontal line underneath.

**D. Brynelsen**  
**Chairman**

## **THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES**

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In a year where world markets have fluctuated, the copper price has remained at high levels, generally over \$4 per pound. With a growing demand for copper and uncertain supply, this company has its deposits within relatively easy reach to existing infrastructure which will be essential for future development. We also have projects under application within belts of known copper mineralisation and the expertise to discover and advance new deposits.

An agreement was signed in October 2009 with Barrick (PNG Exploration) Ltd ("Barrick") (a wholly owned subsidiary of Barrick Gold Corporation), whereby exploration is to be managed and carried out by Barrick. The agreement allows them to spend A\$20 million to earn 72% of the tenements EL 1043 (Nakru), EL1077 (Simuku) and EL1445 (Talelumas). Coppermoly Ltd retains 100% ownership until earn-in is complete.

Diamond drilling is set to continue throughout 2011 at both the Nakru and Simuku copper projects. Within the first one and a half years of the agreement, over A\$13 million has already been spent.

The Simuku porphyry copper system contains 1.5 billion pounds of copper within a one hour drive from an existing deep water port at the Provincial Capital of Kimbe (refer to Figure 1). This deposit is currently being drill tested to over 1,000m depth beneath the existing Inferred Resource. With a total of over 9,000 metres in 36 drillholes completed to date, there is significant potential to increase the grade and tonnage with depth. During 2010, three drillholes were completed up to 2 kilometres away from the known Resource. Results showed copper mineralisation at depth within the 2 square kilometre envelope of copper and molybdenum mineralisation. The currently defined Inferred Resource occurs within less than one-third of this envelope.

At our Nakru project, 28 diamond holes have been drilled for over 6,300 metres. At the Nakru-1 prospect, drilling has shown copper mineralisation extending to over a 200 metre by 500 metre area and 200 metres depth with an Exploration Target (see notes) of 50 to 60 million tonnes grading 0.7 to 0.9% copper. The Nakru-2 prospect one kilometre to the west has a similar Exploration Target (see notes).

In addition to the extensive drilling programmes at Nakru and Simuku, Coppermoly has three additional tenements under application on New Britain Island. These tenement applications are not part of the agreement with Barrick. They are prospective for copper and gold and cover an area ten times larger than those at Simuku and Nakru. Coppermoly is actively progressing its landowner hearings for these tenement applications. This is a vital part of the application process. We are also working closely with the Mineral Resources Authority in Port Moresby to have the applications granted.

The Makmak tenement application (ELA2014) occurs on the south coast of New Britain Island on the Kulu-Awit Copper Belt (refer to Figure 1). Outcrop rock samples assayed 10.7% copper and 15.5g/t gold with additional anomalous copper samples coincident with distinct magnetic anomalies. Once granted we plan to apply our successful exploration methodology to quickly add value to the tenement through exploration and drilling.

On the back of continued drilling results and the acquisition of new projects, I encourage those holding COYOA options to exercise them prior to the expiry date on 1<sup>st</sup> December 2011. These funds will allow the Company to continue to explore and develop copper deposits.



## THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

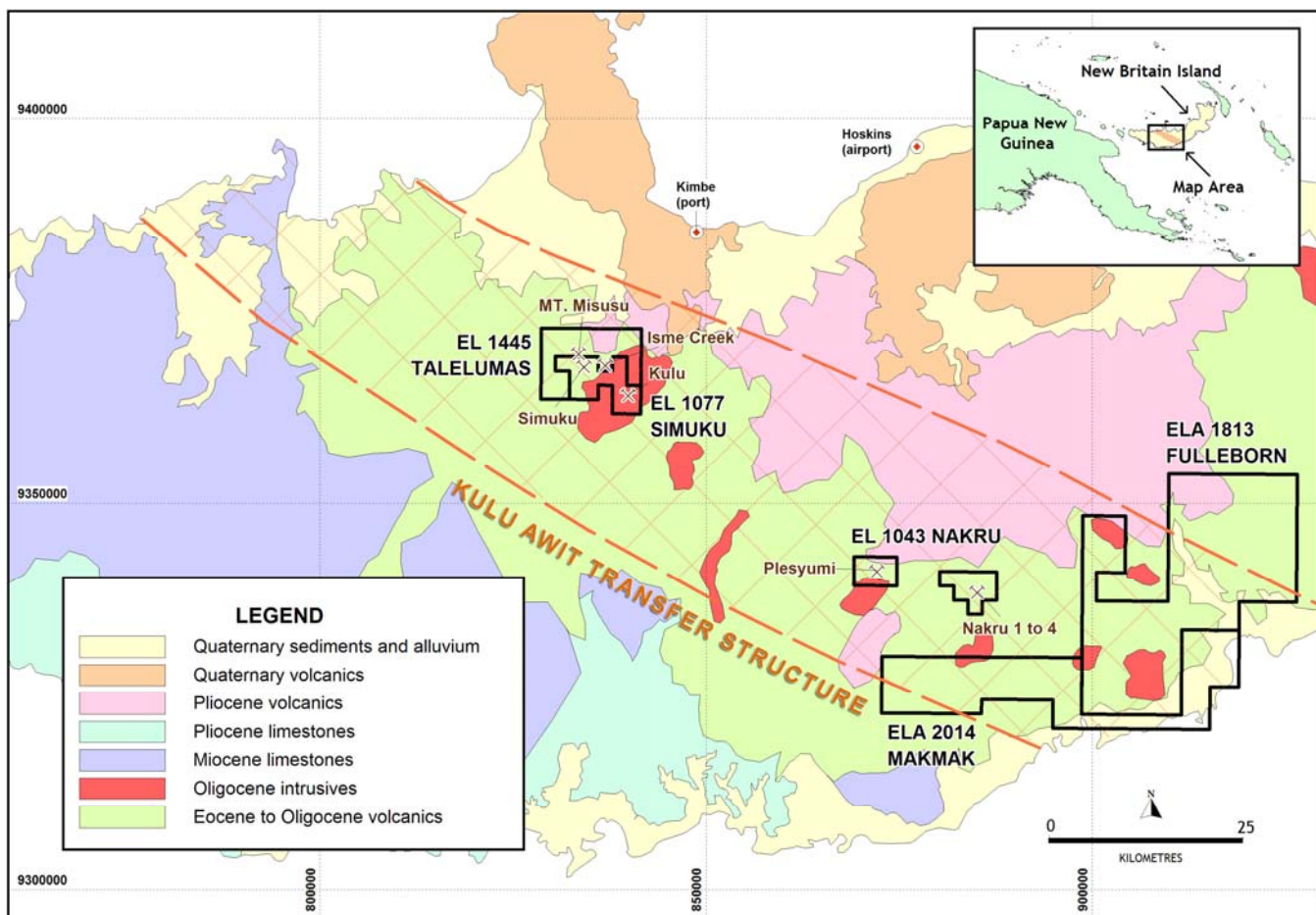


Figure 1: Coppermolybdenum Tenements on the Kulu-Awit Copper Belt

### NAKRU PROJECT (EL 1043)

The Mt. Nakru tenement (EL 1043) is host to number of discrete massive sulphide and breccia related copper-gold-zinc systems associated with anomalous copper and gold geochemistry at surface (refer to Figure 2). Geochemical and geophysical surveys led to the discovery of the Nakru-1 and Nakru-2 copper-gold-zinc systems. A number of other targets are yet to be tested by drilling. A total of 25 diamond drill holes have been completed at Nakru-1 for over 5,305.4 metres.

At the Nakru-1 copper-gold prospect, the first diamond drill hole (BWNBDD0001) testing the centre of the Induced Polarisation (I.P.) geophysical anomaly intersected 213.75 metres grading 0.92% copper and 0.33 g/t gold from 74.5 metres depth. An upper layer of secondary copper enrichment was intersected with 13.6 metres grading 2.8% copper and 0.23 g/t gold from 74.5 metres depth. During the 2010 drilling campaign, six diamond holes were drilled by Barrick for a total of 2,646.5 metres.

During 2011, diamond drillhole BWNBDD0011 closed off the mineralisation 400m west of the centre of the I.P. anomaly. BWNBDD0012 drilled over the top of the I.P. anomaly but failed to adequately test its easterly plunging depth extension. The current 26<sup>th</sup> hole into the system is testing the centre of the I.P. anomaly at depth behind BWNBDD0007 and BWNBDD0008, which intersected copper and gold mineralisation to 303.7 metres depth, including 23.5 metres grading 1.3% copper and 2.38 g/t gold from 87.3 metres depth.

Within the bounds of existing mineralised drillholes (refer to Figure 3), there is an Exploration Target (see notes) of 50 to 60 million tonnes of 0.7 to 0.9% copper. Drilling is continuing to test for overall tonnage potential.

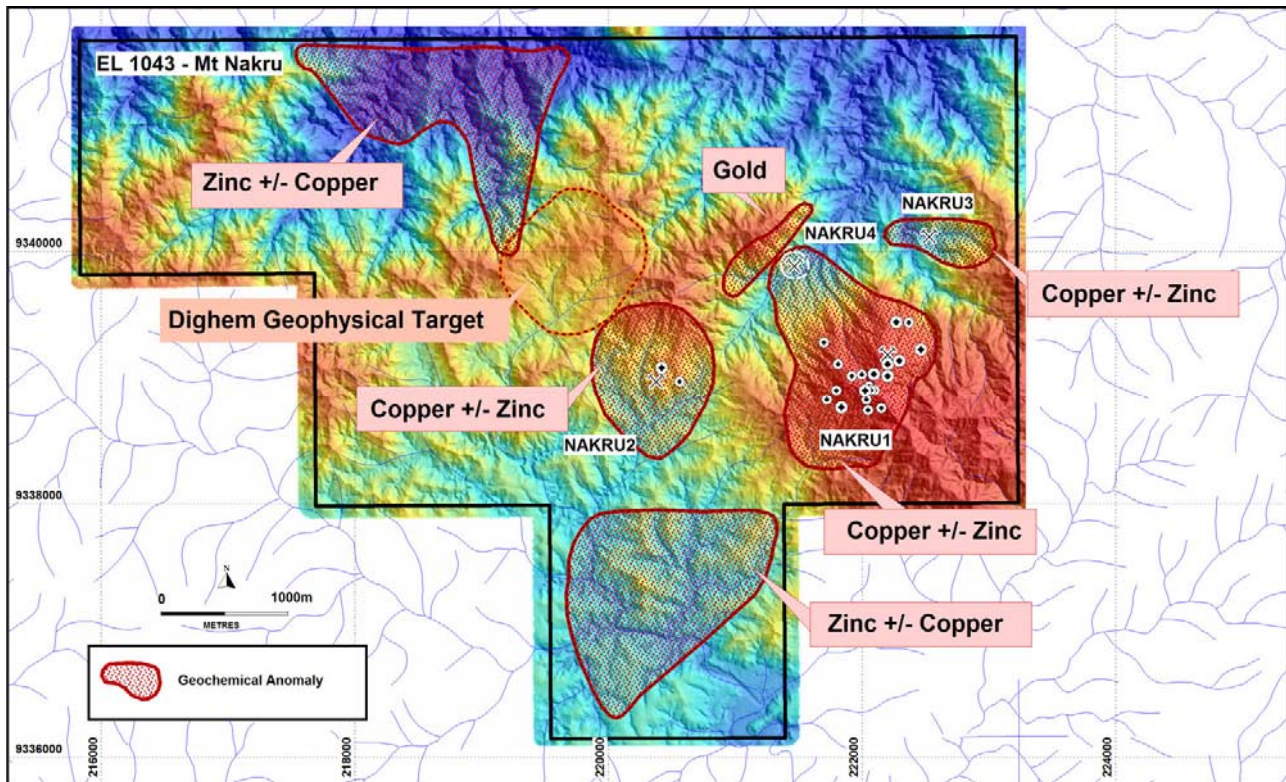


FIGURE 2: Nakru Geochemical and Geophysical Targets on Topographic Image

## Nakru-1: Exploration Target, 50 to 60Mt grading 0.7 to 0.9% Copper

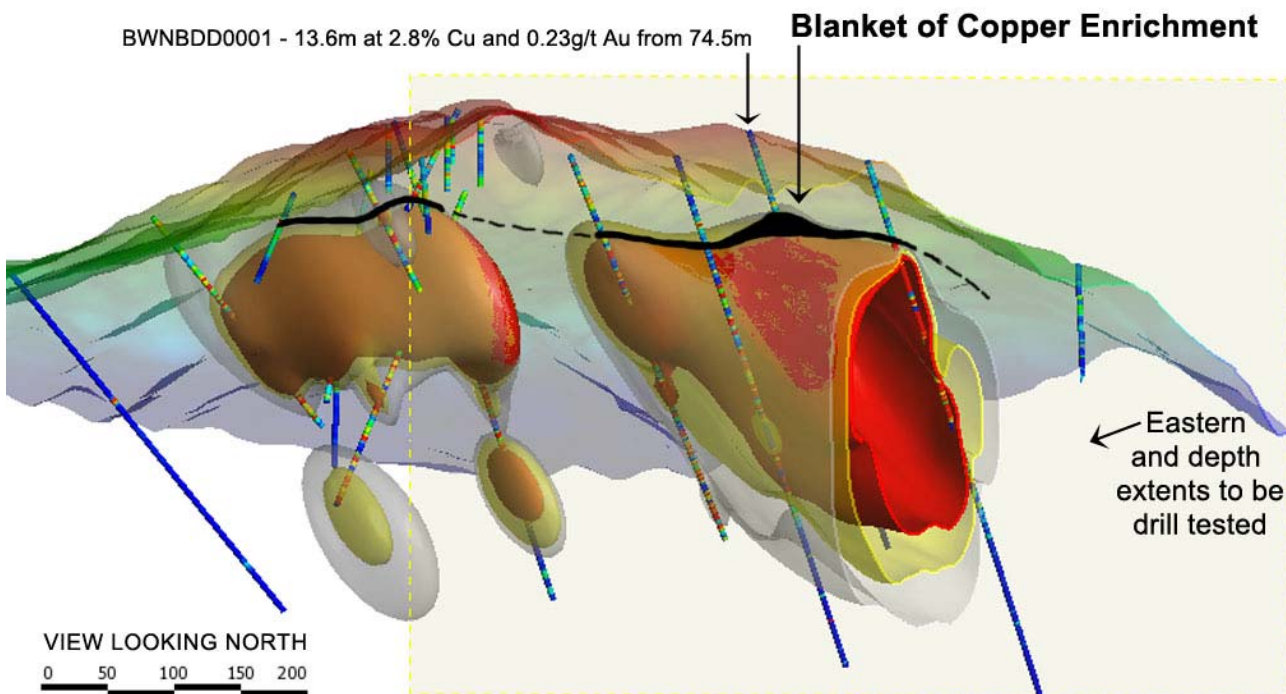


Figure 3: Nakru-1 Three Dimensional Model of Mineralisation Looking North

The Nakru-2 system occurs as an 800 metre diameter circular topographic expression within an envelope copper-zinc-gold-molybdenum in surface geochemistry located one kilometre to the west of Nakru-1 (refer to Figure 2). The 3-D IP anomaly indicates potential for a significant tonnage of sulphide mineralisation below a 7 metre thick lens that averages 3% to 4% copper from only 25 metres below the surface.



## THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

The first ever drill holes completed by Coppermoly in 2008 intersected massive sulphides representing sea floor exhalatives with intervals of 8m grading 3.80% copper, 0.19 g/t gold, 1.66% zinc, 9.5 g/t silver in NAK02-01 and 8 metres grading 3.18% copper, 0.25 g/t gold, 1.71% zinc and 10.95 g/t silver in NAK02-02. Historical trench results include 5 metres grading 3.5% copper at a distance of over 500 metres away from these two drillholes. Other similar near surface mineralised zones are likely to occur elsewhere within the envelope (refer to Figure 4).

The first drill hole by Barrick (BWNBDD0003) into this system intersected 64 metres grading 0.59% copper from 141 metres depth. Within this zone there is an interval of 10.2 metres grading 1.59% copper within strongly silicified rhyolite breccias with irregular quartz veining (refer to Table 1). A separate lower interval of 4.9 metres grading 13.6% zinc, 0.89% copper, 0.41 g/t gold and 24.03 g/t silver was encountered at 290.1 metres depth. This intersection represents a mineralisation style that is also found at surface within widespread polymetallic anomalous rock samples.

Table 1: Mineralised Intercepts in diamond core hole BWNBDD0003

Geology	Depth From (metres)	Depth To (metres)	Intercept Width (metres)	Copper (%)	Cut-Off (Cu%)
Rhyolite Breccia	141	205	64	0.59	0.1
Rhyolite Breccia	Including 165	175.2	10.2	1.59	0.7
Rhyolite	271	284	13	0.43	0.2
Rhyolite	290.1	299	8.9	0.53	0.2
Rhyolite	304	311.1	7.8	0.24	0.2

This copper mineralisation intersected in Table 1 is coincident with the geophysical anomalies at depth. The geophysics, surface soil geochemistry and surface rock geochemistry support the robust nature and size potential of the system.

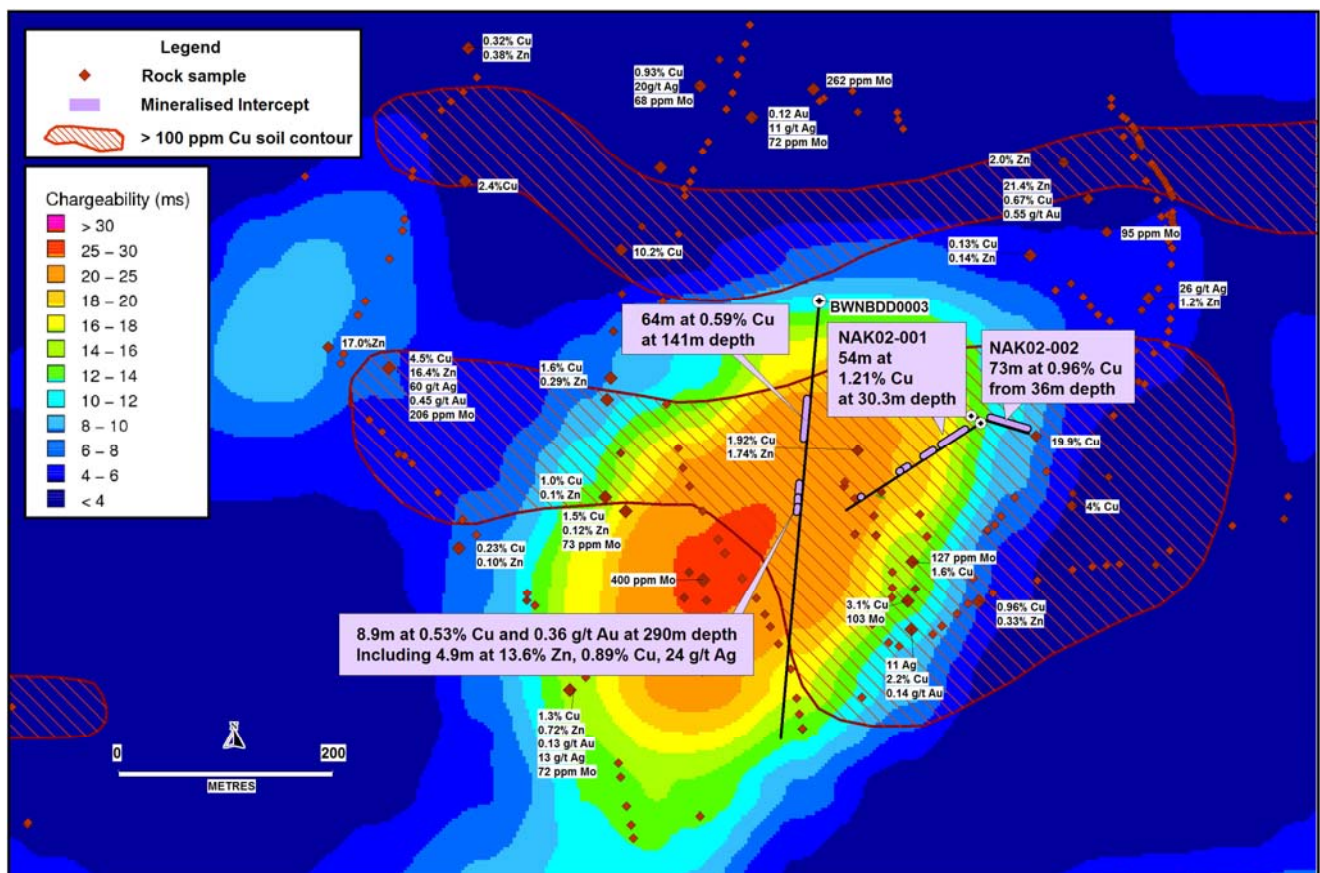


FIGURE 4: Nakru-2 Geophysical Image at 300m Depth with Selected Geochemistry Samples



# THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

## SIMUKU PROJECT

The Simuku project is within a one hour drive by 4WD vehicle from existing infrastructure, including a deep water port which will be essential for future development (refer to Figure 1). It is host to an Inferred Resource of 200 million tonnes grading 0.36% copper. It contains 700,000 tonnes of copper, 12,000 tonnes of molybdenum, 12 tonnes of gold and 391 tonnes of silver (or 1.5 billion pounds of copper, 26 million pounds of molybdenum, 0.4 million ounces of gold and 13 million ounces of silver).

Within the area of the Inferred Resource, higher grades of copper mineralisation at the Nayam prospect include drilling intercepts of 93 metres grading 0.59% copper, including an upper zone of secondary enrichment of 18 metres grading 1% copper from 8 metres depth.

Barrick's first diamond drillhole during 2011 (BWNBDD0014) drilled to 1,004.9 metres beneath the Inferred Resource to test for copper mineralisation beneath historical holes SMD03 which included 107.7 metres grading 0.43% copper from 42.6 metres depth, and SMD31 which included 101.2 metres grading 0.41% copper from 124 metres depth (refer to Figure 5).

BWNBDD0014 intersected primary copper sulphide mineralisation with more sulphide noted within structures and stockwork intensity throughout the entire hole (refer to Photo 1). Drilling intersected mineralised skarn and phyllic altered intrusive consisting of hornblende rich porphyry and quartz feldspar porphyry. Results include 16 metres grading 0.54% copper from 202 metres depth, 43 metres grading 0.54% copper from 224 metres depth and 70 metres grading 0.42% copper from 359 metres depth.

A second drillhole (BWNBDD0015) is currently underway approximately 400 metres further south to test the deeper parts of the Tobarum prospect. Disseminated sulphides have been intersected to over 450 metres depth. Results so far have greatly increased the tonnage potential of the Inferred Resource.

Three Barrick drillholes during the 2010 drilling campaign showed broad copper mineralisation up to 1,400 metres south of the Inferred Resource (refer to Figure 6).



PHOTO 1: High Grade Veining in Drillcore BWNBDD0014 at 264.2 metres Depth Assaying 4.2% Copper over 1 Metre

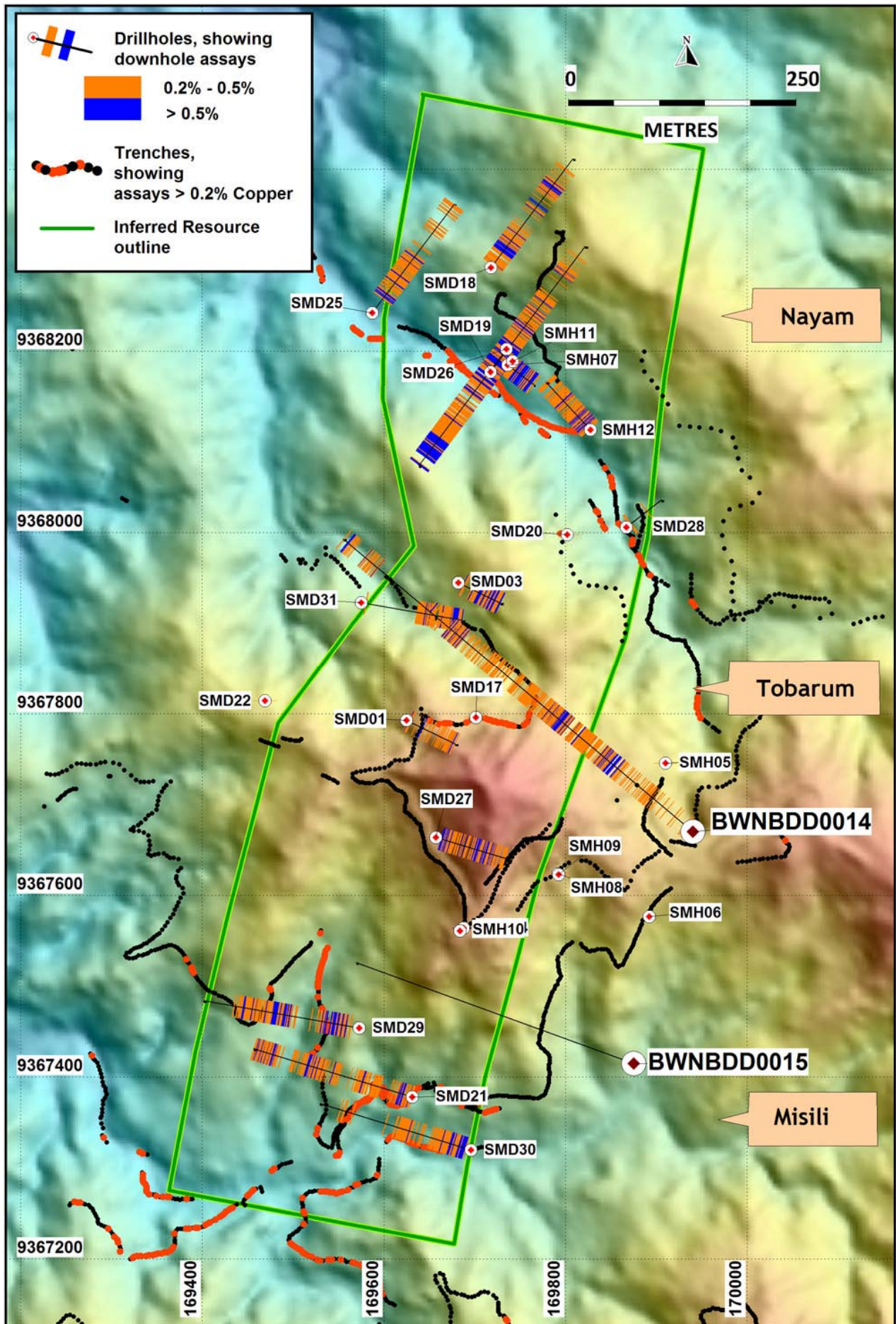


Figure 5: Simuku Diamond Drillhole Results on Lidar Topography Image



## THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

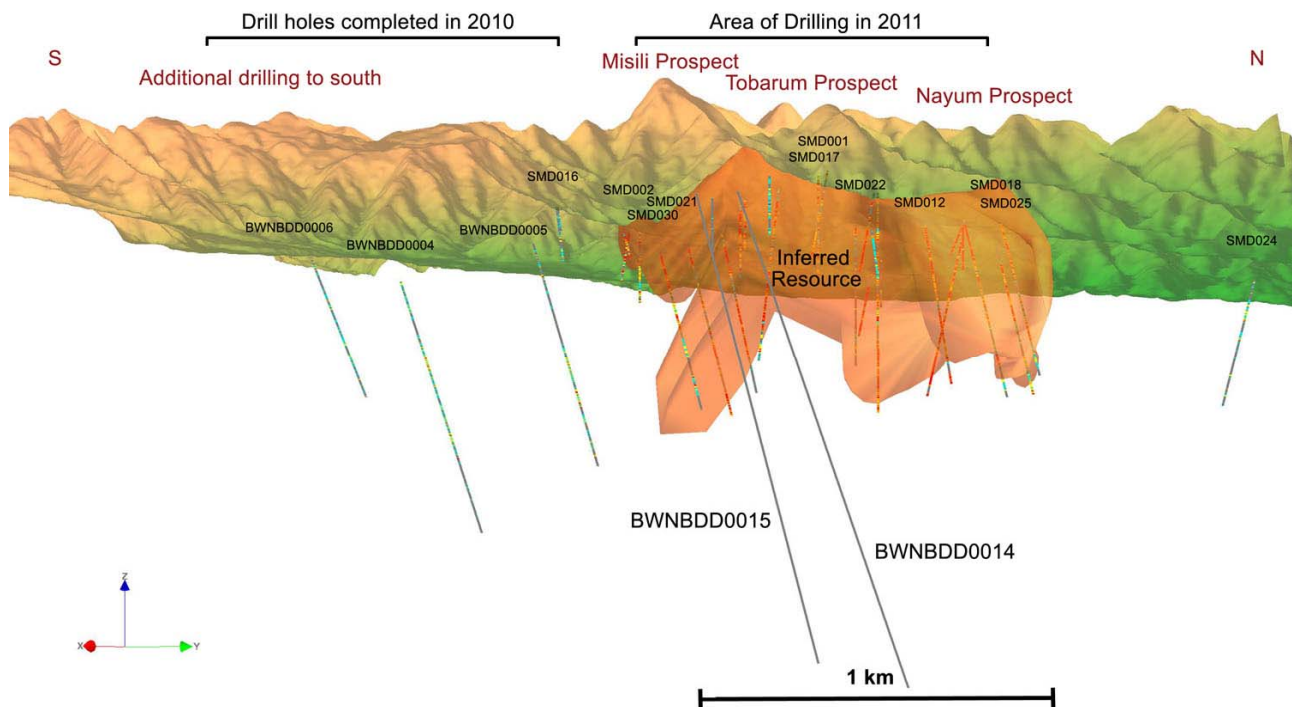


Figure 6: Simuku Inferred Resource Model and Drillholes Looking West

The Kulu prospect occurs 5.5 kilometres further east of the Simuku system and has anomalous copper over an area of 800 metres by 600 metres with geochemistry and mapping indicating a larger porphyry copper system at depth.

In south Kulu, between historical BHP and CRA drilling, there occurs a one square kilometre area untested by drilling. This area has mapped dioritic porphyries which are relatively better mineralised. From 195 Barrick rock chip samples, copper grades averaged 0.11% ranging from 0.01% to 0.69%.

North Kulu is an undrilled area where potassic alteration was mapped coincident with anomalous surface geochemistry. The best intercept from current rock chip sampling was 0.12% copper.

These areas at Kulu present additional targets for drill testing.

On behalf of the board,

Peter Swiridiuk

The information in this report that relates to Exploration Results is based on information compiled by Peter Swiridiuk, who is a Member of the Australian Institute of Geoscientists. Peter Swiridiuk is a consultant to Coppermoly Ltd and employed by Aimex Geophysics. Peter Swiridiuk has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Peter Swiridiuk consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



## THE MANAGING DIRECTOR'S REVIEW OF OPERATIONS & ACTIVITIES

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### Notes:

- All stated intersections are weighted assay averages  $([\text{Sum of each total interval} \times \text{grade}] / \text{Total length of intersection})$ .
- Drillhole samples from drillholes were transported to the camp site then to the town of Kimbe where they were logged, orientated and sampled between 1m and 2m intervals from core split by saw. The split samples were then freighted to Intertek in Lae (PNG) for sample preparation. Samples were dried to 106 degrees C and crushed to < 2 mm. Samples greater than 2kg were rifle split down to 1.5kg and pulverised to 75 microns. The final 300g sized pulp samples were then sent to Intertek laboratories in Jakarta for geochemical analysis. Intertek analysed for gold using a 50g Fire Assay with Atomic Absorption Spectroscopy finish. Other elements were assayed with ICPAES Finish. Copper values greater than 0.5% were re-assayed. Intertek laboratories have an ISO 17025 accreditation. Unused half core is stored in sheltered premises in the town of Kimbe.
- Quality control and quality assurance checks on sampling and assaying quality were satisfactory.
- BWNBDD (Barrick West New Britain Diamond Drillhole) Series Drill Core is PQ, HQ and NQ in size with core recovery predominantly greater than 90%.
- Co-ordinates are given in UTM Zone 56, AGD66 Datum.
- Mineralised intersections are quoted as down hole widths.
- In accordance with Clause 18 of The JORC Code the reference to 'Exploration Target' in terms of target size and type should not be taken as an estimate of Mineral Resources or Ore Reserves. The statement referring to quantity and grade of the exploration target is based upon exploration results to-date including extensive drilling which has intersected the mineralization. The potential quantity and grade is conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the definition of a Mineral Resource

## **DIRECTORS' REPORT**

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Your Directors present their report on the consolidated entity consisting of Coppermoly Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2011.

### **DIRECTORS**

The following persons were Directors of Coppermoly Ltd during the whole of the financial year and up to the date of this report unless otherwise stated:

P. Swiridiuk  
M.J. Gannon  
R.D. McNeil  
D.S. Brynelsen  
C.E. Iewago

P.A. McNeil resigned as Chairman and Director on 4 February 2011.

### **PRINCIPAL ACTIVITIES**

The principal activities during the financial year of entities within the consolidated entity were exploration and evaluation of porphyry copper-molybdenum-gold projects in Papua New Guinea.

There were no significant changes in the principal activities during the year.

### **RESULTS AND DIVIDENDS**

The consolidated entity loss from operating activities after income tax for the period was \$1,451,824 (2010: \$2,099,504). No dividend has been paid or recommended during the four years ended 30 June 2011.

### **REVIEW OF OPERATIONS**

The Managing Director's Review of Operations and Activities is given on pages 2 to 9.

During the financial year;

- (i) The consolidated entity supported, through its agreement with Barrick (PNG Exploration) Limited, ongoing exploration and evaluation work on its exploration areas, with particular emphasis on Simuku, Nakru and Talelumas projects in Papua New Guinea.
- (ii) The consolidated entity evaluated and applied for a new Exploration Licence on the island of New Britain.
- (iii) The Company increased its issued capital by \$242,190 (2010: \$2,889,188) after costs, from the issue of shares and options as detailed in note 16(b) to the Financial Statements.

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

In the opinion of the Directors there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year not otherwise disclosed in this report or the consolidated financial report.

# DIRECTORS' REPORT

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## MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There have been no subsequent events after 30 June 2011.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Likely future developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years are:-

- continuing exploration of the Mt Nakru, Simuku and Talelumas projects in Papua New Guinea;
- exploration of new exploration licences on New Britain Island (subject to their being granted by the PNG Mineral Resources Authority); and
- evaluation and exploration of new project initiatives which could meet corporate strategic guidelines.

## ENVIRONMENTAL REGULATION

The consolidated entity is subject to significant environmental regulation in respect of its mineral exploration and mining activities.

The entity has exploration tenements in Papua New Guinea. The entity is not aware of any breach of environmental regulations during or since the end of the financial year.

## INFORMATION ON DIRECTORS

### Director and Experience

Particulars of Directors' interest in shares and options of Coppermoly Ltd

#### **Peter Swiridiuk**

Managing Director since July 2007.

Age 44. BSc (Hons), DipEd, MAIG. Mr Swiridiuk has over 20 years experience exploring for copper and gold deposits in the middle-east, Cyprus, South Pacific Islands and Australia. He also spent six years exploring for diamonds and coal. Peter has managed the exploration and discovery of copper deposits utilising geophysics, satellite imagery and geochemistry for over 15 years. Early in his career he spent six years with DeBeers diamond services as a geophysicist in their Research and Technical Services Division. He has been author of numerous independent technical geological reports for companies both in Australia and Canada.

Mr Swiridiuk has not served as a Director of any other public listed companies during the last three years.

Special Responsibilities	Ordinary Shares	Options
Member of Planning & Operations Committee.	320,000	60,000 Listed
Member of Risk Management Committee.		3,000,000 Unlisted



# DIRECTORS' REPORT

## INFORMATION ON DIRECTORS (continued)

Particulars of Directors' interest in shares and options of Coppermoly Ltd

### Director and Experience

Special Responsibilities	Ordinary Shares	Options
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#### **Maurice Gannon**

Alternate Director since October 2009.  
Executive Director since February 2010.

Member of Audit Committee.	550,000	100,000 Listed
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Age 54. BSc, GAICD, FCIS, AFAIM, MAusIMM. Mr Gannon holds a Bachelor of Science Degree, a Graduate Diploma in Applied Corporate Governance and a Business Management Certificate. He has over twenty years experience in business and financial management and a professional background in earth and environmental sciences. Mr Gannon is a Graduate Member of the Australian Institute of Company Directors, a Fellow of the Australian Institute of Chartered Secretaries, an Associate Fellow of the Australian Institute of Management and a member of the Australasian Institute of Mining and Metallurgy.

Member of Planning & Operations Committee.		2,000,000 Unlisted
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Member of Risk Management Committee.		
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Mr Gannon has not served as a Director of any other public listed companies during the last three years.

#### **Robert D. McNeil**

Non-Executive Director and previously Chairman from July 2007 to November 2008.

Member of Planning & Operations Committee.	1,181,000	202,500 Listed
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Age 73. B.Sc., M.Sc. Mr McNeil has 50 years industry experience in Australia, Papua New Guinea, U.S.A., Indonesia, Thailand and other countries. He was formerly General Manager of Esso Papua New Guinea Inc. where he was based in Lae, Papua New Guinea for 6 years. Before this assignment he resided in the U.S.A. for 5 years and prior to that worked for several major and minor companies mainly in Australia. He has been associated with the discovery of several orebodies, specifically the Juno and Warrego orebodies at Tennant Creek by Peko in the 1960's.

Member of Risk Management Committee.		2,500,000 Unlisted
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During the last three years Mr McNeil has served as a Director of the following public listed companies:-

- Chairman, CEO and President of New Guinea Gold Corporation, a British Columbia company listed on the TSX Venture Exchange (Canada) (appointed 3 May 1996, resigned as President on 4 February 2010 and Director on 31 March 2011).
- Non-Executive Chairman of Frontier Resources Ltd (ASX) (23 January 2001 to 20 January 2010).
- Non-Executive Chairman and Director Golden Tiger NL (ASX) (2 September 2004 to 28 November 2009).
- Chairman of Macmin Silver Ltd (ASX) (12 August 1992 to 15 September 2009).

# DIRECTORS' REPORT

## INFORMATION ON DIRECTORS (continued)

Particulars of Directors' interest in shares and options of Coppermoly Ltd

### Director and Experience

Special Responsibilities	Ordinary Shares	Options
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#### ***Dal Brynelsen***

Chairman since 8 February 2011 and Non-Executive Director since September 2007.

Member of Audit Committee.	1,450,000	225,000 Listed
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Age 64. Mr Brynelsen holds a Diploma in Urban Land Economics from the University of British Columbia and is a licensed real estate broker of the Real Estate Council of British Columbia. Mr Brynelsen has over 30 years of experience in the mining industry including the discovery, financing and bringing into production of two gold mines in Canada. He was a Founding Director of Griffin Mining NPL, being the first Western company to build a mine in China in 100 years. Griffin operates a zinc mine and has approximately 400 employees.

		2,000,000 Unlisted
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During the last three years Mr Brynelsen has served as a Director of the following public listed companies:-

- President and Chief Executive Officer of Vangold Resources Ltd (TSX-Venture) (appointed September 1990).
- Founding Director of Griffin Mining NPL (AIM-London) (appointed January 2001).
- Director of Janina Resources Limited (TSX-IB) (appointed November 2007).
- President, Chief Executive Officer and Director of Vanoil Energy Ltd (TSX-Venture) appointed September 2009.

#### ***Ces Iewago***

Non-Executive Director since November 2008.

N/A	Nil	1,500,000 Unlisted
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Age 51. Mr Iewago is a citizen of Papua New Guinea. He holds an MBA and BA Commerce degrees and is a Fellow of the Australian Institute of Directors. He has over 25 years experience in the business banking, financial services and investments sectors in Papua New Guinea. Mr Iewago previously served as Managing Director of Public Officers Superannuation Fund. He was Country Director and General Manager of investment bank Merrill Lynch in Papua New Guinea (1997 to 2000) and was responsible for its corporate and retail business. He also held the position of Deputy Managing Director of Papua New Guinea's first merchant bank, Resources & Investment Finance Ltd (1990 to 1996) responsible for Marketing, Corporate Business and Portfolio Management. He is a Director of New Guinea Gold Corporation and a number of Papua New Guinea companies.

During the last three years Mr Iewago has served as a Director of the following public listed companies:-

- Non-Executive Director of Frontier Resources Ltd (ASX) from 6 February 2008 to 27 October 2008.
- Non-Executive Chairman since 15 December 2010 and Non-Executive Director of New Guinea Gold Corporation (TSX-Venture) appointed 5 December 2005.

## COMPANY SECRETARY – QUALIFICATIONS & EXPERIENCE

### ***Maurice J. Gannon***

See information on Directors.

# DIRECTORS' REPORT

## DIRECTORS' MEETINGS

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2011, and the numbers of meetings attended by each Director were:

	Directors' Meetings		Audit Committee Meetings		Planning & Operations Committee Meetings		Risk Management Committee Meetings	
	A	B	A	B	A	B	A	B
Mr P. Swiridiuk	5	5	1	1	4	4	4	4
Mr M.J. Gannon	5	5	2	2	4	4	4	4
Mr R.D. McNeil	5	5	*	*	3	3	1	1
Mr D. Brynelsen	4	5	2	2	*	*	*	*
Mr C.E. Iewago	5	5	*	*	*	*	*	*
Mr P.A. McNeil (resigned 4 Feb 2011)	3	3	1	1	1	2	3	3

A= Number of meetings attended

B = Number of meetings held during the time the Director held office or was a member of the committee during the year

\* = not a member of the relevant committee

## REMUNERATION REPORT (Audited)

### (a) Principles used to determine the nature and amount of remuneration

The following people were the Directors, Executives and key management personnel of the Group during the period covered by this report:-

Name	Position	Period Position Held
P. Swiridiuk	Managing Director	27 July 2007 – Current
M.J. Gannon	Assistant Company Secretary and Financial Controller Company Secretary Alternate Director Executive Director	14 March 2008 - 29 July 2008 30 July 2008 - Current 1 October 2009 - Current 12 February 2010 - Current
R.D. McNeil	Non-Executive Director and Chairman Non-Executive Director	27 July 2007 -18 November 2008 19 November 2008 - Current
D. Brynelsen	Non-Executive Director Non-Executive Director and Chairman	25 September 2007 – 7 February 2011 8 February 2011 - Current
C.E. Iewago	Non-Executive Director	1 November 2008 - Current
P.A. McNeil	Non-Executive Director Non-Executive Director and Chairman	25 September 2007 -18 November 2008 19 November 2008 – 4 February 2011

Apart from the above there were no other executives of the Company and the Group during the current year.

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The Board ensures that Director and executive rewards satisfy the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- transparency
- capital management.

The Group has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design
- focuses on sustained growth in share price and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value
- attracts and retains high calibre executives.



# DIRECTORS' REPORT

## REMUNERATION REPORT (Audited) (continued)

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to shareholder growth
- provides a clear structure for earning rewards
- provides recognition for contribution.

### *Relationship between remuneration and Company performance*

During the past year, the Group has generated losses because it is still involved in exploration and not production.

Details of market price movements in the Company's ordinary share price for the current year and last three years ended 30 June 2011:

		2008	2009	2010	2011
Share price at year end	Cents	0.090	0.055	0.086	0.094
TSR – year on year <sup>1</sup>	Per cent	N/A*	(38.8%)	56.4%	9.3%
Share price movement <sup>2</sup>	Per cent	N/A*	(38.8%)	(4.4%)	4.4%

\* The Company's shares were listed in January 2008.

1. Total shareholder return (TSR) – measured as the change in share price at the end of the year from opening share price.
2. Share price movement measured as the change from 2008 (0.09).

There were no dividends paid during the year ended 30 June 2011.

Given that the remuneration is commercially reasonable, the link between remuneration, company performance and shareholder wealth generation is tenuous, particularly in the exploration and development stage of a minerals company.

Options issued to Key Management Personnel have performance “premiums” factored into their exercise prices. The cash component of remuneration is kept relatively low. Therefore, there is a significant performance component in remuneration arrangements.

Share prices are subject to the influence of international economic factors and market sentiment toward the sector and increases or decreases may occur quite independent of executive performance or remuneration.

### *Non-Executive Directors*

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board. The Board seeks to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market.

### *Directors' fees*

The current base remuneration was last reviewed in February 2010. Directors' fees are inclusive of committee fees.

### *Retirement allowances for Directors*

The Company provides no retirement allowances for Non-Executive Directors under service contracts.

### *Executive pay*

The executive pay and reward framework has three components:

- base pay and benefits
- long-term incentives through options (see note 22 to the Financial Statements), and
- other remuneration such as superannuation.

### *Base pay*

Structured as a total employment cost package which may be delivered as a mix of cash and prescribed non-financial benefits at the executive's below discretion and subject to mutual agreement between the executive and the Company.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market. An executive's pay is also reviewed on promotion.

There are no guaranteed base pay increases fixed in any senior executive's contracts. Refer to section (b) for further details.

### *Benefits*

Executives receive no benefits outside of the base pay, non-monetary benefits, options and superannuation disclosed in this report.

# DIRECTORS' REPORT

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## REMUNERATION REPORT (Audited) (continued)

### *Retirement benefits*

Other than the statutory superannuation contribution and superannuation paid by way of salary sacrifice, no retirement benefits are provided for executives.

### *Coppermoly Ltd Employee Incentive Option Plan*

Information on the Coppermoly Ltd Employee Incentive Option Plan is set out in Note 22. Directors, including Executive Directors, may not participate in the Employee Incentive Option Plan.

Employee options are not performance related except to the extent that they are awarded at the discretion of the Board in recognition of performance. In the interest of encouraging employee retention, options issued under the Plan vest one year after the date of issue. Therefore, allocation of options under the Plan is subject to the Board's assessment of individual performance and vesting of the options to the employee requires a further twelve months of satisfactory performance subsequent to the date of issue. Options may be forfeited at the discretion of the Board if an individual's performance is considered unsatisfactory or employment ceases.

The Coppermoly Ltd Employee Incentive Option Plan rules contain a restriction on removing the 'at risk' aspect of the options granted to employees. Participants in the Coppermoly Ltd Employee Incentive Option Plan may not enter into derivative transactions with third parties in regard to the options. The Plan does not include any limitation of risk for the option holders. All employees who are issued options under the Plan are given a full copy of the Plan rules.

Options issued to Directors and Officers are subject to the Terms and Conditions of The Directors' & Officers Option Plan and vest at the date of issue. The rules of the Plan preclude the granting of a security interest over the options. Therefore, the participants cannot use the options for any form of mortgage, loan or any other third party interest of any nature. Options issued under the Plan to-date have significant premiums factored into their exercise prices in order to establish explicit performance criteria. Substantial share price appreciation is required in order for the options to obtain a realisable value. If a Director ceases to hold office, either as a result of suspension or vacation of office, their options are forfeitable, at the discretion of the remaining directors.

The Group has no Board policy in relation to the Directors and Officers limiting their exposure to risk from the share-based compensation granted to them.

### **(b) Service Agreements**

Remuneration and other terms of employment for the Executive Directors are formalised in service agreements. None of the Directors are eligible to participate in the Coppermoly Ltd Employee Incentive Option Plan. Other major provisions of the agreements relating to remuneration are set out below.

In circumstances where the employment of an Executive Director is terminated without cause, between three and six months' salary may be payable in lieu of notice. Non-Executive Directors are not eligible to receive any termination payments.

#### *P. Swiridiuk, Managing Director*

- Base salary, as at 30 June 2011 of \$750 per day, to be reviewed annually.

#### *M. Gannon, Executive Director & Company Secretary*

- Base salary, inclusive of superannuation, as at 30 June 2011 of \$165,952, to be reviewed annually.

#### *R.D. McNeil, Non-Executive Director*

- Base salary, inclusive of superannuation, as at 30 June 2011 of \$21,800 to be reviewed annually.

#### *D.S. Brynelsen, Non-Executive Chairman and Director*

- Base salary, as at 30 June 2011 of \$20,000, to be reviewed annually.

#### *C.E. Iewago, Non-Executive Director*

- Base salary, as at 30 June 2011 of \$20,000, to be reviewed annually.

#### *P.A. McNeil, Non-Executive Director and Chairman (resigned 4 February 2011)*

- Base salary, inclusive of superannuation, as at 4 February 2011 of \$43,600.

All Directors are required by the Company's Constitution to retire at the end of the third Annual General Meeting after their appointment and may offer themselves for reappointment.

Directors may give notice of resignation, effective at the time of receipt (which depends upon the means of delivery or transmission). Directors can be suspended from office by a majority of directors at a meeting of the Board called for that purpose.

# DIRECTORS' REPORT

## REMUNERATION REPORT (Audited) (continued)

### (c) Details of remuneration

Details of the nature and amount of each element of the remuneration of each key management personnel of the Company and the consolidated entity for the years ended 30 June 2011 and 30 June 2010 are set out in the following tables:

2011	Short-term employee benefits			Post Employment Benefits	Long-term Benefits		Share-based payments		Proportion of remuneration that is performance based %	% of Value of remuneration that consists of options %
Name	Cash salary and fees \$	Cash Bonus \$	Non-Monetary benefits \$	Super-annuation \$	Long Service Leave \$	Termination Benefits \$	Options* \$	Total \$		
<i>Directors</i>										
P. Swiridiuk <sup>^</sup>	122,813	-	-	-	-	-	139,950	262,763	53	53
M. Gannon <sup>^</sup>	46,695	-	-	4,202	-	-	93,300	144,197	65	65
R.D. McNeil	20,000	-	-	1,800	-	-	139,950	161,750	87	87
D. Brynelsen	20,000	-	-	-	-	-	93,300	113,300	82	82
C. Iewago	24,960	-	-	-	-	-	46,650	71,610	65	65
P.A. McNeil <sup>#</sup> (1 July 2010 – 4 Feb 2011)	23,949	-	-	2,155	-	-	93,300	119,404	78	78
Total	258,417	-	-	8,157	-	-	606,450	873,024		

2010	Short-term employee benefits			Post Employment Benefits	Long-term Benefits		Share-based payments		Proportion of remuneration that is performance based %	% of Value of remuneration that consists of options %
Name	Cash salary and fees \$	Cash Bonus \$	Non-Monetary benefits \$	Super-annuation \$	Long Service Leave \$	Termination Benefits \$	Options* \$	Total \$		
<i>Directors</i>										
P. Swiridiuk <sup>^</sup>	131,300	-	-	-	-	-	145,350	276,650	53	53
M. Gannon <sup>•</sup> (from 1 October 2009)	101,981	-	-	8,278	-	-	96,900	207,159	47	47
R.D. McNeil	30,000	-	-	1,800	-	-	96,900	128,700	75	75
D. Brynelsen	30,000	-	-	-	-	-	96,900	126,900	76	76
C. Iewago	32,800	-	-	-	-	-	96,900	129,700	75	75
P.A. McNeil	59,600	-	-	3,600	-	-	145,350	208,550	70	70
<i>Other key management personnel</i>										
M. Gannon <sup>^•</sup> (from 1 July 2009 – 30 September 2009)	26,250	-	-	2,363	-	-	-	28,613	-	-
Total	411,931	-	-	16,041	-	-	678,300	1,106,272		

<sup>^</sup>These executives are/were the highest paid executives of the Company and group. There were no other executives.

\*Option value calculation using Black-Scholes Model

<sup>#</sup>P. McNeil resigned as a Director effective 4 February 2011.

• M. Gannon was Company Secretary for the period from 30 July 2008. He was also appointed Director from 1 October 2009.

# DIRECTORS' REPORT

## REMUNERATION REPORT (Audited) (continued)

### (d) *Share-based Compensation*

#### *Options*

Options are granted to Directors and Officers under conditions approved by the Shareholders at the 2009 and 2010 Annual General Meetings. Options are granted to other key management personnel under the Coppermoly Ltd Employee Incentive Option Plan which was approved by the Directors on 17<sup>th</sup> October 2007. Employee options are not performance related except to the extent that they are issued at the discretion of the Board in recognition of performance. Any options issued to employees under the Employee Incentive Option Plan vest to the employee only when they have achieved one continuous year of service to the entity. If the employee leaves, regardless of whether the options have vested or not, the options may be forfeited at the discretion of the Directors.

The terms of the Coppermoly Ltd Employee Incentive Option Plan are outlined in note 22 to the Financial Statements.

Options are granted under the Plan for no consideration. Options are granted for between 2-5 year periods.

The details of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

Type of Options	Grant date	Expiry date	Exercise price	Fair Value per option at grant date	% vested	% forfeited	% expired	Date exercisable
Directors	22 Oct 2007	22 Oct 2010	\$0.30	\$0.06	100	-	100	Between 22 Oct 2009 and 22 Oct 2010
Officers	22 Oct 2007	22 Oct 2010	\$0.30	\$0.06	100	-	100	Between 22 Oct 2008 and 22 Oct 2010
Employee	13 Mar 2008	13 Mar 2011	\$0.25	\$0.0125	28.6	-	100	Between 13 Mar 2009 and 13 Mar 2011
Employee	5 Oct 2009	5 Oct 2012	\$0.10	\$0.0488	77.4	22.6	-	Between 5 Oct 2010 and 5 Oct 2012
Directors	1 Dec 2009	1 Dec 2012	\$0.19	\$0.0969	100	-	-	Between 1 Dec 2009 and 1 Dec 2012
Directors	1 Dec 2009	1 Dec 2012	\$0.23	\$0.0969	100	-	-	Between 1 Dec 2009 and 1 Dec 2012
Directors	22 Nov 2010	1 Dec 2012	\$0.19	\$0.0933	100	-	-	Between 20 Nov 2010 and 1 Dec 2012

Options granted under the Plans carry no dividend or voting rights.

Details of options over ordinary shares in the Company provided as remuneration to each Director of Coppermoly Ltd and each of the key management personnel of the Group are set out below. When exercisable, each option is convertible into one ordinary share of Coppermoly Ltd. Further information on the options is set out in note 22 to the Financial Statements.

Name	Number of Options granted during the year 2011	Number of options vested during the year 2011	Number of options forfeited during the year 2011	Number of options expired during the year 2011
<b>Directors of Coppermoly Ltd</b>				
P. Swiridiuk	1,500,000	1,500,000	-	(1,000,000)
M. Gannon	1,000,000	1,000,000	-	(200,000)
R.D. McNeil	1,500,000	1,500,000	-	(1,000,000)
D. Brynelsen	1,000,000	1,000,000	-	(500,000)
C.E. Iewago	500,000	500,000	-	-
P. A. McNeil	1,000,000	1,000,000	-	(500,000)

# DIRECTORS' REPORT

## REMUNERATION REPORT (Audited) (continued)

The assessed fair value at grant date of options granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

### (e) Options and rights granted as remuneration

Details of the terms and conditions of options and rights granted to key management personnel and executives as compensation during the reporting period are as follows:

2011	No. options/ rights granted	No. options/ rights vested	Fair value per option/right at grant date	Exercise Price	Amount paid or payable	Expiry date	Date exercisable
<b>Directors</b>							
P. Swiridiuk	1,500,000	1,500,000	\$0.0933	\$0.19	-	1-Dec-12	22 Nov 2010 - 1 Dec 2012
M. Gannon	1,000,000	1,000,000	\$0.0933	\$0.19	-	1-Dec-12	22 Nov 2010 - 1 Dec 2012
R.D. McNeil	1,500,000	1,500,000	\$0.0933	\$0.19	-	1-Dec-12	22 Nov 2010 - 1 Dec 2012
D. Brynelsen	1,000,000	1,000,000	\$0.0933	\$0.19	-	1-Dec-12	22 Nov 2010 - 1 Dec 2012
C.E. Iewago	500,000	500,000	\$0.0933	\$0.19	-	1-Dec-12	22 Nov 2010 - 1 Dec 2012
P.A. McNeil	1,000,000	1,000,000	\$0.0933	\$0.19	-	1-Dec-12	22 Nov 2010 - 1 Dec 2012
	<u>6,500,000</u>	<u>6,500,000</u>					

No options were issued to other key management personnel or executives during the period.

### (f) Equity instruments issued on exercise of remuneration options

No equity instruments were issued during the period to key management personnel and executives as a result of options exercised that had previously been granted as compensation.

### (g) Value of options to key management personnel and executives

Details of the value of options granted, exercised and lapsed during the year to key management personnel and executives as part of their remuneration are summarised below:

Name	Value of options at grant date \$	Value of options exercised at exercise date* \$	Value of options lapsed at date of lapse** \$
<b>Directors</b>			
P. Swiridiuk	139,950	-	60,000
M. Gannon	93,300	-	2,500
R.D. McNeil	139,950	-	60,000
D. Brynelsen	93,300	-	30,000
C.E. Iewago	46,650	-	-
P.A. McNeil	93,300	-	30,000

\*The value of options exercised at exercise date has been determined as the intrinsic value of the options at exercise date, i.e. the excess of the market value at exercise date over the strike price of the option.

\*\*Options lapsed due to vesting conditions not being satisfied. The value of options at date of lapse is determined assuming that the vesting condition has been satisfied.

## END OF REMUNERATION REPORT (Audited)

## DIRECTORS' REPORT

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### LOANS TO DIRECTORS AND EXECUTIVES

No loans have been made to Directors of Coppermoly Ltd or the executives of the consolidated entity, including their personally-related entities.

### SHARE OPTIONS GRANTED TO DIRECTORS AND THE MOST HIGHLY REMUNERATED OFFICERS

As detailed above options over unissued ordinary shares of Coppermoly Ltd were granted during the financial year to the Directors and the most highly remunerated officers of the Company and consolidated entity as part of their remuneration.

### SHARES UNDER OPTION

Unissued ordinary shares of Coppermoly Ltd under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
15 September 2009	1 December 2011	\$0.07	5,264,898
28 September 2009	1 December 2011	\$0.07	15,576,359
29 September 2009	1 December 2011	\$0.07	1,200,000
1 October 2009	1 December 2011	\$0.07	1,585,000
5 October 2009	5 October 2012	\$0.10	1,325,000
1 December 2009	1 December 2012	\$0.19	3,500,000
1 December 2009	1 December 2012	\$0.23	3,500,000
22 November 2010	1 December 2012	\$0.19	6,500,000
			<hr/> 38,451,257 <hr/>

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

### SHARES ISSUED ON THE EXERCISE OF OPTIONS

47,000 shares of Coppermoly Ltd were issued during the year ended 30 June 2011 on the exercise of options. The amount paid per share was 7 cents. No shares have been issued from the exercise of options since that date. No amounts are unpaid on any of the shares.

### INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year the consolidated entity paid insurance premiums in respect of Directors' and Officers' legal expenses and liability insurance. The policies prohibit disclosure of details of the policies or the premiums paid. The consolidated entity has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an Officer or Auditor of the Company or any of its controlled entities against a liability incurred as such an Officer or Auditor.

The Company has not indemnified or insured the auditor.



# DIRECTORS' REPORT

## NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Consolidated Entity are important.

Details of the amounts paid or payable to the auditors (BDO Audit (QLD) Pty Ltd and Sinton Spence Chartered Accountants) for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditors;
- None of the services undermine the general principles relating to the auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

	2011 \$	2010 \$
During the year the following fees were paid or payable for services provided by the auditors, their related practices and non-related audit firms.		

### Assurance services

#### 1. Audit Services – audit or review of financial statements

BDO Audit (QLD) Pty Ltd Australian firm:	39,982	32,325
Sinton Spence Chartered Accountants PNG Firm:	3,549	3,065
<b>Total remuneration for audit services</b>	<b>43,531</b>	<b>35,390</b>

#### 2. Other Assurance Services

BDO (QLD) Pty Ltd Australian firm:	-	-
Sinton Spence Chartered Accountants PNG firm:	180	1,360
<b>Total remuneration for other assurance services</b>	<b>180</b>	<b>1,360</b>
<b>Total remuneration for assurance services</b>	<b>43,711</b>	<b>36,750</b>

### Taxation Compliance Services

BDO (QLD) Pty Ltd Australian firm:	7,985	9,000
Sinton Spence Chartered Accountants PNG firm:	438	590
<b>Total remuneration for taxation services</b>	<b>8,423</b>	<b>9,590</b>

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 23.

## ROUNDING OF AMOUNTS

Amounts in the Directors' report have been rounded to the nearest dollar.

## DIRECTORS' REPORT

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### PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

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

A handwritten signature in black ink, appearing to read 'P. Swiridiuk', is positioned above the printed name and title.

**P. Swiridiuk**  
Managing Director

Bundall, Queensland  
20 September 2011

# AUDITOR'S INDEPENDENCE DECLARATION

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Australia

## DECLARATION OF INDEPENDENCE BY C J SKELTON TO THE DIRECTORS OF COPPERMOLY LIMITED

As lead auditor of Coppermoly 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:

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

This declaration is in respect of Coppermoly Limited and the entity it controlled during the period.

A handwritten signature in black ink, appearing to read 'C J Skelton', with a long horizontal flourish extending to the right.

**C J Skelton**

Director

**BDO Audit (QLD) Pty Ltd**

Brisbane, 20 September 2011

# CORPORATE GOVERNANCE STATEMENT

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## For the year ended 30 June 2011

In accordance with the Australian Securities Exchange Corporate Governance Council's recommendations the Corporate Governance Statement must contain certain specific information and also report on the Company's adoption of the Council's best practice recommendations on an exception basis, whereby disclosure is required of any recommendations that have not been adopted by the Company, together with the reasons why they have not been adopted. The Corporate Governance Council's best practice recommendations are as follows:

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

This statement outlines the main Corporate Governance practices that were in place throughout the period, unless otherwise stated.

### PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board of Directors is accountable to shareholders for the performance of Coppermoly Ltd.

In carrying out its responsibilities the Board undertakes to serve the interests of shareholders, employees and the broader community honestly, fairly, diligently and in accordance with applicable laws.

The respective roles of the Board and Senior Executives are clearly defined.

The Board's responsibilities encompass the following:

1. set the strategic direction of the Group and monitor Management's implementation of that strategy;
2. select and appoint and, if appropriate, remove from office, the Company Secretary and Chief Executive Officer. Determine his/her conditions of service and monitor his/her performance against established objectives;
3. ratify the appointment and, if appropriate, the removal from office of the Chief Financial Officer;
4. monitor financial outcomes and the integrity of reporting; in particular approve annual budgets and longer-term strategic and business plans;
5. set specific limits of authority for Management to commit to new expenditure, enter contracts or acquire businesses without prior Board approval;
6. ensure that effective audit, risk management and compliance systems are in place to protect the Company's assets and to minimise the possibility of the Company operating beyond legal requirements or beyond acceptable risk parameters;
7. monitor compliance with regulatory requirements, including continuous disclosure, and ethical standards;
8. review, on a regular basis, Senior Management succession planning and development; and
9. ensure effective and timely reporting to Shareholders.

The Board delegates to the Chief Executive Officer responsibility for implementing the strategic direction and for managing the day-to-day operations of the Group. The Chief Executive Officer consults with the Chairman, in the first place, on matters which are sensitive, extraordinary or of a strategic nature.

The Board acknowledges that it is responsible for the overall internal control framework. The system is based upon procedures, policies and guidelines, organisation structures that seek to provide an appropriate division of responsibility and the careful selection and training of qualified personnel.

The Board, particularly through the Planning and Operations Committee, sets the strategic direction of the Company with Management and monitors Management's implementation of strategy.

# CORPORATE GOVERNANCE STATEMENT

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The Planning and Operations Committee consists of the Managing Director, a Non-Executive Director and an Executive Director/Company Secretary. It meets prior to each Board Meeting (generally at least once every three months). The Committee evaluates past and proposed exploration activities, strategies and results, administration and capital expenditures.

Minutes of the Planning and Operations Committee meetings are copied to the Board.

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

### Composition of the Board

The full Board determines the Board size and composition, subject to limits imposed by the Company's Constitution. The Constitution provides for a minimum of three Directors and a maximum of ten. Given the Company's background, nature and size of its business and the current stage of its development, the Board is comprised of five Directors, three of whom are Non-Executive. The Board believes that this is both appropriate and acceptable at this stage for the Company's development.

The positions of Chairman and Managing Director are held by separate persons.

Succession planning for the Board is reviewed regularly by the full Board. In considering potential new Directors to commend to shareholders, the Board seeks to identify candidates with appropriate skills and experience to contribute to effective direction of the Company, who can exercise an independent and informed judgement on matters which come to the Board, and who are free of any business or other relationship that may interfere materially with the exercise of that independent judgement.

The Chairman and Deputy Chairman, if applicable, are elected by the full Board.

### Role of Chairman

The Chairman presides over Board and General Meetings of the Company. He has the task of making sure the Board is well informed and effective; that the members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary for the proper operation of the Board and the Company.

The Chairman is responsible for ensuring that the meetings are conducted competently and ethically and is expected to provide effective leadership in formulating the strategic direction for the Group.

He must ensure that General Meetings, too, are conducted efficiently and that shareholders have adequate opportunity to air their views and obtain answers to their queries.

Among the Chairman's other responsibilities are:

1. To see that new Board members are well briefed and have access to information on all aspects of the Company's operations;
2. To be the Board's representative in dealings with Management ensuring that its views are communicated clearly and accurately;
3. To act as the primary counsellor to the Chief Executive Officer; and
4. To represent the views of the Board to the public, governments, etc on appropriate occasions.

### Board Meetings

The Board meets formally at least 4 times a year (in addition to General Meetings of shareholders) and whenever necessary to deal with urgent matters which might arise between scheduled meetings.

Senior members of Management may be requested to attend Board Meetings to present reports on, or seek approvals within, their areas of responsibility. In certain circumstances, Board members may (a) request that aspects of a meeting be held 'in camera' and non directors will be requested to leave the meeting or (b) agree to hold a separate meeting involving Directors only or Non-Executive Directors only. Non-Executive Directors may meet without the Managing Director when discussing matters pertaining to his performance, salary review, CEO succession planning or other personal matters.

### Directors' Independence

None of the Company's Directors are independent.

The Board reviews annually the independence of Directors having regard to ASX Corporate Governance Council Recommendation 2.1.

# CORPORATE GOVERNANCE STATEMENT

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## Independent Professional Advice

Each Director has the right to seek independent professional advice at the consolidated entity's expense.

## PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

All Directors, senior executives and other employees are expected to act lawfully, in a professional manner and with the utmost integrity and objectivity in their dealings with shareholders, customers, suppliers, advisors and regulators, competitors, the community and each other in each country where the consolidated entity operates.

The Company has established a Corporate Code of Conduct which is available at [www.coppermoly.com.au](http://www.coppermoly.com.au) or by contacting the registered office.

### Diversity Policy

The Company has established a Diversity Policy which is available at [www.coppermoly.com.au](http://www.coppermoly.com.au) or by contacting the registered office.

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Company's CEO and Chief Financial Officer report in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entities for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

## Audit Committee

An Audit Committee has been established and is documented in a Charter which is approved by the Board of Directors and is available at [www.coppermoly.com.au](http://www.coppermoly.com.au) or by contacting the registered office. In accordance with this Charter, all members of the Committee must be Directors, executives of the Company or qualified consultants. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity.

The members of the Audit Committee during the year were Messrs P.A. McNeil (Chairman from 1 July 2010 to 4 February 2011), P. Swiridiuk (Chairman from 8 February 2011), D. Brynelsen (Director) and M. Gannon, (Director and Company Secretary). Information on the qualifications of the Directors on the Audit Committee and attendance at Audit Committee meetings are contained in the Directors' Report.

The Audit Committee meets at least twice a year with the Company's External Auditor required to be in attendance.

## PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

### Continuous Disclosure to ASX

The Company's Continuous Disclosure Policy is available at [www.coppermoly.com.au](http://www.coppermoly.com.au) or by contacting the registered office.

The Continuous Disclosure Policy requires all executives and Directors to inform the Managing Director or in his absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

## PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

The Company's policy regarding Communication with Shareholders is available at [www.coppermoly.com.au](http://www.coppermoly.com.au) or by contacting the registered office.

The Board of Directors aims to ensure that the shareholders are informed of all major developments affecting the consolidated entity's state of affairs.



# CORPORATE GOVERNANCE STATEMENT

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All announcements and reports submitted to ASX are posted on the Company's website [www.coppermoly.com.au](http://www.coppermoly.com.au).

The Company maintains an investor database to distribute significant announcements by email.

The Company's practice is to invite the auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

## **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

A Risk Management Committee has been established. The members of the Committee during the year were P. Swiridiuk, P. McNeil (from 1 July 2010 to 4 February 2011), R.D. McNeil (from 8 February 2011) and M. Gannon. The Committee meets (at least four times a year) at the same time as the Planning & Operations Committee.

The Company has a Risk Management Policy which is available at [www.coppermoly.com.au](http://www.coppermoly.com.au) or by contacting the registered office.

## **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

The Board considers that the Company is not currently of a size to justify the formation of a separate Remuneration Committee, therefore the Board as a whole, serves as a Remuneration Committee. The Company's Remuneration Policy is available at [www.coppermoly.com.au](http://www.coppermoly.com.au) or by contacting the registered office.

The broad Remuneration Policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide Executive Directors and executives with a remuneration package consisting of fixed components and incentives that reflect the person's responsibilities, duties and personal performance.

The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the industry.

The aggregate amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount approved by the Company's shareholders.

Details of the Company's remuneration policies are contained in the Directors' Report.

# CORPORATE GOVERNANCE STATEMENT

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## ADOPTION OF ASX CORPORATE GOVERNANCE RECOMMENDATIONS

The Company has adopted the ASX Corporate Governance Principles and Recommendations for the whole period, as outlined in the Corporate Governance Statement, with the following exceptions:

### **Composition of the Board**

#### ***Council Principle 2: Structure the Board to add value***

*Council Recommendation 2.1: A majority of the Board should be Independent Directors.*

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of a majority of Independent Non-Executive Directors.

Three Directors are Non-Executive Directors. These Non-Executive Directors are not Independent Directors in accordance with the Best Practice Recommendations.

The Board is of the opinion that each Director on the Board holds sufficient experience to make quality and independent judgments and decisions in their role as Director in the best interests of the Company on all relevant issues.

Further Independent Directors may be appointed depending upon the future acquisitions and growth of the Company.

*Council Recommendation 2.2: The chair should be an Independent Director.*

The Chairperson, Mr D. Brynensen, is not considered independent under ASX guidelines. The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the expense of the appointment of an Independent Non-Executive Chairman.

*Council Recommendation 2.4: The Board should establish a nomination committee.*

The Board considers that the Company is not currently of a size to justify the formation of a separate Nomination Committee, therefore the Board as a whole, serves as a Nomination Committee. The Company's Policy and Procedure for Nomination and Appointment of Directors is available at [www.coppermoly.com.au](http://www.coppermoly.com.au) or by contacting the registered office.

Where necessary, the Nomination Committee seeks advice of external advisors in connection with the suitability of applicants for Board membership.

### **Integrity of Financial Reporting**

#### ***Council Principle 4: Safeguard integrity in financial reporting.***

*Council Recommendation 4.2: Structure the audit committee so that it consists of:*

- only Non-Executive Directors;
- a majority of Independent Directors;
- an independent chairperson, who is not chairperson of the Board;
- at least three members.

The Audit Committee consists of two Executive Directors and one Non-Executive Director, but does not have a majority of Independent Directors. The Board considers the mix of two Executive Directors and the Non-Executive Director appropriate for the Company given the current size of the Company and the Board and role of the Committee.

### **Remuneration**

#### ***Council Principle 8: Remunerate fairly and responsible***

*Council Recommendation 8.3: Clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executive Directors and Senior Executives.*

*The Non-Executive Directors should not receive options or bonus payments.*

Non-Executive Directors have been issued options on the same terms and conditions as Executive Directors. The Non-Executive Directors were also issued options on 1 December 2009 and 22 November 2010, in accordance with the Directors & Officers Option Plan as approved by shareholders at the 2009 and 2010 Annual General Meetings.

The Directors' & Officers' Option Plan is designed to require the achievement of substantial share price "hurdles" for the options to be of value. Directors' & Officers' options are, therefore, incentive based and will only attain a value in the context of generation of significant benefits to all shareholders.

The Board is of the view that all Directors have the potential to influence strategic direction and achievements of the Company for the benefit of shareholders and believe that the granting of options to Non-Executives is an appropriate method to potentially supplement Non-Executive Directors' cash remuneration, which is kept relatively low (currently \$20,000 p.a.) and to provide incentive without further use of cash while the Company is reliant upon shareholder funds to operate.

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This financial report covers the consolidated entity consisting of Coppermoly Ltd and subsidiaries. The financial report is presented in the Australian currency.

Coppermoly Ltd is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange and Port Moresby Stock Exchange. Its registered office and principal place of business is:

Coppermoly Ltd  
Level 1  
94 Bundall Road  
Bundall Qld 4217

A description of the nature of the consolidated entity's operations and its principal activities is included in the Managing Director's review of operations and activities on pages 2 to 9 and in the Directors' Report on pages 10 to 22, both of which are not part of the financial report.

The financial report was authorised for issue by the Directors on 20 September 2011. The Directors have the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the Company. All press releases, financial reports and other information are available on our website: [www.coppermoly.com.au](http://www.coppermoly.com.au).

For queries in relation to our reporting please call +61 7 5592 2274 or e-mail [mgannon@coppermoly.com.au](mailto:mgannon@coppermoly.com.au).

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	2011 \$	2010 \$
<b>Revenue</b>	5	236,594	157,035
		<u>236,594</u>	<u>157,035</u>
Depreciation		(86,290)	(120,741)
Employee benefits expense		(825,409)	(1,123,032)
Exploration expenditure written-off	6, 12	(160,172)	(579,499)
Insurances		(40,255)	(42,488)
Corporate compliance and shareholder relations		(105,342)	(103,920)
Office rental, communication and consumables		(70,815)	(23,766)
Other expenses		<u>(400,135)</u>	<u>(263,093)</u>
<b>Profit / (Loss) before income tax</b>		(1,451,824)	(2,099,504)
Income tax (expense)/benefit	7	-	-
<b>Net Profit / (Loss) for the year</b>		<u>(1,451,824)</u>	<u>(2,099,504)</u>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		(40,322)	(252,358)
Income tax on items of other comprehensive income		-	-
<b>Other comprehensive income for the year</b>		<u>(40,322)</u>	<u>(252,358)</u>
<b>Total comprehensive income for the year</b>		<u>(1,492,146)</u>	<u>(2,351,862)</u>
		<b>Cents</b>	<b>Cents</b>
Basic and diluted earnings / (loss) per share	25	(1.05)	(1.70)

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

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2011**

	Notes	2011 \$	2010 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	1,610,846	2,167,437
Trade and other receivables	9	85,788	63,210
Total Current Assets		1,696,634	2,230,647
<b>Non-Current Assets</b>			
Receivables	10	13,470	13,803
Property, plant and equipment	11	271,894	349,692
Mineral exploration and evaluation assets	12	1,444,343	1,472,209
Total Non-Current Assets		1,729,707	1,835,704
<b>Total Assets</b>		<b>3,426,341</b>	<b>4,066,351</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	70,378	75,780
Provisions	14	24,773	18,140
Total Current Liabilities		95,151	93,920
<b>Non-Current Liabilities</b>			
Provisions	15	6,350	2,519
Total Non-Current Liabilities		6,350	2,519
<b>Total Liabilities</b>		<b>101,501</b>	<b>96,439</b>
<b>Net Assets</b>		<b>3,324,840</b>	<b>3,969,912</b>
<b>EQUITY</b>			
Contributed equity	16	10,866,559	10,624,369
Reserves	17	2,487,448	1,922,886
Accumulated losses	17	(10,029,167)	(8,577,343)
<b>Total Equity</b>		<b>3,324,840</b>	<b>3,969,912</b>

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

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	Contributed Equity	Accumulated Losses	Share- Based Payments Reserve	Share Option Reserve	Foreign Currency Translation Reserve	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 30 June 2010</b>	<b>10,624,369</b>	<b>(8,577,343)</b>	<b>1,187,713</b>	<b>987,864</b>	<b>(252,691)</b>	<b>3,969,912</b>
<b>Comprehensive income for the year</b>						
Loss for the year	-	(1,451,824)	-	-	-	(1,451,824)
Foreign currency translation difference	-	-	-	-	(40,322)	(40,322)
<b>Total Comprehensive Income</b>	<b>-</b>	<b>(1,451,824)</b>	<b>-</b>	<b>-</b>	<b>(40,322)</b>	<b>(1,492,146)</b>
<b>Transactions with owners in their capacity as owners</b>						
Contributions of equity	251,721	-	-	-	-	251,721
Costs of share issue	(9,531)	-	-	-	-	(9,531)
Share-based payments	-	-	606,450	-	-	606,450
Share option exercised	-	-	-	(1,566)	-	(1,566)
Share option expired	-	-	(423,307)	423,307	-	-
<b>Total transactions with owners in their capacity as owners</b>	<b>242,190</b>	<b>-</b>	<b>183,143</b>	<b>421,741</b>	<b>-</b>	<b>847,074</b>
<b>Balance at 30 June 2011</b>	<b>10,866,559</b>	<b>(10,029,167)</b>	<b>1,370,856</b>	<b>1,409,605</b>	<b>(293,013)</b>	<b>3,324,840</b>
<b>Balance at 30 June 2009</b>	<b>8,518,007</b>	<b>(6,477,839)</b>	<b>423,307</b>	<b>205,038</b>	<b>(333)</b>	<b>2,668,180</b>
<b>Comprehensive income for the year</b>						
Loss for the year	-	(2,099,504)	-	-	-	(2,099,504)
Foreign currency translation difference	-	-	-	-	(252,358)	(252,358)
<b>Total Comprehensive Income</b>	<b>-</b>	<b>(2,099,504)</b>	<b>-</b>	<b>-</b>	<b>(252,358)</b>	<b>(2,351,862)</b>
<b>Transactions with owners in their capacity as owners</b>						
Contributions of equity	2,321,937	-	-	736,294	-	3,058,231
Costs of share issue	(215,575)	-	-	-	-	(215,575)
Share-based payments	-	-	764,406	-	-	764,406
Share option premium	-	-	-	46,532	-	46,532
<b>Total transactions with owners in their capacity as owners</b>	<b>2,106,362</b>	<b>-</b>	<b>764,406</b>	<b>782,826</b>	<b>-</b>	<b>3,653,594</b>
<b>Balance at 30 June 2010</b>	<b>10,624,369</b>	<b>(8,577,343)</b>	<b>1,187,713</b>	<b>987,864</b>	<b>(252,691)</b>	<b>3,969,912</b>

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



**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	2011 \$	2010 \$
<b>Cash Flows from Operating Activities</b>			
Cash receipts in the course of operations (incl. GST)		199,381	153,386
Interest received		92,304	66,560
Exploration and evaluation activities		(168,749)	(260,420)
Payments to suppliers and employees (incl. GST)		(902,620)	(860,324)
<b>Net cash inflow (outflow) from operating activities</b>	27	<u>(779,684)</u>	<u>(900,798)</u>
<b>Cash Flows From Investing Activities</b>			
Security deposits recovered /(paid)		119	(264)
Payments for property, plant and equipment		(18,537)	(1,033)
Proceeds from sale of property, plant and equipment		251	-
<b>Net cash inflow (outflow) from investing activities</b>		<u>(18,167)</u>	<u>(1,297)</u>
<b>Cash Flows From Financing Activities</b>			
Proceeds from issues of shares and options		250,155	2,779,864
Cost of share and option issues		(9,531)	(194,130)
<b>Net cash inflow (outflow) from financing activities</b>		<u>240,624</u>	<u>2,585,734</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>(557,227)</u>	<u>1,683,639</u>
Cash and cash equivalents at the beginning of the financial year		2,167,437	488,991
Exchange difference on cash		636	(5,193)
<b>Cash and cash equivalents at the end of the financial year</b>	8	<u>1,610,846</u>	<u>2,167,437</u>

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

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied throughout the period, unless otherwise stated.

The ultimate parent entity Coppermoly Ltd, is a public, listed company, incorporated and domiciled in Australia and having its registered address and principal place of business at Level 1, 94 Bundall Rd, Bundall, Queensland.

**(a) Basis of preparation**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Corporations Act 2001*.

*Compliance with IFRS*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Coppermoly Ltd comply with International Financial Reporting Standards (IFRS).

This financial report comprises the consolidated financial statements and notes of Coppermoly Ltd and controlled entities.

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Going concern*

The financial statements have been prepared on the going concern basis. As at 30 June 2011 the Group had net assets of \$3,324,840 (2010: \$3,969,912) and continues to incur expenditure on its exploration tenements drawing on its cash balances. As at 30 June 2011 the Group had \$1,610,846 (2010: \$2,167,437) in cash and cash equivalents. The Directors are confident that adequate cash resources can be accessed via equity raisings in the future. Should adequate cash resources not be raised from capital raisings in the future, this may cast significant doubt on the consolidated entity's ability to continue as a going concern and realise its assets and discharge its liabilities in the ordinary course of business. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the exploitation of areas of interest not be successful or the Group not continue as a going concern. The Directors are of the view that the Group will continue as a going concern.

*Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

*Historical cost convention*

The financial report has been prepared on an accruals basis under the historical cost convention.

**(b) Principles of consolidation**

*Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Coppermoly Ltd ("company" or "parent entity") as at 30 June 2011 and the results of all subsidiaries for the period then ended. Coppermoly Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**(c) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board which makes strategic decisions.

**(d) Foreign currency translation**

*(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Coppermoly Ltd's functional and presentation currency.

*(ii) Transactions and balances*

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

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*(iii) Group companies*

The results and financial position of Copper Quest PNG Ltd which has a functional currency of PNG Kina are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are reclassified to profit or loss as part of the gain or loss on sale, where applicable.

**(e) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

*Interest income*

Interest income is recognised on a time proportion basis using the effective interest method.

**(f) Income tax**

The income tax expense is based on the profit before income tax adjusted for any non tax deductible, or non assessable items between accounting profit and taxable income. Deferred tax assets and liabilities are recognised using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements and unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, with certain limited exceptions, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 30%.

Deferred tax assets are only brought to account if it is probable that future taxable amounts will be available to utilise those temporary differences and unused tax losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**(g) Impairment of assets**

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

**(h) Cash and cash equivalents**

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.



**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written-off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the profit or loss as part of other expenses.

**(j) Financial assets**

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition and re-evaluates this designation at each reporting date.

Financial assets are initially stated at cost, being the fair value of consideration given plus any directly attributable transaction costs. Purchases and sales are recognised on trade date which is the date on which the Group commits to purchase or sell the asset. Accounting policies for each relevant category of financial assets subsequent to initial recognition are set out below.

*(i) Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Loans and receivables are measured at amortised cost using effective interest method less any impairment losses.

*(ii) Impairment*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

**(k) Fair value**

The nominal value less estimated credit adjustments of receivables and payables are assumed to approximate their fair values. Where applicable, 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.

The carrying values of financial assets and liabilities are assumed to approximate their fair values due to their short-term nature.

**(l) Property, plant and equipment**

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Items of property, plant and equipment are depreciated over their estimated useful lives. The diminishing balance method is used. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Estimates of useful lives are made at the time of acquisition and varied as required. Expected useful lives are: Plant and Equipment between 4 years and 7 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

**(m) Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(n) Provisions**

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

**(o) Employee benefits**

*(i) Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

*(ii) Long service leave*

The liability for employee benefits relating to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date.

*(iii) Share-based payments*

Share-based compensation benefits are provided to directors and employees. Information relating to share-based payments is set out in note 22.

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At the end of each reporting period, the entity revises its estimate of the number of options that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

**(p) Contributed equity**

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

**(q) Earnings per share**

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the period.

*(ii) Diluted earnings per share*

Potential ordinary shares as a result of options outstanding at the end of the period are not dilutive and therefore have not been included in the calculation of diluted earnings per share.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(r) Mineral exploration and evaluation assets**

The Group has adopted a policy of writing off exploration and evaluation expenditure other than cost incurred in business combination and third party acquisitions of the tenements, at the end of the period in which it is incurred, unless a mineral resource has been estimated for the area of interest.

The Directors believe that this policy results in the carrying value of exploration expenditure more appropriately reflecting the definition of an asset, being future benefits controlled by the consolidated entity.

Costs arising from exploration and evaluation activities are written-off where these activities have not, at reporting date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. The ultimate recoupment of any exploration and evaluation costs carried forward is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

**(s) Accounting standards issued not yet effective**

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for the financial year ended 30 June 2011. They have not been adopted in preparing the financial statements for the year ended 30 June 2011 and are expected to impact the entity in the period of initial application. In all cases the entity intends to apply these standards from application date as indicated in the table below.

Reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	<p>Amends the requirements for classification and measurement of financial assets.</p> <p>The following requirements have generally been carried forward unchanged from AASB 139 <i>Financial Instruments: Recognition and Measurement</i> into AASB 9. These include the requirements relating to:</p> <ul style="list-style-type: none"> <li>• Classification and measurement of financial liabilities; and</li> <li>• Derecognition requirements for financial assets and liabilities.</li> </ul> <p>However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.</p>	Periods beginning on or after 1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 31 December 2013 year end, the entity has not yet made an assessment of the impact of these amendments.

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(s) Accounting standards issued not yet effective (continued)**

Reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 2010-4 (issued June 2010)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]	Not urgent but necessary changes to IFRSs as a result of IASB's 2009 annual improvements project.	Periods commencing on or after 1 January 2011.	There will be no impact on initial adoption of this amendment as a detailed reconciliation of each item of other comprehensive income has always been included in the statement of changes in equity.
IFRS 10 (issued May 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: <ul style="list-style-type: none"> <li>• Power over investee (whether or not power used in practice)</li> <li>• Exposure, or rights, to variable returns from investee</li> <li>• Ability to use power over investee to affect the entity's returns from investee.</li> </ul>	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will likely be no impact on transactions and balances recognised in the financial statements because the entity does not have any special purpose entities.
IFRS 11 (issued May 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement).  Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed).	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will likely be no impact on transactions and balances recognised in the financial statements because the entity has not entered into any joint arrangements.

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(s) Accounting standards issued not yet effective (continued)**

Reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
IFRS 13 (issued May 2011)	Fair Value Measurement	Currently, fair value measurement requirements are included in several Accounting Standards. IFRS 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements.	Annual reporting periods commencing on or after 1 January 2013	Due to the recent release of this standard, the entity has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by IFRS 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 2013.
Amendments to IAS 1 (issued June 2011)	Presentation of Items of Other Comprehensive Income	<p>Amendments to align the presentation of items of other comprehensive income (OCI) with US GAAP.</p> <p>Various name changes as follows:</p> <ul style="list-style-type: none"> <li>1 statement of comprehensive income – to be referred to as 'statement of profit or loss and other comprehensive income'</li> <li>2 statements – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'.</li> </ul> <p>OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.</p>	Annual periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on amounts recognised for transactions and balances for 30 June 2014 (and comparatives). However, the statement of comprehensive income will include name changes and include subtotals for items of OCI that can subsequently be reclassified to profit or loss in future (e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses).

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(t) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

**(u) New and amended standards and interpretations**

The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning 1 July 2010:

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project;
- AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions;
- AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issues;
- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and related amendments; and
- AASB 2010-3 Amendments to Australian Accounting Standards arising from Annual Improvements Project.

The adoption of these standards and interpretations did not have any material impact on the current or any prior period and is not likely to materially affect future periods.

**NOTE 2 FINANCIAL RISK MANAGEMENT**

Risk management has focused on limiting debt to a level which could be extinguished by sale of assets or issue of securities if necessary.

The Group's activities expose it to a variety of financial risks; market risk (including interest rate risk and foreign exchange 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.

**(a) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the entity's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return.

The entity does not have any material exposure to market risk.

*(i) Foreign exchange risk*

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

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposure in the PNG Kina.

The Group currently has no material foreign exchange risk, however such risk may arise in future when mine production begins and product may be sold internationally. The policy of the Group for managing foreign exchange risk is to continuously monitor exchange risk. It is the Group's policy not to use hedging. As at reporting date the Group has not started production activity and accordingly has minimal exposure to this risk.

*(ii) Interest rate risk*

Refer to (d) below.

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
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**NOTE 2 FINANCIAL RISK MANAGEMENT (continued)**

**(b) Credit risk**

Credit risk is the risk of financial loss to the entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations to the entity.

The objective of the entity is to minimise risk of loss from credit risk exposure.

Credit risk arises principally from cash and cash equivalents.

The entity's maximum exposure to credit risk, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset at reporting date is the carrying amount of those assets as indicated in the statement of financial position.

The Group has no significant concentrations of credit risk other than cash at bank and short-term deposits. No amounts owing to the Group are past due and none are impaired.

**(c) Liquidity risk**

Liquidity risk is the risk that the entity will not be able to meet its financial obligations as they fall due.

The objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions.

The entity has established a number of policies and processes for managing liquidity risk. These include:

- Continuously monitoring:
  - actual and daily cashflows and longer-term forecasted cashflows
  - the maturity profiles of financial assets and liabilities in order to match inflows and outflows
- Maintaining adequate reserves and support facilities (eg related parties)
- Monitoring liquidity ratios (working capital)

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. Due to the lack of material revenue, the Group aims to maintain adequate reserves of liquidity. The Group's objective is to obtain maximum investment returns whilst maintaining maximum security.

The Group's practice is to maintain funds, other than those required for working capital, on term deposits with major financial institutions.

Other cash is held in an interest bearing bank account and funds are transferred to operating cheque accounts on the basis of forecast operating requirements.

Liquidity risk is measured using liquidity ratios such as working capital.

**Summary quantitative data**

	<b>2011</b> <b>\$</b>	<b>2010</b> <b>\$</b>
Current assets	1,696,634	2,230,647
Current liabilities	95,151	93,920
Surplus / (deficit)	1,601,483	2,136,727

**Maturity analysis**

Financial liabilities have differing maturity profiles depending on the contractual term. The table shows the period in which recognised financial liabilities balance will be paid based on the remaining period to repayment date assuming contractual repayments are maintained. Contractual cashflows are at undiscounted values (including future interest expected to be paid). Accordingly these values may not agree to carrying amount.

	<b>Carrying amount</b> <b>\$</b>	<b>Contractual cashflow</b> <b>\$</b>	<b>Within 1 year</b> <b>\$</b>	<b>1-2 years</b> <b>\$</b>
<b>2011</b>				
Trade and other payables	70,378	70,378	70,378	-
<b>2010</b>				
Trade and other payables	75,780	75,780	75,780	-



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**NOTE 2 FINANCIAL RISK MANAGEMENT (continued)**

**(d) Interest rate risk**

At the end of the reporting period the Group had the following financial assets and liabilities exposed to interest rate risk:

	2011	2010
	\$	\$
<b>Financial Assets</b>		
Cash and cash equivalents	1,610,846	2,167,437
Trade and other receivables	-	-
	<u>1,610,846</u>	<u>2,167,437</u>
<b>Financial Liabilities</b>		
Trade and other payables	-	-
	<u>-</u>	<u>-</u>
<b>Net exposure</b>	<u>1,610,846</u>	<u>2,167,437</u>

**Sensitivity Analysis**  
**June 2011**

		Interest Rate Risk - 1%		Interest Rate Risk + 1%	
	Carrying amount	Profit	Equity	Profit	Equity
	\$	\$	\$	\$	\$
<b>Financial Assets</b>					
Cash and cash equivalents	1,610,846	(16,108)	(16,108)	16,108	16,108
Total increase / decrease	-	(16,108)	(16,108)	16,108	16,108

Cash and cash equivalents include deposits at call at floating and short-term interest rates.

**Sensitivity Analysis**  
**June 2010**

		Interest Rate Risk - 1%		Interest Rate Risk + 1%	
	Carrying amount	Profit	Equity	Profit	Equity
	\$	\$	\$	\$	\$
<b>Financial Assets</b>					
Cash and cash equivalents	2,167,437	(21,674)	(21,674)	21,674	21,674
Total increase / decrease	-	(21,674)	(21,674)	21,674	21,674

Cash and cash equivalents include deposits at call at floating and short-term interest rates.

Interest rate risk arises principally for cash and cash equivalents.

From time to time the Group has significant interest bearing assets, but they are as a result of the timing of equity raising and capital expenditure rather than a reliance on interest income. The Group's income and operating cash flows are not expected to be materially exposed to changes in market interest rates in the future. The policy of the Group is to continuously monitor interest rate risk exposures during the period balances are held and to alter the balance of fixed and floating rate deposits as considered appropriate.

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
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**NOTE 2 FINANCIAL RISK MANAGEMENT (continued)**

**(e) Foreign exchange risk**

At the end of the reporting period the Group had the following exposure to foreign currencies:

	<b>2011</b>	<b>2010</b>
	<b>Kina</b>	<b>Kina</b>
<b>Financial Assets</b>		
Cash and cash equivalents	343,234	162,968
Trade and other receivables	97,173	74,842
	<b>440,407</b>	<b>237,810</b>
<b>Financial Liabilities</b>		
Trade and other payables	43,632	53,635
	<b>43,632</b>	<b>53,635</b>
<b>Net exposure</b>	<b>396,775</b>	<b>184,175</b>

**(f) Commodity price risk**

As the Group is not currently engaged in mining and sale of commodities there is no exposure to this risk.

**NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Group makes estimates and assumptions concerning the future when preparing the financial statements. The resulting accounting estimates will, by definition, seldom equal the related actual results. Information about key estimates, assumptions and judgements are described in the following notes:

Note 1(a) - going concern assessment

Note 1(r) - expense or capitalise mineral exploration and evaluation expenditure

Note 12 - currency of mineral explorations and evaluation expenditure

Note 22 - the measurement of share based payments

Estimates and assumptions are reviewed on an ongoing basis.

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
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**NOTE 4 PARENT ENTITY INFORMATION**

	2011 \$	2010 \$
<b>ASSETS</b>		
Current Assets	1,528,160	2,143,122
Non-Current Assets	1,877,001	1,898,915
<b>Total Assets</b>	<u>3,405,161</u>	<u>4,042,037</u>
<b>LIABILITIES</b>		
Current Liabilities	74,437	69,742
Non-Current Liabilities	5,883	2,383
<b>Total Liabilities</b>	<u>80,320</u>	<u>72,125</u>
<b>Net Assets</b>	<u>3,324,841</u>	<u>3,969,912</u>
<b>EQUITY</b>		
Contributed equity	10,866,559	10,624,369
Reserves		
- Listed options	781,260	987,864
- Share-based payments reserve	1,370,855	1,187,713
- Lapsed and cancelled options	628,346	-
Accumulated losses	(10,322,179)	(8,830,034)
<b>Total Equity</b>	<u>3,324,841</u>	<u>3,969,912</u>
<b>Net Loss for the year</b>	<u>(1,492,146)</u>	<u>(2,351,862)</u>
<b>Total comprehensive income for the year</b>	<u>(1,492,146)</u>	<u>(2,351,862)</u>

The Company has committed to provide continued financial support to its subsidiary, Copper Quest PNG Ltd, and will not call loans owed by its subsidiary within the next 12 months. The Company has no other guarantees, commitments and contingencies as at 30 June 2011 and 2010.

**NOTE 5 REVENUE**

Interest income – unrelated parties	91,325	73,296
Other – rental income	145,269	83,739
	<u>236,594</u>	<u>157,035</u>

**NOTE 6 EXPENSES**

**Loss before income tax includes the following specific expenses:**

Depreciation	86,290	120,741
Exploration expenditure written-off		
EL 1043 Mt Nakru	80,169	138,840
EL 1077 Simuku	65,190	403,538
EL 1445 Talelumas	475	7,896
ELA 1782 Powell	3,840	19,445
ELA 1813 Fulleborn	7,431	9,780
ELA 2014 Makmak	3,067	-
	<u>160,172</u>	<u>579,499</u>
Net loss on disposal of property, plant and equipment	157	2,472
Rental expenses on operating leases – minimum lease payments	31,150	15,076
Defined contribution superannuation expense	28,560	28,699

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
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**NOTE 7 INCOME TAX**

	2011 \$	2010 \$
<b>(a) The prima facie tax on loss before income tax is reconciled to the income tax as follows:</b>		
Prima facie tax at 30% (2010: 30%)	(447,644)	(629,851)
<b>Add tax effect of:</b>		
Deferred tax assets not recognised	(453,751)	453,917
Share based payments	194,032	222,888
Temporary differences related to deferred tax assets	2,239	469
Temporary differences related to deferred tax liabilities	-	51,061
<b>Less tax effect of:</b>		
Temporary differences on deferred tax assets recognised in equity	(99,055)	98,484
Prior year over/under provision	804,179	-
Income tax expense / (benefit)	-	-

**(b) Deferred tax assets and liabilities**

The balance comprises temporary differences recognised:

Deferred tax assets:

Unused tax losses	441,663	441,663
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Deferred tax liabilities:

Exploration expenditure	(441,663)	(441,663)
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Net deferred tax assets

-	-
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**(c) Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in the Statement of Financial Position for the following items:

Unused tax losses for which no deferred tax asset has been recognised	6,861,700	8,374,203
Deductible temporary differences	478,851	792,040
Potential benefit at gross	7,340,551	9,166,243
Potential benefit at 30% (2010: 30%)	2,202,165	2,749,873

There is no expiry date on the future deductibility of unused tax losses. The Company has no franking credits.

**NOTE 8 CURRENT ASSETS: CASH & CASH EQUIVALENTS**

Cash at bank and on hand	264,409	234,437
Cash on short-term deposit	1,346,437	1,933,000
	1,610,846	2,167,437

The cash at bank earns floating interest at between 2.5% and 3.6% (2010: 2.75% - 3.45%).

The cash on deposit is earning between 5.45% and 5.75% per annum (2010: 5.3%).

**NOTE 9 CURRENT ASSETS: TRADE AND OTHER RECEIVABLES**

Related party receivables (Note 19)	25,297	3,981
Other receivables	11,077	15,571
Prepayments	49,414	43,658
	85,788	63,210

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
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**NOTE 10 NON-CURRENT ASSETS: RECEIVABLES**

	2011 \$	2010 \$
Deposits – tenements and premises	13,470	13,803
	<u>13,470</u>	<u>13,803</u>

**NOTE 11 NON-CURRENT ASSETS: PROPERTY, PLANT AND EQUIPMENT**

**Plant and Equipment**

Plant and equipment at cost	624,465	618,650
Less accumulated depreciation	<u>(352,571)</u>	<u>(268,958)</u>
	<u>271,894</u>	<u>349,692</u>

**Reconciliation**

Reconciliation of the carrying amount of property, plant and equipment at the beginning and end of the financial year is set out below:

Carrying amount at the beginning of the financial year	349,692	523,380
Additions	18,993	973
Disposals	(391)	(2,453)
Depreciation expense	(86,290)	(120,741)
Foreign currency exchange differences	<u>(10,110)</u>	<u>(51,467)</u>
Carrying amount at the end of the financial year	<u>271,894</u>	<u>349,692</u>

**NOTE 12 MINERAL EXPLORATION AND EVALUATION ASSETS**

Balance at the beginning of the financial year	1,472,209	1,642,413
Expenditure during the year	160,172	266,012
10% of Simuku acquired by issue of shares and options	-	313,487
Amounts written-off during the year	(160,172)	(579,499)
Foreign currency exchange differences	<u>(27,866)</u>	<u>(170,204)</u>
Balance at the end of the financial year	<u>1,444,343</u>	<u>1,472,209</u>

The ultimate recoupment of costs carried forward for exploration and evaluation is dependent upon the successful development and commercial exploitation or sale of the respective areas of interest.

The term of the Simuku Exploration Licence (EL1077) has been extended for two years to 28 November 2011. The term of the Talelumas Exploration Licence (EL 1445) has been extended for two years to 28 May 2012. The term of the Mt Nakru Exploration Licence (EL 1043) expired on 7 December 2010 and is currently subject to an application for renewal (lodged 10 September 2010). The Group has fully complied with all licence requirements and has exceeded expenditure requirements. It therefore expects that the licence will be renewed in the near future.

In October 2009 the Group signed a Letter Agreement with Barrick (PNG Exploration) Limited to sole fund AUD\$20 million to earn up to 72% interest in Coppermoly Limited's projects (Mt Nakru, Simuku and Talelumas) on the island of West New Britain in Papua New Guinea. Once Barrick has earned 72% equity, Coppermoly can elect that the payment of its share (28%) of ongoing costs incurred up to the production of a feasibility study will be delayed until that stage and will be repaid from 50% of its share of the revenue. Total expenditure by Barrick (PNG Exploration) Limited to 30 June 2011 is AUD\$13,833,813 (2010: \$2,533,220).

During 2010 the Group applied for an additional two tenements:

- ELA 1782 Powell was applied for on 10 February 2010. A Warden's Hearing was satisfactorily held on 23 June 2010.
- ELA 1813 Fulleborn was applied for on 13 April 2010

During 2011 the Group applied for an additional tenement:

- ELA 2014 Makmak was applied for on 24 May 2011.

The applications are pending approval.

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
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**NOTE 13      CURRENT LIABILITIES: TRADE AND OTHER PAYABLES**

Unsecured:

Trade creditors  
Other creditors

2011 \$	2010 \$
29,910	34,523
40,468	41,257
<u>70,378</u>	<u>75,780</u>

**NOTE 14      CURRENT LIABILITIES: PROVISIONS**

Annual leave and field break

24,773	18,140
<u>24,773</u>	<u>18,140</u>

**NOTE 15      NON-CURRENT LIABILITIES: PROVISIONS**

Long Service Leave

6,350	2,519
<u>6,350</u>	<u>2,519</u>

**NOTE 16      CONTRIBUTED EQUITY**

	2011 Shares	2010 Shares	2011 \$	2010 \$
<b>(a) Paid Up Capital</b>				
Ordinary shares – fully paid – no par value	139,115,650	137,197,051	10,866,559	10,624,369

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and in a poll each share is entitled to one vote.

The Company does not have any authorised capital limit.

**(b) Movements in ordinary share capital:**

Date	Details	Number of Shares	Issue Price \$	\$
30 Jun 2009	Balance	82,015,288		8,518,007
31 Aug 2009	Shares issued to WS Yeaman re 6% interest in EL1077	3,450,000	0.05	172,500
15 Sep 2009	Non-renounceable Rights Issue	10,702,738	0.033	356,758
28 Sep 2009	Non-renounceable Rights Issue Shortfall	30,304,906	0.033	1,010,163
29 Sep 2009	Shares issued to WS Yeaman re 4% interest in EL1077	1,200,000	0.087	104,400
01 Oct 2009	Non-renounceable Rights Issue Private Placement	3,170,000	0.033	105,667
13 Nov 2009	Shares issued to Barrick (PNG Exploration) Limited	6,309,647	0.09	567,868
1 Dec 2009	Exercise of listed options for shares (COYOA)			
	Proceeds received	1,972	0.07	138
	Transfer from listed options reserve	-	0.033	65
21 Dec 2009	Exercise of listed options for shares (COYOA)			
	Proceeds received	25,000	0.07	1,750
	Transfer from listed options reserve	-	0.033	825
13 May 2010	Exercise of listed options for shares (COYOA)			
	Proceeds received	17,500	0.07	1,225
	Transfer from listed options reserve	-	0.033	578
	Less costs of raising capital	-	-	(215,575)
30 Jun 2010	Balance	<u>137,197,051</u>		<u>10,624,369</u>

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
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**NOTE 16 CONTRIBUTED EQUITY (continued)**

**(b) Movements in ordinary share capital (continued):**

Date	Details	Number of Shares	Issue Price \$	\$
19 Aug 2010	Exercise of listed options for shares (COYOA)			
	Proceeds received	22,000	0.07	1,540
	Transfer from listed options reserve	-	-	733
08 Sep 2010	Shares issued to BSP Capital for PGK0.3386 per share	1,871,599	0.1319	246,864
31 Jan 2011	Exercise of listed options for shares (COYOA)			
	Proceeds received	12,500	0.07	875
	Transfer from listed options reserve	-	-	417
02 Mar 2011	Exercise of listed options for shares (COYOA)			
	Proceeds received	12,500	0.07	875
	Transfer from listed options reserve	-	-	417
	Less costs of raising capital			(9,531)
30 June 2011	Balance	<u>139,115,650</u>		<u>10,866,559</u>

**(c) Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern. The capital structure of the Group consists of equity attributable to equity holders of the Parent comprising issued capital, reserves and retained earnings as disclosed in the statement of financial position.

The Group reviews the capital structure on an on-going basis with consideration to the cost of capital and the risks associated with each class of capital. The Group is not exposed to externally imposed capital requirements.

(d) Options	No. of Options 2011	No. of Options 2010
The number of unissued ordinary shares relating to options not exercised at year end:		
Over shares in the Parent Entity:		
Directors' Options exercisable at 30 cents, expiry 22 October 2010	-	3,000,000
Employee Options exercisable at 25 cents, expiry 13 March 2011	-	700,000
Consultants' Options exercisable at 25 cents, expiry 13 March 2011	-	1,000,000
Listed Options exercisable at 30 cents, on or before 30 April 2011	-	22,504,777
Listed Options exercisable at 7 cents, on or before 1 December 2011	23,626,257	23,673,257
Employee Options exercisable at 10 cents, expiry 5 October 2012	1,325,000	1,325,000
Directors' Options exercisable at 19 cents, expiry 1 December 2012	10,000,000	3,500,000
Directors' Options exercisable at 23 cents, expiry 1 December 2012	3,500,000	3,500,000
	<u>38,451,257</u>	<u>59,203,034</u>

**(e) Option Issues**

Date	Details	Number of Options	Exercise Price	Expiry Date
<b>2011</b>				
22 Nov 2010	Directors' Options	6,500,000	\$0.19	01 Dec 2012
<b>2010</b>				
15 Sep 2009	Listed Options	5,351,370	\$0.07	01 Dec 2011
28 Sep 2009	Listed Options	15,581,359	\$0.07	01 Dec 2011
29 Sep 2009	Listed Options	1,200,000	\$0.07	01 Dec 2011
01 Oct 2009	Listed Options	1,585,000	\$0.07	01 Dec 2011
05 Oct 2009	Employee Options	1,325,000	\$0.10	05 Oct 2012
01 Dec 2009	Directors' Options	3,500,000	\$0.19	01 Dec 2012
01 Dec 2009	Directors' Options	3,500,000	\$0.23	01 Dec 2012
02 Feb 2010	Brokers' Options (restriction expired)	(2,000,955)	\$0.30	30 Apr 2011
02 Feb 2010	Listed Options	2,000,955	\$0.30	30 Apr 2011



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**NOTE 16 CONTRIBUTED EQUITY (continued)**

**(f) Option Exercise**

47,000 listed options at 7 cents were exercised during the financial year (2010: 44,472).

**(g) Option Expiry**

27,204,777 options expired during the financial year (2010: Nil).

<b>Date</b>	<b>Details</b>	<b>Number of Options</b>
22 Oct 2010	Directors' Options exercisable at 30 cents	3,000,000
13 Mar 2011	Employee Options exercisable at 25 cents	700,000
13 Mar 2011	Consultants' Options exercisable at 25 cents	1,000,000
30 Apr 2011	Listed Options exercisable at 30 cents	22,504,777
		<u>27,204,777</u>

**NOTE 17 RESERVES AND ACCUMULATED LOSSES**

**(a) Reserves**

	<b>2011 \$</b>	<b>2010 \$</b>
Share-based payments reserve	1,370,856	1,187,713
Share option reserve	1,409,605	987,864
Foreign currency translation reserve	(293,013)	(252,691)
	<u>2,487,448</u>	<u>1,922,886</u>

**Movements:**

*Share-based payments reserve*

Balance at the beginning of the financial year	1,187,713	423,307
Option expense	606,450	764,406
Transfer to share option reserve (options expired)	(423,307)	-
Balance at the end of the financial year	<u>1,370,856</u>	<u>1,187,713</u>

*Share option reserve*

Balance at the beginning of the financial year	987,864	205,038
Options issued	-	784,294
Transfer to share capital (options exercised)	(1,566)	(1,468)
Transfer from share-based payments reserve (options expired)	423,307	-
Balance at the end of the financial year	<u>1,409,605</u>	<u>987,864</u>

*Foreign Currency Translation Reserve*

Balance at the beginning of the financial year	(252,691)	(333)
Currency translation difference arising during the year	(40,322)	(252,358)
Balance at the end of the financial year	<u>(293,013)</u>	<u>(252,691)</u>

**(b) Accumulated losses**

Balance at the beginning of the financial year	(8,577,343)	(6,477,839)
Net Profit / (Loss) for the year	(1,451,824)	(2,099,504)
Balance at the end of the financial year	<u>(10,029,167)</u>	<u>(8,577,343)</u>

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
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**NOTE 17 RESERVES AND ACCUMULATED LOSSES (continued)**

**(c) Nature and purpose of reserves**

*(i) Share-based payments reserve*

The share-based payments reserve is used to recognise the fair value of options granted as part of remuneration but not exercised. Refer note 22.

*(ii) Share Option Reserve*

The share option reserve represents accumulation of option premium paid on issuing listed options and the value of expired options.

During the financial year:

- 47,000 listed options (COYOA) at \$0.033 per option were exercised.
- 3,000,000 unlisted Directors and Officers options at \$0.06 per option expired.
- 1,700,000 unlisted Consultant and Employee options at \$0.0125 per option expired.
- 20,503,822 listed options at \$0.01 per option expired.
- 2,000,955 listed options at \$0.06 per option expired.

*(iii) Foreign Currency Translation Reserve*

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve. The reserve is recognised in profit and loss when the net investment is disposed of.

**NOTE 18 COMMITMENTS**

Under the Letter Agreement between the Company and Barrick (PNG Exploration) Limited, Barrick is committed to a minimum expenditure of AUD\$3 million within the first two years (to October 2011) and must fund the minimum expenditure of AUD\$20 million within 8 years (to October 2017).

**(a) Exploration Expenditure Commitments**

In order to maintain rights of tenure to exploration tenements the Group is required to perform exploration work to meet the minimum expenditure requirements as specified by various governments.

Commitments are not provided for in the accounts and are payable:

	2011 \$	2010 \$
Not later than 1 year	69,077	86,456
Later than 1 year but not later than 5 years	-	-
	<u>69,077</u>	<u>86,456</u>

**(b) Other Operating Lease Commitments**

Future property rental agreements are not provided for in the financial statements and are payable:

Not later than 1 year	41,487	71,690
Later than 1 year but not later than 5 years	24,632	17,180
	<u>66,119</u>	<u>88,870</u>

**NOTE 19 RELATED PARTY TRANSACTIONS**

- (i) Coppermoly Ltd shares its Head Office facilities and services with New Guinea Gold Ltd. The two companies share accounting, administration and geological services. Some personnel costs may be intercharged between the two companies on a cost-recovery basis and generally on an as needed project specific basis. During the financial year the Group has provided logistic and consulting services amounting to \$89,677 to New Guinea Gold Limited and New Guinea Gold Limited has provided administrative, logistic and geological services amounting to \$106,239 to the Group.

As a result, as at 30 June 2011, an amount of \$3,766 was payable to New Guinea Gold Limited (30 June 2010 Nil). New Guinea Gold Ltd's parent company, New Guinea Gold Corporation, holds 15.076% of the ordinary shares of, and has one Director in common with, Coppermoly Ltd (Ces Iewago).

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
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**NOTE 19 RELATED PARTY TRANSACTIONS (continued)**

- (ii) Coppermoly Ltd has engaged Exploration & Management Consultants Pty Ltd (EMC) a company owned by Peter A. McNeil, for geological consulting services on an as-needed, commercial basis. The Group did not make any payments to EMC in the current financial year (\$9,600 in financial year 2010) for these services.
- (iii) Copper Quest PNG Ltd has paid a retainer to Celestial Equity Investments Ltd for Ces lewago to attend to its activities in Papua New Guinea. Ces lewago is the Sole Director of Celestial Equity Investments Ltd. The Group paid Celestial Equity Investments Ltd a total of \$3,792 in the current financial year (nil in financial year 2010).

The wholly-owned group and the consolidated entity consist of Coppermoly Ltd and its wholly-owned subsidiary, Copper Quest PNG Ltd. Copper Quest PNG Ltd is incorporated in and operates in Papua New Guinea. The ultimate parent entity in the wholly-owned group and the consolidated entity is Coppermoly Ltd. Coppermoly Ltd funds the exploration activities of its wholly-owned subsidiary, Copper Quest PNG Ltd.

During the financial year the Group has provided administrative, logistic and geological services amounting to approximately \$296,118 (2010: \$168,000) to Vangold (PNG) Ltd (formerly Kanon Resources Ltd) in relation to Mt. Penck, Mt. Allemata and Fergusson. As a result, as at 30 June 2011, an amount of \$14,929 (30 June 2010 \$3,981) was receivable from Vangold (PNG) Ltd.

During the financial year the Group has provided administrative, logistic and geological services amounting to approximately \$87,478 (2010: Nil) to Normanby Mining PNG Ltd in relation to Normanby and Sehulea. As a result, as at 30 June 2011 an amount of \$14,133 (30 June 2010 Nil) was receivable from Normanby Mining PNG Ltd.

These receivables are not secured and are expected to be settled in cash.

Coppermoly Limited, Copper Quest PNG Ltd, Vangold Resources Ltd, Vangold (PNG) Ltd and Normanby Mining PNG Ltd share some common directors.

The above transactions were made on normal commercial terms and conditions and at market rates.

**NOTE 20 SUBSEQUENT EVENTS**

There have been no subsequent events after 30 June 2011.

**NOTE 21 KEY MANAGEMENT PERSONNEL DISCLOSURES**

**Key management personnel compensation:**

	2011 \$	2010 \$
Short-term employee benefits	258,417	411,931
Post-employment benefits	8,157	16,041
Share-based payments	606,450	678,300
	<u>873,024</u>	<u>1,106,272</u>

**(a) Equity Instrument disclosures relating to key management personnel**

- (i) *Options provided as remuneration and shares issued on exercise of such options*

Details of options over ordinary shares in the Company provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on pages 14 to 19 and in note 22 on pages 56 to 60.

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
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**NOTE 21 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)**

**(a) Equity Instrument disclosures relating to key management personnel (continued)**

**(ii) Option holdings**

The numbers of options over ordinary shares in the Company held during the financial year by key management personnel of the consolidated entity, including their personally-related entities, are set out below.

2011 Name	Balance at the start of the year Number	Granted during the year as compensation Number	Exercised during the year Number	Expired during the year <sup>1</sup>	Other changes during the year <sup>2</sup> Number	Balance at the end of the year Number	Vested and exercisable at the end of the year Number
<b>Directors of Coppermoly Ltd</b>							
P. Swiridiuk	2,610,000	1,500,000	-	(1,050,000)	-	3,060,000	3,060,000
M. Gannon	1,325,000	1,000,000	-	(225,000)	-	2,100,000	2,100,000
R.D. McNeil*	2,541,500	1,500,000	-	1,219,000	2,502,500	5,325,000	5,325,000
D. Brynelsen**	2,348,750	1,000,000	-	(1,073,750)	-	2,275,000	2,275,000
C. Iewago	1,130,000	500,000	-	(65,000)	(65,000)	1,500,000	1,500,000
P.A. McNeil <sup>#</sup>	2,469,250	1,000,000	-	(966,750)	-	2,502,000	2,502,000

<sup>1</sup> Expired options include Directors' 30 cents options that expired on 22 October 2010 and Listed (COYO) 30 cent options that expired on 30 April 2011. M. Gannon also held 25 cent employee options that expired on 13 March 2011.

<sup>2</sup> Other changes during the year were the addition of P.A. McNeil as a related party to R.D. McNeil after he ceased to be a Director and the sale of 65,000 COYOA listed options by C. Iewago.

\* includes 2,622,500 share options held by related parties

\*\* includes 50,000 share options held by related parties

<sup>#</sup> Ceased as director/key management personnel.

2010 Name	Balance at the start of the year Number	Granted during the year as compensation Number	Exercised during the year Number	Expired during the year	Other changes during the year <sup>3</sup> Number	Balance at the end of the year Number	Vested and exercisable at the end of the year Number
<b>Directors of Coppermoly Ltd</b>							
P. Swiridiuk	1,050,000	1,500,000	-	-	60,000	2,610,000	2,610,000
M. Gannon	225,000	1,000,000	-	-	100,000	1,325,000	1,325,000
R.D. McNeil*	1,219,000	1,000,000	-	-	322,500	2,541,500	2,541,500
D. Brynelsen***	1,073,750	1,000,000	-	-	275,000	2,348,750	2,348,750
C. Iewago	65,000	1,000,000	-	-	65,000	1,130,000	1,130,000
P.A. McNeil**	966,750	1,500,000	-	-	2,500	2,469,250	2,469,250

<sup>3</sup> Other changes during the year were options issued as a result of participation in the Company's Non-renounceable Rights Issue.

\* includes 145,000 share options held by related parties,

\*\* includes 464,250 share options held by related parties

\*\*\* includes 100,000 share options held by related parties

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**NOTE 21 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)**

**(a) Equity Instrument disclosures relating to key management personnel (continued)**

*(iii) Share holdings*

The numbers of shares in the Company held during the financial year by key management personnel of the consolidated entity, including their personally-related entities, are set out below.

2011 Name	Balance at the start of the year Number	Received during the year on the exercise of options Number	Other changes during the year <sup>4</sup> Number	Balance at the end of the year Number
<b>Directors of Coppermoly Ltd</b>				
P. Swiridiuk	320,000	-	-	320,000
M. Gannon	500,000	-	50,000	550,000
R.D. McNeil*	1,401,000	-	(5,000)	1,396,000
D. Brynelsen**	1,750,000	-	-	1,750,000
C. Iewago	390,000	-	(390,000)	-
P.A. McNeil <sup>#</sup>	1,802,000	-	(1,687,000)	115,000

<sup>4</sup> includes:

- M. Gannon – purchase of shares.
- R.D. McNeil: The addition of P.A. McNeil as a related party after he ceased to be a Director and the sale of 120,000 shares by a related party.
- C. Iewago – sale of shares.
- P.A. McNeil – purchase and sale of shares by related party.

\* includes 215,000 shares held by related parties, \*\* includes 300,000 shares held by related parties,

<sup>#</sup> Ceased as director/key management personnel.

2010 Name	Balance at the start of the year Number	Received during the year on the exercise of options Number	Other changes during the year <sup>5</sup> Number	Balance at the end of the year Number
<b>Directors of Coppermoly Ltd</b>				
P. Swiridiuk	200,000	-	120,000	320,000
M. Gannon	300,000	-	200,000	500,000
R.D. McNeil*	876,000	-	525,000	1,401,000
D. Brynelsen***	1,200,000	-	550,000	1,750,000
C. Iewago	260,000	-	130,000	390,000
P.A. McNeil**	1,817,000	-	(15,000)	1,802,000

<sup>5</sup> Other changes during the year were:

- P. Swiridiuk, M. Gannon and C. Iewago - shares purchased as a result of participation in the Company's Non-renounceable Rights Issue.
- R.D. McNeil and related parties purchased shares as a result of participation in the Company's Non-renounceable Rights Issue, and the sale of 120,000 shares by a related party.
- D. Brynelsen and related parties purchased shares as a result of participation in the Company's Non-renounceable Rights Issue.
- P.A. McNeil and related parties purchased shares as a result of participation in the Company's Non-renounceable Rights Issue, and the sale of 120,000 shares by a related party.

\* includes 220,000 shares held by related parties,

\*\* includes 1,687,000 shares held by related parties,

\*\*\* includes 300,000 shares held by related parties

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**NOTE 21 KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)**

**(a) Equity Instrument disclosures relating to key management personnel (continued)**

No other key management personnel held shares.

No shares were granted as compensation in 2011 and 2010.

**(b) Loans to Directors and executives**

No loans were made to Directors of Coppermoly Ltd or the executives of the consolidated entity, including their personally-related entities.

**(c) Other transactions with Directors and executives**

No other transactions occurred between the Group and Directors and executives except for the reimbursement at cost of expenditure incurred on behalf of the Group.

**NOTE 22 SHARE-BASED PAYMENTS**

**(a) Coppermoly Ltd Employee Incentive Option Plan**

The Directors of the Company ("Directors") may issue options to subscribe for shares in the Company to current part time or full time employees of the Company or of an Associated Body Corporate. However, no options are to be issued to Directors of the Company pursuant to the Plan.

Each option entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company.

The options are exercisable from one year after the date of issue until the expiry date. The options shall expire at 5.00 p.m. eastern standard time, on the first business day three (3) years after the date of issue of the options or such earlier date as the Directors determine at the time of issue ("expiry date"). Options may only be exercised in multiples of 5,000, unless exercising all the holder's remaining options. Any options not exercised by the expiry date shall lapse.

The exercise price of each option will be 110% of the average of the market closing price for Company ordinary shares over the 5 business days prior to the day on which options are issued (rounded up to the nearest full cent) or a greater price determined by the Directors. The amount calculated by that average is to be advised to employees at the time of issue of the options.

Exercise of the options is effected by delivery of a Notice of Exercise to the registered office of the Company together with payment of the exercise price of the options. Shares will be issued pursuant to the exercise of the options not more than 14 days after receipt by the Company from the option holder of the Notice and the exercise price in respect of the options.

Options may not be exercised if the effect of such exercise and subsequent allotment of shares would be to create a holding of less than a marketable parcel of ordinary shares unless the allottee is already a shareholder of the Company at the time of exercise.

Options are not transferable. Application will not be made to Australian Securities Exchange Limited ("ASX") for their Official Quotation.

All shares issued upon exercise of the options and payment of the exercise price will rank pari passu in all respects with the Company's then existing ordinary fully paid shares. The Company will apply for Official Quotation by ASX Limited of all shares issued upon exercise of the options.

There are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the books closing date will be at least 7 business days after the issue is announced.

This will give optionholders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.

In the event of any reconstruction, including a consolidation, sub-division, reduction or return of the issued capital of the Company prior to the expiry date, the number of options to which each holder is entitled or the exercise price of the options or both will be reconstructed as appropriate in a manner which is in accordance with the Listing Rules then applying and which will not result in any benefits being conferred on optionholders which are not conferred on shareholders, subject to such provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of shareholders approving the reconstruction of capital, but in all other respects the terms of exercise of the options will remain unchanged.

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**NOTE 22 SHARE-BASED PAYMENTS (continued)**

**(a) Coppermoly Ltd Employee Incentive Option Plan (continued)**

If an optionholder under this Plan ceases to be substantially involved with the Company, the Directors, at their discretion may cancel all or part of the holder's options obtained under this plan after giving the holder 60 days notice of their intention to do so.

Set out below are summaries of options granted under the plan.

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
<b>2011</b>									
13 Mar 2008	13 Mar 2011	\$0.25	1,200,000	-	-	-	(1,200,000)	-	-
05 Oct 2009	05 Oct 2012	\$0.10	1,075,000	-	-	(50,000)	-	1,025,000	1,025,000
		<b>Total</b>	<b>2,275,000</b>	<b>-</b>	<b>-</b>	<b>(50,000)</b>	<b>(1,200,000)</b>	<b>1,025,000</b>	<b>1,025,000</b>
Weighted average exercise price			\$0.179	-	-	\$0.10	\$0.25	\$0.10	\$0.10
<b>2010</b>									
13 Mar 2008	13 Mar 2011	\$0.25	1,200,000	-	-	-	-	1,200,000	1,200,000
05 Oct 2009	05 Oct 2012	\$0.10	-	1,325,000	-	(250,000)	-	1,075,000	-
		<b>Total</b>	<b>1,200,000</b>	<b>1,325,000</b>	<b>-</b>	<b>(250,000)</b>	<b>-</b>	<b>2,275,000</b>	<b>1,200,000</b>
Weighted average exercise price			\$0.25	\$0.10	-	\$0.10	-	\$0.179	\$0.25

Weighted average remaining contractual life: 1 year 3 months from 1 July 2011 (1 year 5 months from 1 July 2010).

All options granted to employees on 5 October 2009 vested on 5 October 2010.

No shares were issued as a result of the exercise of options by employees during the year ended 30 June 2011.

**(b) Coppermoly Ltd Directors' & Officers' Options**

Each Option entitles a Holder to subscribe for one Share at the Exercise Price.

The options are exercisable at any time during the Exercise Period.

Options may be exercised by the Holder delivering to the registered office of the Company:

- (i) a Notice of Exercise signed by the Holder;
- (ii) the Certificate for those Options; and
- (iii) a cheque payable to the Company (or another form of payment acceptable to the Company) in the amount of the product of the number of Options then being exercised by the Holder and the Exercise Price.

A Holder may only exercise Options in multiples of 50,000 Options, unless the Holder exercises all Options covered by a Certificate able to be exercised by him or her at that time.

The exercise by a Holder of only some of the Options held by the Holder does not affect the Holder's right to exercise at a later date other Options held by the Holder.

Within 10 Business Days of receiving a Notice of Exercise, the Company must issue the Exercised Option Shares to the Holder and do or cause to be done any other act or thing that is necessary to issue the Exercised Option Shares to the Holder.

The Company is not obliged to issue Exercised Option Shares on exercise of Options until any cheque received in payment of the Exercise Price has been honoured on presentation.

If a Holder submits a Notice of Exercise in respect of only part of the Options covered by a Certificate, the Company must issue a Certificate stating the remaining number of Options held by the Holder.

The Shares issued on the exercise of the Option will rank equally in all respects as from the date of issue of those Shares with all existing ordinary shares in the capital of the Company.

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 22 SHARE-BASED PAYMENTS (continued)**

**(b) Coppermoly Ltd Directors' & Officers' Options (continued)**

If a Holder fails to exercise any Options registered in the Holder's name before 5.00 pm on the Expiry Date, those Options that the Holder has not exercised lapse and all rights of the Holder in respect of those Options cease.

If the Shares are listed on ASX, the Company will apply for quotation of the Exercised Option Shares in accordance with the Listing Rules.

There are no participating rights or entitlements inherent in the Options and Holders will not be entitled to participate in any new issue to shareholders of the Company during the currency of the Options.

If a Holder ceases to hold office as a Director of the Company, the Directors, at their discretion may cancel all or part of the Holder's Options by giving the Holder 30 days in writing of the cancellation. Any unexercised Options will be cancelled at the expiry of that 30 days notice.

If there is any reorganisation of the capital of the Company including, without limitation, a consolidation or subdivision of any of the issued capital of the Company, or a pro rata bonus issue of Shares the Options must be reorganised in the way required under the Listing Rules.

The rights of the Holder may be changed to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

Set out below are summaries of options granted to Directors and officers.

**Coppermoly Ltd Directors' & Officers Options**

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of year Number
<b>2011</b>									
22 Oct 2007	22 Oct 2010	\$0.30	3,000,000	-	-	-	(3,000,000)	-	-
01 Dec 2009	01 Dec 2012	\$0.19	3,500,000	-	-	-	-	3,500,000	3,500,000
01 Dec 2009	01 Dec 2012	\$0.23	3,500,000	-	-	-	-	3,500,000	3,500,000
22 Nov 2010	01 Dec 2012	\$0.19	-	6,500,000	-	-	-	6,500,000	6,500,000
Total			10,000,000	6,500,000	-	-	(3,000,000)	13,500,000	13,500,000
Weighted average exercise price			\$0.237	\$0.19	-	-	\$0.30	\$0.20	\$0.20
<b>2010</b>									
22 Oct 2007	22 Oct 2010	\$0.30	3,000,000	-	-	-	-	3,000,000	3,000,000
01 Dec 2009	01 Dec 2012	\$0.19	-	3,500,000	-	-	-	3,500,000	3,500,000
01 Dec 2009	01 Dec 2012	\$0.23	-	3,500,000	-	-	-	3,500,000	3,500,000
Total			3,000,000	7,000,000	-	-	-	10,000,000	10,000,000
Weighted average exercise price			\$0.30	\$0.21	-	-	-	\$0.237	\$0.237

Weighted average remaining contractual life: 1 year 5 months from 1 July 2011 (1 year 10 months from 1 July 2010).

All options granted to Directors and officers as at 30 June 2011 vested at the date of issue.

No shares were issued as a result of the exercise of options by Directors during the year ending 30 June 2011.



**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 22 SHARE-BASED PAYMENTS (continued)**

**(c) Brokers' options**

In accordance with the Company's Prospectus dated 25 October 2007, 2,000,955 options were issued to Novus Capital Limited as payment (in part) for its services in procurement of applications to the Company's IPO.

During the financial year ended 30 June 2010 428,906 listed options were issued to Novus Capital Limited as part payment of brokerage fees in relation to the Non-renounceable Rights Issue.

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Issued during the year Number	Exercised during the year Number	Forfeited during the year Number	Expired during the year Number	Balance at end of the year Number	Exercisable at end of year Number
<b>2011</b>									
22 Jan 2008	30 Apr 2011	\$0.30	2,000,955	-	-	-	(2,000,955)	-	-
28 Sep 2009	01 Dec 2011	\$0.07	428,906	-	-	-	-	428,906	428,906
			2,429,861	-	-	-	(2,000,955)	428,906	428,906
Weighted average exercise price			\$0.259	-	-	-	\$0.30	\$0.07	\$0.07
<b>2010</b>									
22 Jan 2008	30 Apr 2011	\$0.30	2,000,955	-	-	-	-	2,000,955	2,000,955
28 Sep 2009	01 Dec 2011	\$0.07	-	428,906	-	-	-	428,906	428,906
			2,000,955	428,906	-	-	-	2,429,861	2,429,861
Weighted average exercise price			\$0.30	\$0.07	-	-	-	\$0.259	\$0.259

The Brokers' options granted on 22 January 2008 were restricted until 31 January 2010. Therefore, on 1 February 2010, they were converted to listed options (COYO). Weighted average remaining contractual life: 5 months from 1 July 2011 (11 months from 1 July 2010).

No shares were issued as a result of the exercise of options by brokers during the year ending 30 June 2011.

**(d) Expenses arising from share-based payment transactions**

Total expenses arising from share-based payment transactions recognised during the period in profit or loss or capital raising costs, were as follows:

	<b>2011</b> \$	<b>2010</b> \$
Options issued under employee option plan*	-	64,660
Options issued to Directors and officers*	606,450	678,300
Options issued to brokers**	-	21,446
	606,450	764,406

\*Total of \$606,450 (2010: \$742,960) is recognised in profit or loss.

\*\*Charged to contributed equity as part of capital raising cost.

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 22 SHARE-BASED PAYMENTS (continued)**

**(e) Fair value**

Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The weighted average fair value of options at measurement date was \$0.09. This assumes that options will be exercised at the date of expiry. Volatility was calculated on the basis of the historical share price movements from the date of the Company's listing to the date of grant of the options.

The model inputs for options granted to employees and Directors included:

	Exercise Price \$	Grant Date	Expiry Date	Share Price at Grant Date \$	Expected Price Volatility of the Company's Shares %	Expected Dividend Yield %	Risk Free Rate of Return %
<b>2011</b>							
Directors Options	0.19	22 Nov 2010	01 Dec 2012	0.155	123.54	-	6.13
<b>2010</b>							
Directors Options	0.19	01 Dec 2009	01 Dec 2012	0.125	425.36	-	6.13
	0.23	01 Dec 2009	01 Dec 2012	0.125	425.36	-	6.13
Employee Options	0.10	05 Oct 2009	05 Oct 2012	0.09	446.33	-	6.13

**NOTE 23 SEGMENT INFORMATION**

**(a) Description of segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. Operating segments are determined on the basis of financial information reported to the Board which is at the consolidated entity level. Accordingly, the consolidated entity is treated as one operating segment.

Therefore, management identifies the Group as having only one reportable segment. The financial results from this reportable segment are equivalent to the financial statements of the consolidated entity as a whole. There have been no changes in the operating segments during the year.

**(b) Entity-wide disclosures**

The Group's geographical information is as follows:

		Australia \$	Papua New Guinea \$
Non-current assets	2011	11,269	1,718,438
	2010	14,407	1,821,297

The Group operates primarily in mineral exploration located in Papua New Guinea. The Group's headquarter office is in Australia.

The Group does not have any products/services it derives revenue from except interest which is mainly from Australia.

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 24 AUDITORS' REMUNERATION**

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and the auditor of the subsidiary entity, their related practices and non-related audit firms.

**Assurance services**

**1. Audit Services – audit or review of financial statements**

BDO Audit (QLD) Pty Ltd Australian firm:

39,982 32,325

Sinton Spence Chartered Accountants PNG firm:

3,549 3,065

**Total remuneration for audit services**

**43,531 35,390**

**2. Other Assurance Services**

BDO (QLD) Pty Ltd Australian firm:

- -

Sinton Spence Chartered Accountants PNG firm:

180 1,360

**Total remuneration for other assurance services**

**180 1,360**

**Total remuneration for assurance services**

**43,711 36,750**

**Taxation Services**

BDO (QLD) Pty Ltd Australian firm:

7,985 9,000

Sinton Spence Chartered Accountant PNG firm:

438 590

**Total remuneration for taxation services**

**8,423 9,590**

**NOTE 25 EARNINGS PER SHARE ("EPS")**

Basic and diluted earnings (losses) per share (cents per share)

(1.05) (1.70)

The loss used in calculating basic and diluted earnings per share is the net loss for the year.

1,451,824 2,099,504

Weighted average number of shares used in the calculation of the basic and diluted EPS

138,691,926 123,546,109

The number of potential ordinary shares relating to options not exercised at year end. These potential ordinary shares are not dilutive and accordingly, were not used in calculating diluted EPS.

38,451,257 59,203,034

**NOTE 26 CONTINGENCIES**

*(i) The Macmin Royalty*

By an agreement dated 12 June 2002 between Macmin NL, Macmin (PNG) Limited and New Guinea Gold Corporation (NGG Canada), NGG Canada indirectly acquired all rights, title and interests held by Macmin NL in respect of EL1043 (Nakru) and EL1077 (Simuku) through the purchase of all of the issued capital of Macmin (PNG) Limited (being a wholly owned subsidiary of Macmin NL).

Under the terms of the agreement NGG Canada granted a 1% net smelter return royalty (NSRR) in favour of Macmin NL payable in respect of all mineral products produced from the tenements upon being brought into production. The royalty may remain attached to the tenements and may become payable by the Group upon the tenements being brought into production. This would be subject to legal opinions and negotiations should such circumstances come to bear.

In November 2008, Macmin Silver Ltd (formerly Macmin NL) had been placed into administration. In October 2009, Macmin Silver Ltd emerged from voluntary administration, however the rights to the 1% net smelter royalty are now attributable to the Creditors' Trust of Macmin Silver Ltd.

*(ii) Termination benefits*

In circumstances where the employment of an Executive Director is terminated without cause, between three and six months' salary may be payable in lieu of notice.

**COPPERMOLY LTD & ITS CONTROLLED ENTITIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

**NOTE 27 RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES**

	2011 \$	2010 \$
<b>Reconciliation of loss after income tax to the net cash flow from operations:</b>		
Profit / (loss) after income tax	(1,451,824)	(2,099,504)
Adjustment for non cash items:		
- Acquisition of 10% Simuku acquired by issue of shares and options	-	319,079
- Loss/(gain) on disposal of fixed assets	157	2,472
- Depreciation expense	86,290	120,741
- Non-cash employee benefits expense – share based payments	606,450	742,960
- Net exchange differences	(3,401)	658
Change in operating assets and liabilities:		
- Payables and provisions	6,366	(22,163)
- Trade and other receivables	(16,806)	41,584
- Prepayments	(6,916)	(6,625)
<b>Net cash inflow / (outflow) from operating activities</b>	<b>(779,684)</b>	<b>(900,798)</b>

**NOTE 28 SUBSIDIARIES**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiary in accordance with the accounting policy described in note 1(b):

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2011 %	Equity Holding 2010 %
Copper Quest PNG Ltd	PNG	Ordinary	100	100

**NOTE 29 NON-CASH FINANCING AND INVESTING ACTIVITIES**

There were no such activities during the year (2010: \$324,900).

On 22 October 2009 the Company issued the following ordinary shares and listed options to W.S. Yeaman for the acquisition of the 10% interest in Simuku:

	\$
3,450,000 ordinary shares valued at \$0.05 cents per share, pursuant to a deed dated 31 August 2009	172,500
1,200,000 ordinary shares valued at \$0.087 cents per share, pursuant to a deed dated 29 September 2009	104,400
1,200,000 listed options valued at \$0.04 cents per option, pursuant to a deed dated 29 September 2009	48,000
	<u>324,900</u>

W.S. Yeaman's interest in Simuku has now been fully extinguished and EL 1077 is held 100% by Coppermoly Limited.

## DIRECTORS' DECLARATION

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In the Directors' opinion:

- (a) the financial statements and notes set out on pages 29 to 62 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and
  - (iii) complying with International Financial Reporting Standards as disclosed in note 1; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) the audited Remuneration Report set out on pages 14 to 19 of the Directors' Report complies with section 300A of the *Corporations Act 2001*.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



**P. Swiridiuk**  
Managing Director

Bundall, Queensland  
20 September 2011

# INDEPENDENT AUDITOR'S REPORT

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Brisbane QLD 4000,  
GPO Box 457 Brisbane QLD 4001  
Australia

## INDEPENDENT AUDITOR'S REPORT

To the members of Coppermoly Limited

### Report on the Financial Report

We have audited the accompanying financial report of Coppermoly 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 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 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

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

### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Coppermoly Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

BDO Audit (QLD) Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (QLD) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

# INDEPENDENT AUDITOR'S REPORT

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## Opinion

In our opinion:

- (a) the financial report of Coppermoly 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; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

## Emphasis of Matter – going concern

Without qualification to the opinion expressed above attention is drawn to the matters detailed in Note 1(a). The ability of the consolidated entity to maintain continuity of normal business activities and to pay its debts as and when they fall due is dependent on its ability to successfully raise additional capital. Should adequate cash resources not be raised from capital raisings in the future, this may cast significant doubt on the consolidated entity's ability to continue as a going concern and realise its assets and discharge its liabilities in the ordinary course of business.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the capital raising not occur and the company not continue as a going concern.

## Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 19 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.

## Opinion

In our opinion, the Remuneration Report of Coppermoly Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

## BDO Audit (QLD) Pty Ltd

BDO  
A handwritten signature in black ink, appearing to read 'C J Skelton', with a long horizontal flourish extending to the right.

**C J Skelton**  
Director

Brisbane, 20 September 2011

## SHAREHOLDER INFORMATION

Information required by Australian Securities Exchange Limited and not shown elsewhere in this report is as follows:-

### STATEMENT OF QUOTED SECURITIES AS AT 14 SEPTEMBER 2011

a) Distribution of Shareholders

Size of Holding	Number of Shareholders	Number of COYOA Optionholders
1 – 1,000	17	4
1,001 – 5,000	85	40
5,001 – 10,000	211	10
10,001 – 100,000	573	64
100,001 and over	141	47
	<b>1,027</b>	<b>165</b>
b) Number of holders of less than marketable parcels	129	96
c) Percentage holding of 20 largest holders	57.070%	65.787%

d) There are three substantial shareholders listed in the Company's register as at 14 September 2011.

e) Twenty largest shareholders/optionholders (as at 14 September 2011).

COY Shareholders		
Name	Quantity	% of Total Holding
New Guinea Gold Corporation	20,973,684	15.076
Vangold Resources Ltd	13,959,366	10.034
National Nominees Limited	8,087,052	5.813
Auriongold Limited	6,309,647	4.536
Merrill Lynch (Australia) Nominees Pty Limited	3,927,646	2.823
HSBC Custody Nominees (Australia) Limited	3,891,381	2.797
Mr William Stanley Yeaman	3,830,000	2.753
RBI Trading Pty Ltd	2,500,000	1.797
Najava Pty Ltd <Macintosh Super Fund A/C>	2,055,000	1.477
Junde Pty Ltd <O'Neill Hall Super Fund A/C>	2,050,000	1.474
Condor Capital Pty Ltd <The Masson Family A/C>	2,033,738	1.462
Mr Hardip Singh <Hardip Subscription Account>	1,600,000	1.150
Mr James David Thorn & Mrs Suporn Thorn	1,508,010	1.084
Mr Simon William Tritton	1,100,000	0.791
Kings Park Superannuation Fund Pty Ltd <Kings Park Super Fund A/C>	1,050,000	0.755
Mr John Francis Rebbechi	1,035,000	0.744
Mr PA McCarthy & Mrs MH McCarthy <McCarthy Family S/F A/C>	1,000,000	0.719
AW & JE Wilks Pty Ltd	982,099	0.706
110980 BC Ltd	750,000	0.539
Mrs Yan Ling	750,000	0.539
<b>TOTAL</b>	<b>79,392,623</b>	<b>57.070</b>



## SHAREHOLDER INFORMATION

e) Twenty largest shareholders/optionholders (as at 14 September 2011) (continued)

COYOA Optionholders (expiry date 1 December 2011)		
Name	Quantity	% of Total Holding
Mr William Stanley Yeaman	1,990,000	8.423
Mr Roger Adrian Aldred Parker & Mrs Margaret Denise Parker	1,288,677	5.454
Mr Ian Hamilton	1,180,000	4.994
Mr Mark Richard Potter & Mrs Rebecca Amy Potter <Mark & Rebecca Potter A/C>	1,000,000	4.233
Najava Pty Ltd <Macintosh Super Fund A/C>	1,000,000	4.233
Junde Pty Ltd <O'Neill Hall Super Fund A/C>	1,000,000	4.233
Four P Investment Company Pty Ltd <Four P Investment A/C>	900,000	3.809
Citicorp Nominees Pty Limited	750,000	3.174
Weach Pty Ltd <Lennox Family S/F A/C>	713,250	3.019
Mr Simon William Tritton	700,000	2.963
Ms Anne-Carita Kontkanen & Mr John Hildred <Super Duper Super Fund A/C>	699,000	2.959
Alimold Pty Ltd	650,000	2.751
Vangold Resources Ltd	572,175	2.422
AW & JE Wilks Pty Ltd	500,000	2.116
Market Capital Group Pty Ltd <Market Cap Super Fund A/C>	500,000	2.116
Mr Mark Christian Hansen	490,000	2.074
National Nominees Limited	410,000	1.735
Mr Barry Maxwell Quayle	400,000	1.693
Mrs Cy-Anne Aylmore	400,000	1.693
Mr Matthew John McGrath <Tajuma A/C>	400,000	1.693
<b>TOTAL</b>	<b>15,543,102</b>	<b>65.787</b>

f) Voting Rights

Registered holders of ordinary shares in the capital of the Company may attend and vote at general meetings of the Company in person or by proxy and may exercise one vote for each share held. Every person present at a general meeting as an ordinary shareholder shall have one vote on a show of hands.

### STATEMENT OF UNQUOTED SECURITIES (OPTIONS) AS AT 14 SEPTEMBER 2011

There are on issue the following unquoted securities:-

	Quantity
Non transferable options issued under the Coppermoly Employee Incentive Option Plan exercisable at 10 cents per share on or before 5 October 2012	1,325,000
Directors options exercisable at 19 cents per share on or before 1 December 2012	10,000,000
Directors options exercisable at 23 cents per share on or before 1 December 2012	3,500,000

# CORPORATE DIRECTORY & SCHEDULE OF TENEMENTS

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## DIRECTORS

P. (Peter) Swiridiuk  
M. (Maurice) Gannon  
R.D. (Bob) McNeil  
D. (Dal) Brynelsen (Non-Executive Chairman)  
C.E. (Ces) Iewago

## COMPANY SECRETARY

M. (Maurice) Gannon

## HEAD OFFICE & REGISTERED OFFICE

Level 1, 94 Bundall Road  
Bundall Qld 4217, Australia  
Telephone: +61 7 5592 2274  
Facsimile: +61 7 5592 2275

## POSTAL ADDRESS

PO Box 6965  
Gold Coast Mail Centre Qld 9726

## INTERNET

Email: [info@coppermoly.com.au](mailto:info@coppermoly.com.au)  
Website: [www.coppermoly.com.au](http://www.coppermoly.com.au)

## SHARE REGISTRY

Boardroom Pty Limited  
Level 7  
207 Kent Street  
Sydney NSW 2000

## AUDITORS

BDO Audit (QLD) Pty Ltd  
Level 18  
300 Queen Street  
Brisbane Qld 4000

## BANKERS

Westpac Bank

## STOCK EXCHANGE

Coppermoly Ltd is listed on the Australian Stock Exchange (the home branch is Brisbane) and the Port Moresby Stock Exchange, Papua New Guinea.

## SCHEDULE OF TENEMENTS

PROJECT	OWNERSHIP
EL 1043 Mt Nakru (47km <sup>2</sup> )	100% Copper Quest PNG Ltd
EL 1077 Simuku (47km <sup>2</sup> )	100% Copper Quest PNG Ltd
EL 1445 Talelumas (75km <sup>2</sup> )	100% Copper Quest PNG Ltd
ELA 1782 Powell (758km <sup>2</sup> )	100% Copper Quest PNG Ltd
ELA 1813 Fulleborn (737.8km <sup>2</sup> )	100% Copper Quest PNG Ltd
ELA 2014 Makmak (280.1km <sup>2</sup> )	100% Copper Quest PNG Ltd
• <i>Copper Quest PNG Ltd is a 100% owned subsidiary of Coppermoly Ltd</i>	

