ORO VERDE LIMITED

ANNUAL REPORT 2014

This annual report covers both Oro Verde Limited as an individual entity and the consolidated entity comprising Oro Verde Limited and its subsidiaries. The consolidated entity's functional and presentation currency is AUD ($).

A description of the consolidated entity's operations and of its principal activities is included in the review of operations and activities in the directors' report.

DIRECTORS

W G Martinick (Executive Chairman and Managing Director)

G R O'Dea (Non-Executive Director)

D H Ward (Non-Executive Director)

B L Farrell (Technical Director)

COMPANY SECRETARY

B D Dickson

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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30 Richardson Street
West Perth, WA 6005
Telephone: 08 9481 2555
Fax: 08 9485 1290

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross, WA 6153

AUDITORS

Hewitt, Turner & Gelevitis
Suite 4, 1st Floor
63 Shepperton Road
Victoria Park, WA 6100

BANK

National Australia Bank
Level 1, Gateway Building
177-179 Davy Street
Booragoon, WA 6154

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The information in this report that relates to Exploration Results at the Timon project was extracted from reports issued to ASX on 5 November 2013 and 28 January 2014 ("announcements"). Oro Verde Limited confirms that it is not aware of any new information or data that materially affects the information included in the announcements, and that all material assumptions and technical parameters underpinning the results in the announcements continue to apply and have not materially changed.

DIRECTORS' REPORT

DIRECTORS

The names and details of the directors of Oro Verde Limited in office during the whole of the financial year and until the date of this report are as follows:

W G Martinick B.Sc, Ph.D. FAIMM. (Executive Chairman and Managing Director)

Dr Wolf Martinick was appointed a director and chairman on 13 January 2003. On 8 August 2011 he was appointed Managing Director. He is an environmental scientist with over 40 years experience in mineral exploration and mining projects around the world, attending to environmental, water, land access and indigenous people issues. He has conducted due diligence on mining projects around the world on behalf of international financial institutions and resource companies for a variety of transactions including listings on international stock exchanges, mergers and debt financing. He is a Fellow of the Australian Institute of Mining and Metallurgy.

Dr Martinick is a founding director and former chairman of Weatherly International plc, an AIM listed company with copper mines in Namibia. Previously Dr Martinick was a founding director of Basin Minerals Limited, an ASX listed mineral exploration company that discovered a world-class mineral project in Victoria, Australia, that was acquired by Iluka Resources Limited in 2003. He is currently Chairman of ASX listed Sun Resources Limited and a director of Azure Minerals Limited.

G R O'Dea (Non-Executive Director)

Mr Ross O'Dea was appointed a director on 7 March 2002 and Managing Director on 1 September 2007. On 8 August 2011 Mr O'Dea resigned as Managing Director He is a former Business Development Manager for The West Australian Newspaper with 35 years media experience in radio, television, press and outdoor advertising. Mr O'Dea was contracted to the TAB Western Australia as Manager, Media Services, a contract which concluded on 11 June 2004. Mr O'Dea was appointed Managing Director on 1 September 2007 and was responsible for the overall performance of the Oro Verde Group until his resignation as Managing Director on 8 August 2011.

Mr O'Dea holds no other directorships in listed companies.

D H Ward Assoc. Admin., Assoc. Acctg., CTA, ACA. (Non-Executive Director)

Mr David Ward was appointed a director on 22 July 2005. After service in the Australian Army, Mr Ward graduated from the WA Institute of Technology in Accounting and Business Administration, and trained as an Auditor and Tax Agent. Having established the "Tax Hut" tax and accounting centres in 1995, he practices in West Perth and participates in organisations providing family and community dispute resolution.

Mr Ward has no other directorships in listed companies.

B L Farrell B.Sc (Hons Econ Geol), M.Sc, Ph.D, FAIMM, MICA, CPGeol, MIMM, CEng.

(Technical Director)

Dr Brad Farrell was appointed a director on 8 August 2011. Dr Farrell has over 40 years experience in resource exploration and senior project management and evaluation. During this time he has managed numerous and extensive exploration programs within Australia and overseas for a variety of mineral commodities for both major and junior exploration companies. Some of these programs have resulted in significant discoveries, which are currently in production or will see future production. He is a Fellow of the Australian Institute of Mining and Metallurgy, a Chartered Professional Geologist of that body, Member of Mineral Industry Consultants Association, a Member of the Institution of Mining and Metallurgy and a Chartered Engineer of that body.

Dr Farrell was a founding director and the chairman of ASX listed companies, Sun Resources Limited and Basin Minerals Limited.

DIRECTORS' REPORT

COMPANY SECRETARY

B D Dickson B.Bus, CPA

Mr Brett Dickson was appointed Joint Company Secretary on 1 July 2009. He is a Certified Practising Accountant with a Bachelors degree in Economics and Finance from Curtin University and has over 20 years experience in the financial management of companies, principally companies in early stage development of its resource or product, and offers broad financial management skills. He has been Chief Financial Officer for a number of resource companies listed on the ASX. In addition he has had close involvement with the financing and development of a number of greenfield resources projects.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report the interests of the directors in the securities of the company were:

	Number of Ordinary Shares	Number of Ordinary Options
W G Martinick	40,500,000	7,500,000
G R O'Dea	1,861,976	500,000
D H Ward	5,644,727	150,000
B L Farrell	42,101,281	7,500,000

INTERESTS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

During or since the end of the financial year, no director has had any interest in a contract or proposed contract with the company being an interest the nature of which has been declared by the director in accordance with Section 300(11)(d) of the Corporations Act 2001.

DIRECTORS' MEETINGS

During the year 6 directors' meetings were held. The number of meetings attended by each director was as follows:

	No. of meetings held while in office	Meetings attended
W G Martinick	6	6
B L Farrell	6	6
G R O'Dea	6	6
D H Ward	6	6

As at the date of this report, the company did not have audit, remuneration or nomination committees, as the directors believe the size of the company does not warrant their existence.

DIVIDENDS PAID OR PROPOSED

The company has not paid any dividends since the commencement of the financial year, and no dividends are proposed to be paid.

CORPORATE INFORMATION

The Financial Statements of Oro Verde Limited for the year ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors on 30 September 2014. The group's functional and presentation currency is AUD ($).

Oro Verde Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

DIRECTORS' REPORT

CORPORATE INFORMATION (CONTINUED)

Principal Activities

The principal activity during the year of the group was investment in the mining and resource sector.

The group's business is conducted from operations located in Australia and more recently in Chile through its 100% owned subsidiary Green Mining Limitada.

Employees

Other than the Directors the group did not employ anyone at 30 June 2014 (2013: 2).

OPERATING AND FINANCIAL REVIEW

Group Overview

Oro Verde Limited is a company limited by shares and is incorporated and domiciled in Australia.

At the date of this report the Group is conducting exploration activities in Chile and continues reviewing opportunities for both direct and indirect investment in the resources sector.

Operating Results

The group's revenue was $12,248 and the loss was $2,467,510 for the financial year. Exploration expenses written off ($703,225) and the impairment on receivables ($164,242) account for approximately 35% of this year's loss.

	2014 $	2013 $
Operating revenue	**12,248**	52,756
Operating profit/(loss)	**(2,467,510)**	(4,533,958)

Year in Review

Cash

At 30 June 2014 the cash balance of the group stood at $334,628.

Investments

During the year the Group sold its only investment being a holding of 78,609 shares in China Africa Resources PLC. The Group recorded a profit of $6,268 on its sale.

Exploration

Exploration results for the company during the year were largely disappointing.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Timon Project – Chile

The Timon Project is located 75km southeast of the city of Copiapo in Region 3 of Chile in the southern extension of the Late Eocene to Oligocene Giant Porphyry Copper Belt of Chile. It comprises a number of Exploitation and Exploration Concessions over an area of 50km^2.

The primary target at Timon is the central, 1 to 2km wide by 3.5km long, portion of the north-south trending Sierra El Timon ridge at 3,200m elevation. Geophysical anomalies, an open at depth IP chargeability high and magnetic low, are coincident with stream sediment copper ("Cu") anomalies over the ridge, specifically over the area of the central IP anomaly. The target also has a moderate to strongly leached gossanous iron oxide cap, termed a "lithocap", that usually defines and overlays the shallow oxide parts of porphyry copper sulphide systems, typically above the main Cu-(Au/-Mo) zone. On these data, central Timon ridge was considered to be a substantial porphyry copper target, with the possibility of the existence of a significant secondary chalcocite enrichment blanket over primary sulphides at depth, that required drilling.

A reverse circulation ("RC") drilling program (5 holes for 2,344m) was completed in the late second half of 2013. The RC drilling program principally targeted the varying geophysical characteristics of the large IP geophysical anomaly. The majority of the holes drilled were in part also coincident with pea stream sediment copper values in the encompassing stream sediment copper anomaly. Drilling did not encounter economic grade mineralisation though strong alteration (argillisation, pervasive silicification), with disseminated, dominant pyrite and some copper sulphide mineralisations, in part in classic quartz stockwork, was noted over large drill widths (200 to 300m) in both the tuffs and andesites, and in particular diorite porphyry intruding the flat lying tuffs and andesites. A "geochemical" zone of secondary copper enrichment was noted in the holes drilled where the peak copper value for the drill program was recorded, namely 4m of 0.100% Cu over the interval 156 to 160m in drillhole RCT-05.

During the first half of 2014 both internal and external, independent evaluations of all geological, geophysical, geochemical, surface sampling and drilling data gathered to date were undertaken. The review concluded that drilling has proved the geological and geophysical model of the presence of a large porphyry system intruding tuffs and andesites on Timon ridge. Unfortunately, the system is dominantly mineralised by pyrite with some subtle secondary geochemical copper enrichment and as such the drilling undertaken by the Company had downgraded the prospectivity of the project. The downgrading of the project and the continued cash option payments to the vendor of the project led to a decision by the Board to terminate the agreement with the vendor and return the project in good standing with no further work obligation by the Company.

Alma Project – Chile

The 36km^2 Alma Project is located in the Coastal Cordillera, 40km east of the coastal city of Taltal in Region 2 of Chile. The region near Alma is affected by the Atacama Fault Zone system that contains significant IOCG deposits related to the development of the Jurassic-Lower Cretaceous magmatic arc coring the Cordillera. The project area itself lies within the central portion of the Lower Cretaceous Cerro del Pingo Batholith, a major igneous body, 110km long and up to 40km wide, composed of a number of stocks of diverse composition, ranging from diorites to granites with associated copper-gold, copper-gold-iron and iron mineralisation.

The Alma project is targeting a north-west trending, 2km by 3km, unexplored aeromagnetic anomaly which possibly represents a large IOCG deposit at depth associated with the Atacama Fault Zone system, a similar setting to the huge Manto Verde copper mine, 85km south of Alma.

During the period the Company completed a detailed ground magnetic survey (186 line km of continuous magnetic profiling on 100m line spacing), first pass reconnaissance mapping and geochemical sampling programs (stream sediments and rock samples) of the project area. A zone of alteration, mostly covered by colluvium and caliche, on the structurally disturbed western flank of a 2km by 1km magnetic intrusive body is now the primary target rather than the magnetic intrusive itself. This prospective alteration zone has been recommended for further evaluation by a program of MMI geochemistry with IP geophysical lines to detect buried sulphide mineralisation for early drilling.

DIRECTORS' REPORT

OPERATING AND FINANCIAL REVIEW (CONTINUED)

San Pedro Project – Chile

The exploration target at San Pedro is a buried, mineralised intrusive in a partly exposed caldera feature within an inlier of altered Late Cretaceous to Palaeocene age red sandstones and conglomerates intruded by intrusive breccias which have been exposed by erosion of overlying younger Upper Miocene to Pliocene volcanic cover. Copper mineralisation is present within the caldera feature, mainly in the north, as a 1 to 2m wide polymetallic vein trending east southeast for 600m. The strong hydrothermal alteration affecting the rocks underlying the project area, especially over the 1km by 1.5km area of the inlier is evident in satellite imagery.

Detailed stream sediment geochemistry and ground magnetic coverage (99 line km of continuous magnetic profiling on 100m line spacing) was carried out over the area. As the magnetic data in particular did not find any direct evidence of a mineralised intrusive system to 800m depth the project was relinquished.

San Juan Project – Argentina

In March 2014 the company advised that subject to due diligence it had entered into a Memorandum of Understanding ("MOU") with ASX listed Argentine Mining Ltd ("AVK") to acquire 100% of the outstanding shares in its Argentinean domiciled company, Entropy Resources SA ("Entropy") that holds options to acquire a suite of copper, gold and silver projects in the Andean Cordillera of San Juan Province, on the Chilean border of Argentina.

On 3rd June 2014 Oro Verde announced that after completing due diligence it would not be proceeding with the acquisition.

New Project Development

The Company continued to review a number of highly promising new projects in Chile and elsewhere resulting in the acquisition of the Nicaraguan focused exploration Company Goldcap Resources Limited. It is expected that a number of new projects will be sourced in Nicaragua over the coming year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There has been no significant change in the state of affairs of the group during the year and to the date of this report.

SIGNIFICANT CHANGES AFTER THE BALANCE DATE

On 7 August 2014 Oro Verde Limited acquired 100% of the issued capital of Goldcap Resources Limited, a company focussed on exploration in Nicaragua. Through the acquisition of 100% of the issued capital of Goldcap Resources Limited, the Group has gained control of the company. The purchase was satisfied by the issue of 15,000,000 ordinary shares at a deemed $0.008, 66,000,000 options exercisable at 1 cent with a life of 3 years and 66,000,000 options exercisable at 5 cents with a life of 5 years. No value has been attributed to the options, the issue of which is subject to shareholder approval at a meeting to be held on 3 October 2014. The financial effect of this transaction has not been brought into account in the 2014 financial statements.

As a result of the acquisition of Goldcap Resources Limited and the focus on Nicaragua, on 8 August the company reached agreement and sold Green Mining Limitada for US$1. A condition of the sale was that all debts owed by Green Mining Limitada and its subsidiaries to Oro Verde Limited were effectively forgiven resulting in $8,233,551 being transferred from a Provision for non-recovery to a loss.

On 14 August 2014 Oro Verde Limited issued 77,375,000 shares at $0.008 each to raise $619,000.

No other matter or circumstance has arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

DIRECTORS' REPORT

LIKELY DEVELOPMENTS

The group will continue to investigate new exploration and development opportunities, particularly in the resources sector.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the company has paid premiums in respect of a contract insuring all the directors of Oro Verde Limited against legal costs incurred in defending proceedings for conduct involving:

(a) a wilful breach of duty; or

(b) a contravention of sections 182 or 183 of the *Corporations Act 2001,* as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid was $10,950 (2013: $14,285).

ENVIRONMENTAL REGULATION AND PERFORMANCE

The company is subject to significant environmental regulation in respect to its exploration activities.

The company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the company are not aware of any breach of environmental legislation for the year under review. The directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. The directors have assessed that the Company has no current reporting requirements, but may be required to report in the future.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to or intervened in any proceedings during the year.

REMUNERATION REPORT (AUDITED)

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

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

Details of key management personnel

(i) Directors

W G Martinick	Chairman and Managing Director
B L Farrell	Technical Director
G R O'Dea	Director (Non-Executive)
D H Ward	Director (Non-Executive)

(ii) Executives

B D Dickson	Company Secretary

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration philosophy

The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors. The Board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and other non-cash payments. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

To assist in achieving these objectives, the Board links the nature and amount of executive directors' and officers' emoluments on an annual basis based on individual performance and market conditions.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Compensation of Directors and Executive Officer

(i) Compensation Policy

The Board of Directors of Oro Verde Limited is responsible for determining and reviewing compensation arrangements for the directors and the managing director.

(ii) Non-Executive Director Compensation

Objective

The Board seeks to set aggregate compensation at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed and reviewed annually. The Board may consider advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. The latest determination was in 2011 when shareholders approved an aggregate remuneration of $400,000 per year.

Non-executives directors have long been encouraged by the Board to hold shares in the company (purchased by the director on market). It is considered good governance for directors to have a stake in the company on whose board they sit.

(iii) Executive Compensation

Objective

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

– align the interests of executives with those of shareholders; and
– ensure total compensation is competitive by market standards.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Structure

The Board periodically assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and other non-cash benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

(iv) Fixed Compensation

Objective

Fixed compensation is reviewed annually by the Board. The process consists of a review of individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and other non-cash benefits.

(v) Variable Compensation

Objective

The objective is to link the achievement of the company's targets with the compensation received by the executives charged with meeting those targets.

Currently, the company does not restrict executives from entering into arrangements to protect the value of unvested Long Term Incentives. However, under the Securities Dealing Policy, members of the Board are required to advise the Company Secretary of any shareholdings including any hedging arrangements.

Share-based compensation

Options or shares may be issued to directors and executives as part of their remuneration. The options or shares are not issued based on performance criteria, but are issued to the directors and executive of Oro Verde Limited to increase goal congruence between executives, directors and shareholders.

During the year Nil (2013: 1,000,000) options were issued to key management personnel, details of the options are set out elsewhere in this report.

Structure

Actual payments granted to each Key Management Personnel are determined by the Board who meet periodically to assess the achievements of the company's targets. There are currently no targets established.

Employment contracts

The Managing Director, Dr Martinick was employed under contract which expired on 1 January 2014. No new contract has been entered into with Dr Martinick. In addition, due to the Company's cash position Dr Martinick agreed not to draw salary from 1 May 2014 until further notice.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Compensation of Key Management Personnel (Consolidated and Parent)

Compensation of each director and the executive officer of the parent and group are as follows:

30 June 2014	Short term		Post employment	Share based payments	Total $	Total options related	Total performance related
	Salaries and fees $	Non Monetary Benefit[1] $	Super-annuation $	Shares $			
Directors							
W G Martinick	**170,000**	**2,190**	**15,723**	**–**	**187,913**	**–**	**–**
G R O'Dea	**37,500**	**2,190**	**3,468**	**–**	**43,158**	**–**	**–**
D H Ward	**37,500**	**2,190**	**3,468**	**–**	**43,158**	**–**	**–**
B L Farrell	**181,406**	**2,190**	**3,468**	**–**	**187,064**	**–**	**–**
Executive Officer							
B D Dickson	**70,000**	**2,190**	**–**	**–**	**72,190**	**–**	**–**
Total	**496,406**	**10,950**	**26,127**	**–**	**533,483**	**–**	**–**

30 June 2013	Short term		Post employment	Share based payments	Total $	Total options related	Total performance related
	Salaries and fees $	Non Monetary Benefit[1] $	Super-annuation $	Shares $			
Directors							
W G Martinick	210,000	2,857	18,900	–	231,757	–	–
G R O'Dea	50,000	2,857	4,500	–	57,357	–	–
D H Ward	25,000	2,857	29,500	–	57,357	–	–
B L Farrell	283,364	2,857	4,500	–	290,721	–	–
Executive Officer							
B D Dickson	70,000	2,857	–	7,110	79,967	8.9%	
Total	638,364	14,285	57,400	7,110	717,159	1.0%	–

1. The Non Monetary Benefit relates to the Directors' Indemnity Insurance.

DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Compensation Options: Granted and Vested during the year.

No options were granted or vested during the year.

2013

	Granted				Terms and conditions for each grant				Vested Number
	Number	Date	Fair Value Per option	Fair value $	Exercise Price $	Expiry date	First exercise date	Last exercise date	
Directors									
Nil									
Executives									
B D Dickson	1,000,000	5 Apr 13	0.711	7,110	0.04	31 Mar 16	5 Apr 13	31 Mar 16	1,000,000
Total	1,000,000			7,110					1,000,000

Value of Options granted as part of remuneration was calculated in accordance with AASB 2: Share Based Payments.

	Fair Value per options granted during the year Cents	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	Remuneration consisting of options for the year %
Directors					
Nil					
Executives					
B D Dickson	0.711	7,110	–	–	8.9

There were no alterations to the terms and conditions of options granted as remuneration since their grant date. There were neither forfeitures nor shares issued on exercise of Compensation Options during 2014 or 2013.

The Company's remuneration policy prohibits directors and executives from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Apart from the issue of options the company currently has no performance based remuneration component built into director and executive remuneration (2013: Nil).

DIRECTORS' REPORT

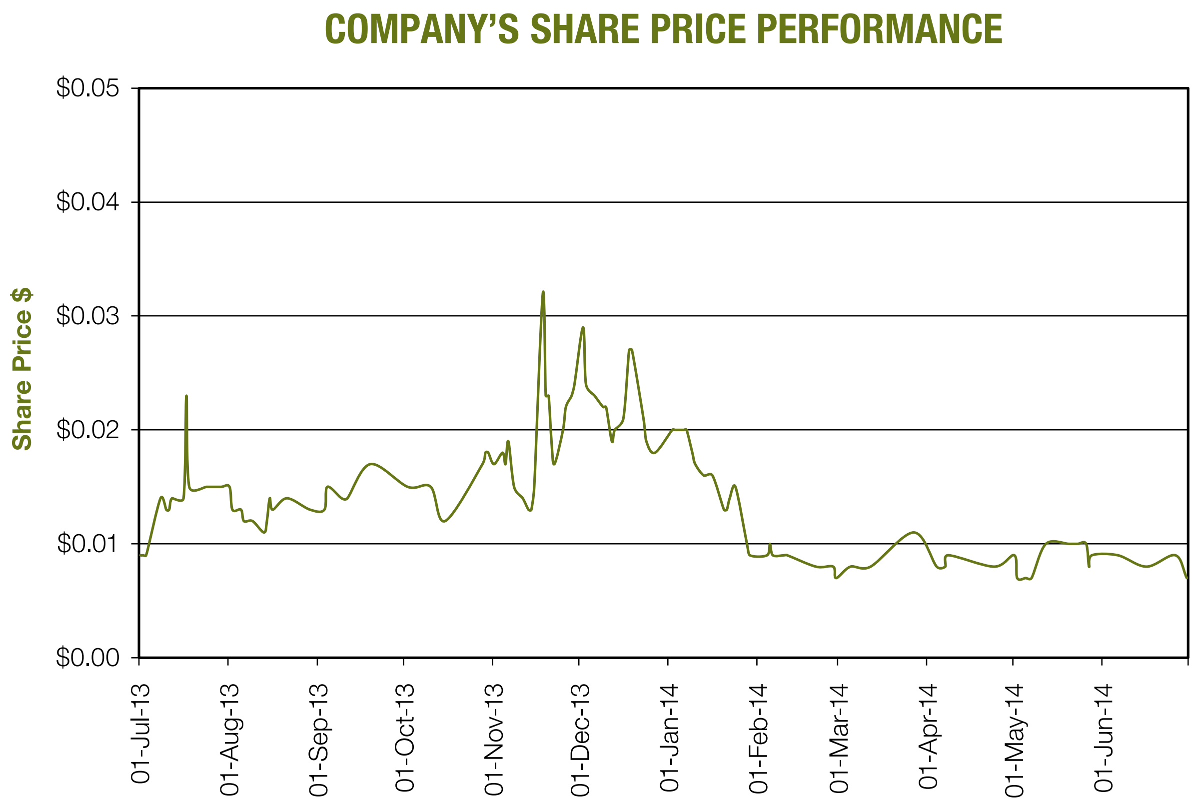
REMUNERATION REPORT (AUDITED) (CONTINUED)

Company's Performance

Company's share price performance

The Company's share price performance shown in the below graph for the year ended 30 June 2014 and is a reflection of the Company's performance during the year.

The variable components the executives' remuneration, which at this stage only includes share options, is indirectly linked to the Company's share price performance.



Loss per share

Below is information on the Company's loss per share for the previous four financial years and for the current year ended 30 June 2014.

	2014	2013	2012	2011	2010
Basic loss per share (cents)	**(1.4)**	(5.2)	(10.2)	2.8	(0.63)

Voting and comments made at the company's 2013 Annual General Meeting

Oro Verde received more than 99.5% of "yes" votes on its remuneration report for the 2013 financial year. The company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

END OF REMUNERATION REPORT (AUDITED)

DIRECTORS' REPORT

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the company support and have adhered to the principles of corporate governance. The company's corporate governance statement is contained in the additional Australian Stock Exchange information section of this annual report.

SHARE OPTIONS

At the date of this report, there were 32,114,459 (2013: 30,114,459) share options outstanding.

	Issued	Lapsed	Total number of Options
Balance at the beginning of the year			30,114,459
Share option movements during the year			
Exercisable at 4 cents, on or before 31 March 2016	2,000,000	–	2,000,000
Total options issued and lapsed in the year to 30 June 2014	2,000,000	–	2,000,000
Total number of options outstanding as at 30 June 2014 and at the date of this report			32,114,459

The balance is comprised the following

Date Granted	Expiry Date	Exercise Price (cents)	Number of Options
28 November 2011	10 January 2016	20.0	2,500,000
2 December 2011	31 December 2014	27.0	19,250,000
20 December 2011	31 December 2014	27.0	2,500,000
16 April 2012	31 December 2014	27.0	2,614,459
5 April 2013	31 March 2016	4.0	3,250,000
15 October 2013	31 March 2016	4.0	2,000,000
Total number of options outstanding at the date of this report			32,114,459

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

No options were exercised during the financial year and since the end of the financial year no options have been exercised.

NON AUDIT SERVICES

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

Details of the amount paid or payable to the auditor (Hewitt, Turner & Gelevitis) for audit and non-audit services provided during the year are set out below.

DIRECTORS' REPORT

NON AUDIT SERVICES (CONTINUED)

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

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

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

	Consolidated	
	2014 $	2013 $
1. Audit Services		
Hewitt, Turner & Gelevitis		
Audit and review of financial reports	**32,048**	31,930
2. Non audit Services		
Audit-related services		
Hewitt, Turner & Gelevitis		
Preparation of Investigating Accountants Report for Inclusion in Prospectus	**–**	–
Total remuneration for non-audit services	**32,048**	31,930

AUDITOR'S INDEPENDENCE DECLARATION

We have obtained an independence declaration from our auditors, Hewitt, Turner & Gelevitis, as presented on page 18 of this Annual Report.

AUDITOR'S ROTATION

Hewitt Turner & Gelevitis has one partner who is a registered company auditor and as a result does not have another audit partner to rotate off assignment, consequently on 24 June 2013 and in accordance with section 324DAA of the Corporations Act the directors of Oro Verde Limited granted approval for Mr Timothy Turner of Hewitt Turner & Gelevitis to play a significant role in the audit for 30 June 2014 and 30 June 2015. The years represent two successive years in addition to the 5 consecutive years otherwise allowed under the Corporations Act.

Signed in accordance with a resolution of the directors

W G Martinick
Director
Perth, 30 September 2014

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Oro Verde Limited, I state that:

1) In the opinion of the directors:

   (a) the financial statements, notes and additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and

      (ii) complying with Accounting Standards which, as stated in accounting policy Note 2 to the Financial Statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS), and Corporations Regulations 2001; and

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

2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 30 June 2014.

On behalf of the Board

W G Martinick
Director
Perth, 30 September 2014

AUDITOR'S INDEPENDENCE DECLARATION UNDER S307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF ORO VERDE LIMITED AND CONTROLLED ENTITIES

I, declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been:

i. no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

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

HEWITT TURNER & GELEVITIS

TIMOTHY TURNER
REGISTERED COMPANY AUDITOR
Dated in Perth this 30th day of September 2014

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63 Shepperton Road
Victoria Park
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HEWITT
TURNER &
GELEVITIS

BUSINESS DEVELOPMENT CONSULTANTS

Capital Raising
Wealth Creation
Asset Protection
Audit Assurance
Taxation Advisors
Strategic Planning
Accounting Services
Management Consultancy

PRINCIPALS

Timothy Turner
B.BUS (ACC), FCPA, FTIA
Registered Company Auditor

Vick Gelevitis
B.BUS (ACC), FCPA, NTAA, FTIA

Darryl Rodrigues
B.Sc, B.BUS (ACC), CPA

Hewitt Turner & Gelevitis is a CPA Practice

CPA

Liability Limited by a scheme approved under Professional Standards Legislation

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

	Notes	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
Continuing operations			
Revenue			
Interest Received	3	**12,248**	52,756
Dividends Received	3	**–**	–
Profit from sale of available-for-sale assets	3	**6,268**	–
Depreciation	10	**(2,082)**	(2,711)
Consultants		**(188,906)**	(294,131)
Directors' fees		**(157,500)**	(228,900)
Salaries and wages		**(586,690)**	(617,111)
Share based payments		**(7,700)**	(23,107)
Exploration expenses		**(703,225)**	(705,718)
Legal fees		**(179,432)**	(129,923)
Travel and accommodation		**(50,137)**	(74,585)
Administration expenses		**(218,047)**	(202,849)
Share of net loss of associates accounted for using the equity method		**–**	(6,316)
Insurance		**(14,981)**	(18,470)
Promotion		**(11,550)**	(1,054)
Provision for impairment of receivable		**(164,242)**	(135,298)
Impairment on investment in associate		**–**	(1,186,508)
Capitalised exploration write off		**(201,534)**	(960,033)
Profit/(Loss) from continuing operations before income tax		**(2,467,510)**	(4,533,958)
Income tax credit/(expense)	5	**–**	–
Net Loss for the period		**(2,467,510)**	(4,533,958)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Exchange differences in translating foreign controlled entities		**(44,306)**	1,357
Changes to available-for-sale financial assets, net of tax		**5,646**	(1,914)
Total other comprehensive income net of tax		**(38,660)**	(557)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(2,506,170)**	(4,534,515)
Earnings per share for loss attributable to the ordinary equity holder of the parent			
Basic earnings/(loss) per share (cents)	21	**(1.4)**	(5.2)
Diluted earnings/(loss) per share (cents)	21	**(1.4)**	(5.2)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2014

	Notes	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
ASSETS			
Current assets			
Cash and cash equivalents	17	**334,628**	720,458
Receivables	6	**–**	16,157
Other	7	**4,639**	5,742
Total current assets		**339,267**	742,357
Non-current assets			
Investments accounted for using the equity method	8	**–**	–
Available-for-sale financial assets	9	**–**	21,647
Plant and equipment	10	**4,762**	7,685
Exploration & evaluation expenditure	11	**–**	267,101
Total non-current assets		**4,762**	296,433
Total assets		**344,029**	1,038,790
LIABILITIES			
Current liabilities			
Payables	13	**86,571**	176,132
Provisions	14	**23,077**	48,852
Total current liabilities		**109,648**	224,984
Total liabilities		**109,648**	224,984
Net assets		**234,381**	813,806
EQUITY			
Issued capital	15	**18,250,449**	16,331,404
Reserves	16	**4,249,296**	4,280,256
Accumulated losses		**(22,265,364)**	(19,797,854)
Total equity		**234,381**	813,806

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR YEAR ENDED 30 JUNE 2014

	Notes	CONSOLIDATED 2014 $	CONSOLIDATED 2013 $
Cash flows from operating activities			
Payments to suppliers and employees		**(1,509,490)**	(1,551,265)
Payments for exploration expenditure		**(810,874)**	(708,556)
Interest received		**12,247**	52,755
Net cash flows from/(used in) operating activities	17	**(2,308,117)**	(2,207,066)
Cash flows from investing activities			
Payment for plant and equipment		**–**	(96)
Proceeds from sale of available-for sale assets		**33,560**	–
Payment for project acquisition		**–**	(285,216)
Net cash flows from investing activities		**33,560**	(285,312)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**2,013,738**	–
Payments for cost of equity raising		**(94,693)**	–
Net cash flows from/(used in) financing activities		**1,919,045**	–
Net increase/(decrease) in cash and cash equivalents		**(355,512)**	(2,492,378)
Cash and cash equivalents at the beginning of the financial year		**720,458**	3,207,391
Effect of exchange rate changes on cash and cash equivalents		**(30,318)**	5,445
Cash and cash equivalents at the end of the financial year	17	**334,628**	720,458

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

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

	CONSOLIDATED						
	Ordinary shares $	Convert-ible notes Reserve $	Available for sale Assets Reserve $	Share option reserve $	Foreign Currency Translation Reserve $	Accum-ulated losses $	Total $
At 1 July 2013	**16,331,404**	**136,403**	**(5,646)**	**4,094,501**	**54,998**	**(19,797,854)**	**813,806**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(2,467,510)**	**(2,467,510)**
Other Comprehensive income	**–**	**–**	**5,646**	**–**	**(44,306)**	**–**	**(38,660)**
Total comprehensive loss for the period	**–**	**–**	**5,646**	**–**	**(44,306)**	**(2,467,510)**	**(2,506,170)**
Transactions with owners in their capacity as owners							
Shares issued during the period	**2,013,738**	**–**	**–**	**–**	**–**	**–**	**2,013,738**
Transaction Costs	**(94,693)**	**–**	**–**	**–**	**–**	**–**	**(94,693)**
Share based payments	**–**	**–**	**–**	**7,700**	**–**	**–**	**7,700**
At 30 June 2014	**18,250,449**	**136,403**	**–**	**4,102,201**	**10,692**	**(22,265,364)**	**234,381**

	CONSOLIDATED						
	Ordinary shares $	Convert-ible notes Reserve $	Available for sale Assets Reserve $	Share option reserve $	Foreign Currency Translation Reserve $	Accum-ulated losses $	Total $
At 1 July 2012	16,331,404	136,403	(3,732)	4,071,394	53,641	(15,263,896)	5,325,214
Loss for the period	–	–	–	–	–	(4,533,958)	(4,533,958)
Other Comprehensive income	–	–	(1,914)	–	1,357	–	(557)
Total comprehensive loss for the period	–	–	(1,914)	–	1,357	(4,533,958)	(4,534,515)
Transactions with owners in their capacity as owners							
Shares issued during the period	–	–	–	–	–	–	–
Transaction Costs	–	–	–	–	–	–	–
Share based payments	–	–	–	23,107	–	–	23,107
At 30 June 2013	16,331,404	136,403	(5,646)	4,094,501	54,998	(19,797,854)	813,806

The Statement of Consolidated Changes in Equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

1. CORPORATE INFORMATION

The Consolidated Financial report of Oro Verde Limited for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 30 September 2014. The consolidated financial statements and notes represent those of Oro Verde Limited and its controlled entities (the "Group"). The consolidated entity's functional and presentation currency is AUD ($). The separate financial statements of the parent entity, Oro Verde Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

Oro Verde Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The Financial report is a general-purpose Financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001,* Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The Financial report has also been prepared on an accruals basis and is based on historical cost basis, except for certain available-for-sale financial assets, which have been measured at fair value. The Group is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded that would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial reports and notes also comply with International Financial Reporting Standards.

Going Concern

This report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The Consolidated Entity has incurred a net loss after tax for the year ended 30 June 2014 of $2,467,510 (2013: $4,533,958) and experienced net cash outflows from operating activities of $2,308,117 (2013: $2,207,066). At 30 June 2013, the Consolidated Entity had net current assets of $229,619 (30 June 2013: $517,373).

The Directors believe there are sufficient funds to meet the Company's working capital requirements and as at the date of this report the Consolidated Entity believes it can meet all liabilities as and when they fall due. However the Directors recognise that additional funding either through the issue of further shares, convertible notes or a combination of both will be required for the Consolidated Entity to continue to actively explore its mineral properties.

The Directors have reviewed the business outlook and the assets and liabilities of the Consolidated Entity and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company will continue to be successful in securing additional funds through debt or equity issues or partial sale of its mineral properties as and when the need to raise working capital arises.

Should the directors not achieve the matters set out above, there is significant uncertainty whether the Consolidated Entity will continue as a going concern and therefore whether it will realise its assets and liabilities in the normal course of business.

The financial report does not include any adjustments that may be necessary if the Consolidated Entity is unable to continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) New and amended standards adopted by the Group

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- AASB 10: *Consolidated Financial Statements;*
- AASB 11: *Joint Arrangements;*
- AASB 12: *Disclosure of Interests in Other Entities;*
- AASB 13: *Fair Value Measurement;*
- AASB 119: *Employee Benefits; and*
- AASB 127: *Separate Financial Statements.*

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and provides a revised definition of "control" such that an investor controls an investee when:

a) it has power over an investee;
b) it is exposed, or has rights, to variable returns from its involvement with the investee; and
c) has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee. This may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

There have been no changes to the treatment of investees compared to prior year.

AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'

AASB 11 replaces AASB 131 'Interests in Joint Ventures. AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances.

Application of this standard has not impacted on the financial statements of the Group.

AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.

AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'

The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) New and amended standards adopted by the Group (continued)

AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'

AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of AASB 119 and accelerate the recognition of past service costs.

All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Application is AASB 119 Employee Benefits has not impacted on the financial statements for the year ended 30 June 2014.

(c) New Accounting Standards and Interpretations for Application in Future Years

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the Company. The Group has decided not to early adopt any of the new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

- *AASB 9 Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2017)

  AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The 2010 revisions introduce additional changes relating to financial liabilities.

  The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

  Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments, including hedging activity, it is impractical at this stage to provide a reasonable estimate of such impact.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Accounting Standards and Interpretations for Application in Future Years (continued)

- *Other standards not yet applicable*

  These standards are not expected to have a material impact on the entity in the current or future reporting periods.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2018
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015

(d) Basis of consolidation

The parent entity and its subsidiaries are collectively referred to as the "Group". The parent of this Group is Oro Verde Limited. Entities (including structured entities) over which the parent (or the Group) directly or indirectly exercises control are called 'subsidiaries". The consolidated financial statements incorporate the assets, liabilities and results of all subsidiaries. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the Group's subsidiaries is provided in Note 12.

The assets, liabilities and results of subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group companies are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are referred to as 'non-controlling interests'. The Group recognises any non-controlling interests in subsidiaries on a case-by-case basis either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of consolidation (continued)

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(e) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are described in Note 6 – Impairment of trade debtors and Note 8 – Impairment of investments in associates.

(f) Revenue

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

Rendering of services
Revenue is recognised as the services are provided.

Sale of goods
Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to the customer, indicating that there has been a transfer of risks and rewards to the customer.

Interest
Revenue is recognised as the interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends
Revenue is recognised when the entity's right to receive the payment is established.

(g) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as the lease income.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(i) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at the bank and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(j) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An impairment provision is raised when there is objective evidence that the group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rates.

(k) Foreign currency translation

Both the functional and presentation currency of Oro Verde Limited and its Australian subsidiaries is Australian dollars (A$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

All resulting exchange differences in the consolidated financial statements are taken to the income statement

Group companies

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

- Assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
- 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 with functional currencies other than Australian dollars are recognized in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in profit or loss in the period in which the operation is disposed.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the end of the reporting period.

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

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

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

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

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

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

Unrecognised deferred income tax assets are reassessed at each end of the reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Oro Verde Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 July 2003.

The head entity, Oro Verde Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(n) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a reducing balance basis over the estimated useful life of the asset as follows:

– Office equipment and fittings – 2.5 to 5.0 years

(o) Investments and other financial assets

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

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

Available-for-sale investments

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Impairment of financial assets

Available-for-sale investments

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

(q) Impairment of non financial assets

At each end of the reporting period, the Group assesses whether there is any indication that an asset may be impaired.

Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount the asset or cash generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(r) Trade and other payables

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

(s) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Share-based payment transactions

The Group provides benefits to directors, employees and consultants of the Group (with shareholders' approval) in the form of share-based payment transactions, whereby directors, employees and consultants render services in exchange for options over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

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

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

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

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

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

(w) Employee leave benefits

(a) Short term employee benefits

Liabilities for wages and salaries, including non-monetary benefits expected to be settled wholly within 12 months of the end of the reporting period are recognised in other payables in respect of employees' services up to the end of the reporting period. They are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

(b) Long term employee benefits

The liability for long service leave and annual leave entitlements not expected to be settled wholly within 12 months are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

The Group's obligations for long term employee benefits are presented as non-current provisions in the statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) 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.

Effective 1 July 1998, the corporations legislation abolished the concepts of authorised capital and par value shares. Accordingly the company does not have authorised capital nor par value in respect of its issued capital.

(y) Earnings per share

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

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

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

(z) Discontinued Operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale that represents a separate major line of business. The results of discontinued operations are presented separately in the income statement.

(aa) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating decisions of the entity, but not control or joint control of their policies. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer note 8).

The group's share of its associates post-acquisition profits or losses is recognised in the income statement and its share of post acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying value of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. When the associate subsequently makes profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure constancy with the policies adopted by the Group.

(ab) Comparative figures

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ac) Exploration and development expenditure

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

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

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

(ad) Fair Value Assets and Liabilities

The Group measures some of 'the assets and liabilities it holds at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard (for the respective accounting policies of such assets and liabilities, refer to the latest annual financial statements). 'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing buyers and sellers operating in a market. "Market' is taken to mean either a market with the greatest volume and level at activity for such asset or liability, or a market that maximises the receipts from the sale of' an asset or minimises the payment made to transfer a liability after taking into account transaction costs and transport costs.

Valuation techniques

The Group selects and uses one or more valuation techniques to measure the fair values of a particular asset or liability. The Group selects a valuation technique that Is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

– *Market approach:* valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
– *Income approach:* valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
– *Cost approach:* valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions).and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered "observable", whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered "unobservable".

Fair value hierarchy

The Group adopts a 'fair value hierarchy" to categorise the fair value measurements derived from the valuation techniques into three levels (as described below). The purpose of this classification is to indicate the relative subjectivity of the fair values derived. This classification is made by prioritising the inputs used in each valuation technique on the basis of the extent to which such inputs are observable.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ad) Fair Value Assets and Liabilities (continued)

Level 1	Level 2	Level 3
Level 1 fair values are considered to be the best indication (and therefore the most reliable evidence) of fair value. Inputs used to measure Level 1 fair values are unadjusted quoted prices for identical assets /liabilities in active markets (eg Australian Securities Exchange) where transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis.	Inputs used to measure Level 2 fair values are inputs (other than quoted prices included in Level 1) that are observable either directly or indirectly. Level 2 inputs include: – quoted prices for similar assets/ liabilities in active markets; – quoted prices for similar or identical assets/liabilities in non-active markets; – foreign exchange rates; – market interest rates; – yield curves observable at commonly quoted intervals; – implied volatilities; and – credit spreads.	Level 3 fair values use unobservable inputs specific to the particular asset or liability because observable inputs are not available for such asset or liability.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or 3) or vice versa; or

(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (ie transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

3. REVENUE

	2014 $	2013 $
From continuing operations		
Interest received	**12,248**	52,756
Dividends	**–**	–
Other income		
Gain on sale of available-for-sale assets	**6,268**	–

4. EXPENSES AND LOSSES

Profit/(loss) before income tax includes the following specific expenses

	2014 $	2013 $
Depreciation on equipment	**2,082**	2,711
Salaries & wages expenses	**586,690**	595,965
Provision for employee entitlements	**–**	21,146
Operating lease rentals	**15,035**	13,800
Directors' benefit expense	**157,506**	228,900
Exploration expenditure	**703,225**	705,718
Capitalised exploration written off	**201,534**	960,033
Impairment Loss – receivables	**164,242**	135,298
Impairment Loss – investment in associate	**–**	1,186,508

5. INCOME TAX

The major components of income tax expense are:

	2014 $	2013 $
Income Statement		
Current income tax benefit/(expense)	**–**	–
Deferred income tax benefit/(expense)	**–**	–
Income tax benefit/(expense) reported in the income statement	**–**	–
Tax (expense)/benefit relating to items of other comprehensive income		
Available-for-sale investments	**–**	–
Income tax (expense)/benefit reported in equity	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

5. INCOME TAX (CONTINUED)

	2014 $	2013 $
A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit/(loss) before income tax	**(2,467,510)**	(4,533,958)
At the Group's statutory income tax rate	**(740,253)**	(1,360,188)
Less: Share options expenses during the year	**2,310**	6,932
Exploration expenditure	**210,968**	499,725
Other expenditure not allowable for income tax purposes	**73,621**	24,270
Impairment on Investments	**–**	355,952
Provision on receivables	**49,273**	40,589
	(404,081)	(432,720)
Current year tax losses not brought to account	**404,081**	432,720
De-recognition of previously recognised tax losses	**–**	–
Income tax (benefit)/expense reported in the consolidated income statement	**–**	–
Deferred Income Tax		
Deferred income tax at 30 June relates to the following:		
Deferred tax liabilities		
Prepayments	**(1,392)**	(1,723)
Total deferred tax liabilities	**(1,392)**	(1,723)
Deferred tax assets		
Employee provision	**6,923**	5,192
Accrued expenses	**5,190**	5,970
Available-for-sale investments	**–**	1,694
Capital raising costs	**23,239**	23,239
Tax assets/losses recognised /(not brought to account)	**(33,960)**	(34,372)
Total deferred tax assets	**1,392**	1,723
Net deferred tax liabilities/(asset)	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

5. INCOME TAX (CONTINUED)

Other than to offset deferred tax liabilities the Group has not recognised tax losses arising in Australia of $9,117,808 (2013: $5,631,062) that may be available for offset against future taxable profits of the companies in which the losses arose. The potential benefit of carried forward losses will only be obtained if assessable income is derived of a nature and, of an amount sufficient to enable the benefit from the deductions to be realised or the benefit can be utilised by the Company provided that:

(i) the provisions of deductibility imposed by law are complied with;

(ii) the group satisfies the continuity of ownership test from the period the losses were incurred to the time they are to be utilised; and

(iii) no change in tax legislation adversely affect the realisation or the benefit from the deductions.

Tax Consolidation

Oro Verde Limited and its 100% owned Australian subsidiaries have formed a tax consolidated group. Members of the group entered into a tax sharing arrangement in order to allocate the income tax expense to the wholly-owned subsidiaries on a pro-rata basis. The agreement provides for the allocation of income tax liabilities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

Tax effect accounting by members of the tax consolidated group

The allocation of taxes under the tax sharing and funding agreement is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company, Oro Verde Limited. The group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group.

6. RECEIVABLES (CURRENT)

	2014 $	2013 $
Trade receivables	–	16,157
Other receivables	**284,373**	148,828
Less: Provision for impairment loss (a)	**(284,373)**	(148,828)
	–	16,157

(a) Provision for impairment loss

The Company's 100% owned Chilean subsidiary in Green Mining Limitada has recorded $284,373 IVA receivable. IVA is the Chilean equivalent of GST. The IVA in Chile is only recoverable once mining operations commence and as at this stage mining operations are not probable a full provision against the recoverable IVA has been made.

Movements in the provision for impairment loss were as follows:

As at 1 July	**(148,828)**	–
Charge for the year	**(164,242)**	(148,828)
Exchange rate adjustment on translation	**28,697**	–
As at 30 June	**(284,373)**	(148,828)

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

6. RECEIVABLES (CURRENT) (CONTINUED)

As at 30 June, the ageing analysis of trade receivables is as follows:

	Total	0–30 days	31–60 days	31–60 days	61–90 days	91+ days	91+days
			Other	PDNI*	PDNI*	PDNI*	CI*
30 June 2014 Consolidated	**–**	**–**	**–**	**–**	**–**	**–**	**–**
30 June 2013 Consolidated	16,157	16,157	–	–	–	–	–

* Past due not impaired ('PDNI'), Considered impaired ('CI')

2013 Trade receivables were past due but are not considered impaired.

(b) Fair value and credit risk

Details regarding the fair value and credit risk of current receivables are disclosed in note 25.

(c) Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk exposure are disclosed in note 25.

7. OTHER (CURRENT)

	2014 $	2013 $
Prepayments	**4,639**	5,742

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Shares in associate	**–**	–

(a) Movements in carrying amounts

Carrying amount at the beginning of the financial year	**–**	1,192,824
Re-classification from available-for-sale investments	**–**	–
Additions	**–**	–
Exchange differences	**–**	–
Provision for impairment	**–**	(1,186,508)
Share of losses after tax	**–**	(6,316)
Carrying amount at the end of the financial year	**–**	–

Shares in associate represented an unlisted investment in a Chilean based company that held the mineral licences for the Chuminga project, a company project in which the Group has acquired a 20% interest. Refer to note 18 for further information.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 $	2013 $
Listed shares at fair value (a)		
China Africa Resources plc	–	21,647
Total available–for–sale financial assets	–	21,647

(a) Available-for-sale investments consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate. China Africa Resources plc. is listed on the London Alternative Investment Market. Fair value has been determined directly by reference to published quotations on active markets. During the year the Group's entire holding was sold.

At Cost	–	27,293
Impairment	–	–
Fair value adjustment to reserve	–	(5,646)
Fair value at 30 June	–	21,647

10. PLANT AND EQUIPMENT

	Office equipment and fittings $	Total $
Year ended 30 June 2014		
At 1 July 2013, net of accumulated depreciation and impairment	**7,685**	**7,685**
Additions	**–**	**–**
Sale	**–**	**–**
Depreciation expense for the year	**(2,082)**	**(2,082)**
Exchange differences	**(841)**	**(841)**
At 30 June 2014, net of accumulated depreciation and impairment	**4,762**	**4,762**
At 30 June 2014		
Cost	**14,558**	**14,558**
Accumulated depreciation and impairment	**(9,796)**	**(9,796)**
Net carrying amount	**4,762**	**4,762**

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

10. PLANT AND EQUIPMENT (CONTINUED)

	Office equipment and fittings $	Total $
Year ended 30 June 2013		
At 1 July 2012, net of accumulated depreciation and impairment	9,610	9,610
Additions	96	96
Sale	–	–
Depreciation expense for the year	(2,711)	(2,711)
Exchange differences	690	690
At 30 June 2013, net of accumulated depreciation and impairment	7,685	7,685
At 30 June 2013		
Cost	16,066	16,066
Accumulated depreciation and impairment	(8,381)	(8,381)
Net carrying amount	7,685	7,685

11. EXPLORATION AND EVALUATION EXPENDITURE

	2014 $	2013 $
At Cost	**–**	267,101
Fair value at acquisition	**–**	–
Carrying amount at the end of the financial year	**–**	267,101
Carrying amount at the beginning of the financial year	**267,101**	941,918
Additions	**–**	285,216
Exploration written off on areas to be relinquished	**(201,534)**	(960,033)
Exchange differences	**(65,567)**	–
Carrying amount at the end of the financial year	**–**	267,101

Recovery of the capitalised amount is dependent upon:
(i) the continuance of the Group's right to tenure of the area of interest;
(ii) the results of future exploration; and
(iii) the successful development and commercial exploitation, or alternatively sale.

12. INTEREST IN SUBSIDIARIES

(Non current)	Country of Incorporation	% equity held by consolidated entity	
		2014	2013
E – Resources Pty Ltd	Australia	**100**	100
And its subsidiary			
Ghazal Minerals Limited	Australia	**100**	100
Green Mining Limitada	Chile	**100**	100
And its subsidiary			
Oro Verda SPA	Chile	**100**	100

13. PAYABLES (CURRENT)

	2014 $	2013 $
Trade creditors and accruals	**86,571**	176,132

14. PROVISIONS (CURRENT)

Employee benefits	**23,077**	48,852
Opening balance at 1 July	**48,852**	20,112
Additional provision	**–**	28,740
Amount used	**(25,775)**	–
Balance at 30 June	**23,077**	48,852

Other than directors as at 30 June 2014 the Group has Nil employees (2013: 2)

Current leave obligations are expected to be settled within 12 months.

15. CONTRIBUTED EQUITY

(a) Issued and paid up capital

Fully paid ordinary shares	**19,927,889**	17,914,151
Less: capital raising costs	**(1,677,440)**	(1,582,747)
	18,250,449	16,331,404

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

15. CONTRIBUTED EQUITY (CONTINUED)

(b) Movements in ordinary share capital

	2014		2013	
	Number of shares	$	Number of shares	$
Beginning of the financial year	**87,582,417**	**16,331,404**	87,582,417	16,331,404
Issued during the year				
22 Aug '13 Issue at $0.013	**81,533,518**	**1,059,936**	–	–
3 Sept '13 Issue at $0.013	**9,895,077**	**128,636**	–	–
31 Dec '13 Placement at $0.016	**15,000,000**	**240,000**	–	–
23 May '14 Issue at $0.008	**72,895,725**	**583,166**	–	–
30 June '14 Issue at $0.008	**250,000**	**2,000**	–	–
Cost of share issues	**–**	**(94,693)**	–	–
End of the financial year	**267,156,737**	**18,250,449**	87,582,417	16,331,404

Funds raised from the share placements during the 2014 year were used to progress the Group's exploration activities and for general working capital.

(c) Movements in unlisted options on issue

At the date of this report, there were 32,114,459 (2013: 30,114,459) share options outstanding.

	Issued	Lapsed	Total number of Options
Balance at the beginning of the year			30,114,459
Share option movements during the year			
Exercisable at 4 cents, on or before 31 March 2016	2,000,000	–	
Total options issued and lapsed in the year to 30 June 2014	2,000,000	–	2,000,000
Total number of options outstanding as at 30 June 2014 and at the date of this report			32,114,459

The balance is comprised the following

Date Granted	Expiry Date	Exercise Price (cents)	Number of Options
28 November 2011	10 January 2016	20.0	2,500,000
2 December 2011	31 December 2014	27.0	19,250,000
20 December 2011	31 December 2014	27.0	2,500,000
16 April 2012	31 December 2014	27.0	2,614,459
5 April 2013	31 March 2016	4.0	3,250,000
15 October 2013	31 March 2016	4.0	2,000,000
Total number of options outstanding at the date of this report			32,114,459

15. CONTRIBUTED EQUITY (CONTINUED)

(d) Staff shares issued

There were no shares issued to staff during the year (2013: Nil).

(e) Capital Management

When managing capital, management's objective is to ensure the Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the Group.

16. RESERVES

Nature and purpose of reserves

Share option reserve

This reserve records the value of options issued to directors, employees and associates as part of their remuneration.

Convertible note equity reserve

This reserve records the equity portion attributable to the convertible notes at the time of issue.

Available-for-sale asset reserve

This reserve records fair value changes on available-for-sale investments. Amounts are recognised in profit and loss when the associated assets are sold or impaired.

Foreign currency translation reserve

This reserve is used to record exchange differences arising from the translation of foreign controlled subsidiaries.

17. STATEMENT OF CASH FLOWS

	2014 $	2013 $
Reconciliation of the net profit/(loss) after tax to the net cash flows from operations		
Net profit/(loss)	**(2,467,510)**	(4,533,958)
Depreciation of plant and equipment	**2,082**	2,711
Profit on sale of available-for-sale assets	**(6,268)**	–
Equity accounting of associate	**–**	6,316
Share based payments	**7,700**	23,107
Exploration written off	**201,534**	960,033
Impairment on investments	**–**	1,186,508
Provision against receivable	**164,242**	126,788
Capitalised exploration written off	**47,000**	–
Changes in assets and liabilities		
Trade receivables	**(149,207)**	(16,566)
Prepayments	**1,103**	6,645
Trade and other creditors	**(85,211)**	5,479
Employee entitlements	**(23,582)**	25,871
Net cash flows used in operating activities	**(2,308,117)**	(2,207,066)

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

17. STATEMENT OF CASH FLOWS (CONTINUED)

	2014 $	2013 $
(a) Reconciliation of cash		
Cash balance comprises:		
Cash at bank	**301,127**	686,957
Short term deposit	**33,501**	33,501
Closing cash balance	**334,628**	720,458

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

Short term deposits are made at various periods on call, depending on the immediate cash requirements of the Group and earn interest at the respective short term deposit rates. At 30 June 2014, the Group had a borrowing facility of $30,000 (2013: $30,000). The short term deposit is provided as security for the facility. This facility is unutilised at 30 June 2014.

The fair value of cash and cash equivalents is $334,628 (2013: $720,458).

The effective interest rate on cash at bank was 2.4% (2013: 2.6%).

18. EXPENDITURE COMMITMENTS

(a) Remuneration Commitments

Commitments for payment of salaries and other remuneration under employment contracts in existence at reporting date but not recognised as liabilities, payable:

Not later than one year	**–**	75,000
Later than one year and not later than five years	**–**	–
	–	75,000

(b) Acquisition Commitments

During the year the Group terminated its option to purchase agreements.

19. SEGMENT INFORMATION

The Group has based its operating segment on the on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group does not have production and is only currently involved in exploration activities. As a consequence, activities in the operating segment are identified by management based on the manner in which resources are allocated and the nature of the resources provided. Based on this criterion, management has determined that the Group has one operating segment, being exploration, and the segment operations and results are the same as the Groups results.

During the 2014 and 2013 years the Company conducted its activities across two geographic locations, Australia and Chile.

	Australia $	Chile $
2014		
Revenues	12,248	–
Non-current assets	–	4,762
Liabilities	(82,263)	(27,385)
2013		
Revenues	52,756	–
Non-current assets	21,647	274,786
Liabilities	(156,263)	(68,721)

20. SUBSEQUENT EVENTS

On 7 August 2014 Oro Verde Limited acquired 100% of the issued capital of Goldcap Resources Limited, a company focussed on exploration in Nicaragua. Through the acquisition of 100% of the issued capital of Goldcap Resources Limited, the Group has gained control of the company. The purchase was satisfied by the issue of 15,000,000 ordinary shares at a deemed $0.008, 66,000,000 options exercisable at 1 cent with a life of 3 years and 66,000,000 options exercisable at 5 cents with a life of 5 years. No value has been attributed to the options, the issue of which is subject to shareholder approval at a meeting to be held on 3 October 2014. The financial effect of this transaction has not been brought into account in the 2014 financial statements.

	Fair Value $
Purchase consideration	
Equity issued	120,000
Less:	
Cash and cash equivalents	8,747
Exploration projects	161,604
Payables	(50,351)
Identifiable assets acquired and liabilities assumed	120,000

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

20. SUBSEQUENT EVENTS (CONTINUED)

As a result of the acquisition of Goldcap Resources Limited and the focus on Nicaragua, on 8 August the company reached agreement and sold Green Mining Limitada for US$1. A condition of the sale was that all debts owed by Green Mining Limitada and its subsidiaries to Oro Verde Limited were effectively forgiven resulting in $8,233,551 being transferred from a Provision for non-recovery to a loss.

In addition on 14 August 2014 Oro Verde Limited issued 77,375,000 shares at $0.008 each to raise $619,000.

No other matter or circumstance has arisen since the end of the financial year which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

21. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary Owners of the parent, adjusted to exclude any costs of servicing equity, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary Owners of the parent by the weighted average number of ordinary shares during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income /(loss) and share data used in the calculations of basic and diluted earnings per share:

	2014 Cents	2013 cents
(a) Basic and diluted earnings per share		
From continuing operations attributable to the ordinary Owners of the company	**(1.4)**	(5.2)

	2014 $	2013 $
(b) Reconciliations of earnings used in calculating earnings per share		
Profit/(Loss) attributable to the ordinary Owners of the company used in calculating basic and diluted earnings per share		
From continuing operations	**(2,467,510)**	(4,533,958)

	Number	Number
Weighted average number of ordinary shares on issue used in the calculation of basic and diluted earnings per share	**180,924,005**	87,582,417

22. AUDITORS' REMUNERATION

	2014 $	2013 $
Amounts received or due and receivable by Hewitt, Turner & Gelevitis for:		
– an audit or review of the Financial statements	**32,048**	31,930
– other services	**–**	–
	32,048	31,930
Remuneration of other auditors of subsidiaries:		
– an audit or review of financial report of subsidiaries	**–**	9,351

23. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel:

(i) Directors

W G Martinick	Chairman and Managing Director (executive)
B L Farrell	Technical Director
G R O'Dea	Director (non-executive)
D H Ward	Director (non-executive)

(ii) Executives

B D Dickson	Company Secretary

There were no other specified executives during the year.

(b) Employment contracts

At 30 June 2014 the Managing Director, Dr Martinick was employed under contract with an annual salary of $150,000. The current employment contract expired on 1 January 2014.

(c) Compensation of Key Management Personnel

Compensation of each director and the executive officer of the consolidated entity are as follows:

30 June 2014	Short term		Post employment	Share based payments	Total	Total options related	Total performance related
	Salaries and fees $	Non Monetary Benefit[1] $	Superannuation $	Shares $	$		
Directors							
W G Martinick	170,000	2,190	15,723	–	187,913	–	–
G R O'Dea	37,500	2,190	3,468	–	43,158	–	–
D H Ward	37,500	2,190	3,468	–	43,158	–	–
B L Farrell	181,406	2,190	3,468	–	187,064	–	–
Executive Officer							
B D Dickson	70,000	2,190	–	–	72,190	–	–
Total	496,406	10,950	26,127	–	533,483	–	–

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

23. KEY MANAGEMENT PERSONNEL (CONTINUED)

(c) Compensation of Key Management Personnel (continued)

30 June 2013	Short term		Post employment	Share based payments	Total	Total options related	Total performance related
	Salaries and fees $	Non Monetary Benefit[1] $	Superannuation $	Shares $			
Directors							
W G Martinick	210,000	2,857[1]	18,900	–	231,757	–	–
G R O'Dea	50,000	2,857[1]	4,500	–	57,357	–	–
D H Ward	25,000	2,857[1]	29,500	–	57,357	–	–
B L Farrell	283,364	2,857[1]	4,500	–	290,721	–	–
Executive Officer							
B D Dickson	70,000	2,857[1]	–	7,110	79,967	8.9%	–
Total	638,364	14,285	57,400	7,110	717,159	1.0%	–

1. The Non Monetary Benefit relates to the Directors' Indemnity Insurance
2. No shares were issued as compensation during the year ended 30 June 2014 (2013: Nil).

(d) Shares issued on exercise of remuneration options

There were no shares issued on exercise of remuneration options.

(e) Option holdings of Key Management Personnel

2014	Balance at beginning of year	Granted as Remuneration	Options Exercised	Options Lapsed	Balance at end of year	Vested at 30 June 2013	
	1 July 2013				30 June 2014	Vested & Exercisable	Unvested
Directors							
W G Martinick	**7,500,000**	**–**	**–**	**–**	**7,500,000**	**–**	**7,500,000**
G R O'Dea	**500,000**	**–**	**–**	**–**	**500,000**	**500,000**	**–**
D H Ward	**150,000**	**–**	**–**	**–**	**150,000**	**150,000**	**–**
B L Farrell	**7,500,000**	**–**	**–**	**–**	**7,500,000**	**–**	**7,500,000**
Executives							
Brett Dickson	**2,000,000**	**–**	**–**	**–**	**2,000,000**	**2,000,000**	**–**
Total	**17,650,000**	**–**	**–**	**–**	**17,650,000**	**2,650,000**	**15,000,000**

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

23. KEY MANAGEMENT PERSONNEL (CONTINUED)

(e) Option holdings of Key Management Personnel

2013	Balance at beginning of year	Granted as Remuneration	Options Exercised	Options Lapsed	Balance at end of year	Vested at 30 June 2012	
	1 July 2012				30 June 2013	Vested & Exercisable	Unvested
Directors							
W G Martinick	7,500,000	–	–	–	7,500,000	–	7,500,000
G R O'Dea	500,000	–	–	–	500,000	500,000	–
D H Ward	150,000	–	–	–	150,000	150,000	–
B L Farrell	7,500,000	–	–	–	7,500,000	–	7,500,000
Executives							
Brett Dickson	1,000,000	1,000,000	–	–	2,000,000	2,000,000	–
Total	16,065,000	1,000,000	–	–	17,650,000	2,650,000	15,000,000

The options held by Dr Martinick and Dr Farrell are subject to the following vesting conditions:

	Number of Options
1. The Company's shares trade at a minimum volume weighted average trading price (VWAP) of 30 cents over a 20 day period	2,500,000
2. The Company's shares trade at a minimum VWAP of 35 cents over a 20 day period	2,500,000
3. The Company's shares trade at a minimum VWAP of 40 cents over a 20 day period	2,500,000

(f) Shareholdings of Key Management Personnel

2014	Balance 1 July 13 Number	Granted as Remuneration Number	On Exercise of Options Number	Net Change Other Number	Balance 30 June 14 Number
Specified Directors					
W G Martinick	**11,412,545**	**–**	**–**	**29,087,455**	**40,500,000**
Held by spouse and children of WG Martinick	**–**	**–**	**–**	**–**	**–**
G R O'Dea	**299,476**	**–**	**–**	**1,562,500**	**1,861,976**
Held by spouse and children of GR O'Dea	**760,614**	**–**	**–**	**409,615**	**1,170,229**
D H Ward	**981,266**	**–**	**–**	**4,663,461**	**5,644,727**
B L Farrell	**5,086,443**	**–**	**–**	**37,014,838**	**42,101,281**
Specified Executives					
B D Dickson	**–**	**–**	**–**	**–**	**–**
Total	**18,540,344**	**–**	**–**	**72,737,869**	**91,278,213**

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

23. KEY MANAGEMENT PERSONNEL (CONTINUED)

(f) Shareholdings of Key Management Personnel (continued)

2013	Balance 1 July 12 Number	Granted as Remuner-ation Number	On Exercise of Options Number	Net Change Other Number	Balance 30 June 13 Number
Specified Directors					
W G Martinick	11,348,922	–	–	63,623	11,412,545
Held by spouse and children of WG Martinick	63,334	–	–	(63,334)	–
G R O'Dea	299,476	–	–	–	299,476
Held by spouse and children of GR O'Dea	760,614	–	–	–	760,614
D H Ward	981,266	–	–	–	981,266
B L Farrell	5,086,443			–	5,086,443
Specified Executives					
B D Dickson	–	–	–	–	–
Total	18,540,055	–	–	289	18,540,344

(g) Loans to/from Key Management Personnel

There were no loans outstanding to or from Key Management Personnel as at 30 June 2014 (2013: Nil).

(h) Other transactions and balances with Key Management Personnel

Services

Professional services, relating to accounting and taxation advice, of $Nil (ex GST) (2013: $16,900) were provided by Young & Wilkinson, a partnership associated with D H Ward on normal commercial terms and conditions, of which $Nil (inc. GST) remains outstanding at 30 June 2014 (2013: $18,590). Coolform Investments Pty Ltd a company in which Mr Dickson is a director and shareholder received fees totalling $70,000 (2013: $70,000) for the provision of services, as disclosed in note 23(c). No amount is payable at year end (2013: Nil).

24. RELATED PARTY DISCLOSURE

(a) Subsidiaries

The consolidated financial statements include the financial statement of Oro Verde Limited and the subsidiaries listed in the following table.

Name	Country of incorporation	Equity interest		Investment	
		2014 %	2013 %	2014 $	2013 $
E-Resources Pty Ltd	Australia	**100**	100	**1**	1
Ghazal Minerals Limited	Australia	**100**	100	**–**	–
Green Mining Limitada	Chile	**100**	100	**21,740**	21,740
				21,741	21,741

(b) Ultimate parent

Oro Verde Limited is the ultimate parent entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

24. RELATED PARTY DISCLOSURE (CONTINUED)

(c) Key Management Personnel

Details relating to key management personnel, including remuneration, are included in note 23.

(d) Entities subject to significant influence by the Group

For details of interests held in associated companies refer to Note 8.

25. FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The Group's financial instruments comprise receivables, payables, finance leases, available for sale investments and cash.

The Group's main risks arising from the financial instruments are:

(i) interest rate risk,
(ii) liquidity risk,
(iii) credit risk
(iv) price risk and
(v) foreign currency risk.

Risk Exposures and Responses

(i) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect the Group's income. The objective of interest rate risk management is to manage and control risk exposures within acceptable parameters, while optimising any return. As the Group has interest bearing assets, the Group's income and operating cash flows are exposed to changes in market interest rates. The assets are short term interest bearing deposits. The Group does not have any policy in place and no financial instruments are employed to mitigate interest rate risks.

At balance date, the Group had the following financial assets exposed to Australian and Chilean variable interest rate risk:

	2014 $	2013 $
Australia		
Financial assets		
Cash at bank	**334,340**	717,410
Chile		
Financial assets		
Cash at bank	**288**	3,048

The Group has no interest bearing liabilities and is therefore not exposed to interest rate risks.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the end of the reporting period. The 1% sensitivity is based on reasonable possible change over the financial year using the observed range for the historic 2 years.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

25. FINANCIAL INSTRUMENTS (CONTINUED)

At 30 June, if interest rates had moved, as illustrated in the table below, with all variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:

	Post tax profit Higher/(Lower)		Equity Higher/(Lower)	
	2014 $	2013 $	2014 $	2013 $
CONSOLIDATED				
+1% (100 basis points)	**3,346**	7,204	**3,346**	7,204
-1% (100 basis points)	**(3,346)**	(7,204)	**(3,346)**	(7,204)

The movements in profit and equity are due to higher/lower interest costs from variable rate cash balances.

(ii) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The table below reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities. Undiscounted cash flows of financial liabilities are presented.

The Group has no derivative financial instruments.

The remaining contractual maturities of the Group's financial liabilities are:

	2014 $	2013 $
6 months or less	**86,571**	176,132
6 – 12 months	**–**	–
1 – 5 years	**–**	–
	86,571	176,132

Maturity analysis of financial assets and liability based on management's expectation

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

25. FINANCIAL INSTRUMENTS (CONTINUED)

Risk Exposures and Responses (continued)

(ii) Liquidity Risk (continued)

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and (outflows). Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant and equipment and investments in working capital eg inventories and trade receivables. These assets are considered in the Group's overall liquidity risk.

	<6 months $	6 – 12 months $	1 – 5 years $	> 5 years $	Total $
CONSOLIDATED					
Year ended 30 June 2014					
Financial assets					
Cash & cash equivalents	**334,628**	**–**	**–**	**–**	**334,628**
Trade & other receivables	**–**	**–**	**–**	**–**	**–**
	334,628	**–**	**–**	**–**	**334,628**
Financial liabilities					
Trade & other payables	**(86,571)**	**–**	**–**	**–**	**(86,571)**
	(86,571)	**–**	**–**	**–**	**(86,571)**
Net Maturity	**248,057**	**–**	**–**	**–**	**248,057**
Year ended 30 June 2013					
Financial assets					
Cash & cash equivalents	720,458	–	–	–	720,458
Trade & other receivables	16,157	–	–	–	16,157
	736,615	–	–	–	736,615
Financial liabilities					
Trade & other payables	(176,132)	–	–	–	(176,132)
	(176,132)	–	–	–	(176,132)
Net Maturity	**560,483**	**–**	**–**	**–**	**560,483**

(iii) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from transactions with customers and investments.

The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the financial assets of the Group, which comprises of cash and cash equivalents, trade and other receivables and available for sale financial assets.

The Group does not hold any credit derivatives to offset its exposure.

The Group trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Group's policy to securitise its trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

25. FINANCIAL INSTRUMENTS (CONTINUED)

Risk Exposures and Responses (continued)

(iii) Credit Risk (continued)

The Group places its cash deposits with institutions with a credit rating of AA or better and only with major banks.

Fair value

The fair values of financial assets and liabilities approximate their carrying amounts shown in the statement of financial position due to their short term nature. The carrying amounts of financial assets and liabilities as described in the statement of financial position are as follows:

CONSOLIDATED	CARRYING AMOUNT		AGGREGATE NET FAIR VALUE	
	2014 $	2013 $	2014 $	2013 $
FINANCIAL ASSET				
Cash	**334,628**	720,458	**334,628**	720,458
Receivables	**–**	16,157	**–**	16,157
Available-for-sale financial assets	**–**	21,647	**–**	21,647
Total financial assets	**334,628**	758,262	**334,628**	758,262
FINANCIAL LIABILITIES				
Trade creditors and accruals and other creditors	**86,571**	176,132	**86,571**	176,132
Total financial liabilities	**86,571**	176,132	**86,571**	176,132

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Cash and cash equivalent: The carrying amount approximates fair value because of their short-term to maturity.

Receivables and payables: The carrying amount approximates fair value.

Available-for-sale financial assets: Quoted prices in active markets been used to determine the fair value of listed available-for-sale investments (Level 1). The fair value of these financial assets has been based on the closing quoted bid prices at reporting date, excluding transaction costs.

(iv) Price Risk

Listed Securities

Equity securities price risk arises from investments in equity securities. To limit this risk the Group diversifies its portfolio in accordance with limits set by the Board. The equity investments is of a high quality and is publicly traded on the LSE (London Stock Exchange Alternative Investment Market).

Sensitivity analysis

CONSOLIDATED		Effect on:		Effect on:	
Share Price Sensitivity	Sensitivity	Profit 2014	Equity 2014	Profit 2013	Equity 2013
Risk Variable	+5%	**–**	**–**	–	1,083
	-5%	**–**	**–**	–	(1,083)

25. FINANCIAL INSTRUMENTS (CONTINUED)

Risk Exposures and Responses (continued)

(v) Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The Group is exposed to currency risk on purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily the United Sates Dollar (USD) and Chilean Peso (CP). The currencies in which the transactions primarily are denominated are USD and CP.

The Group has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency.

Group's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date, expressed in Australian dollars (AUD), was:

	2014 (AUD) CP	2013 (AUD) CP
Cash	**288**	3,048
Trade Receivables	**–**	16,157
Trade Payables	**(27,385)**	(37,177)
Gross Statement of Financial Position Exposure	**(27,097)**	(17,972)
Forward exchange contracts	**–**	–
Net Exposure	**(27,097)**	(17,972)

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2014	2013	2014	2013
AUD/CP	**0.0020**	0.0020	**0.0019**	0.0022

Sensitivity analysis

Over the reporting period there have been significant movements in the Australian dollar when compared to other currencies, it is therefore considered reasonable to review sensitivities base on a 10% movement in the Australian dollar. A 10 percent movement of the Australian dollar against the Chilean Peso at 30 June would have affected equity and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013.

	Equity $	Profit or loss $
30 June 2014	+/– 2,710	–
Chilean Peso		
30 June 2013		
Chilean Peso	+/– 1,797	–

26. PARENT ENTITY FINACIAL INFORMATION

(a) Summary Financial Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards:

	2014 $	2013 $
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	**338,810**	688,519
Total assets	**360,551**	747,420
LIABILITIES		
Current liabilities	**82,263**	155,177
Total liabilities	**82,263**	155,177
EQUITY		
Issued capital	**18,250,449**	16,331,404
Reserves		
Share-option	**4,102,201**	4,094,501
Convertible note equity	**136,403**	136,403
Available-for-sale assets	**–**	(965)
Accumulated loses	**(22,210,765)**	(19,969,101)
Total Equity	**278,288**	592,242
STATEMENT OF COMPREHENSIVE INCOME		
Total profit/(loss)	**(2,241,164)**	(7,629,056)
Total comprehensive income/(loss)	**(2,240,199)**	(7,630,970)

(b) Guarantees

Oro Verde Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

(c) Contingent liabilities

Oro Verde Limited did not have any contingent liabilities as at 30 June 2014 or 30 June 2013.

(d) Contracted commitments for the acquisition of property, plant or equipment

Oro Verde Limited did not have any commitments for the acquisition of property, plant or equipment.

27. SHARE BASED PAYMENTS

Over the last two years the Group has issued options pursuant to an Employee Share plan and also Director Options issued pursuant to approval obtained by shareholders at a General Meeting. In addition options were issued to certain contractors and unrelated third parties. Details of each issue is set out below.

(a) Employee and consultants option plan

The establishment of the Oro Verde Option Plan ("Plan") was approved by shareholders at the 2011 Annual General Meeting. The plan is designed to provide long-term incentives for employees and certain contractors to deliver long term shareholder returns. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive guaranteed benefits. In addition, under the Plan, the Board determines the terms of the options including exercise price, expiry date and vesting conditions, if any.

Options granted under the plan carry no dividend or voting rights. When exercised, each option is convertible into an ordinary share of the company with full dividend and voting rights.

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

Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Balance of the start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
5 April '13	31 Mar '16	4	0.71	–	3,250,000	–	–	3,250,000	3,250,000
20 Dec '11	31 Dec '14	27.0	10.99	–	2,000,000	–	–	2,000,000	2,000,000
TOTAL				**–**	**5,250,000**	**–**	**–**	**5,250,000**	**5,250,000**
Weighted average exercise price				–	$0.13	–	–	$0.13	$0.13

No options were exercised during the periods covered by the above tables.

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.3 years (2013: 2.3 years).

Fair value of options granted

No options were issued during the 2014 financial year. During the 2013 financial year the weighted average fair value of the options granted was 0.71 cents. The price was calculated by using the Binominal Option valuation methodology applying the following inputs:

	2013
Weighted average exercise price	4.0 cents
Weighted average life of the option	2.989 years
Weighted average underlying share price	1.6 cents
Expected share price volatility	100%
Risk free interest rate	2.87%

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

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

27. SHARE BASED PAYMENTS (CONTINUED)

(a) Employee and consultants option plan (continued)

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

	Consolidated	
	2014 $	2013 $
Options issued to staff and officers	–	23,107

(b) Directors and executive options

No options were issued to directors during 2014 or 2013. Set out below are summaries of options issued to directors in 2012.

Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2 Dec '11	31 Dec'14	27.0	11.1	–	16,000,000	–	–	16,000,000	1,000,000
TOTAL				**–**	**16,000,000**	**–**	**–**	**16,000,000**	**1,000,000**
Weighted average exercise price				–	$0.27	–	–	$0.27	$0.27

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.5 years (2013: 1.5).

Fair value of director options granted.

No options were granted during 2014 and 2013.

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

	Consolidated	
	2014 $	2013 $
Options issued to directors	–	–

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

27. SHARE BASED PAYMENTS (CONTINUED)

(c) Contractor and other options

During 2014 2,000,000 options were issued to contractors.

No options were issued to contractors and unrelated third parties during 2013. Set out below are summaries of options issued to contractors and unrelated third parties.

Grant Date	Expiry Date	Exercise Price (cents)	Value per option at grant date (cents)	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
28 Nov '11	10 Jan'16	20.0	15.76	2,500,000	–	–	–	2,500,000	2,500,000
2 Dec '11	31 Dec'14	27.0	11.10	3,250,000	–	–	–	3,250,000	3,250,000
20 Dec '11	31 Dec'14	27.0	10.99	500,000	–	–	–	500,000	500,000
16 Apr '12	31 Dec'14	27.0	8.09	2,614,459	–	–	–	2,614,459	2,614,459
15 Oct '13	31 Mar'16	4.0	0.38	–	2,000,000	–	–	2,000,000	2,000,000
TOTAL				**8,864,459**	**2,000,000**	**–**	**–**	**10,864,459**	**10,864,459**
Weighted average exercise price				$0.25	$0.04	–	–	$0.21	$0.21

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.0 years (2013: 1.8 years).

Fair value of options granted.

Options were granted for no consideration. During the 2014 financial year the weighted average fair value of the options granted was 0.38 cents. The price was calculated by using the Binominal Option valuation methodology applying the following input:

	2014
Weighted average exercise price (cents)	**4.0**
Weighted average life of the option (years)	**2.46**
Weighted average underlying share price (cents)	**1.2**
Expected share price volatility (%)	**100**
Risk free interest rate (%)	**3.08**

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

	Consolidated	
	2014 $	2013 $
Options issued to contractors and others	**7,700**	–

NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2014

28. FAIR VALUE MEASUREMENT

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition.

– Available-for-sale financial assets

The Group does not subsequently measure any assets or liabilities at fair value on a non-recurring basis.

Available-for-sale financial assets are measured using level 1 inputs within the fair value hierarchy. Refer to Note 2 (ad) for an explanation of the fair value hierarchy.

	Note	Level 1	
		2014 $	2013 $
Shares in listed companies	9	–	21,647

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF ORO VERDE LIMITED
AND CONTROLLED ENTITIES

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Wealth Creation
Asset Protection
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PRINCIPALS

Timothy Turner
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Registered Company Auditor

Vick Gelevitis
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Hewitt Turner & Gelevitis is a CPA Practice

CPA

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Report on the Financial Report

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable to preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, 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 (IFRS).

Auditor's Responsibility

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

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

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF ORO VERDE LIMITED
AND CONTROLLED ENTITIES (CONTINUED)

HEWITT
TURNER &
GELEVITIS

Independence

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

Auditor's Opinion

In our opinion:

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

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii. complying Australian Accounting Standards and the *Corporations Regulations 2001*;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Material Uncertainty Regarding Continuation as a Going Concern

Without modifying our opinion, we draw attention to note 2 to the financial report which indicates that the group incurred a net loss of $2,467,510 for the year ended 30 June 2014, and experienced net cash outflows from operating activities of $2,308,117. These conditions along with other matters as set out in Note 2 to the financial report indicate the existence of a material uncertainty which may cast doubt on the entity's ability to continue as a going concern and therefore whether it will realise its assets and extinguish 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 8-12 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with s300A 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 Oro Verde Limited for the year ended 30 June 2014, complies with s 300A of the *Corporations Act 2001*.

HEWITT TURNER & GELEVITIS

TIMOTHY TURNER
REGISTERED COMPANY AUDITOR

Signed at Perth this 30th day of September 2014.

CORPORATE GOVERNANCE STATEMENT
30 JUNE 2014

Oro Verde Limited (**Company**) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to ASX Corporate Governance Council Principles and Recommendations 2nd edition (**Principles & Recommendations**). The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained it reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at www.oroverde.com.au/pages/corporate-governance.

Charters

Board
Audit Committee
Nomination Committee
Remuneration Committee

Policies and Procedures

Policy and Procedure for Selection and (Re) Appointment of Directors
Process for Performance Evaluations
Policy on Assessing the Independence of Directors
Diversity Policy (summary)
Code of Conduct (summary)
Policy on Continuous Disclosure (summary)
Compliance Procedures (summary)
Procedure for the Selection, Appointment and Rotation of External Auditor
Shareholder Communication Policy
Risk Management Policy (summary)
Policy for Trading in Company Securities
Whistleblower Policy (summary)

The Company reports below on whether it has followed each of the recommendations during the 2013/2014 financial year (**Reporting Period**). The information in this statement is current at 30 September 2014.

Board

Roles and responsibilities of the Board and Senior Executives
(Recommendations: 1.1, 1.3)

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter, which is disclosed on the Company's website.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

CORPORATE GOVERNANCE STATEMENT
30 JUNE 2014

Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chair or the lead independent director, as appropriate.

Skills, experience, expertise and period of office of each Director

(Recommendation: 2.6)

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report on page 4.

The mix of skills and diversity for which the Board is looking to achieve in membership of the Board is represented by the Board's current composition. While the Company is at exploration stage, it does not wish to increase the size of the Board, and considers that the Board, which includes directors with geological qualifications, exploration and mining industry experience and accounting and finance qualifications, is an appropriate mix of skills and expertise relevant to the Company.

Director independence

(Recommendations: 2.1, 2.2, 2.3, 2.6)

The Board does not have a majority of directors who are independent. The Board considers that the current composition of the Board is adequate for the Company's current size and operations, and includes an appropriate mix of skills and expertise relevant to the Company's business.

The Board considers the independence of directors having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The Board has agreed on the following guidelines, as set out in the Company's Board Charter for assessing the materiality of matters:

- Statement of Financial Position items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The independent directors of the Company are David Ward and Ross O'Dea. These directors are independent as they are a non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

The non-independent directors of the Company are Wolf Martinick and Brad Farrell.

The non-independent Executive Chair of the Board is Wolf Martinick. Wolf Martinick is not independent by virtue of his executive role. While the Board recognises the importance of the need for the division of responsibilities between the Chair and Managing Director, the Board currently considers that Wolf Martinick is the most appropriate person for the position of Executive Chair given his industry experience, and the size and current activities of the Company. The Board also believes that Wolf Martinick's appointment as Chair is in line with shareholder expectations.

Independent professional advice

(Recommendation: 2.6)

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval from the Chair for incurring such expense, the Company will pay the reasonable expenses associated with obtaining such advice.

Selection and (Re)Appointment of Directors

(Recommendation: 2.6)

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed process whereby it evaluates the mix of skills, experience, expertise and diversity of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills and diversity that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors. Potential candidates are identified and, if relevant, the Nomination Committee (or equivalent) recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. An election of directors is held each year. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or one third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

The Company's Policy and Procedure for the Selection and Re (Appointment) of Directors is disclosed on the Company's website.

Board committees

Nomination Committee

(Recommendations: 2.4, 2.6)

The Board has not established a separate Nomination Committee. The size and composition of the Board does not make the establishment of a separate Nomination Committee practical, and the Board believes that there would be no efficiencies or other benefits gained by establishing a separate Nomination Committee. Accordingly, the Board performs the role of the Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated to it in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board did not officially convene as a Nomination Committee during the Reporting Period.

The Board has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Nomination Committee. The Company's Nomination Committee Charter is disclosed on the Company's website.

Audit Committee

(Recommendations: 4.1, 4.2, 4.3, 4.4)

The Board has not established a separate Audit Committee, and therefore it is not structured in accordance with Recommendation 4.2. The Board believes that there would be no efficiencies gained by establishing a separate Audit Committee. Accordingly, the Board performs the role of Audit Committee. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Audit Committee it carries out those functions which are delegated to it in the Company's Audit Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Audit Committee by ensuring that the director with conflicting interests is not party to the relevant discussions. The independent directors are available to meet separately with the external auditor should this be considered necessary.

The full Board did not meet in its capacity as the Audit Committee during the Reporting Period.

Details of each of the director's qualifications are set out in the Directors' Report on page 4. All Board members have substantial industry knowledge and experience and consider themselves to be financially literate. Further, David Ward is a Chartered Account.

The Company has established a Procedure for the Selection, Appointment and Rotation of its External Auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

The Company's Audit Committee Charter and Procedure for Selection, Appointment and Rotation of External Auditor are disclosed on the Company's website.

Remuneration Committee

(Recommendations: 8.1, 8.2, 8.3, 8.4)

The Board has not established a separate Remuneration Committee, and therefore it is not structured in accordance with Recommendation 8.2. The Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of Remuneration Committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated to it in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Remuneration Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board did not meet in its capacity as the Remuneration Committee during the Reporting Period.

To assist the Board fulfil its function as the Remuneration Committee, the Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Remuneration Committee.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report and commences on page 9. The Company's policy on remuneration clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives.

CORPORATE GOVERNANCE STATEMENT
30 JUNE 2014

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Non-executive directors have long been encouraged by the Board to hold shares in the Company (purchased by the director on market). It is considered good governance for directors to have a stake in the Company whose board he or she sits. From time to time the Company may grant options to non-executive directors. The grant of options is designed to attract and retain suitably qualified non-executive directors.

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- reward executives for company and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals; and
- ensure total remuneration is competitive by market standards.

In determining the level and make-up of executive remuneration, the Board may engage an external consultant to provide independent advice detailing market levels of remuneration for comparable executive roles.

Remuneration consists of the following key elements:

- Fixed Remuneration
- Variable Remuneration – Long Term Incentive. Long term incentives are delivered in the form of options.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

The Company's Remuneration Committee Charter is disclosed on the Company's website.

Performance evaluation

Senior executives

(Recommendations: 1.2, 1.3)

The Executive Chair is responsible for evaluating the performance of senior executives. The evaluations are performed by conducting interviews with the senior executives as required. During the interview key performance indicators are set and agreed on, which will form the basis for the following years' review.

The full board acting as the Remuneration Committee, at least annually, evaluates the performance of the Managing Director by formal interview. In reviewing the performance of the Managing Director, performance against pre-determined budgets and performance criteria set the previous year (if any) is assessed.

During the Reporting Period an evaluation of the Executive Chair did not take place.

CORPORATE GOVERNANCE STATEMENT
30 JUNE 2014

Board, its committees and individual directors

(Recommendations: 2.5, 2.6)

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors.

The Chair evaluates the Board and, when deemed appropriate, Board committees and individual directors by utilising questionnaires which are completed by each director. The Chair, in consultation with the Company Secretary, then reviews the questionnaires and holds round table discussions with the Board to discuss the questionnaires. The Chair holds discussions with individual directors, if required.

During the Reporting Period an evaluation of the Board and individual directors took place in accordance with the process disclosed above.

The Company's Process for Performance Evaluation is disclosed on the Company's website.

Ethical and responsible decision making

Code of Conduct

(Recommendations: 3.1, 3.5)

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company has also established a Whistleblower Policy, the aim of which is to ensure that directors, officers and employees comply with the Company's Code of Conduct. The Whistleblower Policy encourages reporting of violations (or suspected violations) and provides effective protection to those reporting by implementing systems for confidentiality and report handling.

A summary of the Company's Code of Conduct and Whistleblower Policy are disclosed on the Company's website.

Diversity

(Recommendations: 3.2, 3.3, 3.4, 3.5)

The Company has established a Diversity Policy. However, the Diversity Policy provides that the Board may establish measurable objectives for achieving gender diversity that are appropriate for the Company. If established, the Board will assess annually both the objectives and progress towards achieving them. The Board has not set measurable objectives for achieving gender diversity. Given the Company's stage of development as an exploration company, and the number of employees, the Board considers that it is not practical to set measurable objectives for achieving gender diversity at this time.

The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board are set out in the following table:

	Proportion of women
Whole organisation	0 out of 2 (0%)
Senior Executive positions	0 out of 1 (0%)
Board	0 out of 4 (0%)

A summary of the Company's Diversity Policy is disclosed on the Company's website.

Continuous Disclosure

(Recommendations: 5.1, 5.2)

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance.

A summary of the Company's Policy on Continuous Disclosure and Compliance Procedures are disclosed on the Company's website.

Shareholder Communication

(Recommendations: 6.1, 6.2)

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

The Company's Shareholder Communication Policy is disclosed on the Company's website.

Risk Management

Recommendations: 7.1, 7.2, 7.3, 7.4)

The Board has adopted a Risk Management Policy and Risk Management Procedures. Under the Risk Management Policy, the Board oversees the processed by which risks are managed. This includes defining the Company's risk appetite, monitoring of risk performance and those risks that may have a material impact to the business. Management is responsible for the implementation of the risk management and internal control system to manage the Company's risk and to report to the Board whether those risks are being effectively managed.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management, which, if proposed to be exceeded, requires prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Company's system to manage its material business risks includes the preparation of a risk register by management to identify the Company's material business risks, analyse those risks, evaluate those risks (including assigning a risk owner to each risk) and treat those risks. Risks and their management are to be monitored and reviewed at least half yearly by senior management. The risk register is to be updated and a report submitted to the Managing Director. The Managing Director is to provide a risk report at least half yearly to the Board and an annual review of the risk profile is to be undertaken to ensure relevancy. Specific areas of risk that were identified in the report included operational activities, asset management (including title to exploration and mining leases), funding and staff.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks for the Reporting Period.

The Managing Director and the Company Secretary have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

A summary of the Company's Risk Management Policy is disclosed on the Company's website.

CORPORATE GOVERNANCE STATEMENT
30 JUNE 2014

ASX Corporate Governance Council recommendations checklist

The following table sets out the Company's position with regard to adoption of the Principles & Recommendations as at the date of this statement:

Recommendation		Comply
Principle 1:	**Lay solid foundations for management and oversight**	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	☑
1.2	Companies should disclose the process for evaluating the performance of senior executives.	☑
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1:	☑
Principle 2:	**Structure the board to add value**	
2.1	A majority of the board should be independent directors.	☒
2.2	The chair should be an independent director.	☒
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	☒
2.4	The board should establish a nomination committee.	☒
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	☑
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2:	☑
Principle 3:	**Promote ethical and responsible decision-making**	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity; • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	☑
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	☒
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	☒
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	☑
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3:	☑
Principle 4:	**Safeguard integrity in financial reporting**	
4.1	The board should establish an audit committee.	☒
4.2	The audit committee should be structured so that it: consists only of non-executive directors; consists of a majority of independent directors; is chaired by an independent chair, who is not chair of the board; and has at least three members.	☒
4.3	The audit committee should have a formal charter.	☑
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4:	☑

CORPORATE GOVERNANCE STATEMENT
30 JUNE 2014

Recommendation		Comply
Principle 5:	**Make timely and balanced disclosure**	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	☑
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5:	☑
Principle 6:	**Respect the rights of shareholders**	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of the policy.	☑
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6:	☑
Principle 7:	**Recognise and manage risk**	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	☑
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	☑
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks..	☑
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7:	☑
Principle 8:	**Remunerate fairly and responsibly**	
8.1	The board should establish a remuneration committee.	☒
8.2	The remuneration committee should be structured so that it: consists of a majority of independent directors; is chaired by an independent chair; and has at least three members.	☒
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	☑
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8:	☑

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not disclosed elsewhere in this report is as follows. The information is current as at 11 September 2014.

(a) Statement of shareholdings

Range	Names of 20 largest shareholders	Ordinary Shares Fully paid		
		No of holders	No. of shares held	% held
100,001 or more	Inkjar Pty Ltd	1	41,301,282	11.49%
	Martinick Inv PL	1	34,792,241	9.68%
	Bernes Nominess PL <Berenes S/F A/C>	1	32,125,114	8.94%
	Rovira Anthony Paul	1	20,000,000	5.56%
	Dickson BD & GF <Superfund A/C>	1	10,000,000	2.78%
	Semerdziev Ianaki	1	6,148,000	1.71%
	Gallin Nicole Joan	1	5,748,353	1.60%
	Martinick Inv PL	1	5,707,759	1.59%
	Blackwood Business Services Pty Ltd	1	4,822,614	1.34%
	Felberg Barry + Sally <3 Bears S/F No 1>	1	4,650,000	1.29%
	Lewis CS + JL	1	4,500,000	1.25%
	Teofilova Liliana	1	4,461,000	1.24%
	Levy Jacques	1	4,166,625	1.16%
	Argaren Pty Ltd	1	3,750,000	1.04%
	Gallin Nicole + Haynes Kyle	1	3,703,750	1.03%
	View Factory Pty Ltd	1	3,131,300	0.87%
	Madala McPhail Pty Ltd	1	3,125,000	0.87%
	Rovira Ria	1	3,125,000	0.87%
	JonKarh Pty Ltd	1	3,125,000	0.87%
	Richards John Whitfield	1	3,125,000	0.87%
		20	201,508,038	56.05%
	Various	196	145,628,696	40.50%
	Sub-total	216	347,136,734	96.55%
10,001 – 100,000	Various	254	10,929,527	3.04%
5,001 – 10,000	Various	96	755,392	0.21%
1,001 – 5000	Various	234	599,424	0.17%
1 – 1,000	Various	248	110,660	0.03%
Total		**1048**	**359,531,737**	**100.00%**
	Holding an unmarketable parcel	715	4,606,123	1.28%

ASX ADDITIONAL INFORMATION

The Company has the following unquoted options on issue.

	No of holders	Number of options
31 December 2014, 27 cent options	43	24,364,459
10 January 2016, 20 cent options	8	2,500,000
31 March 2016, 4 cent options	6	5,250,000

Restricted Securities

There are no restricted securities.

The Company has used its cash and assets it had at the time of commencement of reinstatement to quotation on 3 February 2012 to 30 September 2014 in a way consistent with its business objectives.

(b) Voting Rights

All ordinary shares carry one vote per share without restriction.

(c) Market buy-back

There is no current on-market buy-back of shares.

(d) Substantial Shareholders

As at 11 September 2014, shareholders who have notified the company in accordance with section 671B of the Corporations Act 2001

Beneficial Owner	No of Shares
Dr Bradford Farrell	42,101,281
Dr Wolf Gerhard Martinick	40,500,000
John Kopcheff	32,791,782
Anthony Paul Rovira	20,000,000

Schedule of Mining Tenements Held

Project	Common Name	Type of Concession	Concession No.	Percentage Held
San Isidro	San Isidro	Exploration	1351	100%