FINDERS RESOURCES LIMITED

ABN 82 108 547 413

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 2011

DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities ("consolidated entity") for the year ended 31 December 2011.

Directors
The Directors in office during the financial year and up to the date of this report are:

Russell J Fountain *(Appointed 30 March 2004)*	—	***Non-Executive Chairman***
Qualifications	—	BSc (University of Sydney), PhD (University of Sydney), FAIG
Experience	—	Dr Fountain has over 40 years of successful international experience in all aspects of mineral exploration, project feasibility and development of mining projects.
Interest in Shares and Options	—	7,505,277 Ordinary Shares
Special Responsibilities	—	Member of Remuneration Committee
Other Listed Company Directorships in last 3 years	—	Geopacific Resources NL (appointed 9 May 2006)

Christopher B Farmer *(Appointed 30 March 2004)*	—	***Managing Director***
Qualifications	—	BSc (Hons) (University of Southampton), MBA (Ashridge), PhD (Royal School of Mines, Imperial College)
Experience	—	Dr Farmer has over 20 years of international experience in all aspects of exploration, with a strong emphasis on business development.
Interest in Shares and Options	—	5,965,695 Ordinary Shares 1,500,000 Ordinary Shares under employee incentive plan
Special Responsibilities	—	Nil
Other Listed Company Directorships in last 3 years	—	Nil

Robert P Thomson *(Appointed 6 January 2009)*	—	***Executive Director - Development***
Qualifications	—	BE (Mining) (University of Queensland), MBA (University of Wollongong), FAusIMM
Experience	—	Mr Thomson has over 30 years of Australian and international mining experience. He has worked on 5 Asian development projects in the last 13 years including GM Development, Chatree Gold Mine in Thailand and Project Director, Sepon Gold Mine in Laos. Mr Thomson was CEO of Climax Mining Limited from 2003 to 2006 and Asian Mineral Resources Limited from 2006 to 2008.
Interest in Shares and Options	—	750,000 Ordinary Shares under employee incentive plan 2,000,000 options expiring 8 May 2014 (exercise price - $0.30)
Special Responsibilities	—	Nil
Other Listed Company Directorships in last 3 years	—	Asian Mineral Resources Limited (TSX.V) (16 April 2004 – May 2009)

James H Wentworth	—	***Finance Director***
(Appointed 8 March 2011)		
Qualifications	—	LLB (Hons), BCom (University of Queensland)
Experience	—	Mr Wentworth is a qualified solicitor with over 18 years of financial and commercial experience, including a number of transactions in the mining and mining services industries. Prior to joining the Company, he spent nine years with Sydney-based private equity firm CHAMP Ventures where he was a director and member of the investment committee.
Interest in Shares and Options	—	1,100,000 Ordinary Shares under employee incentive plan
Special Responsibilities	—	Nil
Other Listed Company Directorships in last 3 years	—	Mastermyne Group Limited (appointed 30 March 2011)

Stephen R de Belle	—	***Independent Non-Executive Director***
(Appointed 27 November 2004)		
Qualifications	—	BA (Macquarie University), MSc (London University), MTCP (University of Sydney)
Experience	—	Mr de Belle has been closely involved with the start-up and operation of iron ore, coal, base metals, gold and petroleum projects and companies, and has particular expertise in the development and financing of projects in the resources and infrastructure sectors both in Australia and overseas. He is currently managing director of a geothermal and power technology company.
Interest in Shares and Options	—	4,588,265 Ordinary Shares
Special Responsibilities	—	Chairman of Audit, Remuneration and Nomination Committees
Other Listed Company Directorships in last 3 years	—	Mantle Mining Corporation Limited (appointed 3 July 2006)

Stephen J Lonergan	—	***Independent Non-Executive Director***
(Appointed 22 March 2005)		
Qualifications	—	LLB (Hons) (Australian National University), LLM (McGill University)
Experience	—	Mr Lonergan is a commercial lawyer based in Sydney with more than 30 years experience in the Australian and international mining industry, having been General Counsel of Pancontinental Mining Group, a partner at Baker & McKenzie Sydney, and General Counsel and Company Secretary of Savage Resources Limited and CBH Resources Limited. He is currently Executive Director – Commercial and Company Secretary of KBL Mining Limited.
Interest in Shares and Options	—	70,733 Ordinary Shares
Special Responsibilities	—	Member of Audit, Remuneration and Nomination Committees
Other Listed Company Directorships in last 3 years	—	Paradigm Metals Limited (appointed 18 November 2003) KBL Mining Limited (appointed 23 November 2010)

T Quinn Roussel	—	***Non-Executive Director***
(Appointed 25 March 2009)		
Qualifications	—	BSc (Mining Engineering) (Colorado School of Mines), MBA (University of South Carolina and Wirtschafts Universitat – Wien)
Experience	—	Mr Roussel is a US based Principal of Resource Capital Funds ("RCF"), a mining-focused private equity firm investing in hard rock mineral commodities at various stages of development. Prior to joining RCF he was Director of Business Development at Asian American Coal in China. He has also served as an engineer in coal and gold mines.
Interest in Shares and Options	—	Nil
Special Responsibilities	—	Member of Remuneration Committee
Other Listed Company Directorships in last 3 years	—	Malaga Inc (appointed 23 June 2011)

Michael H Stirzaker	—	***Non-Executive Director***
(Appointed 3 June 2009, Retired 26 May 2011)		
Qualifications	—	BCom (University of Cape Town), CA (Australia)
Experience	—	Mr Stirzaker is a fund manager in the natural resources sector and a qualified Chartered Accountant with 30 years of commercial experience, most of which has been in the mining finance and mining investment sectors. Mr Stirzaker was the Company's Finance Director until 31 October 2010.
Interest in Shares and Options	—	1,679,470 Ordinary Shares
Special Responsibilities	—	Nil
Other Listed Company Directorships in last 3 years	—	Nil

Company Secretary

Ian H Morgan
(Appointed 27 November 2004)

Qualifications	—	BBus (NSW Institute of Technology), MComm Law (Macquarie University), Grad Dip App Fin (Securities Institute), CA, ACIS, MAICD, FFin
Experience	—	Mr Morgan is a Chartered Accountant and Company Secretary with over 25 years experience in accounting and corporate administration. He has been involved in the resources sector for many years and his current clients include being Company Secretary of King Island Scheelite Limited, Metals Finance Limited and Newcastle Coal Infrastructure Group Pty Ltd. Mr Morgan is also an Executive Director of Spencer Hamilton Limited.

Principal Activities

The principal activities of the consolidated entity during the financial year were -

a) Wetar Copper Project feasibility study; and
b) Exploration for copper and gold in Indonesia.

There was no significant change in the nature of those activities during the financial year.

Review of Operations and Business Strategies

The Company made significant advances towards the development of its Wetar Copper Project during the year with the completion of a Bankable Feasibility Study and the grant of two mining business permits, one for mining operation and a second for copper processing and refining. The Company has also negotiated and received credit approval for project finance facilities totaling US$138 million from three international mining project financiers. Finders is also in advanced negotiations with a mezzanine provider who has also received credit approval to provide mezzanine finance on a subordinated basis to the senior debt providers.

The Company was notified by the Head of Spatial Planning, Maluku Province, that proposed changes for the designation and function of forest areas in the Province of Maluku were presented and approved before the Minister of Forestry on 29th February 2012. The next and final stage of the process is formal gazetting which, when complete, will release most of the land in the project area from forestry status and allow project development to commence.

In preparation for the mine development, the Company has continued to progress engineering work pending receipt of all development permits.

The Company is pleased that it complies with Indonesia's new mining law, in particular the requirement to process minerals in-country as stipulated in implementing regulation GR No. 7/2012 and the divestment requirements as set out in the recently issued implementing regulation GR No. 24/2012.

<u>Operating Results</u>
The consolidated loss after income tax for the year was $18,366,000 (2010: $8,611,000).

As previously reported, the Wetar Copper Project demonstration solvent extraction electrowinning plant was shut down in December 2010 following a successful period of operation in which about 2,500 tonnes of London Metal Exchange ("LME") Grade A copper cathode was produced and sold at a premium to the LME copper price. The final sale of copper cathode produced from the demonstration plant totalling 92 tonnes was made in February 2011, grossing $0.8 million in revenue for the year.

In anticipation of the award of all development permits, the Company retained the whole of its workforce from the demonstration plant phase, so as to be in a position to re-start the plant with minimal delays when the permits are granted. The costs of retaining the workforce and other overheads associated with the Wetar project have contributed to the significant loss for the year. Other significant costs during the year were financing costs ($1.9 million) incurred in connection with interim funding and arranging project financing for the Wetar development and expensing of certain project development costs ($2.8 million).

Financial Position

Funding during the year was drawn from cash reserves and a loan from two of the Company's major shareholders, apart from the sale of copper cathode in the first quarter of the year which generated $0.8 million.

As noted above, the Company is now awaiting the formalization of forestry rezoning in Maluku Province, having already been awarded the mining and processing permits for the Wetar Copper Project and secured credit approval for project finance for the mine development.

The Company will be in a position to complete project financing for the mine development and raise the required working capital following the forestry rezoning. The Directors are confident rezoning will occur in a timely manner and the Company will be able to secure its funding requirements. However, until it is able to do so and as referred to in Note 1(c) of the financial statements, the Group's ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the timely completion of the forestry rezoning, the Company being successful in securing project finance for the project development and, until project finance is secured, the Company being able to secure interim funding.

At balance date, the Group had interest-bearing debt, provided by two major shareholders, in the form of a US$1.5 million 12% convertible note which was converted into shares in the Company on its maturity on 19 January 2012, as well as a loan of $6.5 million repayable on the earlier of either the equity raising for the project development, or 24 October 2012.

Outlook

The Directors believe the Company can look forward to the commencement of the staged development of the Wetar Copper Project in 2012. The development will see the Company's transition into a copper producer with production capacity of 25,000 tonnes per annum of LME Grade A copper cathode within two years of commencement of mine development.

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the consolidated entity occurred during the financial year:

a) Key mining permits for the development of the Wetar Copper Project in Indonesia were granted during the year. The permits, a Mining Business Permit for Copper Mining Operations and a Mining Business Permit for Copper Processing and Refining, together the equivalent of an Australian mining lease, were issued under the new Indonesian mining law and are valid for 20 years.

b) The Company acquired all the shares in Banda Minerals Pty Ltd it did not already own, thereby making Banda Minerals Pty Ltd and PT Batutua Tembaga Raya wholly-owned subsidiaries of the Group. The consideration for the acquisition was $1.47 million, comprising US$675,000 in cash and 2 million fully paid ordinary shares in the Company.

c) In October 2011, the Company secured a loan of $8.0 million from two of its major shareholders. The loan is unsecured and is repayable on the earlier of either the project equity raising for the development of the Wetar Copper Project, or 24 October 2012. Interest at the rate of 8% per annum is payable on the loan. In consideration for the loan, the Company has issued 16,000,000 options over shares in the Company to the lenders, exercisable at $0.50 per share at any time up to 24 October 2014.

Likely Developments and Expected Results

Other than as referred to in this report, further information as to likely developments in the operations of the consolidated entity and the likely results of those operations would, in the opinion of the Directors, be speculative and/or prejudicial to the interests of the consolidated entity.

Significant Events after Balance Date

Subsequent to balance date -

a) A government initiated new spatial plan will result in the rezoning of parts of the forestry areas in Maluku Province for development, including the Wetar Copper Project areas. The rezoning was approved by all stakeholders on 29 February 2012 and the final stage of the process is formal gazetting which is a procedural requirement.
b) the US$1.5 million Convertible Note was converted into 3,992,207 shares in the Company at an issue price of $0.36 per share on maturity of the Note.
c) The Company raised US$5.5 million from Standard Bank Plc pursuant to a mandatory convertible bond, which will convert into shares in the Company on or before 16 March 2018 at a conversion price of $0.427 per share. In consideration, the Group has agreed to enter into a copper cathode offtake agreement with Standard Bank Plc for 40% of its copper cathode production from the Wetar Copper Project. Subject to certain conditions, Standard Bank has also committed to subscribe for a further tranche of US$5.5 million of equity on the same terms as other investors in an equity raising to be launched to fund the construction of the Wetar Copper Project, at which time Standard Bank will secure rights to a further 20 per cent of the Wetar copper off-take.

Other than the above, the Directors are not aware of any matter or circumstance, which has arisen since the end of the financial year that has significantly affected or may significantly affect:

a) the operations of the consolidated entity;
b) the result of those operations; or
c) the state of affairs of the consolidated entity;

in subsequent financial years.

Dividends Paid or Recommended

There was no dividend paid, recommended or declared but not paid, during the financial year.

Environmental Issues

The consolidated entity adopts "best practice" environmental management techniques from the wider mining community, particularly Australian standards of operation, in managing environmental issues at all its project areas.

In each of the project areas, the consolidated entity has engaged reputable independent consultants to undertake extensive environmental studies, including base line studies, design of monitoring programmes and rehabilitation. The consolidated entity is not aware of any endangered species of flora or fauna in these project areas.

Projects are subject to relevant environmental regulation in Indonesia and will themselves have varying levels and types of potential impact on the natural environment. At Ojolali, exploration work typically has a minimal impact on the environment. At Wetar, activities are conducted under the auspices of an approved environmental permit and all environmental studies and on-going monitoring results are reported on a quarterly basis to the relevant Indonesian authorities.

The consolidated entity is required to comply with Indonesian laws and regulations regarding environmental matters, including disturbance and rehabilitation issues and the discharge of hazardous waste and materials.

Meetings of Directors and Board Committees

Attendances by each director during the year were as follows:

	Directors Meetings		Committee Meetings – Audit		Committee Meetings – Remuneration	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Russell J Fountain	13	13	-	-	1	1
Christopher B Farmer	13	12	-	-	-	-
Michael H Stirzaker	4	3	-	-	-	-
Robert P Thomson	13	12	-	-	-	-
Stephen R de Belle	13	13	2	2	1	1
Stephen J Lonergan	13	13	2	2	1	1
T Quinn Roussel	13	12	-	-	1	1
James H Wentworth	9	9	-	-	-	-

The Nomination Committee did not meet during the year. All director appointment issues were dealt with by the whole Board at Directors meetings.

Indemnifying Directors and Other Officers

The Company's constitution provides that "to the extent permitted by the *Corporations Act 2001*, the Company may indemnify:

a) every person who is or has been an officer of the Company; and

b) where the Board of Directors considers it appropriate to do so, any person who is or has been an officer of a related body corporate of the Company;

against any liability incurred by that person in his or her capacity as an officer of the Company or of the related body corporate (as the case may be)."

During the financial year, the Company paid a premium and other charges for a Directors and Officers Liability insurance policy for the benefit of the directors, secretary, officers and employees of the Company. The policy prohibits disclosure of the terms of the policy, including the amount insured, the insuring clauses and exclusions and the amount of premium paid.

Options

As referred to above, in consideration for a $8.0 million loan from two of its major shareholders, Taurus Funds Management and Resource Capital Funds, the Company issued 16,000,000 options over unissued shares in the Company to the lenders during the year. The options are exercisable at $0.50 per share at any time up to 24 October 2014. Other than the foregoing, no options over unissued ordinary shares were granted during or since the end of the financial year.

The options over unissued ordinary shares outstanding at the date of this report are detailed in Note 16 to the financial statements. The option holders do not have any right by virtue of the options to participate in any share issue of any other body corporate.

Since the end of the previous financial year, no shares have been issued by virtue of the exercise of options.

Non-audit Services

The Company may engage the services of its auditor on other assignments in addition to the statutory audit where the firm's expertise and experience with the Company are beneficial.

During the financial year, the Company engaged the auditor, PricewaterhouseCoopers, for tax consulting services, for which the Company paid $30,680 in fees. A subsidiary of the Company audited by PricewaterhouseCoopers Indonesia also paid $1148,692 to that firm for taxation services.

The Directors have considered the level and nature of the non-audit services provided by the auditor during the year and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the nature and scope of the non-audit services provided by the auditors did not compromise the auditor independence requirements of the *Corporations Act 2001.*

Full details of the auditor's remuneration are set out in Note 24 to the financial statements.

Auditor's Independence Declaration

The auditor's independence declaration pursuant to section 307C of the *Corporations Act 2001* is set out on page 14.

Rounding of Amounts to Nearest Thousand Dollars

The Company is of a kind referred to in Class Order 98/100 dated 10 July 1998 issued by the Australian Securities and Investments Commission and in accordance with that Class Order, amounts in the Directors' Report and the Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

REMUNERATION REPORT

This report details the nature and amount of remuneration for key management personnel and executives receiving the highest remuneration.

Remuneration policy

The remuneration policy is designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance indicators affecting the consolidated entity's operational and financial results. The policy ensures that the remuneration level is commensurate with the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating employees of the highest calibre, as well as creating goal congruence between directors, executives, shareholders and all other stakeholders.

The remuneration policy, which sets the terms and conditions for senior executives, was developed by the Remuneration Committee, after seeking professional advice from independent consultants, and was approved by the Board.

All key management personnel receive a base salary, superannuation and may benefit from the Company's performance bonus plan. The Board (including non-executive directors) are remunerated by means of a fixed annual salary and superannuation, having regard to comparable companies from time to time.

The employment conditions of the managing director and specified executives are formalised in contracts of employment.

Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Remuneration Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The Company's Constitution requires that the remuneration payable from time to time to non-executive directors shall be an amount not exceeding in aggregate a maximum sum that is from time to time approved by resolution of the Company, currently $350,000 per annum. In accordance with the Constitution, the Board has set the directors fees as follows –

Non-Executive Chairman	$50,000 per annum
Non-Executive Directors	$36,000 per annum

The Company also makes statutory superannuation contributions, currently 9% of directors' fees, for the benefit of the directors. There are no schemes for retirement benefits other than statutory superannuation for both executives and non-executive directors.

Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with those of shareholders, the directors are encouraged to hold shares in the Company.

Performance-based remuneration

Short-term incentives
The performance bonus plan was developed and agreed by the Remuneration Committee with the aim of providing alignment between executives and shareholders' interests in respect of the financial performance of the Company. The payment of bonuses and other incentive payments are reviewed by the Remuneration Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. The Board can exercise its discretion in relation to approving bonuses and can recommend changes to the Remuneration Committee's recommendations. Any changes must be justified by reference to measurable performance criteria.

Long-term incentives
The Company has an Employee Share Plan (adopted pursuant to shareholder's approval on 26 May 2011) and an Employee Share Option Plan designed to provide long-term incentives to employees of the consolidated entity.

The Employee Share Plan ("Share Plan") has replaced the option plan. Under the Share Plan, employees are offered the opportunity to acquire shares in the Company at a pre-determined price, funded by a limited recourse interest-free loan from the Company. The shares offered to the employees are subject to vesting conditions (ie. performance hurdles) and are released to the employees only upon the performance hurdles being met and the loans repaid. Participation in the Share Plan is at the discretion of the Board.

Company performance and directors and executive remuneration

At this stage of the Company's development, performance-based bonuses and incentive securities are awarded for achieving milestones towards the full scale development of the Wetar Copper Project, including completing the feasibility studies and securing finance and the required permits to commence development of the project. No securities issued were vested during the year. No bonuses were paid during the year.

Incentive shares granted during the year and bonus payments in the next 2 years are structured with an emphasis on delivery of the Wetar Copper Project financing and development on time and on budget and meeting its production targets.

Details of remuneration

The key management personnel of the consolidated entity during the year were –

<u>Directors</u>

Russell J Fountain	Non-Executive Chairman
Christopher B Farmer	Managing Director
Robert P Thomson	Executive Director – Development
James H Wentworth	Finance Director (appointed 8 March 2011)
Stephen R de Belle	Independent Non-Executive Director
Stephen J Lonergan	Independent Non-Executive Director
T Quinn Roussel	Non-Executive Director
Michael H Stirzaker	Non-Executive Director (retired 26 May 2011)

<u>Other key management personnel</u>
Chin Haw Lim, Chief Financial Officer

Consolidated

2011	Short Term Benefits		Post Employment			
	Salary & fees	Other employ-ment benefits **	Super-annuation	Share-based payments	Total	Proportion of performance-based remuneration
	$	$	$	$	$	%
Directors						
Russell J Fountain	**150,940**	**-**	**11,560**	**-**	**162,500**	**-**
Christopher B Farmer *	**325,000**	**76,322**	**29,250**	**108,900**	**539,472**	**20%**
Robert P Thomson *	**363,000**	**-**	**-**	**240,450**	**603,450**	**40%**
James H Wentworth *	**279,459**	**-**	**7,940**	**79,860**	**367,259**	**22%**
Stephen R de Belle	**36,000**	**-**	**3,240**	**-**	**39,240**	**-**
Stephen J Lonergan	**36,000**	**-**	**3,240**	**-**	**39,240**	**-**
T Quinn Roussel	**36,000**	**-**	**-**	**-**	**36,000**	**-**
Michael H Stirzaker	**14,516**	**-**	**1,306**	**-**	**15,822**	**-**
Other key management personnel						
Chin Haw Lim *	**225,000**	**-**	**15,487**	**82,395**	**322,882**	**26%**
Other Group executive						
Chris Allwood*	**302,098**	**9,046**	**-**	**59,733**	**370,877**	**16%**
	1,768,013	**85,368**	**72,023**	**571,338**	**2,496,742**	

2010	Short Term Benefits	Post Employment			
	Salary & fees	Superannuation	Share-based payments	Total	Proportion of performance-based remuneration
	$	$	$	$	%
Directors					
Russell J Fountain	128,440	11,560	-	140,000	-
Christopher B Farmer *	288,710	25,984	-	314,694	-
Michael H Stirzaker	179,683	540	-	180,223	-
Robert P Thomson *	283,000	-	99,200	382,200	26%
Stephen R de Belle	36,000	3,240	-	39,240	-
Stephen J Lonergan	36,000	3,240	-	39,240	-
T Quinn Roussel	36,000	-	-	36,000	-
Other key management personnel					
James H Wentworth	24,312	688	-	25,000	-
Chin Haw Lim *	225,000	14,503	55,506	295,009	19%
Geoffrey R Hiller*	195,556	-	26,851	222,407	12%
Grant K Harding*	171,364	14,461	-	185,825	-
	1,604,065	**74,216**	**181,557**	**1,859,838**	

* Denotes one of the five highest remunerated executives in the respective financial year whose remuneration is required to be disclosed under the Corporations Act 2001.
** Other employment benefits represent costs of housing, school fees and motor vehicle paid for expatriate employees.

Share-based payments

During the year, a total of 4,350,000 shares were granted to Executive Directors and employees on terms and conditions similar to the Share Plan referred to above at a price of $0.43 per share. Share–based compensation under which employees purchase shares funded by limited recourse loans from the Company is measured as the value of the option embedded in the shares issued as follows –

a)	Number of shares	3,350,000	1,000,000
b)	Grant Date	21 Jan 2011	20 Apr 2011
c)	Expiry date	30 Nov 2015	20 Apr 2016
d)	Share (exercise) price	$0.43	$0.43
e)	Vesting condition	Various performance hurdles aimed at the completion of the Wetar Copper Project development on time and on budget and meeting its production targets	
f)	Value of embedded option	$0.198	$0.224
g)	Maximum total value of option yet to vest	$663,000	$224,000

Service agreements

The remuneration and terms of engagement of Executive Directors and other key management personnel are formalised in employment and consulting agreements. Key provisions of each of the agreements are set out below. All contracts (other than those in respect of non executive director services) may be terminated early by the Company giving between 1 and 3 months notice, subject to termination payments as detailed below.

Name	Term of agreement	Base fee/salary	Termination payment
Russell J Fountain Non-Executive Chairman, Senior Consultant, Exploration and Technical Services	1 Apr 2010 – 31 Mar 2013 for consulting services	Chairman fee $50,000 Consulting fee $100,000 for 104 days/year (inclusive of superannuation)	None for Director services. For consulting services 3 months fee but 6 months fee if termination follows a change in control in the 12 months prior to termination
Christopher B Farmer Managing Director	3 years concluding 22 Mar 2013	$350,000 per annum ($300,000 up to 30 Jun 2011) and expatriate benefits plus 9% superannuation	3 months salary and expatriate benefits but 6 months if termination follows a change in control in the 12 months prior to termination

Name	Term of agreement	Base fee/salary	Termination payment
James H Wentworth Finance Director	From 1 December 2010 until terminated	$300,000 per annum (inclusive of superannuation)	None
Robert P Thomson Executive Director, Development	3 years commencing 22 Sep 2010. Company has option to renew the agreement for two further terms of 3 years each	$1,250 per day (inclusive of superannuation)	3 months fee but 6 months fee if termination follows a change in control in the 12 months prior to termination
Chin Haw Lim Chief Financial Officer	3 years from 10 Nov 2010. Company has option to renew the agreement for one further term of 3 years	$225,000 per annum (plus superannuation prescribed under superannuation guarantee legislation)	6 months salary plus 1 month salary for each year of service after a qualifying period of 6 months

Signed in accordance with a resolution of the Board of Directors.

Russell J Fountain
Chairman

Sydney
29 March 2012

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Auditor's Independence Declaration

As lead auditor for the audit of Finders Resources Limited for the year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Finders Resources Limited and the entities it controlled during the period.

Marc Upcroft
Partner
PricewaterhouseCoopers

Sydney
29 March 2012

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 $'000	2010 $'000
Sales revenue		**817**	11,286
Interest income		**323**	329
Other income		**1**	509
Raw materials and consumables used		**(8,081)**	(11,623)
Change in inventories of finished goods and work in progress		**(666)**	(1,188)
Development costs written-off		**(2,810)**	-
Personnel costs		**(3,596)**	(2,807)
Finance costs	**3**	**(1,864)**	(422)
Depreciation and amortisation		**(118)**	(1,257)
Exchange gain/(loss)		**11**	(18)
Exploration expenditure written-off		**(271)**	(869)
Royalty expense		**(32)**	(445)
Other expenses		**(2,080)**	(2,105)
Loss before income tax		**(18,366)**	(8,610)
Income tax expense	4	**-**	(1)
Loss for the year		**(18,366)**	(8,611)
Other comprehensive income			
Changes in fair value of available for sale financial asset		**-**	5
Adjustments from translation of foreign controlled entities		**(89)**	(2,958)
Other comprehensive income, net of tax		**(89)**	(2,953)
Total comprehensive loss for the year:		**(18,455)**	(11,564)
Loss for the year attributable to:			
Owners of Finders Resources Limited		**(17,777)**	(7,738)
Non controlling interests		**(589)**	(873)
		(18,366)	(8,611)
Total comprehensive loss for the year attributable to:			
Owners of Finders Resources Limited		**(17,855)**	(10,740)
Non controlling interests		**(600)**	(824)
		(18,455)	(11,564)
Basic loss per share	25	**6.6 cents**	3.7 cents
Diluted loss per share		**6.6 cents**	3.7 cents

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2011

	Note	2011 $'000	2010 $'000
CURRENT ASSETS			
Cash and cash equivalents	5	**3,571**	14,457
Receivables	6	**307**	812
Financial assets	7	**230**	-
Inventories	8	**501**	1,006
Other assets	9	**122**	132
TOTAL CURRENT ASSETS		**4, 731**	16,407
NON-CURRENT ASSETS			
Receivables	6	**3,384**	2,705
Financial assets	7	**137**	291
Plant and equipment	10	**13,611**	14,831
Development expenditure	11	**13,767**	11,236
TOTAL NON-CURRENT ASSETS		**30,899**	29,063
TOTAL ASSETS		**35,630**	45,470
CURRENT LIABILITIES			
Trade and other payables	12	**2,366**	1,774
Borrowings	13	**6,037**	-
Provisions	14	**425**	327
TOTAL CURRENT LIABILITIES		**8,828**	2,101
NON-CURRENT LIABILITIES			
Borrowings	13	**-**	1,436
Provisions	14	**1,562**	947
TOTAL NON-CURRENT LIABILITIES		**1,562**	2,383
TOTAL LIABILITIES		**10,390**	4,484
NET ASSETS		**25,240**	40,986
EQUITY			
Issued capital	15	**86,747**	85,661
Reserves	17	**(31)**	(1,435)
Accumulated losses		**(60,020)**	(42,196)
Capital and reserves attributable to owners of Finders Resources Limited		**26,696**	42,030
Non-controlling interest		**(1,456)**	(1,044)
TOTAL EQUITY		**25,240**	40,986

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share Capital	Accumulated Losses	Equity Reserve	Foreign Currency Translation Reserve	Share-based Payments Reserve	Financial Asset Reserve	Non-Controlling Interest	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 Jan 2011	**85,661**	**(42,243)**	**(166)**	**(1,566)**	**344**	**-**	**(1,044)**	**40,986**
Loss for the year	**-**	**(17,777)**	**-**	**-**	**-**	**-**	**(589)**	**(18,366)**
Other comprehensive loss	**-**	**-**	**-**	**(78)**	**-**	**-**	**(11)**	**(89)**
Transactions with owners recorded directly in equity:								
Shares issued during the year	**1,086**	**-**	**-**	**-**	**-**	**-**	**-**	**1,086**
Acquisition of additional investment in controlled entity	**-**	**-**	**(1,671)**	**-**	**-**	**-**	**188**	**(1,483)**
Share-based payments	**-**	**-**	**-**	**-**	**722**	**-**	**-**	**722**
Option premium	**-**	**-**	**2,384**	**-**	**-**	**-**	**-**	**2,384**
Balance at 31 Dec 2011	**86,747**	**(60,020)**	**547**	**(1,644)**	**1,066**	**-**	**(1,456)**	**25,240**
Balance at 1 Jan 2010	65,727	(34,458)	(166)	1,394	152	(5)	(220)	32,424
Loss for the year	-	(7,738)	-	-	-	-	(873)	(8,611)
Other comprehensive loss	-	-	-	(3,007)	-	5	49	(2,953)
Transactions with owners recorded directly in equity:								
Shares issued during the year	21,149	-	-	-	-	-	-	21,149
Share issue expenses	(1,215)	-	-	-	-	-	-	(1,215)
Share-based payments	-	-	-	-	192	-	-	192
Balance at 31 Dec 2010	85,661	(42,196)	(166)	(1,613)	344	-	(1,044)	40,986

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 $'000	2010 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**843**	9,960
Payments to suppliers and employees		**(11,852)**	(15,715)
Interest received		**309**	326
Taxes and VAT paid		**(838)**	(531)
Net cash used in operating activities	26	**(11,538)**	(5,960)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(2,117)**	(3,345)
Payments for exploration expenditure		**(530)**	(1,114)
Payments for development expenditure		**(2,826)**	(2,832)
Loan to third party		**-**	(664)
Payments for security deposits		**-**	(171)
Refund of security deposits		**161**	-
Proceeds from sale of property, plant and equipment		**-**	408
Proceeds from sale of investments		**-**	824
Net cash used in investing activities		**(5,312)**	(6,894)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**-**	20,500
Share issue expenses		**-**	(766)
Proceeds from borrowings		**6,500**	-
Repayment of borrowings	**-**	**-**	-
Payments for Interest and other finance costs		**(521)**	(29)
Net cash provided by financing activities		**5,979**	19,705
Net increase/(decrease) in cash held		**(10,871)**	6,851
Cash and cash equivalents at beginning of financial year		**14,457**	7,606
Exchange rate effect		**(15)**	-
Cash and cash equivalents at end of financial year	5	**3,571**	14,457

The accompanying notes form part of these financial statements.

NOTE 1: BASIS OF PREPARATION OF FINANCIAL REPORT

Finders Resources Limited is a public company, incorporated and domiciled in Australia whose shares are traded on the Australian Securities Exchange (ASX).

This financial report includes the consolidated financial statements and notes of Finders Resources Limited and controlled entities ("consolidated entity").

The financial report was authorised for issue in accordance with a resolution of the Directors on 29 March 2012. The directors have the power to amend and reissue the financial statements.

a. Statement of Compliance

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

b. Historical Cost Convention

The financial statements have been prepared under the historical cost convention, as modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

c. Going Concern

The Group completed a Bankable Feasibility Study on the Wetar Copper Project ("Project") in June 2011. The study confirmed the technical feasibility and economic robustness of the Project.

The Group has also been granted key mining permits for the Project and is now awaiting gazettal of the forestry rezoning which was advised as approved on 29 February 2012. The Province of Maluku initiated a new spatial plan which will result in the rezoning of parts of the province to release certain forestry areas for development. The rezoning will release parts of the Maluku Province, including the Project area, from production and conversion forest areas to non-forestry zones. The rezoning was approved by the Minister of Forestry in early 2012. The rezoning will be effective upon its formal gazetting.

In anticipation of the forestry rezoning and mine development, the Group has received credit approval for the majority of the financing required for the Project development, comprising –

a) US$138 million from three international mining project financiers (Standard Bank Plc, Credit Suisse AG and Barclays Capital); and
b) mezzanine finance on a subordinated basis to the senior debt providers.

The Company has also received approval from its shareholders at an extraordinary general meeting held on 8 March 2012 to raise equity funds for the Project development via the issue of up to 100 million shares.

The Directors are confident forestry rezoning will occur in a timely manner and will not unduly delay project financing. Pending the rezoning, the Group has continued preparatory works for the project development so as to minimise project start up time once project finance becomes available. The Company has been able to secure interim funding to continue such activities. In October 2011, the Company secured a loan of $8.0 million from two of its major shareholders. The loan is unsecured and is repayable on the earlier of either the project equity raising, or 24 October 2012. In March 2012, the Company raised US$5.5 million from Standard Bank Plc pursuant to a mandatory convertible bond, which will convert into shares in the Company on or before 16 March 2018 at a conversion price of $0.427 per share.

At 31 December 2011, the Group had a net current liability position of $4,097,000. Subsequent to balance sheet date, convertible notes (totalling A$1,477,000 at balance date) were converted into ordinary shares of the company in line with the terms of those notes (refer Note 13(a)) and US$5.5 million (A$5,405,000) was raised from a mandatory convertible bond issue (refer Note 30). These two equity transactions have substantially improved the working capital position of the Group.

The continuing viability of the Company and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the timely completion of the forestry rezoning, the Company being successful in taking up the offers of project finance which it holds and raising additional equity for the Project development and, until project finance is secured, the Company being able to secure interim funding. Until these matters are finalised, there is material uncertainty whether the Company will continue as a going concern and, therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

The Directors believe that the Company will be successful in the above matters and, accordingly, have prepared the financial report on a going concern basis. At this time, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2011. 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 Company not continue as a going concern.

d. Critical Accounting Estimates and Judgements

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

Key areas of judgement are –

- Determination of ore reserve and resource estimates
- Capitalisation and impairment of exploration and evaluation costs

Key areas of estimation are –

- Estimation of rehabilitation and restoration costs and the timing of such expenditure
- Review of asset carrying values and impairment charges

The Directors have reviewed the carrying values of assets at balance date and concluded that there has been no impairment.

NOTE 2: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Finders Resources Limited and all entities which Finders Resources Limited controlled from time to time during the year and at balance date. Controlled entities are all those entities over which the consolidated entity 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 consolidated entity controls another entity.

At reporting date, the assets and liabilities of all controlled entities, as well as their results for the period then ended, are incorporated into the consolidated financial statements. Where control of an entity is obtained during a financial year, its results are included from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control exists. All intercompany balances and transactions, including recognised profits arising from intra-group transactions are eliminated in full. Accounting policies of subsidiaries are changed where necessary to ensure consistencies with those policies applied by the parent entity.

b. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of comprehensive income over the period of the borrowing using the effective interest method.

The fair value of the liability portion of a convertible note is determined using a market interest rate for an equivalent non-convertible debt instrument. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the note. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Borrowing costs are expensed in the period in which they are incurred.

c. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the consolidated balance sheet.

d. 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

e. Earnings per Share

Basic earnings per share is determined by dividing net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus element.

Diluted earnings per share is determined by dividing net profit attributable to members, adjusted for –

(i) costs of servicing equity (other than dividends);
(ii) the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognized as expenses;
(iii) other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; and
(iv) by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

f. Employee Benefits

Annual leave and termination benefits

Provision is made for the consolidated entity's liability for annual leave and termination benefits arising from services rendered by employees. Entitlements expected to be settled within 12 months of the balance 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 payments.

g. Exploration and Development Expenditure

Exploration and evaluation expenditure

Exploration and evaluation expenditure is carried forward in the accounts in respect to areas of interest for which the rights of tenure are current and where –

(i) such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
(ii) exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area are continuing.

Where the expenditure is expected to be recouped through development and economic exploitation of the area of interest, the accumulated costs are transferred to mine properties and amortised over the life of the mine in proportion to the depletion of the economically recoverable mineral reserves.

Costs carried forward in respect of an area of interest which no longer satisfy the above policy are written off in the period in which that decision is made.

Development expenditure

Development expenditure carried forward represents the accumulation of exploration, evaluation and development expenditure in respect of the Wetar Copper Project.

Amortisation of development expenditure is calculated on a unit-of-production basis so as to write off the cost over the life of the project in proportion to the depletion of the anticipated recoverable mineral reserves.

h. Financial Instruments

Recognition and initial measurement

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

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

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost.

Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as –

(i) the amount at which the financial asset or financial liability is measured at initial recognition;
(ii) less principal repayments;
(iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
(iv) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the consolidated statement of comprehensive income.

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

i. Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in the consolidated statement of comprehensive income.

ii. Loans and receivables

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

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the consolidated entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Fair value

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

Impairment

The consolidated entity assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of comprehensive income – is reclassified from equity and recognised in the consolidated statement of comprehensive income as a reclassification adjustment. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the consolidated statement of comprehensive income.

If there is evidence of impairment for any of the consolidated entity's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the consolidated statement of comprehensive income.

De-recognition

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

i. Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the subsidiaries is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transactions. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the consolidated statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the consolidated statement of comprehensive income.

Subsidiaries

The financial results and position of foreign operations whose functional currency is different from the consolidated entity's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the foreign currency translation reserve in the consolidated balance sheet. These differences are recognised in the consolidated statement of comprehensive income in the period in which the operation is disposed.

j. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST or Value Added Tax (VAT), except where the amount of GST or VAT incurred is not recoverable from the relevant tax authorities. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated balance sheet are shown inclusive of GST or VAT.

Cash flows are presented in the consolidated cash flow statement on a gross basis, except for the GST or VAT component of investing and financing activities, which are presented as operating cash flows.

k. Impairment of Assets

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

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

l. 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 and associates operate and generate taxable income.

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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period 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 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 the consolidated statement of comprehensive income, 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.

m. Inventories

Inventories of copper cathode and work in progress are carried at the lower of cost and net realisable value. Cost includes raw materials, labour and other direct expenditure together with a portion of fixed and variable overhead attributable to the inventory on hand, calculated on a weighted average basis.

Inventories of consumables and spares are valued at cost less, where appropriate, a provision for obsolescence.

n. Leases

Leases of property, plant and equipment where the consolidated entity, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the consolidated entity as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

o. Operating Segments

Operating segment information is based on the consolidated entity's reporting structure and internal reports that are regularly reviewed by the Directors for the purposes of decision making. The consolidated entity is developing a copper project on the Indonesian island of Wetar and conducting mineral exploration on Wetar Island and in Sumatra. The internal reporting structure is focussed on copper mining and exploration which forms the basis for the operating segments.

p. Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these assets.

Depreciation

Fixed assets are depreciated over their useful lives commencing from the time the asset is held ready for use.

Depreciation on copper processing plant and equipment is calculated on a unit-of-production basis so as to write off the cost of each asset in proportion to the depletion of the economically recoverable mineral reserves.

Depreciation of other plant and equipment is calculated on a straight line basis so as to write off the cost of each asset over its estimated useful life, generally at a rate of between 12.5% and 25% per annum.

q. Provisions

Provisions are recognised when the consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current assessment of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

r. Rehabilitation and Restoration Costs

Expenditure relating to ongoing rehabilitation and restoration programmes are provided for or charged to costs of production as incurred. Other rehabilitation and restoration costs are accrued over the life of the mine. The estimated costs are reassessed on a regular basis and changes in estimates are dealt with on a prospective basis. The estimates are based on current costs, current legal requirements and current technology.

s. Revenue

Sales of copper cathode are recognised when the title and risk have passed to the customer and the selling price can be determined with reasonable accuracy. All revenue is stated net of the amount of goods and services tax (GST).

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

t. Share-based Payments

Share-based compensation benefits are provided to employees under the Company's incentive share and option plans. The fair value of securities granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employee becomes unconditionally entitled to the options.

Share–based compensation under which employees purchase shares funded by limited recourse loans from the Company is measured as the value of the options inherent within the shares issued and is expensed over the vesting period of the shares with a corresponding credit to the share-based payments reserve.

u. Comparative Figures

Certain comparative numbers have been reclassified to conform with the current year presentation.

v. Rounding of Amounts to Nearest Thousand Dollars

The Company is of a kind referred to in Class Order 98/100 dated 10 July 1998 issued by the Australian Securities and Investments Commission and in accordance with that Class Order, amounts in the Directors' Report and the Financial Report have been rounded to the nearest thousand dollars, unless otherwise stated.

w. New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2011 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below:

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

In November 2010, the AASB made amendments to AASB 7 Financial Instruments: Disclosures which introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Group's disclosures.

AASB 2010-9 Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters *(effective from 1 July 2011) and* ***AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters*** (effective from 1 July 2013)

AASB 1 First-time Adoption of Australian Accounting Standards was amended in December 2010 by eliminating references to fixed dates for one exemption and one exception dealing with financial assets and liabilities. The AASB also introduced a new exemption for entities that resume presenting their financial statements in accordance with Australian Accounting Standards after having been subject to severe hyperinflation. Neither of these amendments will affect the financial statements of the Group.

AASB 1054 *Australian Additional Disclosures,* AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* and AASB 2011-2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements* (effective 1 July 2011)

The AASB and NZ FRSB have issued accounting standards that eliminate most of the existing differences between their local standards and IFRS. Where additional disclosures were considered necessary, they were moved to the new standard AASB 1054. Adoption of the new rules will not affect any of the amounts recognised in the financial statements, but may simplify some of the Group's current disclosures.

AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* (effective 1 July 2012)

In September 2011, the AASB made an amendment to AASB 101 *Presentation of Financial Statements* which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements,* and Interpretation 12 *Consolidation – Special Purpose Entities.* The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. The group does not expect the new standard to have any impact on its financial statements.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. As the Group is not party to any joint arrangements, this standard will not have any impact on its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

AASB 127 is renamed *Separate Financial Statements* and is now a standard dealing solely with separate financial statements. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. The Group does not expect the new standard to have any impact on its financial statements.

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group does not use fair value measurements extensively. It is therefore unlikely that the new rules will have a significant impact on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

Revised AASB 119 *Employee Benefits,* AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* and AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements* (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. As the Group does not have any defined benefit obligations, the amendments will not have any impact on the Group's financial statements.

AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Company is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. As a consequence, the two standards will have no impact on the financial statements of the consolidated entity.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The *Corporations Act* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

AASB Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* and AASB 2011-12 *Amendments to Australian Accounting Standards arising from Interpretation 20* (effective 1 January 2013)

Interpretation 20 sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. It states that these costs can only be recognised as an asset if they can be attributed to an identifiable component of the ore body, the costs relating to the improved access to that component can be measured reliably and it is probable that future economic benefits associated with the stripping activity (improved access to the orebody) will flow to the entity. The costs will be amortised over the life of the identified component of the ore body.

NOTE 3: EXPENSES

	2011 $'000	2010 $'000
Finance costs		
Interest charges	**286**	216
Provisions – unwinding of discount	**101**	102
Value of options granted	**444**	-
Other borrowing costs	**1,033**	104
	1,864	422
Rental expense relating to operating leases		
Minimum lease payments	**1,007**	1,170

NOTE 4: INCOME TAX

	2011 $'000	2010 $'000
Reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	**(18,366)**	(8,610)
Income tax benefit calculated at tax rate of 30% (2010: 30%)	**(5,510)**	(2,583)
Tax effect of amounts which are not deductible in calculating taxable income:		
- Finance costs	**312**	27
- Share-based payments	**217**	58
- Overseas project expenditure	**135**	206
- Development costs written-off	**843**	-
- Other non-deductible expenses	**564**	250
Difference in overseas tax rate	**588**	323
Deferred tax assets not brought to account	**2,851**	1,718
Income tax expense	**-**	(1)
a) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**36,113**	28,190
Potential tax benefit at 30% (Australia), 25% (Indonesia)	**9,482**	7,440
b) Temporary differences		
Deductible temporary differences for which no net deferred tax asset has been recognised	**-**	826
Potential tax benefit at 30% (Australia), 25% (Indonesia)	**-**	220

	Note	2011 $'000	2010 $'000

NOTE 5: CASH AND CASH EQUIVALENTS

	Note	2011 $'000	2010 $'000
Cash at bank and in hand		**3,571**	14,457

a) Risk exposure

The group's exposure to interest rate risk is discussed in Note 28. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

NOTE 6: RECEIVABLES

	Note	2011 $'000	2010 $'000
CURRENT			
Trade receivable		**-**	7
Goods and services tax receivable		**6**	20
Loan receivable		**-**	664
Other receivables		**301**	121
		307	812
NON-CURRENT			
Value added tax receivable		**3,384**	2,705

NOTE 7: FINANCIAL ASSETS

	Note	2011 $'000	2010 $'000
CURRENT			
Security deposits		**230**	**-**
NON-CURRENT			
Security deposits	7(a)	**137**	291

a) Security deposits include $36,000 held by the parent entity's banker to secure a bank guarantee issued by the bank on behalf of the parent entity (Note 19). The remaining security deposits comprise cash held by suppliers to a controlled entity to secure contracts and payments for goods and services.

	2011 $'000	2010 $'000

NOTE 8: INVENTORIES

	2011 $'000	2010 $'000
Inventories, at cost		
Raw materials and consumables	**381**	207
Work in progress	**120**	474
Finished goods	**-**	325
	501	1,006

NOTE 9: OTHER ASSETS

	2011 $'000	2010 $'000
Prepayments	**122**	132

NOTE 10: PLANT AND EQUIPMENT

	2011 $'000	2010 $'000
Plant and equipment – at cost	**15,221**	16,121
Less: accumulated depreciation	**(1,610)**	(1,707)
	13,611	14,414
Construction in progress	**-**	417
	13,611	14,831
Movements:		
Plant and equipment		
Opening net book value	**14,831**	13,580
Additions	**1,701**	2,657
Written-off	**(2,810)**	-
Depreciation charge	**(117)**	(915)
Exchange rate effect	**6**	(908)
Closing net book value	**13,611**	14,414
Construction in progress		
Opening net book value	**417**	-
Additions	**-**	417
Transferred to plant and equipment	**(417)**	-
Closing net book value	**-**	417

	Note	2011 $'000	2010 $'000

NOTE 11: DEVELOPMENT EXPENDITURE

Development expenditure		**14,343**	11,810
Less: accumulated amortisation		**(576)**	(574)
		13,767	11,236
Movements:			
Opening net book value		**11,236**	3,857
Additions		**2,524**	2,271
Transfer from exploration expenditure		**-**	6,700
Amortisation charge		**(1)**	(342)
Exchange rate effect		**8**	(1,250)
Closing net book value		**13,767**	11,236

NOTE 12: TRADE AND OTHER PAYABLES

Trade creditors and accruals		**2,366**	1,774

Information on the Group's exposure to foreign exchange risks is set out in Note 28.

a) Foreign currency risks

Trade creditors and accruals are denominated in the following currencies -

Australian Dollar		**1,163**	533
United States Dollar		**734**	878
Indonesian Rupiah		**469**	338
Other		**-**	25
		2,366	1,774

NOTE 13: BORROWINGS

CURRENT			
Convertible note (secured)	13(a)	**1,477**	-
Loan (unsecured)	13(b)	**6,500**	-
		7,977	-
Deferred borrowing cost		**(1,940)**	-
		6,037	-
NON CURRENT			
Convertible note (secured)	13(a)	-	1,436

a) Convertible note

Pursuant to a US$1.5 million 12% Convertible Note Facility Agreement, the Note is convertible into shares in the Company at the option of the noteholder, and if not converted, repayable on 19 January 2012. Subsequent to balance date, the Note was converted into 3,992,207 shares in the Company at an issue price of $0.36 per share on maturity of the Note.

	2011 $'000	2010 $'000
Face value of convertible note	**2,324**	2,324
Other equity security – value of conversion rights	**(159)**	(159)
Unwinding of discount	**107**	69
Exchange rate effect	**(795)**	(798)
	1,477	1,436

The convertible note is secured by a fixed and floating charge over the assets of the parent entity. The book value of the assets at balance date was $78.7 million (2010: $77.7 million).

b) Loan (unsecured)

In October 2011, the Company secured a loan of $8.0 million from two of its major shareholders. The loan is unsecured and is repayable on the earlier of either the project equity raising for the development of the Wetar Copper Project, or 24 October 2012. Interest at the rate of 8% per annum is payable on the loan. In consideration for the loan, the company has issued 16,000,000 options over shares in the Company to the lenders, exercisable at $0.50 per share at any time up to 24 October 2014.

	2011 $'000	2010 $'000
c) Foreign currency risks		
The borrowings are denominated in the following currencies -		
Australian Dollar	**6,500**	-
United States Dollar	**1,477**	1,436
	7,977	1,436

NOTE 14: PROVISIONS

	2011	2010
CURRENT		
Employee benefits	**425**	327
NON CURRENT		
Employee benefits	**551**	-
Rehabilitation and restoration	**1,011**	947
	1,562	947

	2011 $'000	2010 $'000
Movements:		
Provision for employee benefits		
Opening balance	**-**	-
Provision for year	**547**	-
Exchange rate effect	**4**	-
Closing balance	**551**	-
Provision for rehabilitation and restoration		
Opening balance	**947**	1,006
Unwinding of discount	**63**	66
Exchange rate effect	**1**	(125)
Closing balance	**1,011**	947

The provision for rehabilitation and restoration has been recognised in connection with the consolidated entity's closure obligations when the Wetar Copper Project ceases operations in the future. The timing of the site rehabilitation will depend on the mine life of the full scale project to be developed.

NOTE 15: ISSUED CAPITAL

	2011 $'000	2010 $'000
279,978,158 (2010: 269,146,997) fully paid ordinary shares	**86,747**	85,661

Of the issued shares, 8,082,000 shares represent incentive shares issued to Executive Directors and employees of the Group. These shares are subject to performance hurdles structured with an emphasis on delivery of the Wetar Copper Project financing and development on time and on budget and meeting its production targets.

		Number of shares '000	Issue price	Issued capital $'000
Movements:				
2011				
01 Jan 2011	Balance at beginning of financial year	**269,147**		**85,661**
11 Jan 2011	Incentive shares issued to employees pursuant to limited recourse loans	**4,142**		**-**
21 Jan 2011	Conversion of interest payable on convertible note	**108**	**$0.41**	**44**
21 Jan 2011	Incentive shares issued to Directors pursuant to limited recourse loans	**3,350**		**-**
21 Jan 2011	Consideration for acquisition of shares in controlled entity	**2,000**	**$0.395**	**790**
14 Apr 2011	Conversion of interest payable on convertible note	**102**	**$0.42**	**43**
11 Jul 2011	Conversion of interest payable on convertible note	**91**	**$0.46**	**42**
26 Aug 2011	Incentive shares issued to employee pursuant to limited recourse loans	**590**		**-**
11 Oct 2011	Conversion of interest payable on convertible note	**134**	**$0.35**	**47**
11 Nov 2011	Loan establishment fee	**314**	**$0.38**	**120**
31 Dec 2011	Balance at end of financial year	**279,978**		**86,747**
2010				
01 Jan 2010	Balance at beginning of financial year	193,728		65,727
13 Jan 2010	Conversion of interest payable on convertible note	134	$0.38	50
14 May 2010	Conversion of interest payable on convertible note	152	$0.32	48
19 Jul 2010	Conversion of interest payable on convertible note	178	$0.30	53
03 Sep 2010	Placement	28,076	$0.28	7,861
11 Oct 2010	Placement	45,138	$0.28	12,639
11 Oct 2010	Placement fee	1,607	$0.28	450
11 Nov 2010	Conversion of interest payable on convertible note	134	$0.35	47
	Less share issue expenses	-		(1,214)
31 Dec 2010	Balance at end of financial year	**269,147**		**85,661**

Subsequent to balance date, the following shares were issued -

(a) as referred to in Note 13(a), 3,992,207 shares were issued at an issue price of $0.36 per share on conversion of the US$1.5 million convertible note which matured on 19 January 2012;

(b) 384,818 shares were issued on conversion of interest payable on the convertible note and convertible equity linked facility;

a) Ordinary shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At a general meeting on a show of hands, each shareholder present has one vote and on a poll each shareholder present has:

(i) one vote for each fully paid share held; and
(ii) for each share which is not fully paid a fraction of a vote equivalent to the proportion which the amount paid up, but not credited as paid up, on that share bears to the total of the amounts paid and payable (excluding amounts credited) on that share.

b) Capital management

At this stage of the consolidated entity's development, its objectives in capital management are to ensure that the consolidated entity can meet its debts as and when they become due and payable and to maintain an optimal capital structure to reduce the cost of capital. Even though the consolidated entity generated a modest cashflow from copper sales since the commissioning of the Wetar Demonstration Plant in February 2009 until its cessation in December 2010, its funding requirements have largely been sourced from equity funds.

Consistent with the above objectives, the Company has raised funds from share placements and a convertible equity linked facility to advance the development of the Wetar Copper Project and for working capital.

NOTE 16: OPTIONS

	2011 $'000	2010 $'000
Number of options on issue		
Balance at beginning of financial year	**5,000**	6,125
Add: Options issued	**16,000**	-
Less: Options lapsed	**(1,750)**	(1,125)
Balance at end of financial year	**19,250**	5,000

Details of options on issue

Number of options 2011 '000	Number of options 2010 '000	Exercise price	Vesting conditions	Expiry date
500	500	$0.30	Vested	16 Apr 2012
500	500	$0.30	Note 18(i)	16 Apr 2014
1,250	1,250	$0.30	Note 18(ii)	8 May 2014
750	750	$0.30	Vested	8 May 2014
-	250	$0.37	Note 18(iii)	23 Jun 2014
-	500	$0.37	Note 18(iv)	29 Jun 2014
250	250	$0.37	Note 18(iii)	31 Aug 2014
-	1,000	$0.37	Note 18(iv)	14 Sep 2014
16,000	-	$0.50	Vested	24 Oct 2014
19,250	5,000			

Vesting dates

i) Upon securing finance for the full scale Wetar Copper Project.

ii) On commencement of commercial production from the full scale Wetar Copper Project.

iii) Upon production from the full scale Wetar Copper Project reaching 75% of nameplate design capacity.

iv) 180 days after drawdown of a project finance facility for the development of the full scale Wetar Copper Project.

NOTE 17: RESERVES

	2011 $'000	2010 $'000
Equity reserve	**547**	(166)
Foreign currency translation reserve	**(1,644)**	(1,613)
Share-based payments reserve	**1,066**	344
	(31)	(1,435)

a) Equity reserve

The equity reserve arises from the acquisition of shares in a controlled entity from a minority shareholder and the value of conversion rights attached to the convertible note and options granted.

b) Foreign currency translation reserve

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

c) Share-based payments reserve

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

NOTE 18: COMMITMENTS

	2011 $'000	2010 $'000
a) Capital commitments		
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:		
Plant and equipment		
- Payable within 1 year	**4,186**	414
- Payable later than 1 year but not later than 5 years	**4,015**	-
	8,201	414

	2011 $'000	2010 $'000
b) Operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases		
- Payable within 1 year	**404**	453
- Payable later than 1 year but not later than 5 years	**82**	39
	486	492

The Group leases offices and equipment under operating leases. The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiated.

NOTE 19: CONTINGENT LIABILITIES

a) Guarantees

	2011	2010
Bank guarantee	**33**	17

The bank guarantee issued by the Company's banker in favour of a third party to secure obligations of the Company is secured by cash on deposit with the bank (Note 7).

NOTE 20: CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned* 2011 %	2010 %
Banda Minerals Pty Ltd	Australia	**100.00**	93.94
PT Batutua Tembaga Raya	Indonesia	**100.00**	93.97
Way Kanan Resources Pty Ltd	Australia	**71.71**	71.71
PT Batutua Lampung Elok	Indonesia	**71.82**	71.82
Finders Resources NZ Limited	New Zealand	**-**	100.00

** Percentage of voting power is in proportion to ownership*

a) During the year, the Company acquired all the shares in Banda Minerals Pty Ltd it did not already own, thereby making Banda Minerals Pty Ltd and PT Batutua Tembaga Raya wholly-owned subsidiaries of the Group. The consideration for the acquisition was $1.47 million, comprising US$675,000 in cash and 2,000,000 fully paid ordinary shares in the Company.

b) Finders Resources NZ Limited was de-registered during the year.

NOTE 21: OPERATING SEGMENTS

The consolidated entity operates in two geographical locations, being Australia and Indonesia. Its minerals business is based in Indonesia where it is developing a copper project on the island of Wetar and conducting mineral exploration on Wetar Island and Sumatra. Copper mining is centred on the Wetar Project where it operated a demonstration plant from February 2009 to December 2010. The demonstration plant had a production capacity of 5 tonnes of copper cathode per day.

The segment result comprises all costs directly attributable to the two operating segments in Indonesia.

	Copper Mining		Exploration		Total	
	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000
Revenue						
Sales revenue	**817**	11,286	**-**	-	**817**	11,286
Unallocated revenue					**334**	838
Total revenue					**1,151**	12,124
Result						
Segment result	**(11,570)**	(5,346)	**(531)**	(1,105)	**(12,101)**	(6,451)
Administration expenses					**(6,265)**	(2,159)
Loss before income tax					**(18,366)**	(8,610)
Income tax expense					**-**	(1)
Loss after income tax					**(18,366)**	(8,611)
Assets						
Segment assets	**33,181**	30,797	**385**	398	**33,566**	31,195
Unallocated assets					**2,064**	14,275
Total assets					**35,630**	45,470
Liabilities						
Segment liabilities	**3,378**	2,672	**132**	94	**3,510**	2,766
Unallocated liabilities					**6,880**	1,718
Total liabilities					**10,390**	4,484

Geographical Segments

	Revenue from Sales to External Customers 2011	2010	Segment Assets 2011	2010
	$'000	$'000	$'000	$'000
Australia	-	-	3,185	21,617
Indonesia	817	11,286	32,445	23,853
	817	11,286	35,630	45,470

The controlled entity sold all its copper production from the Wetar Copper demonstration plant to Tennant Metals Pty Ltd pursuant to a Copper Cathode Sales Agreement between the parties.

NOTE 22: KEY MANAGEMENT PERSONNEL DISCLOSURES

Detailed remuneration disclosures are set out in the Remuneration Report section of the Directors' Report on pages 9 to 13.

a) Key management personnel compensation

	2011	2010
	$	$
Short-term employment benefits	1,853, 381	1,604,065
Post-employment benefits	72,023	74,216
Share-based payments	571,338	181,557
	2,496,742	1,859,838

b) Equity instrument disclosures

(i) Shareholdings

Number of shares in respect of which Directors and other key management personnel have a relevant interest directly or through related entities.

2011	Balance 1 Jan 2011	Acquisitions On-market	Acquisitions Incentive shares	Exercise of Options	Disposals	Balance 31 Dec 2011
Directors						
Russell J Fountain	7,505,277	-	-	-	-	7,505,277
Christopher B Farmer	5,965,695	-	1,500,000	-	-	7, 465,695
Robert P Thomson	569,405	-	750,000	-	(569,405)	750,000
James H Wentworth	-	-	1,100,000	-	-	1,100,000
Stephen R de Belle	4,570,315	17,950	-	-	-	4,588,265
Stephen J Lonergan	70,733	-	-	-	-	70,733
Other key management personnel						
Chin Haw Lim	-	-	215,000	-	-	215,000
Total	18,681,425	17,950	3,565,000	-	(569,405)	21,694,970

a) Mr Michael Stirzaker retired as a director during the year.
b) Mr Geoffrey Hiller ceased to be a key management person during the year.

2010	Balance 1 Jan 2010	Acquisitions On-market	Acquisitions Incentive shares	Exercise of Options	Disposals	Balance 31 Dec 2010
Directors						
Russell J Fountain	7,505,277	-	-	-	-	7,505,277
Christopher B Farmer	5,965,695	-	-	-	-	5,965,695
Michael H Stirzaker	4,017,858	-	-	-	-	4,017,858
Robert P Thomson	569,405	-	-	-	-	569,405
Stephen R de Belle	4,570,315	-	-	-	-	4,570,315
Stephen J Lonergan	70,733	-	-	-	-	70,733
Other key management personnel						
Gerry I Mbatemooy	2,875	-	-	-	-	2,875
Geoffrey R Hiller	850,000	-	-	-	(250,000)	600,000
Total	**23,552,158**	**-**	**-**	**-**	**(250,000)**	**23,302,158**

(ii) Option Holdings

Number of Options in respect of which Directors and other key management personnel have a relevant interest, directly or through related entities.

2011	Balance 1 Jan 2011	Lapsed	Balance 31 Dec 2011	Vested and exercisable	Unvested
Directors					
Robert P Thomson	**2,000,000**	**-**	**2,000,000**	**750,000**	**1,250,000**
Other key management personnel					
Chin Haw Lim	**1,000,000**	**-**	**1,000,000**	**500,000**	**500,000**
Total	**3,000,000**	**-**	**3,000,000**	**1,250,000**	**1,750,000**

a) Mr Michael Stirzaker retired as a director during the year.
b) Mr Geoffrey Hiller ceased to be a key management person during the year.

2010	Balance 1 Jan 2010	Granted	Balance 31 Dec 2010	Vested and exercisable	Unvested
Directors					
Michael H Stirzaker	1,000,000	-	1,000,000	-	1,000,000
Robert P Thomson	2,000,000	-	2,000,000	750,000	1,250,000
Other key management personnel					
Chin Haw Lim	1,000,000	-	1,000,000	500,000	500,000
Geoffrey R Hiller	500,000	-	500,000	-	500,000
Total	**4,500,000**	**-**	**4,500,000**	**1,250,000**	**3,250,000**

NOTE 23: SHARE-BASED PAYMENTS

	2011 $'000	2010 $'000
Expense arising from share-based payments		
Options issued under Employee Share Option Plan	**214**	171
Shares issued under employee share scheme	**508**	21
	722	192

The Company had an Employee Share Option Plan which was replaced by an employee share scheme during the year. These are designed to provide long-term incentives to employees of the consolidated entity. The schemes are administered by the Directors who have power to determine the terms and conditions of the shares and options issued to eligible employees. Participation is at the discretion of the Board.

Shares granted

The Company has granted the incentive shares set out below to employees of the consolidated entity.

Grant Date	Expiry Date	Exercise Price	Number 2011 '000	Number 2010 '000	Vested and exercisable 2011 '000	Vested and exercisable 2010 '000
21 Jan 2011	30 Nov 2015	$0.43	3,350	-	-	-
20 Apr 2011	20 Apr 2016	$0.43	1,000	-	-	-
30 Nov 2010	30 Nov 2015	$0.43	-	4,142	-	-

Fair value of shares granted

The fair value of the shares granted during the year were measured as the value of the options inherent within the shares issued (Note 2(t)) and were estimated using the Black Scholes option pricing model with the following assumptions –

Grant date	Expiry date	Exercise price	Share price at grant date	Risk free rate	Volatility
21 Jan 2011	30 Nov 2015	$0.43	$0.40	5.37%	70.1%
20 Apr 2011	20 Apr 2016	$0.43	$0.43	5.28%	69.2%

Options granted

Grant Date	Expiry Date	Exercise Price	Number		Vested and exercisable	
			2011 ‘000	2010 ‘000	2011 ‘000	2010 ‘000
Employee Share Option Plan						
31 Aug 2009	29 Aug 2014	$0.37	**250**	250	**-**	-
14 Sep 2009	14 Sep 2014	$0.37	**-**	1,000	**-**	-
16 Apr 2009	16 Apr 2012	$0.30	**500**	500	**500**	500
16 Apr 2009	16 Apr 2014	$0.30	**500**	500	**-**	-
8 May 2009	8 May 2014	$0.30	**2,000**	2,000	**750**	750
24 Jun 2009	23 Jun 2014	$0.37	-	250	**-**	-
29 Jun 2009	29 Jun 2014	$0.37	-	500	**-**	-
Other options						
24 Oct 2011	24 Oct 2014	$0.50	**16,000**	-	**16,000**	-
			19,250	5,000	**17,250**	1,250
Weighted average exercise price			**$0.47**	$0.33	**$0.49**	$0.30

The vesting conditions attached to the options above are set out in Note 16.

NOTE 24: AUDITOR'S REMUNERATION

	2011 $	2010 $
PricewaterhouseCoopers Australia		
- Audit and review of financial report	**116,000**	113,305
- Tax consulting	**30,680**	54,090
Related practices of PricewaterhouseCoopers Australia		
- Audit and review of financial report	**55,000**	56,029
- Tax consulting	**114,692**	71,866
- Other	**4,373**	-
Non PricewaterhouseCoopers audit firm		
- Audit and review of financial report	**-**	8,483
	320,745	303,773

NOTE 25: EARNINGS PER SHARE

	2011	2010
Basic loss per share	**6.6 cents**	3.7 cents
Diluted loss per share	**6.6 cents**	3.7 cents
	$'000	**$'000**
Loss used to calculate basic and diluted loss per share	**18,366**	8,611
	No.	**No.**
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	**278,705,422**	233,628,018

NOTE 26: RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES

	2011 $'000	2010 $'000
Loss for the period	**(18,366)**	(8,611)
Unrealised foreign exchange (gain)/loss	**(75)**	(160)
Depreciation and amortisation	**118**	1,257
Financing costs	**1,864**	348
Share based payments	**722**	192
Exploration expenditure	**272**	869
Development costs written-off	**2,810**	-
Non-current assets written-off	**382**	517
Profit on sale of investments	**-**	(498)
Changes in assets and liabilities -		
(Increase)/decrease in receivables	**(838)**	(573)
(Increase)/decrease in inventories	**666**	1,505
(Increase)/decrease in other assets	**10**	(33)
Increase/(decrease) in trade and other payables	**184**	(170)
Increase/(decrease) in provisions	**713**	317
Increase/(decrease) in other liabilities	**-**	(920)
Net cash used in operating activities	**(11,538)**	(5,960)

	2011 $'000	2010 $'000
Non-cash financing activities		
Shares in the Company were issued during the financial year for the following -		
Acquisition of shares in controlled entity	**790**	-
Convertible note interest payable	**176**	199
Loan establishment fee	**120**	450
	1,086	649

NOTE 27: 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.

		2011	2010
(a)	**Directors and director-related entities**		
i)	Copper cathode sales by a subsidiary, PT Batutua Tembaga Raya, to Tennant Metals Pty Ltd (a company in which Mr M H Stirzaker, a former Director of the Company, was a significant shareholder) pursuant to a Copper Cathode Sales Agreement dated 10 January 2008 (as amended)	**809,060**	11,286,392
	Outstanding balance	**-**	-
ii)	Advance to PT Batutua Kharisma Permai ("PTBKP"), a company controlled by Mr G Mbatemooy who is a director of certain controlled entities, representing the cash component of the consideration for the acquisition from PTBKP of shares in Banda Minerals Pty Ltd (refer Note 20)	**-**	664,174
	Outstanding balance	**-**	664,174
iii)	Director fees and salary paid to Mr G Mbatemooy, a director of certain controlled entities	**276,476**	309,946
	Outstanding balance	**-**	-
iv)	Rental of transport vessel from Mr G Mbatemooy, a director of certain controlled entities	**60,240**	47,980
	Outstanding balance	**-**	-
v)	Prepayment of director fees and boat rental to Mr G Mbatemooy, a director of certain controlled entities	**58,959**	12,776
	Outstanding balance	**90,959**	32,000

(b) Key Management Personnel

Disclosures relating to key management personnel are set out in Note 22 and the Remuneration Report.

NOTE 28: FINANCIAL RISK MANAGEMENT

The consolidated entity is headquartered in Australia and operates in Indonesia where it will be developing the full scale Wetar Copper Project and conducting exploration on Wetar Island and at the Ojolali gold-silver project in Sumatra. It is exposed to a variety of financial risks: market risk (including foreign exchange risk, commodity price risk and fair value interest rate risk), credit risk and liquidity risk.

The Board has overall responsibility for the determination of the consolidated entity's risk management objectives and policies. The consolidated entity's risk management program focuses on the unpredictability and volatility of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity without unduly affecting its ability to operate and function.

In respect to foreign currency risk, the Board has retained an external consultant to advise on this risk.

a) Market Risk

i) Foreign currency risk

The consolidated entity operates in Indonesia and is exposed to foreign exchange risk arising from currency exposures, primarily the United States Dollar and the Indonesian Rupiah. Until February 2011 the exposure to the United States Dollar was partially mitigated by the natural hedge provided by United States Dollar receipts generated from copper sales.

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

ii) Commodity price risk

The consolidated entity is exposed to adverse movements in the price of copper. The risk could be managed through the use of derivative financial instruments such as forward sale and option contracts. However the consolidated entity has not entered into any hedging instruments due to the unpredictability of copper production from the demonstration plant and the prohibitive cost of buying options.

iii) Interest rate risk

The consolidated entity is exposed to interest rate risk through its cash deposits held with banks.

iv) Credit Risk

Credit risk is the risk that counterparties may default on their contractual obligation, resulting in a financial loss to the consolidated entity. The risk arises from cash and deposits with financial institutions and credit exposures to trade customers. The consolidated entity minimises this risk by maintaining its banking and sales relationships with credit-worthy parties.

v) Liquidity risk

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting obligations associated with financial liabilities. The consolidated entity manages its liquidity risk by closely monitoring its forecast and actual cash flows. Until February 2011 the consolidated entity generated some cash flow from the Wetar Copper Project. Its additional funding requirements are sourced from debt finance and equity raisings. The appropriate level of liquidity is determined by cash flow forecasting. Surplus funds are invested on short-term deposits.

b) Financial instrument composition and maturity analysis:

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

The total contractual cash flows at each maturity date is equal to the carrying value except for a convertible note included under loans in the tables below. The convertible note has a face value of US$1,500,000 (2011: $1,477,000, 2010: $1,436,000) and was converted into shares on 19 January 2012.

Consolidated	Note	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing Within 1 year		Fixed Interest Rate Maturing Within 1 to 5 years		TOTAL	
		2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
		%	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets:											
Cash and cash equivalents	5	**5.18**	4.50	**3,571**	14,457	**-**	-	**-**	-	**3,571**	14,457
Security deposit	7			**-**	-	**-**	-	**36**	17	**36**	17
Total Financial Assets				**3,571**	14,457	**-**	-	**36**	17	**3,607**	14,474
Financial Liabilities:											
Loans	13	**8.74%**	12.00%	**-**	-	**7,977**	-	**-**	1,476	**7,977**	1,476
Total Financial Liabilities		**-**	-	**-**	-	**7,977**	-	**-**	1,476	**7,977**	1,476

		Non Interest Bearing					
		Within 1 year		Within 1 to 5 years		TOTAL	
Consolidated	**Note**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets:							
Receivables	6	**307**	812	**3,384**	2,705	**3,691**	3,517
Security deposit	7	**230**	-	**101**	274	**331**	274
Total Financial Assets		**537**	812	**3,485**	2,979	**4,022**	3,791
Financial Liabilities:							
Trade and other payables	12	**2,366**	1,774	**-**	-	**2,366**	1,774
Total Financial Liabilities		**2,366**	1,774	**-**	-	**2,366**	1,774

c) Net Fair Values

All financial assets and liabilities included in the balance sheet are carried at amounts approximate to fair value, except for the convertible note which had a fair value at balance date of $1,477,000 (2010: $1,476,000). Under the accounting standards, the convertible note is classified as Level 3 in the fair value measurement hierarchy, that is, the inputs for the fair value measurement is not based on observable market data.

d) Sensitivity Analysis

Interest Rate Risk, Foreign Currency Risk and Commodity Price Risk

The consolidated entity has performed sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and commodity price risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Commodity price sensitivity analysis

The effect on profit and equity as a result of changes in the price of copper, with all other variables remaining constant would be as follows:

	2011 $'000	2010 $'000
Change in profit		
- Increase in copper price by 10%	**90**	1,160
- Decrease in copper price by 10%	**(90)**	(1,160)
Change in total equity		
- Increase in copper price by 10%	**90**	1,160
- Decrease in copper price by 10%	**(90)**	(1,160)

Interest rate sensitivity analysis

The effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

Change in profit		
- Increase in interest rate by 2%	**117**	145
- Decrease in interest rate by 2%	**(117)**	(145)
Change in total equity		
- Increase in interest rate by 2%	**117**	145
- Decrease in interest rate by 2%	**(117)**	(145)

Foreign Currency Risk Sensitivity Analysis

The effect on profit and equity as a result of changes in the value of the Australian Dollar to the United States Dollar, with all other variables remaining constant is as follows:

Change in profit		
- Improvement in AUD to USD by 5%	**406**	409
- Decline in AUD to USD by 5%	**(406)**	(409)
Change in total equity		
- Improvement in AUD to USD by 5%	**406**	409
- Decline in AUD to USD by 5%	**(406)**	(409)

Foreign Currency Risk Sensitivity Analysis

The effect on profit and equity as a result of changes in the value of the Australian Dollar to the Indonesian Rupiah, with all other variables remaining constant is as follows:

	2011 $'000	2010 $'000
Change in profit		
- Improvement in AUD to IDR by 5%	**148**	283
- Decline in AUD to IDR by 5%	**(148)**	(283)
Change in total equity		
- Improvement in AUD to IDR by 5%	**148**	283
- Decline in AUD to IDR by 5%	**(148)**	(283)

29: PARENT ENTITY FINANCIAL INFORMATION

	Parent Entity	
	2011 $'000	2010 $'000
Balance sheet		
Current assets	**3,429**	14,911
Total assets	**78,751**	77,701
Current liabilities	**6,903**	282
Total liabilities	**6,903**	1,718
Shareholders' equity		
Issued capital	**86,747**	85,661
Reserves		
Equity reserve	**735**	(166)
Share-based payments reserve	**1,066**	344
Accumulated losses	**(16,700)**	(9,856)
	71,848	75,983
Profit or loss for the year	**(6,843)**	(2,093)
Total comprehensive income	**(6,843)**	(2,088)

Guarantees entered into by the parent entity

No guarantees were entered into by the parent entity.

Contingent liabilities of the parent entity

There are no contingent liabilities.

Contractual commitments for the acquisition of property, plant and equipment

No contractual commitments were entered into by the parent entity.

30. EVENTS AFTER BALANCE DATE

Subsequent to balance date -

a) A government initiated new spatial plan will result in the rezoning of parts of the forestry areas in Maluku Province for development, including the Wetar Copper Project areas. The rezoning was approved by all stakeholders on 29 February 2012 and the final stage of the process is formal gazetting which is a procedural requirement.

b) The US$1.5 million Convertible Note (refer Note 13) was converted into 3,992,207 shares in the Company at an issue price of $0.36 per share on maturity of the Note.

c) The Company raised US$5.5 million from Standard Bank Plc pursuant to a mandatory convertible bond, which will convert into shares in the Company on or before 16 March 2018 at a conversion price of $0.427 per share. In consideration, the Group has agreed to enter into a copper cathode offtake agreement with Standard Bank Plc for 40% of its copper cathode production from the Wetar Copper Project. Subject to certain conditions, Standard Bank has also committed to subscribe for a further tranche of US$5.5 million of equity on the same terms as other investors in an equity raising to be launched to fund the construction of the Wetar Copper Project, at which time Standard Bank will secure rights to a further 20 per cent of the Wetar copper off-take.

FINDERS RESOURCES LIMITED

DIRECTORS' DECLARATION

In the opinion of the Directors:

1. the financial statements and notes set out on pages 15 to 55 are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards and the Corporations Regulations 2001; and
   b. give a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date;
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have received the declarations by the Chief Executive Officer and Chief Financial Officer pursuant to section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Board of Directors.

Russell J Fountain
Chairman

Sydney
29 March 2012

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Independent auditor's report to the members of Finders Resources Limited

Report on the financial report

We have audited the accompanying financial report of Finders Resources Limited (the company), which comprises the balance sheet as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Finders Group (the consolidated entity). The consolidated entity comprises 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, 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

Independence

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

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Auditor's opinion

In our opinion:

(a) the financial report of Finders Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1 in the financial report, which comments on the additional debt and equity funding negotiations. These conditions, along with other matters as set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 9 to 13 of the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Finder Resources Limited for the year ended 31 December 2011, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Marc Upcroft
Partner

Sydney
29 March 2012

CORPORATE DIRECTORY

Directors	Russell John Fountain	Non-Executive Chairman
	Christopher Ben Farmer	Managing Director
	Robert Peter Thomson	Executive Director – Development
	James Hamilton Wentworth	Finance Director
	Stephen Ross de Belle	Independent Non-Executive Director
	Stephen John Lonergan	Independent Non-Executive Director
	Thomas Quinn Roussel	Non-Executive Director
Secretary	Ian Morgan	
Registered Office	Suite 901, Level 9 60 Pitt Street Sydney NSW 2000 Telephone: + (612) 8084 1812 Facsimile: + (612) 8068 2540 Email: info@findersresources.com	
Website	www.findersresources.com	
Stock Exchange Listing	ASX: FND	
Auditor	PricewaterhouseCoopers Darling Park Tower 2 201 Sussex street Sydney NSW 1171	
Brokers	<u>Australia</u> Blackswan Equities Limited Level 12, 28 The Esplanade Perth WA 6000 Australia	<u>United Kingdom</u> FinnCap 60 New Broad Street London EC2M 1JJ United Kingdom
Share Registry	Boardroom Pty Limited Level 7, 207 Kent Street Sydney NSW 2000 Australia Telephone – 1300 737 760 (within Australia) +61 2 9290 9600 (outside Australia)	
Australian Business Number	82 108 547 413	