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# **A1 Consolidated Gold Limited**

ACN 149 308 921

**Interim Financial Statements**

**31 December 2011**

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## DIRECTORS' REPORT

Your directors submit the financial report of the A1 Consolidated Gold Limited ("the Company") for the half-year ended 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### Directors

The names of directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Ashok Parekh	Non Executive Chairman
Dennis Clark	Managing Director
Darren Russell – Croucher	Executive Director
Morrie Goodz	Non Executive Director
Jeffrey Williams	Non Executive Director
Glenn Wardle	Non Executive Director (appointed 31/10/2011)

### Review of Operations

#### *Summary of Operations for the year*

#### Surface operations

The Company undertook a number of surface operations at the A1 Gold Mine, including but not limited to:

- the front gate and fencing were relocated to allow vehicle turning space at the worksite;
- the access road was sheeted with gravel and graded;
- a car parking area was selected and is in operation;
- the portal bench was widened and a lay-down area for mine stores was set-up;
- a 350 cfm compressor has been purchased and commissioned;
- an annex building was fabricated for the storage of mines rescue equipment and radio system; and
- 100 metres of 450mm concrete pipe has been installed to effect surface drainage past the worksite.

#### Underground

The Company undertook a number of underground operations at the A1 Gold Mine, including but not limited to:

- a pumping system has been installed for the mine water;
- 65 vertical metres has been dewatered;
- decline development of 325 linear metres has been completed;
- development of the 1650 level over a distance of 100 metres has been completed for return ventilation;
- a 50 metre strike length of the 1650 drive was through mineralized stockworks with coarse visible gold;
- the electrical reticulation system has been upgraded and the ventilation circuit commissioned; and
- the Company has purchased a new diamond drill to undertake in-house mine definition drilling.

### Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out the next page and forms part of this directors' report for the half-year ended 31 December 2011.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



Dennis Clark

Director

30 March 2012

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## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of A1 Consolidated Gold Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'L Di Giallonardo'.

Perth, Western Australia  
30 March 2012

L DI GIALLONARDO  
Partner, HLB Mann Judd

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**CONDENSED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	31 December 2011
	\$
<b>Continuing operations</b>	
Revenue	<b>33,086</b>
Accounting and taxation services	(26,300)
Company secretary fees	(20,392)
Depreciation expense	(11,714)
Finance costs	(1,920)
Insurance	(20,748)
Legal Fees	(10,938)
Computer expenses	(4,811)
Other expenses	(5,341)
Share based payment expense	(1,858,691)
<b>Loss before income tax</b>	<b>(1,927,769)</b>
Income tax expense	-
<b>Loss for the period after income tax expense</b>	<b>(1,927,769)</b>
Other comprehensive income for the period	-
<b>Total comprehensive loss for the period</b>	<b>(1,927,769)</b>
Basic and diluted loss per share (cents per share)	<b>(4.58)</b>

The accompanying notes form part of these financial statements

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**CONDENSED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011**

	Notes	31 December 2011	30 June 2011
		\$	\$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		4,094,428	913,540
Trade and other receivables		166,103	134,821
Other assets		308,699	91,269
<b>Total Current Assets</b>		<u>4,569,230</u>	<u>1,139,630</u>
<b>Non-Current Assets</b>			
Plant and equipment	2	355,676	56,322
Deferred exploration and evaluation expenditure	3	2,945,007	1,112,390
Other – environmental bond		109,000	-
<b>Total Non-Current Assets</b>		<u>3,409,683</u>	<u>1,168,712</u>
<b>Total Assets</b>		<u>7,978,913</u>	<u>2,308,342</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Application monies received		25,000	-
Borrowings		-	30,011
Trade and other payables		705,040	397,880
<b>Total Current Liabilities</b>		<u>730,040</u>	<u>427,891</u>
<b>Total Liabilities</b>		<u>730,040</u>	<u>427,891</u>
<b>Net Assets</b>		<u>7,248,873</u>	<u>1,880,451</u>
<b>Equity</b>			
Issued capital	4	7,376,648	1,939,148
Reserves		1,858,691	-
Accumulated losses		(1,986,466)	(58,697)
<b>Total Equity</b>		<u>7,248,873</u>	<u>1,880,451</u>

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Issued Capital	Accumulated Losses	Share Based Payments Reserve	Total Equity
	\$	\$	\$	\$
<b>Balance at 1 July 2011</b>	1,939,148	(58,697)	-	1,880,451
Loss for the period	-	(1,927,769)	-	(1,927,769)
<b>Total comprehensive loss for the period</b>	-	<b>(1,927,769)</b>	-	<b>(1,927,769)</b>
Share-based payments	-	-	1,858,691	1,858,691
Shares issued during the half-year	5,437,500	-	-	5,437,500
<b>Balance at 31 December 2011</b>	<b>7,376,648</b>	<b>(1,986,466)</b>	<b>1,858,691</b>	<b>7,248,873</b>

The accompanying notes form part of these financial statements

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**CONDENSED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	<b>31 December 2011</b>
	<b>Inflows/(Outflows)</b>
	<u>\$</u>
<b>Cash flows from operating activities</b>	
Receipts from customers	-
Payments to suppliers and employees	(44,361)
Interest received	37,182
Interest paid	(1,750)
Income tax paid	-
Net cash outflow from operating activities	<u>(8,929)</u>
<b>Cash flows from investing activities</b>	
Payments for property, plant and equipment	(311,068)
Payment for environmental bond	(109,000)
Payments for exploration and evaluation expenditure	(1,833,823)
Net cash outflow from investing activities	<u>(2,253,891)</u>
<b>Cash flows from financing activities</b>	
Proceeds from issue of shares	5,437,500
Repayment of borrowings	(19,998)
Share application monies received	25,000
Net cash inflow from financing activities	<u>5,442,502</u>
Net increase in cash held	3,180,888
Cash and cash equivalents at the beginning of the period	<u>913,540</u>
<b>Cash and cash equivalents at the end of the period</b>	<u><b>4,094,428</b></u>

The accompanying notes form part of these financial statements



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

These interim financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Company as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the period ended 30 June 2011 and any public announcements made by A1 Consolidated Gold Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial period.

**Basis of preparation**

The interim report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim report, the half-year has been treated as a discrete reporting period.

As this is first half-year financial report of the Company, no comparatives are applicable for the condensed statement of comprehensive income, the condensed statement of changes in equity or the condensed statement of cash flows.

**Significant accounting judgments and key estimates**

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim report, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial report for the period ended 30 June 2011.

**Adoption of new and revised Accounting Standards**

In the half-year ended 31 December 2011, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2011.

It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies.

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

<b>NOTE 2: PLANT AND EQUIPMENT</b>	<b>31 December 2011</b>	<b>30 June 2010</b>
	<b>\$</b>	<b>\$</b>
<b>Office Equipment</b>		
Office Equipment - at cost	53,296	49,507
Accumulated depreciation	(7,132)	(798)
	<b>46,164</b>	<b>48,709</b>
<b>Plant and Equipment</b>		
Plant and equipment	315,293	8,012
Accumulated depreciation	(5,779)	(399)
	<b>309,514</b>	<b>7,613</b>
<b>Total property, plant and equipment net book value</b>	<b>355,676</b>	<b>56,322</b>
<b>Reconciliation of office equipment</b>		
Balance at 1 July	48,709	-
Additions	3,789	49,507
Depreciation	(6,334)	(798)
<b>Carrying amount at 31 December</b>	<b>46,164</b>	<b>48,709</b>
<b>Reconciliation of plant and equipment</b>		
Balance at 1 July	7,613	-
Additions	307,281	8,012
Depreciation	(5,380)	(399)
<b>Carrying amount at 31 December</b>	<b>309,514</b>	<b>7,613</b>
<b>NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE</b>		
Costs carried forward in respect of areas of interest in the following phases:		
<b>Exploration and evaluation phase – at cost</b>		
Balance at beginning of period	1,112,390	-
Expenditure incurred	1,832,617	1,112,390
<b>Total deferred exploration and evaluation expenditure</b>	<b>2,945,007</b>	<b>1,112,390</b>

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 4: ISSUED CAPITAL**

	31 December 2011 \$	30 June 2011 \$
<i>Ordinary shares</i>		
Issued and fully paid	7,376,648	1,939,148

	31 December 2011 No	30 June 2011 No	31 December 2011 \$	30 June 2011 \$
<b><i>Movements in ordinary shares on issue</i></b>				
At start of period	32,116,491	-	1,939,148	-
February 2011	-	1,000	-	1,000
March 2011	-	16,001,000	-	481,000
April 2011	-	7,900,001	-	345,000
May 2011	-	6,281,157	-	942,148
June 2011	-	1,933,333	-	170,000
August 2011	2,333,334	-	350,000	-
September 2011	4,083,333	-	612,500	-
October 2011	3,166,667	-	475,000	-
November 2011	13,333,333	-	4,000,000	-
At end of period	<b>55,033,158</b>	<b>32,116,491</b>	<b>7,376,648</b>	<b>1,939,148</b>
<b><i>Movements in options over ordinary shares on issue:</i></b>				
At start of period	-	-	-	-
November 2011*	20,000,000	-	1,858,691	-
At end of period	<b>20,000,000</b>	-	<b>1,858,691</b>	-

On 23<sup>rd</sup> November 2011, the Company issued 20,000,000 unlisted options over ordinary shares to the Company's management. These options are exercisable at 40 cents on or before 31 December 2014, and have been valued at \$1,858,691 using the Black & Scholes option pricing model based on the following assumptions:

- Underlying value of shares 30 cents
- Exercise price 40 cents
- Risk free rate of return 3.09%
- Volatility factor 75%
- Discount for lack of marketability 30%

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

### NOTE 5: SEGMENT REPORTING

AASB 8 "Operating Segments" requires operating segments to be identified on the basis of internal report about components of the Company that are reviewed by the chief operating decision maker (considered to be Board of Directors) in order to allocate resources to the segment and assess its performance. The chief operating decision maker of the Company reviews internal reports prepared as financial statements and strategic decisions of the Company are determined upon analysis of these internal reports. During the period, the Company operated predominantly in one segment being the mineral exploration sector in Victoria. Accordingly, under the "management approach", only one operating segment has been identified and no further disclosure is required in the notes to the financial statements.

### NOTE 6: COMMITMENTS AND CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

The Company has entered into a number of option agreements for acquisition of certain tenement rights. These agreements relate to the following projects:

- A1 Gold Project;
- Star of the West Mine; and
- The Ten Mile Goldfield.

Consideration for these tenement rights comprises the issue of 56,033,333 ordinary shares to other parties as set out below:

	No. of shares	Value of Shares	Total Value
A1 Asset Sale Agreement	20,700,000	\$0.30	6,210,000
Mining Asset Sale Agreement	33,333,333	\$0.30	10,000,000
Blue Gum International Pty Ltd Option Agreement	1,000,000	\$0.30	300,000
Chris Toifl Option Agreement	1,000,000	\$0.30	300,000
	56,033,333		\$16,810,000

The Company has also assumed certain pre-completion obligations which are detailed below:

A1 Asset Sale Agreement	<ul style="list-style-type: none"> <li>• Development of a decline to the 10 Level, 550 AHD;</li> <li>• Maintenance of the A1 tenements in good standing;</li> <li>• Provision of all reasonable securities lodged with the Victorian Department of Primary Securities;</li> <li>• Responsible for the costs of all utilities.</li> </ul>
Mining Asset Sale Agreement	<ul style="list-style-type: none"> <li>• Development of a decline to the 10 Level, 550 AHD;</li> <li>• Maintenance of the A1 tenements in good standing;</li> <li>• Provision of all reasonable securities lodged with the Victorian Department of Primary Securities;</li> <li>• Responsible for the costs of all utilities.</li> </ul>
Blue Gum International Pty Ltd Option Agreement	<ul style="list-style-type: none"> <li>• Comply with all expenditure requirements;</li> <li>• Pay all rates, rents and taxes;</li> <li>• To maintain the Tenement in good standing.</li> </ul>
Chris Toifl Option Agreement	<ul style="list-style-type: none"> <li>• Comply with all expenditure requirements;</li> <li>• Pay all rates, rents and taxes;</li> <li>• To maintain the Tenement in good standing.</li> </ul>

The Directors are not aware of any other commitments or contingencies.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE**

**Capital raising**

Subsequent to balance date, the Company has issued 166,667 ordinary shares at 15 cents each raising \$25,000. As at 31 December 2011, applications for \$25,000 had been received, and are disclosed as a current liability in the Statement of Financial Position.

As noted in the Company's 2011 Annual Report, the Company is continuing the process of preparing to raise additional capital through an initial public offering of up to 26,666,667 shares at an issue price of 30 cents each to raise \$8,000,000 with the ability to accept oversubscriptions of a further 6,666,667 shares to raise an additional \$2,000,000.

Other than noted above, there were no events subsequent to reporting date requiring disclosure.

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**DIRECTORS' DECLARATION**

In the opinion of the directors of A1 Consolidated Gold Limited ('the company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
  - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b. giving a true and fair view of the Company's financial position as at 31 December 2011 and of its performance for the half-year then ended; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.



A handwritten signature in blue ink, appearing to read 'Dennis Clark', is written over a horizontal line.

Dennis Clark  
Director

30 March 2012

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## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of A1 Consolidated Gold Limited

### Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of A1 Consolidated Gold Limited ("the company"), which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

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

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**

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**Matters relating to the electronic presentation of the reviewed half-year financial report**

This review report relates to the half-year financial report of the company for the half-year ended 31 December 2011 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial report.

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of A1 Consolidated Gold Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'HLB Mann Judd'.

**HLB MANN JUDD**  
Chartered Accountants

A handwritten signature in black ink that reads 'L Di Giallonardo'.

**L DI GIALLONARDO**  
Partner

**Perth, Western Australia**  
30 March 2012

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