spitfire oil

Annual Report

For the Year Ended 30 June 2013

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Corporate Directory

Registration Number: 39994

Directors

Mladen Ninkov — Chairman
Roger Goodwin
Malcolm Randall
Rupert Crowe

Company Secretary

Catharine Lymberry

Principal Office

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Perth, WA 6000, Australia
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Email: spitfire@spitfireoil.com
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Registered Office

Clarendon House, 2 Church Street, Hamilton HM11, Bermuda

London Correspondent Office

6th Floor, 60 St James's Street, London, SW1A 1LE, United Kingdom

Nominated Advisor & Broker for AIM

Panmure Gordon (UK) Limited
One New Change, London, EC4M 9AF, United Kingdom

Auditors

Grant Thornton Audit Pty Ltd
Level 1, 10 Kings Park Road, West Perth WA 6005, Australia

Solicitors

Hunt & Humphrey
Level 2, Hyatt Centre, 20 Terrace Road, East Perth, WA 6004, Australia

Addleshaw Goddard LLP
Milton Gate, 60 Chiswell Street, London, EC1Y 4AG, United Kingdom

Conyers Dill & Pearman
Clarendon House, Church Street, PO Box HM666, Hamilton HMCX, Bermuda

Registrars & Transfer Agents

Capita Registrars (Jersey) Limited,
12 Castle Street, St Helier, Jersey, JE2 3RT, United Kingdom

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CHAIRMAN'S STATEMENT 2013

I present to you, the shareholders of Spitfire Oil Limited ("Spitfire" or the "Company") the Annual Report and Accounts of the Company for the 2012/2013 financial year. It has been an uneventful year. This has been primarily due to the junior oil & gas and mining equity markets severely contracting and, in essence, forcing these companies into "survival mode." Very few quality opportunities were offered for sale, joint venture or relinquishment, and those that were, failed to meet any of the primary economic hurdles required for an investment or acquisition by Spitfire. The time may well be approaching when junior resource companies may encounter such unavoidable financial distress, unable to be alleviated by raising equity or debt capital, that quality assets will be offered for sale or joint venture. It is that time that the Company will have the greatest opportunity of acquiring a long life, sizeable project capable of delivering the economic returns expected by the Company. Nevertheless, the Company has not been dormant in investigating, researching and evaluating acquisitions in preparation for such a time. The Company continues to assess a number of acquisition opportunities which, if consummated, would have a significant and long lasting impact on the future direction of the Company. As always in such cases, the chances of success are small, but they still need to be continually monitored in the hope that they may be consummated one day.

The Salmon Gums project continues to be governed by retention licences and awaits the day when technology and costs will enable the project to be developed.

The Company continues to keep costs to the barest of minimum, conserving cash to enable opportunities to be pursued, due diligence to be undertaken and acquisitions hopefully completed. As always, the Company is driven by completing the right acquisition to ensure the largest and longest returns to shareholder. May it be this year.

Mladen Ninkov
Chairman
9th December 2013

Review of Operations for 2012/2013

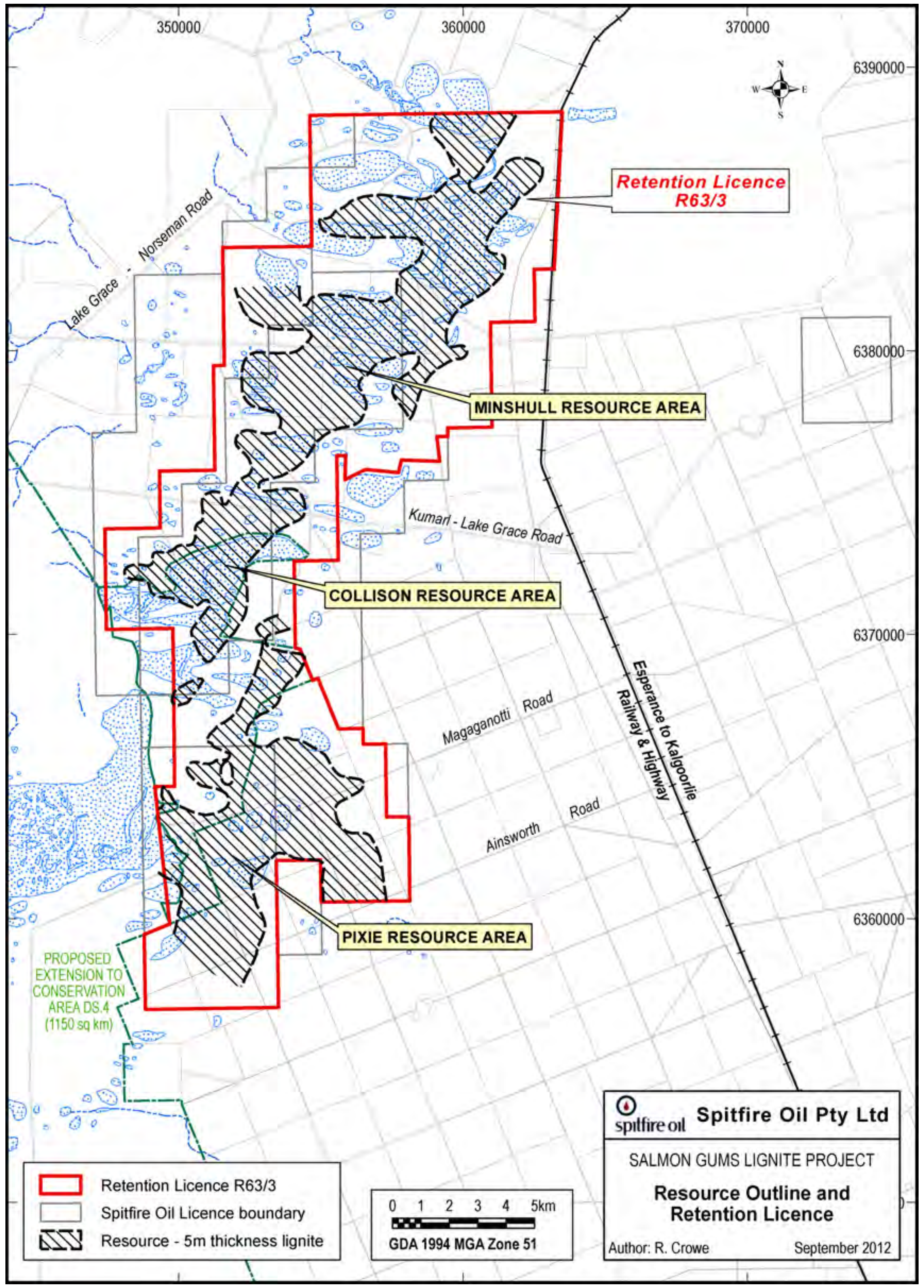
Financial

Spitfire Oil Limited ("the Company") and its wholly owned subsidiary, Spitfire Oil Pty Ltd ("Spitfire"), together ("the Group"), recorded a loss before tax for the year ended 30th June 2013 of A$289,639 (2012 A$430,987). The Group benefited from interest received of A$220,495 (2012 A$332,569). Operating costs were reduced to A$510,134 (2012 A$763,556). Following the grant of retention licences over the Salmon Gums tenements $21,656 of tenement management expenditure was incurred and capitalised on further exploration work (2012 A$339,241). Cash balances at 30th June 2013 amounted to A$7,110,136 (2012 A$7,367,957).

Operations

The Salmon Gums Lignite Project remains on hold and the Retention Licence on which it occurs has been renewed for a further year until October 2014. One potential joint venture on it was pursued during the year but without success.

The Company has continued to keep its running costs to a minimum while reviewing possible new projects. A number have been considered during the year but have so far not met requirements. As the market has declined, extra efforts are now being made to acquire a suitable new project.



Directors' Report

The directors submit their report on the consolidated entity (referred to hereafter as "the Group") consisting of Spitfire Oil Limited ("the Company") and the entity it controlled at the end of the year ended 30 June 2013.

DIRECTORS

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

Mr Mladen Ninkov	Chairman
Mr Rupert Crowe	Director
Mr Roger Goodwin	Director
Mr Malcolm Randall	Director

Interests in the shares and options of the Company

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

	Ordinary Shares	Options over Ordinary Shares
Mladen Ninkov	-	1,600,000
Roger Goodwin	1	800,000
Rupert Crowe	250,000	800,000
Malcolm Randall	550,000	800,000

PRINCIPAL ACTIVITIES

The Group's principal activity is the pursuance of the production of fuel oil and distillate from the Salmon Gums Lignite deposits in Western Australia. A review of the Group's operation and an indication of likely future developments are set out in the Review of Operations Report shown on pages 3 to 4.

DIVIDENDS

No dividends were paid or declared during the financial year. No recommendation for payment of dividends has been made.

REVIEW AND RESULT OF OPERATIONS

The Group has recorded an operating loss after income tax for the year ended 30 June 2013 of A$289,639 (2012: A$430,987).

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

No matters or circumstances, besides those disclosed at note 21, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

ENVIRONMENTAL REGULATION AND PERFORMANCE

During the year, the Company held a 100% interests in a retention licence in Western Australia. The various authorities granting such license require the licence holder to comply with directions given to it under the terms of the grant of the licence. To the director's knowledge and having made appropriate enquiries, there have been no significant breaches of the Company's licence conditions in regards to environmental regulations and requirements.

REMUNERATION REPORT

This report details the nature and amount of remuneration for the key management personnel of the Group.

The key management personnel of the Group during the year were:

Mr Mladen Ninkov
Mr Rupert Crowe
Mr Roger Goodwin
Mr Malcolm Randall

Directors' Report continued

REMUNERATION POLICY

Remuneration of all executive and non-executive directors, officers and employees of the Group is determined by the board of directors.

The Company is committed to remunerating senior executives in a manner that is market-competitive and consistent with "Best Practice" including the interests of shareholders. Remuneration packages are based on fixed and variable components, determined by the executives' position, experience and performance, and may be satisfied via cash or equity.

Non-executive directors are remunerated at a level that is consistent with market and industry standards. The cash remuneration of non-executive directors consists only of directors' fees and no retirement benefits are payable other than statutory superannuation, if applicable.

REMUNERATION POLICY VS CONSOLIDATED GROUP FINANCIAL PERFORMANCE

The Group's remuneration policy has been based on industry practice rather than Group performance and takes into account the risk and liabilities assumed by the directors and executives as a result of their involvement in the speculative activities undertaken by the Group. Directors and executives are fairly compensated for the extensive work they undertake.

The Group envisages its performance in terms of earnings will remain negative whilst the Group continues in the exploration and development phase. Shareholder wealth reflects this speculative and volatile market sector.

PERFORMANCE BASED REMUNERATION

No performance based bonuses were issued during the reporting year.

DETAILS OF REMUNERATION

		Short-Term		Post Employment	Share-based Payments	Total
	Cash Salary & Fees	Allowances	Non-Monetary Benefits	Superannuation	Options	
	A$	A$	A$	A$	A$	A$
Directors						
Mr Mladen Ninkov(1)						
2013	**-**	**-**	**-**	**-**	**15,900**	**15,900**
2012	-	-	-	-	52,767	52,767
Mr Rupert Crowe(2)						
2013	**37,156**	**-**	**-**	**3,344**	**7,949**	**48,449**
2012	66,055	-	-	5,945	26,383	98,383
Mr Roger Goodwin						
2013	**40,500**	**-**	**-**	**-**	**7,949**	**48,449**
2012	72,000	-	-	-	26,383	98,383
Mr Malcolm Randall						
2013	**37,156**	**-**	**-**	**3,344**	**7,949**	**48,449**
2012	66,055	-	-	5,945	26,383	98,383
Total key management personnel compensation						
2013	**114,812**	**-**	**-**	**6,688**	**39,747**	**161,247**
2012	204,110	-	-	11,890	131,916	347,916

(1) Keynes Capital, the registered business name of Keynes Investments Pty Limited as trustee for the Keynes Trust, received fees under a consultancy agreement of A$147,919 (2012: A$174,853), for the provision of advisory and support services to the Group during the year. Mladen Ninkov is a director and employee of Keynes Investments Pty Limited.

(2) CSA Global Pty Ltd provides exploration services to the Subsidiary. Rupert Crowe is a director and shareholder of CSA Global Pty Ltd. During the current year CSA Global received A$nil (2012: A$86,562) in relation to exploration services performed for the Subsidiary.

Directors' Report continued

SHARE-BASED REMUNERATION

During the 2011 financial year the directors were granted a total of 4,000,000 options to subscribe for new ordinary shares of US$0.0001 each in the capital of Spitfire Oil Limited at an exercise price of 12 pence each per new ordinary share exercisable on or before 31 March 2014.

The following options were granted to or vesting with key management personnel during the year, there were no options forfeited during the year:

	Grant Date	Granted Number	Vested Number	Date Vesting and Exercisable	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)(1)	Exercised Number
Directors								
Mladen Ninkov	23/03/2011	533,333	533,333	23/03/2011	31/03/2014	19.4	8	Nil
Mladen Ninkov	23/03/2011	533,333	533,333	31/03/2012	31/03/2014	19.4	8	Nil
Mladen Ninkov	23/03/2011	533,334	533,334	31/03/2013	31/03/2014	19.4	8	Nil
Rupert Crowe	23/03/2011	266,667	266,667	23/03/2011	31/03/2014	19.4	8	Nil
Rupert Crowe	23/03/2011	266,667	266,667	31/03/2012	31/03/2014	19.4	8	Nil
Rupert Crowe	23/03/2011	266,666	266,666	31/03/2013	31/03/2014	19.4	8	Nil
Roger Goodwin	23/03/2011	266,667	266,667	23/03/2011	31/03/2014	19.4	8	Nil
Roger Goodwin	23/03/2011	266,667	266,667	31/03/2012	31/03/2014	19.4	8	Nil
Roger Goodwin	23/03/2011	266,666	266,666	31/03/2013	31/03/2014	19.4	8	Nil
Malcolm Randall	23/03/2011	266,667	266,667	23/03/2011	31/03/2014	19.4	8	Nil
Malcolm Randall	23/03/2011	266,667	266,667	31/03/2012	31/03/2014	19.4	8	Nil
Malcolm Randall	23/03/2011	266,666	266,666	31/03/2013	31/03/2014	19.4	8	Nil

(1) The value at grant date in accordance with AASB 2: Share Based Payments of options granted during the year as part of remuneration. Refer to note 25 for details on the valuation of these options.

PERFORMANCE INCOME AS A PROPORTION OF TOTAL REMUNERATION

All executives are eligible to receive incentives whether through employment contracts or by the recommendation of the board. Their performance payments are based on values, set number of shares or options or as a portion of base salary. There is no fixed proportion between incentive and non-incentive remuneration.

INDEMNIFYING OFFICERS OR AUDITOR

During the financial year the Company entered into an insurance policy to indemnify directors and officers against certain liabilities incurred as a director or officer, including costs and expenses associated in successfully defending legal proceedings. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Group has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Consolidated Group or any related body corporate against a liability incurred as such an officer or auditor.

CORPORATE GOVERNANCE

Although the Company's shares are traded on the Alternative Investment Market ("AIM") of the London Stock Exchange, the Company is incorporated in Bermuda and therefore not obliged to comply with the code of best practice established by the UK Corporate Governance Code June 2010 issued by the Financial Reporting Council, the Company has reviewed and broadly supports this code. The Company does not comply where compliance would not be commercially justified allowing for the practical limitations relating to the Group's size.

The board of directors includes a number of non-executive directors who are independent and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. The board meets regularly and is responsible for the overall strategy of the Group, its performance, management and major financial matters.

Various safeguards and checks have been instigated as part of the Group's system of financial control. These include:

- preparation of regular financial reports and management accounts
- preparation and review of capital and operational budgets
- preparation of regular operational reports
- prior approval of capital and other significant expenditure
- regular review and assessment of foreign exchange risk and requirements

Directors' Report continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Bermudan company law and generally accepted best practice requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing these accounts, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the financial statements on a going concern basis as deemed appropriate on the presumption the Group will continue in business.

In so far as the directors are aware:

- there is no relevant information of which the Group's auditors are unaware; and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Bermuda Companies Act 1981 as amended. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included in the Company's website. Legislation in Bermuda, the United Kingdom and Australia governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

This report is made in accordance with a resolution of directors for and on behalf of the board.

Mr Roger Goodwin
Director
Spitfire Oil Limited

Dated: 9th December 2013

Statement of Profit or Loss and Other Comprehensive Income

YEAR ENDED 30 JUNE 2013	Notes	2013 A$	2012 A$
OTHER INCOME	4	**220,495**	332,569
EXPENDITURE			
Corporate expenses	5	**(414,483)**	(656,805)
Other expenses	5	**(95,651)**	(106,751)
LOSS BEFORE INCOME TAX		**(289,639)**	(430,987)
INCOME TAX	6	**-**	-
LOSS AFTER INCOME TAX		**(289,639)**	(430,987)
OTHER COMPREHENSIVE INCOME, NET OF TAX		**-**	-
LOSS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF SPITFIRE OIL LIMITED		**(289,639)**	(430,987)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	23	**(0.7)**	(1.0)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position

AS AT 30 JUNE 2013	Notes	2013 A$	2012 A$
CURRENT ASSETS			
Cash and cash equivalents	7	**7,110,136**	7,367,957
Trade and other receivables	8	**1,242**	-
Other current assets	9	**14,179**	12,961
TOTAL CURRENT ASSETS		**7,125,557**	7,380,918
NON-CURRENT ASSETS			
Capitalised exploration and evaluation costs	10	**8,395,553**	8,373,897
Other non-current assets	9	**45,000**	45,000
TOTAL NON-CURRENT ASSETS		**8,440,553**	8,418,897
TOTAL ASSETS		**15,566,110**	15,799,815
CURRENT LIABILITIES			
Trade and other payables	12	**61,987**	45,800
TOTAL CURRENT LIABILITIES		**61,987**	45,800
TOTAL LIABILITIES		**61,987**	45,800
NET ASSETS		**15,504,123**	15,754,015
EQUITY			
Issued capital	13	**20,854,412**	20,854,412
Reserves	14(a)	**321,600**	281,853
Accumulated losses	14(b)	**(5,671,889)**	(5,382,250)
TOTAL EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		**15,504,123**	15,754,015

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2013	Notes	Issued Capital A$	Options Reserve A$	Accumulated Losses A$	Total A$
BALANCE AT 1 JULY 2011		20,854,412	149,937	(4,951,263)	16,053,086
Loss for the year	14(b)	-	-	(430,987)	(430,987)
TOTAL COMPREHENSIVE INCOME		-	-	(430,987)	(430,987)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Share option expense	14(a)	-	131,916	-	131,916
BALANCE AT 30 JUNE 2012		20,854,412	281,853	(5,382,250)	15,754,015
Loss for the year	14(b)	**-**	**-**	**(289,639)**	**(289,639)**
TOTAL COMPREHENSIVE INCOME		**-**	**-**	**(289,639)**	**(289,639)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Share option expense	14(a)	**-**	**39,747**	**-**	**39,747**
BALANCE AT 30 JUNE 2013		**20,854,412**	**321,600**	**(5,671,889)**	**15,504,123**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2013	Notes	2013 A$	2012 A$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(451,906)**	(602,466)
Interest received		**220,495**	332,569
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	22	**(231,411)**	(269,897)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation expenditure		**(21,655)**	(348,213)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(21,655)**	(348,213)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(253,066)**	(618,110)
Cash and cash equivalents at the beginning of the financial year		**7,367,957**	7,985,012
Effects of exchange rate changes on cash and cash equivalents		**(4,755)**	1,055
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	**7,110,136**	7,367,957

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

30 JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Spitfire Oil Limited and its controlled entity. The financial statements are presented in the Australian currency. Spitfire Oil Limited is a company limited by shares, domiciled and incorporated in Bermuda, with its ordinary shares traded on the Alternative Investment Market (AIM) of the London Stock Exchange. The registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The financial statements were authorised for issue by the directors on 9th December 2013. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board. Spitfire Oil Limited is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Spitfire Oil Limited Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Spitfire Oil Limited ("Company" or "parent entity") as at 30 June 2013 and the results of all subsidiaries for the year then ended. Spitfire Oil Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all of 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.

The acquisition method of accounting is used to account for business combinations by the Group.

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, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

(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 Spitfire Oil Limited's functional and presentation currency.

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(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 profit or loss.

(e) Income recognition

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For capitalised exploration and evaluation costs facts and circumstances to be considered include periods of tenure, budgeted expenditure, and exploration and evaluation results achieved. 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 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 insignificant risk of changes in value.

(i) Trade and other receivables

Receivables, including performance bonds, are recognised and initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Plant and equipment

All plant and equipment is stated at historical cost less accumulated 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. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Assets	***Depreciation Rate***
Computer Equipment	33%
Furniture and Fittings	25%

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

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.

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

(k) Capitalised exploration and evaluation costs

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

Once technical feasibility and commercial viability can be demonstrated exploration and evaluation expenditure is transferred to either property, plant and equipment or intangible assets, depending on their nature.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(l) Trade and other payables

These amounts are recognised and initially measured at fair value and subsequently measured at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

(m) Employee benefits

(i) Wages and salaries and annual leave

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries and annual leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(ii) Share-based payments

Equity-settled payments are measured at fair value at the date of grant. Fair value is measured by use of an option pricing model or other appropriate option pricing model as required. The expected life used in the model has been adjusted, based on management's best estimate for the effects of non-transferability and exercise restrictions.

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of options that, in the opinion of the directors of the Company, will ultimately vest. This opinion is formed based on the best available information at the reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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

Notes to the Consolidated Financial Statements continued

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Issued capital

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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the fair value of the purchase consideration transferred.

(o) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

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

(p) 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.

(q) Comparative figures

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

When the Group applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(r) Adoption of new and revised accounting standards

During the year, the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. The adoption of these standards has not significantly impacted the recognition, measurement and disclosure of the transactions of the Group and its consolidated financial statements for the year ended 30 June 2013.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (Applies annual reporting periods beginning on or after 1 July 2012

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

Notes to the Consolidated Financial Statements continued

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group's assessment of the impact of applicable new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact on the financial reporting of the Group.
AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2015)

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

The key changes made to accounting requirements include:

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

AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010–2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013)
AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

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

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

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

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

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

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

AASB 10: Consolidated Financial Statements (applies to periods beginning on or after 1 January 2013)
This Standard establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and Interpretation 112*Consolidation – Special Purpose Entities*.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This Standard is not expected to impact the Group.

Notes to the Consolidated Financial Statements continued

30 JUNE 20131.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB 11: Joint Arrangements (applies to periods beginning on or after 1 January 2013)

This Standard replaces AASB 131 *Interests in Joint Ventures* and Interpretation 113 *Jointly-Controlled Entities – Non-monetary Contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition, AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves are accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method. The Group has not yet determined any potential impact on the financial statements.

AASB 12: Disclosures of Interests in Other Entities (applies to periods beginning on or after 1 January 2013)

This Standard includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests. The Group has not yet determined any potential impact on the financial statements.

AASB 13: Fair Value Measurement (applies to periods beginning on or after 1 January 2013)

This Standard establishes a single source of guidance under AASB for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under AASB when fair value is required or permitted by AASB. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. The Group has not yet determined any potential impact on the financial statements.

(t) Critical accounting judgements, estimates and assumptions

The preparation of these financial statements 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:

Exploration and evaluation expenditure
The exploration and evaluation expenditure is reviewed regularly to ensure that the capitalised expenditure is only carried forward to the extent that it is expected to be recouped through the successful development of the areas of interest or when activities in the areas of interest have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves. Impairments are assessed by reference to exploration results carried out in an area of interest, future development and operating costs and product revenues. Where such exploration indicates that there are no indications of mineralisation within the area of interest, or the projected development costs and operating returns would not provide a return on capital, provision is made for impairment in value.

Share based payments
The weighted average fair value of the options granted during the 2011 financial year was 8.04 cents. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

- Weighted average exercise price (cents) 19.44
- Weighted average life of the option (years) 3.0
- Weighted average underlying share price (cents) 11.54
- Expected share price volatility 131.4%
- Weighted average risk free interest rate 4.95%

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

Notes to the Consolidated Financial Statements continued

30 JUNE 20131.

2. FINANCIAL RISK MANAGEMENT

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

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all Board members to be involved in this process. The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

(a) Market risk

(i) Foreign exchange risk

The Group operates mainly in Australia with a representative office in the United Kingdom and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Great British Pound.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. Foreign currency risk is measured by regular review of cash forecasts, monitoring the dollar amount and currencies that payment are anticipated to be paid in. The Group also considers the market fluctuations in relevant currencies to determine the level of exposure. If the level of exposure is considered by management to be too high, then management has authority to take steps to reduce the risk. Steps to reduce risk may include the acquisition of foreign currency ahead of the anticipated due date or may include negotiations with suppliers to make payment in GBP. Should management determine that the Group should consider taking out a hedge to reduce the foreign currency risk, they would need to seek Board approval.

Sterling amounts translated into Australian dollars and the Group's exposure to foreign currency risk at the reporting date was as follows:

	Consolidated	
	2013	2012
	A$	A$
Cash and cash equivalents	**164,578**	4,652
Other assets	**14,179**	12,961
Trade and other payables	**(53,550)**	(24,943)
Statement of financial position	**125,207**	(7,330)

Sensitivity analysis

Based on the financial instruments held at 30 June 2013, had the Australian dollar weakened/strengthened by 10% against the Great British Pound with all other variables held constant, the Group's post tax loss for the year would have been A$1,252 higher/lower (2012: A$733 lower/higher), and there would have been a corresponding change to the Group's equity for both years presented.

(ii) Price risk

Given the current level of operations the Group is not exposed to price risk.

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents, plus the performance bond included in other current assets, for the Group of A$7,155,136 (2012: A$7,412,957) is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group was 3.0% (2012: 4.4%).

Sensitivity analysis

At 30 June 2013, if interest rates had changed by -/+ 100 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been A$72,840 lower/higher (2012: A$76,070), with a corresponding change to the Group's equity, as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

The Group does not have any significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of cash and cash equivalents, trade and other receivables and other financial assets. To reduce risk exposure for the Group's cash and cash equivalents, it places them with high credit quality financial institutions. The Group currently deposits the majority of its funds with National Australia Bank to whom Standard and Poor's has ascribed a credit rating of AA- The Group also deposits funds for working capital in the UK with National Westminster Bank Plc to whom Standard and Poor's has ascribed a credit rating of A-.

The Group does not have any trade and other receivables at 30 June 2013. Historically the Group has had minimal trade and other receivables, with the majority of its funding being provided via shareholder investment. Traditionally the Group's trade and other receivables relate to GST refunds. At 30 June 2013 this accounted for A$1,242 of the trade and other receivables.

Notes to the Consolidated Financial Statements continued

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2. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Liquidity risk

The Group is exposed to liquidity risk via its trade and other payables. Responsibility for liquidity risk rests with the Board who manage liquidity risk by monitoring undiscounted cash flow forecasts and actual cash flows provided to them by the Group's Management at Board meetings to ensure that the Group continues to be able to meet its debts as and when they fall due. Contracts are not entered into unless the Board believes that there is sufficient cash flow to fund the additional activity. The Board considers when reviewing its undiscounted cash flows forecasts whether the consolidated group needs to raise additional funding from the equity markets.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 30 days of the reporting date.

The Group is exposed to liquidity risk via its trade and other payables. Responsibility for liquidity risk rests with the Board who manage liquidity risk by monitoring undiscounted cash flow forecasts and actual cash flows provided to them by the Group's Management at Board meetings to ensure that the Group continues to be able to meet its debts as and when they fall due. Contracts are not entered into unless the Board believes that there is sufficient cash flow to fund the additional activity. The Board considers when reviewing its undiscounted cash flows forecasts whether the consolidated group needs to raise additional funding from the equity markets.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 30 days of the reporting date.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their carrying amount.

The carrying value of trade receivables, performance bonds and payables are assumed to approximate their fair values due to their short-term nature.

(e) Financial assets and liabilities

The carrying amounts of financial assets and financial liabilities are as follows:

	Note	Consolidated 2013 A$	2012 A$
Financial assets			
Other receivables	8	**1,242**	-
Term deposit	9	**45,000**	45,000
Cash and cash equivalents (carried at amortised cost)	7	**7,110,136**	7,367,957
Total financial assets		**7,156,378**	7,412,957
Financial liabilities			
Trade payables	12	**-**	10,856
Total financial liabilities		**-**	10,856
Net financial assets		**7,156,378**	7,402,101

Notes to the Consolidated Financial Statements continued

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3. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. For management purposes, the Group has identified only one reportable segment, being the exploration and mining for valuable resources that produce energy in Australia.

Segment performance is evaluated based on the operating profit and loss and cash flows and is measured in accordance with the Group's accounting policies.

	Consolidated 2013 A$	2012 A$
Exploration segment		
Segment revenue	-	-
Reconciliation of segment revenue to total revenue before tax:		
Interest income	**220,495**	332,569
Total income	**220,495**	332,569
Segment results	-	-
Reconciliation of segment result to net loss before tax:		
Other corporate and administration	**(289,639)**	(430,987)
Net loss before tax	**(289,639)**	(430,987)
Segment operating assets	**8,395,553**	8,373,897
Reconciliation of segment operating assets to total assets:		
Other corporate and administration assets	**7,170,557**	7,425,918
Total assets	**15,566,110**	15,799,815

4. OTHER INCOME

Non-operating income		
Interest	**220,495**	332,569

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

	Consolidated 2013 A$	Consolidated 2012 A$
5. LOSS BEFORE INCOME TAX		
EXPENSES		
Corporate expenses		
Director and employee fees	**130,437**	216,000
Keynes fees (refer note 16(d))	**147,919**	174,853
Share option expense	**39,747**	131,916
Professional fees	**60,279**	100,597
Audit services	**34,941**	30,267
Travel	**1,160**	740
Depreciation	**-**	2,432
	414,483	656,805
Other expenses		
Occupancy expenses	**7,980**	3,990
Foreign exchange losses	**4,755**	3,696
Other expenses from ordinary activities	**57,414**	76,069
Share registry, printing & postage	**25,502**	22,996
	95,651	106,751
TOTAL EXPENSES	**510,134**	763,556

6. INCOME TAX

	2013 A$	2012 A$
(a) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(289,639)**	(430,987)
Prima facie tax benefit at rate of 30% (2012: 30%)	**(86,892)**	(129,296)
Adjustment for Parent Entity loss not taxable	**53,336**	200,656
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other deductible expenses	**3,000**	(600)
Exploration costs (capitalised)/refunded	**-**	(101,772)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**30,556**	31,012
Income tax (expense)/benefit	**-**	-
(b) Unrecognised temporary differences		
Deferred Tax Assets (at 30%)		
On Income Tax Account		
Accruals	**-**	3,000
Carry forward tax losses	**3,768,333**	3,811,882
	3,768,333	3,814,882
Deferred Tax Liabilities (at 30%)		
Capitalised exploration and evaluation costs	**2,518,666**	2,512,169
Net Unrecognised Deferred Tax Asset	**1,249,667**	1,302,713

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

No income tax is payable for the Company as the Company is incorporated in Bermuda where there is no tax payable on income.

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

	Consolidated 2013 A$	Consolidated 2012 A$
7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**7,110,136**	7,367,957
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	**7,110,136**	7,367,957

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

	2013 A$	2012 A$
8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES		
GST receivable	**1,242**	-

None of the trade and other receivables are past due or impaired.

	2013 A$	2012 A$
9. CURRENT & NON-CURRENT ASSETS - OTHER ASSETS		
Current		
Prepayments	**14,179**	12,961
Non-Current		
Term deposit	**45,000**	45,000

The term deposit is held as security for a tenement performance bond set by the Department of Mines and Petroleum.

	2013 A$	2012 A$
10. NON-CURRENT ASSETS – PLANT AND EQUIPMENT		
Computer equipment		
Cost	**12,329**	12,329
Accumulated depreciation	**(12,329)**	(12,329)
Net book amount	**-**	-
Furniture and fittings		
Cost	**10,690**	10,690
Accumulated depreciation	**(10,690)**	(10,690)
Net book amount	**-**	-
Total plant and equipment	**-**	-
Movements in carrying amounts:		
Computer equipment		
Opening net book amount	**-**	-
Depreciation expense	**-**	-
Closing net book amount	**-**	-
Furniture and fittings		
Opening net book amount	**-**	2,432
Depreciation expense	**-**	(2,432)
Closing net book amount	**-**	-
11. NON-CURRENT ASSETS – CAPITALISED EXPLORATION AND EVALUATION COSTS		
Opening balance	**8,373,897**	8,034,656
Additions	**21,656**	339,241
Closing balance	**8,395,553**	8,373,897

The Group continued to maintain a retention licence over its exploration tenement areas.

The ultimate recoupment of the carrying value of the mineral tenements is dependent upon exploitation of commercially viable mineral deposits, the generation of sufficient future income there from or sale for at least carrying value.

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

	Consolidated 2013 A$	Consolidated 2012 A$
12. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Trade payables	-	10,856
Sundry payables and accrued expenses	**61,987**	34,944
	61,987	45,800

13. ISSUED CAPITAL

(a) Authorised capital

	Notes	2013 Number of shares	2013 A$	2012 Number of shares	2012 A$
Total authorised capital*		**100,000,000**	**10,000**	100,000,000	10,000

* The Company has authorised share capital of 100,000,000 ordinary shares at USD$0.0001 per share.

	Notes	2013 Number of shares	2013 A$	2012 Number of shares	2012 A$
(b) Issued capital					
Ordinary shares fully paid	13(c), 13(e)	**42,550,668**	**4,817**	42,550,668	4,817
Share premium account			**20,849,595**		20,849,595
Total issued capital			**20,854,412**		20,854,412
(c) Movements in issued share capital					
Beginning of the financial year		**42,550,668**	**20,854,412**	42,550,668	20,854,412
End of the financial year		**42,550,668**	**20,854,412**	42,550,668	20,854,412

(d) Movements in options on issue

	Consolidated Number of options 2013	Consolidated Number of options 2012
Beginning of the financial year	**4,000,000**	4,000,000
Issued during the year:	**-**	-
Cancelled/expired during the year:	**-**	-
End of the financial year	**4,000,000**	4,000,000

(e) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the 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 upon a poll each share is entitled to one vote.

(f) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares or reduce its capital, subject to the provisions of the Group's constitution. The capital structure of the Group consists of equity attributed to equity holders of the Group, comprising issued capital, reserves and accumulated losses disclosed in notes 13(b) and 14. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the Board by the Group's Management the Board monitors the need to raise additional equity from the equity markets.

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

	Consolidated 2013 A$	Consolidated 2012 A$
14. RESERVES AND ACCUMULATED LOSSES		
(a) Reserves		
Options reserve		
Balance at beginning of year	**281,853**	149,937
Cost of employee share options (refer to note 25)	**39,747**	131,916
Balance at end of year	**321,600**	281,853
(b) Accumulated losses		
Balance at beginning of year	**(5,382,250)**	(4,951,263)
Net loss for the year	**(289,639)**	(430,987)
Balance at end of year	**(5,671,889)**	(5,382,250)

(c) Nature and purpose of reserves

Options reserve

The share-based payments reserve is used to recognise the fair value of options issued.

15. DIVIDENDS

No dividends were paid during the financial year. No recommendation for payment of dividends has been made.

16. KEY MANAGEMENT PERSONNEL DISCLOSURES

	2013 A$	2012 A$
(a) Key management personnel compensation		
Short-term benefits	**114,812**	204,110
Post-employment benefits	**6,688**	11,890
Share option expense	**39,747**	131,916
	161,247	347,916

Detailed remuneration disclosures are provided in the remuneration report on pages 6 and 7.

(b) Equity instrument disclosures relating to key management personnel

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

Details of the options provided as remuneration to key management personnel during the year are contained in note 25.

Notes to the Consolidated Financial Statements continued

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16. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Spitfire Oil Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2013	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Spitfire Oil Limited							
Mladen Ninkov	**1,600,000**	**-**	**-**	**-**	**1,600,000**	**1,600,000**	**-**
Roger Goodwin	**800,000**	**-**	**-**	**-**	**800,000**	**800,000**	**-**
Rupert Crowe	**800,000**	**-**	**-**	**-**	**800,000**	**800,000**	**-**
Malcolm Randall	**800,000**	**-**	**-**	**-**	**800,000**	**800,000**	**-**
	4,000,000	**-**	**-**	**-**	**4,000,000**	**4,000,000**	**-**

2012	Balance at start of the year	Granted as compensation	Exercised	Other changes(1)	Balance at end of the year	Vested and exercisable	Unvested
Directors of Spitfire Oil Limited							
Mladen Ninkov	1,600,000	-	-	-	1,600,000	1,066,666	533,334
Roger Goodwin	800,000	-	-	-	800,000	533,334	266,666
Rupert Crowe	800,000	-	-	-	800,000	533,334	266,666
Malcolm Randall	800,000	-	-	-	800,000	533,334	266,666
	4,000,000	-	-	-	4,000,000	2,666,668	1,333,332

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Spitfire Oil Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2013	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Spitfire Oil Limited				
Ordinary shares				
Mladen Ninkov	**-**	**-**	**-**	**-**
Roger Goodwin	**1**	**-**	**-**	**1**
Rupert Crowe	**250,000**	**-**	**-**	**250,000**
Malcolm Randall	**550,000**	**-**	**-**	**550,000**

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

16. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

2012	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Spitfire Oil Limited				
Ordinary shares				
Mladen Ninkov	-	-	-	-
Roger Goodwin	1	-	-	1
Rupert Crowe	250,000	-	-	250,000
Malcolm Randall	550,000	-	-	550,000

(c) Loans to key management personnel

There were no loans to key management personnel during the year.

(d) Other transactions with key management personnel

Services

Keynes Capital, the registered business name of Keynes Investments Pty Limited as trustee for the Keynes Trust, received fees under a consultancy agreement of A$147,919 (2012: A$174,853), for the provision of advisory and support services to the Group during the year. Mladen Ninkov is a director and employee of Keynes Investments Pty Limited.

CSA Global is the registered trading name of CSA Global Pty Ltd who provides geological surveying and consulting services to the Subsidiary. Rupert Crowe is a director and shareholder of CSA Global Pty Ltd. During the current year CSA Global received A$nil (2012: A$86,562) in relation to exploration services performed for the Subsidiary.

17. REMUNERATION OF AUDITORS

	Consolidated 2013 A$	Consolidated 2012 A$
During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:		
Audit services		
Grant Thornton – audit of financial reports	**34,941**	30,000
William Buck – audit of financial reports	**-**	267
Total remuneration for audit services	**34,941**	30,267
Non-audit services		
Grant Thornton – taxation compliance services	**7,950**	4,650
Total remuneration for non-audit services	**7,950**	4,650

18. CONTINGENCIES

There are no material contingent liabilities or contingent assets of the Group and Company at balance date.

19. RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. These transactions are disclosed at note 16(d).

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

20. SUBSIDIARY

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)(i):

Name	Country of Incorporation	Class of Shares	Equity Holding[1] 2013 %	Equity Holding[1] 2012 %
Spitfire Oil Pty Ltd	Australia	Ordinary	**100**	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

21. EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

No matter or circumstance has arisen since 30 June 2013, which has significantly affected, or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent financial years.

22. STATEMENT OF CASH FLOWS

	Consolidated 2013 A$	Consolidated 2012 A$
Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(289,639)**	(430,987)
Reconciling Items		
Depreciation expense	**-**	2,432
Net exchange differences	**4,755**	(1,055)
Share option expense	**39,747**	131,916
Change in operating assets and liabilities		
Decrease in trade and other receivables	**-**	8,051
(Increase) /decrease in other current assets	**(2,461)**	9,307
Increase/(decrease) in trade and other payables	**16,187**	10,439
Net cash outflow from operating activities	**(231,410)**	(269,897)

23. LOSS PER SHARE

(a) Reconciliation of earnings used in calculating loss per share

	2013	2012
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	**(289,639)**	(430,987)

	Number of shares	Number of shares
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**42,550,668**	42,550,668

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2013, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

24. COMMITMENTS

Commitments

The Company had no capital or exploration commitments at 30th June 2013 (2012 nil).

Notes to the Consolidated Financial Statements continued

30 JUNE 2013

25. SHARE-BASED PAYMENTS

Details of options granted

On 23 March 2011 Directors were granted 4,000,000 share options under the Spitfire Oil Share Scheme. Each option is exercisable at a price of £0.12 on or before 31 March 2014. The options hold no voting or dividend rights, and are not transferable. The options are vesting in three equal tranches being (23 March 2011), 31 March 2012 and 31 March 2013.

Set out below are summaries of the options granted:

	Consolidated 2013 Number of options	2013 Weighted average exercise price A$	2012 Number of options	2012 Weighted average exercise price A$
Outstanding at the beginning of the year	**4,000,000**	**0.19**	4,000,000	0.19
Granted	**-**	**-**	-	-
Forfeited	**-**	**-**	-	-
Exercised	**-**	**-**	-	-
Expired	**-**	**-**	-	-
Outstanding at year-end	**4,000,000**	**0.19**	4,000,000	0.19
Exercisable at year-end	**4,000,000**	**0.19**	2,666,668	0.19

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 0.75 years (2012: 1.75 years).

The weighted average fair value of the options granted during the 2011 financial year was 8.04 cents. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

Weighted average exercise price (cents)	19.44
Weighted average life of the option (years)	3.0
Weighted average underlying share price (cents)	11.54
Expected share price volatility	131.4%
Weighted average risk free interest rate	4.95%

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	Consolidated 2013 A$	Consolidated 2012 A$
Options issued to employees (shown as share option expense as part of corporate expenses in the statement of comprehensive income)	**39,747**	131,916

Notes to the Consolidated Financial Statements continued

30 JUNE 2013	2013	2012
	$	$

26. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Spitfire Oil Limited, at 30 June 2013. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2013	2012
Current assets	**178,757**	17,613
Non-current assets	**15,207,218**	15,744,811
Total assets	**15,385,975**	15,762,424
Current liabilities	**53,550**	24,943
Total liabilities	**53,550**	24,943
Contributed equity	**20,854,412**	20,854,412
Share-based payments reserve	**321,600**	281,853
Accumulated losses	**(5,843,587)**	(5,398,784)
Total equity	**15,332,425**	15,737,481
Loss for the year	**(444,803)**	(448,985)
Total comprehensive loss for the year	**(444,803)**	(448,985)

The parent entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at the year end.

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 9 to 30:

  (i) comply with Australian Accounting Standards and Interpretations and other mandatory professional reporting requirements; and

  (ii) give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the financial year ended on that date;

(b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and

(c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

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

Mr Roger Goodwin
Director
Spitfire Oil Limited

Dated: 9th December 2013

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E info.wa@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report
To the Members of Spitfire Oil Limited

We have audited the accompanying financial report of Spitfire Oil Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information to the financial report and the directors' declaration of the consolidated entity comprising the Company and the entity it controlled at the year's end or from time to time during the financial year.

Responsibility of the Directors for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and . This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements and notes, 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 which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

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

Independence

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.any's preparation and fair presentation of the financial report in order to design audit

Auditor's Opinion

In our opinion,

a the financial report of Spitfire Oil Limited
   i presents fairly, in all material respects, the consolidated entity's financial position as at 30 June 2013 and of its performance and cash flows for the year then ended ; and
   ii complies with Australian Accounting Standards.

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants
C A Becker
Partner - Audit & Assurance
Perth, 9 December 2013

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Shareholder Information

As at 6th December 2013:

NUMBER IS HOLDERS OD EQUITY SECURITIES

Ordinary Shares

42,550,668 fully paid ordinary shares on issue

SHAREHOLDER ENQUIRIES

Shareholders with enquiries about their shareholding should contact the Share Registry:
Capita Registrars (Jersey) Limited
12 Castle Street,
St Helier, Jersey
United Kingdom JE2 3RT

CHANGE OF ADDRESS, CHANGE OF NAME, CONSOLIDATION OF SHAREHOLDING

Shareholders should contact the Share Registry to obtain details of the procedure required for any of these changes.

REMOVAL FROM THE ANNUAL REPORT MAILING LIST

Shareholders who wish to receive the Annual Report should advise the Share Registry in writing. These shareholders will continue to receive all other shareholder information.

TAX FILE NUMBERS

It is important that Australian resident shareholder, including children, have their tax file number or exemption details noted by the Share Registry.

MINING TENEMENT LISTING

For a full listing of the Consolidated Group's current Exploration Tenements and Mining Leases please refer to the Review of Spitfire Oil 11/12 Operations on page 3 of this report.