



# **GOLDROAD**

RESOURCES

ABN 13 109 289 527



## **ANNUAL REPORT 2012**



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(Gold Road or the Company)

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# Chairman's Letter

## Dear Shareholders

It is with pleasure that I present your Company's 2012 Financial Statements. Over the past 12 months Gold Road has continued to unlock the potential of our Yamarna gold belt, making considerable progress in both the exploration and development of our new gold region.

### Unlocking Potential Through Production

Challenging global financial conditions underlined our decision to become a self-funded explorer by 2014/2015 through production at our more advanced projects, Central Bore and Attila.

A successful Scoping Study over Central Bore confirmed its viability as a standalone mine and its potential to create a strong return on investment. A second Scoping Study encompassing both advanced projects was completed in September 2012 and confirmed the viability of the combined operation. Further feasibility studies are planned over the next year.

Confidence in our production plan was further boosted through Resource upgrades at both projects which increased the Measured and Indicated categories of Central Bore to 94% and Attila to 72%. The total contained ounces of gold for Yamarna increased by 14% to 1.2 million ounces of gold. Key Board and management appointments throughout the year have also strengthened our production capabilities and we expect to expand our mining division further in 2012 and 2013.

### Smart Exploration Program

Numerous exciting gold discoveries were made over the year across each of our key exploration areas – Central Bore, Attila, Dorothy Hills and Tobin Hill. The quality and the number of these discoveries highlight the region's huge prospectivity and its potential to be a multi-million ounce gold camp.

Over the year we surpassed our drilling target, completing more than 170,000 metres. Our drilling program had dual objectives – to increase the size and confidence in our projects within existing JORC resources; and exploration drilling to identify new targets and further define known prospects. Around two thirds of the metres drilled (and one third of the budget) was focused on new targets. Consistent, encouraging grade intercepts were made along the 33 kilometre Attila Trend and the Central Bore area, with both projects retaining a high level of exploration upside.

Due to the size and scale of Gold Road's ~5,000km<sup>2</sup> tenement holding in the Yamarna Belt, prioritising new gold targets has been a key objective. Led by our Technical Director, Ziggy Lubieniecki and Exploration Manager, Shaun Richardson, our growing team of highly qualified geologists and field assistants utilised a wide range of proven tools and methods in order to effectively and efficiently target optimal exploration zones (which we have called 'Smart Exploration'). We have now generated a wealth of technical and exploration data from means including RAB and auger drilling, an aeromagnetic survey, a sub-audio magnetics survey and extensive geotechnical mapping. We intend to use this information to guide our exploration drilling program throughout the next financial year.

### Outlook

Gold Road will continue its primary mission of unlocking the potential of Yamarna over the next 12 months and work towards our aim of becoming a self-funded explorer. Key anticipated milestones during 2013 will include the completion of feasibility studies for Central Bore and Attila and further definition of exciting new gold prospects. Our exploration program across new and conceptual targets will continue as we seek to establish a pipeline of exploration and production projects across the Yamarna Belt.

It has been another exciting and successful year for Gold Road, and on behalf of the Board I would like to thank our growing team for their efforts, enthusiasm and achievements throughout the year. We would also thank our shareholders for their continued support and belief in the Company.



**Ian Murray**  
Executive Chairman



# Review of Operations

## ‘Unlocking the potential of a new gold region: The Yamarna Belt’

### Highlights

- Three new gold targets identified at the Central Bore Area
- Discovery of multiple new gold anomalies on the 33 kilometre Attila Trend – Tatar, VTEM, Western Ultramafics and two new zones at Khan North
- Elvis prospect represents a possible parallel gold trend to the Attila Trend
- Numerous high-grade gold values intercepted along the Attila Trend
- Numerous high-grade gold values intercepted across the Central Bore Area
- Discovery of Dead Dog and Koopman's Find gold prospect on the Tobin Hill gold trend
- Discovery of Dorothy Hills (north) gold prospect on the Dorothy Hills Trend
- Gold mineralisation at Dorothy Hills extended to 1.5 kilometres
- Gold mineralisation at Tobin Hill extended to 1.1 kilometres
- Measured and Indicated categories of Central Bore Project Resource increased to 94%
- Successful Central Bore Project Scoping Study underpinned its viability as a standalone project
- Won numerous industry awards including Diggers and Dealers Emerging Company



# Review of Operations continued

## Exploration

### Introduction

Located on the world-class Yilgarn Craton – which has produced over half of Australia's gold to date – Gold Road's ~5,000 square kilometre Yamarna greenstone belt tenement package has strong potential to be a multi-million ounce gold camp.

Discovered in the 1990s and located around 870 kilometres east of Perth, the Belt's remoteness and cover has contributed to it being one of the most under-explored greenstone belts in Western Australia.

Recently found by the Geological Society of Western Australia to share the same age and characteristics as the prolific Kalgoorlie Belt, the report also stated that gold exploration techniques for Kalgoorlie may also prove effective for Yamarna. Past gold production from the Kalgoorlie greenstone belt exceeds 120 million ounces and it continues to deliver new discoveries 130 years later.

Gold Road is the first – and only – company to consolidate the tenements and conduct systematic exploration on the Yamarna Belt.

With only a small proportion of the belt having received detailed exploration so far, Gold Road has achieved a JORC Resource of more than 1.2 million ounces of gold, made 13 new gold discoveries since 2009 and established a pipeline of more than 100 targets.

Over the previous 12 months, Gold Road has maintained its aggressive, systematic drilling and exploration across Yamarna to further establish the Belt as Australia's next major gold region.

Exploration is focused on increasing confidence and expanding the resource of the advanced projects, whilst also searching for more new gold discoveries.

Targeting 150,000 metres of drilling in the 2012 calendar year, approximately one third of the total metres drilled (two thirds of the budget) was focussed on further proving the Company's advanced projects and two thirds on establishing new gold prospects.

Gold Road has utilised a 'Resources Pyramid' (Figure 1) to assist in prioritising projects and allocating drill rigs and resources to the key projects. Gold Road aims to advance more projects up the pyramid and into the JORC Resource category.

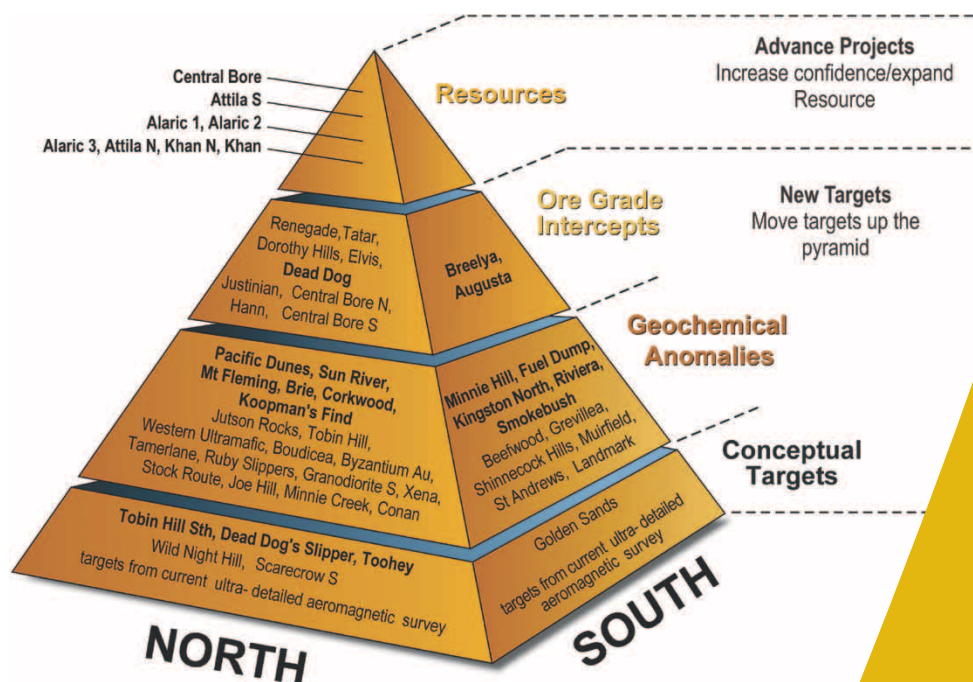


Figure 1: Resources Pyramid.



# Review of Operations continued

In the 2012 financial year Gold Road executed the following drilling program:

- 2,018 metres of diamond drilling at Central Bore and Dorothy Hills;
- 63,942 metres of Reverse Circulation (**RC**) drilling at Central Bore, Central Bore North, Central Bore South, Justinian, Justinian East, Khan North, Alaric, Attila South, Attila North and Hann;
- 154,153 metres of Rotary Air Blast (**RAB**) and Air Core drilling (**AC**) at Central Bore North, Central Bore South, Byzantium, Dead Dog, Koopman's Find, Tobin Hill, Khan North, VTEM, Tatar, Western Ultramafics, Hann South, Elvis, Dorothy Hills North, Dorothy Hills and Dorothy Hills East.

## Smart Exploration

Gold Road utilised a number of exploration tools over the year to explore its Yamarna Gold Belt. From traditional prospecting, soil sampling, auger drilling, geotechnical mapping and dry-blowing to Sub-Audio Magnetics (**SAM**), aeromagnetics and gravity surveys, RC, RAB and diamond drilling – Gold Road has gathered a substantial quantity of geological data on the belt and is using this information to establish, rank and prioritise targets.

The SAM geophysical survey across the Central Bore Area, carried out by Gap Geophysics Australia Pty Limited, proved it has potential to be a quick and cost effective tool for the Yamarna Belt by generating and narrowing-down drill targets. SAM confirmed the existing mineralised structures at the 6 square kilometre Central Bore Area and identified at least three new targets in the area. SAM images also indicated the Central Bore trend is still open further to the north and south and that there are other parallel conductive zones.

An aeromagnetic survey was carried out over Yamarna in late 2011 and early 2012, covering approximately 3,420 square kilometres including 69,333 line kilometres on 50-100 metre line spacing.

Gold Road merged data from this survey with the existing surveys and structural interpretation of magnetic data and gold mineralisation targeting has commenced.

In order to fulfil the exploration program Gold Road expanded its exploration team throughout the year and currently employs 7 full time geologists and field staff.

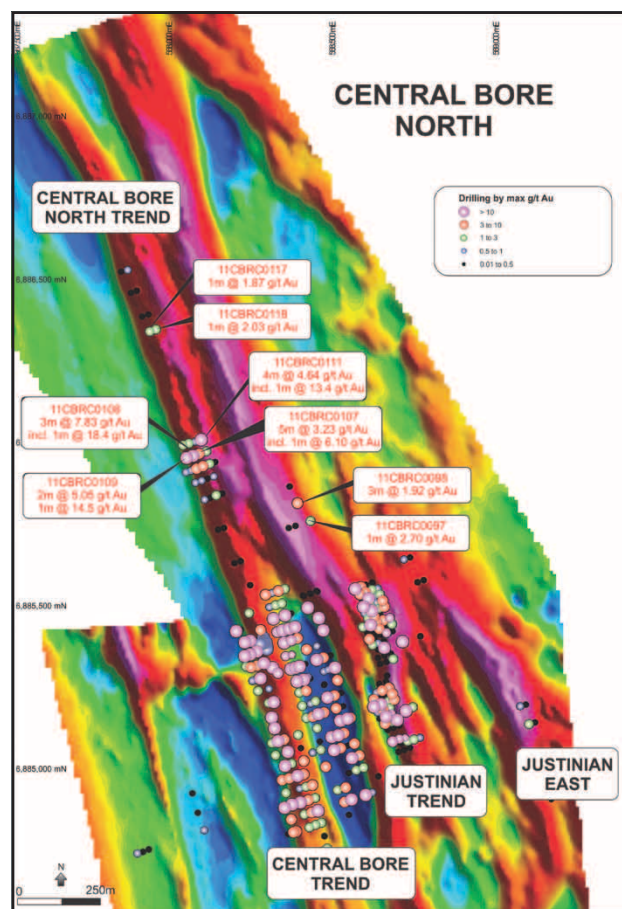


Figure 2: RC Drill-hole Intercepts overlaid on SAM image at Central Bore Project.

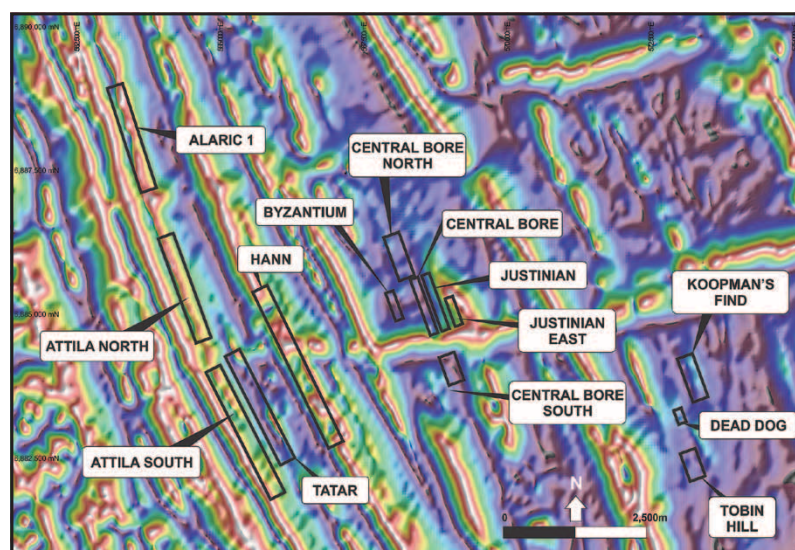


Figure 3: Aero magnetics.





## Gold Exploration

### Central Bore Area

#### Advanced project: Central Bore Project

The Central Bore Project was discovered by Gold Road in 2009 and is the Company's flagship high-grade gold deposit. Central Bore is located in the heart of the Central Bore Area, a 6 square kilometre zone which hosts at least four other known gold deposits, Justinian, Byzantium, Central Bore North and Central Bore South.

Drilling at the Central Bore Project over the last financial year was designed to increase the confidence in grade and geological continuity of the deposit by systematically testing the mineralised 800 metre x 400 metre panel with a 40 metre x 40 metre grid. The deposit remains open at depth.

The Sub-Audio Magnetics (**SAM**) survey carried out in March 2012 across the entire 6 square kilometre area confirmed the known mineralisation and identified at least three new exploration targets which require follow up test work.

Over the last financial year Gold Road carried out 64 RC holes for 13,154 metres and 23 diamond tails for 1,332 metres.

Significant results include:

- 0.7 metre @ 70.6 g/t Au from 105 metres
- 2 metres @ 32.6 g/t Au from 238 metres, including 1 metre @ 62.5 g/t Au
- 5 metres @ 7.5 g/t Au from 203 metres, including 1 metre @ 26.7 g/t Au
- 3 metres @ 10.0 g/t Au from 322 metres, including 1 metre @ 19.7 g/t Au
- 2 metres @ 13.8 g/t Au from 135 metres
- 2 metres @ 9.6 g/t Au from 262 metres, including 1 metre @ 17.9 g/t Au
- 4 metres @ 3.3 g/t Au from 383 metres including 1 metre @ 10.1 g/t Au

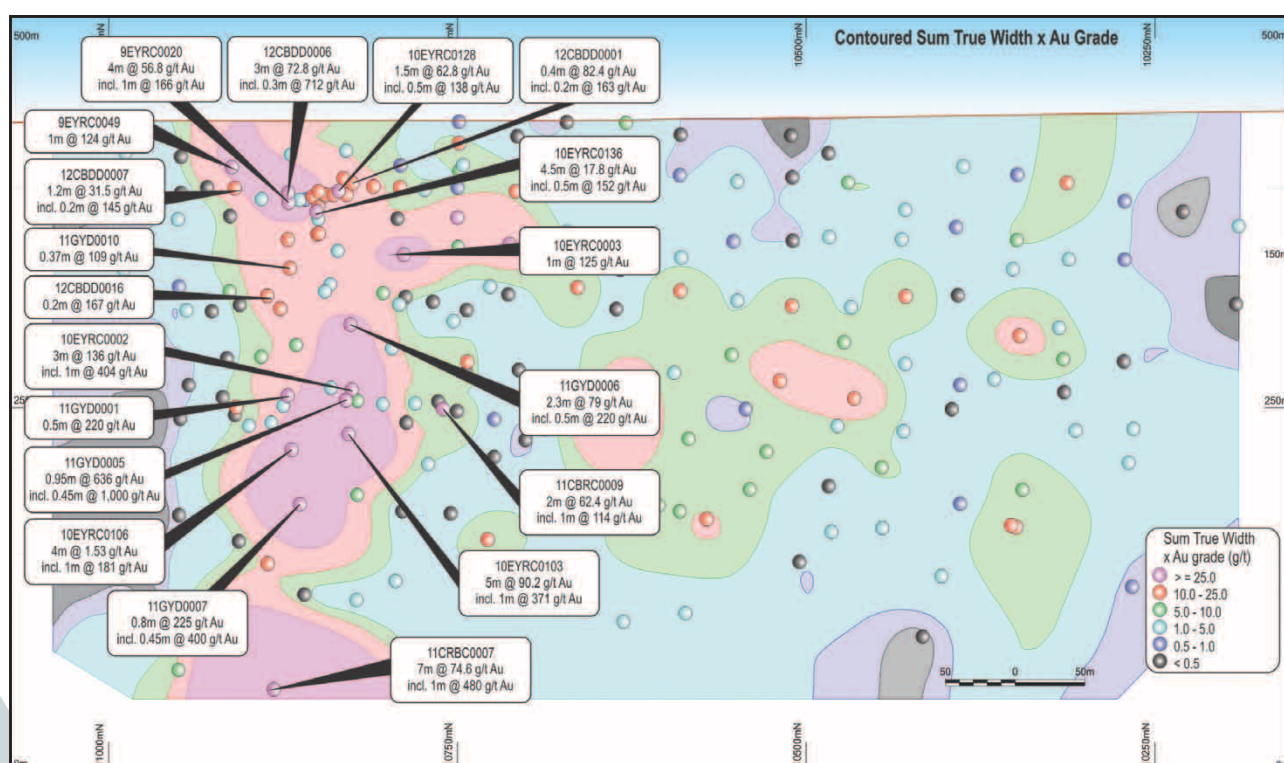


Figure 4: Central Bore Long Section – looking east.



## Attila Trend

### Advanced projects: Attila South, Alaric, Khan and Khan North

Gold mineralisation at the Attila Trend extends approximately 33 kilometres in a north-northwest direction. The Attila Trend includes the established Attila South, Alaric, Khan and Khan North deposits, which together constitute an existing JORC Resource of 1,060,000 oz Au at an average grade of 1.29 g/t (published in 2012).

Over the last financial year Gold Road found multiple high grade intercepts (>20 g/t Au) along the trend that have the potential to develop into Central Bore style deposits. Gold Road also located several gold prospects on the trend (including VTEM, Tatar and gold-copper near Khan North).

Exploration over the year focused on 'drilling the gaps' between the known deposits as well as drilling the deposits themselves to increase confidence and size of the Resource. Gold Road's extensional and infill drilling program along the Attila Trend has two aims:

- to identify additional higher-grade resources to supplement production from the high-grade Central Bore Project in order to justify the development of our own moderate-tonnage processing plant; and
- to increase the overall resource with the aim of growing towards a bulk-tonnage operation.

Between July 2011 and June 2012 approximately 300 RC holes for 26,159 metres were drilled across advanced projects on the Attila Trend.

Significant results include:

#### Khan North

- 4 metres @ 9.4 g/t Au (23.6 g/t Au in repeat 4 metre composite sample) from 40 metres
- 1 metre @ 17.3 g/t Au from 112 metres

#### Attila South

- 7 metres @ 2.2 g/t Au from 115 metres
- 6 metres @ 3.2 g/t Au from 94 metres

#### Attila North

- 1 metre @ 23.4 g/t Au from 74 metres
- 1 metre @ 11.9 g/t Au from 69 metres
- 2 metres @ 7.5 g/t Au from 56 metres
- 1 metre @ 11.9 g/t Au from 69 metres

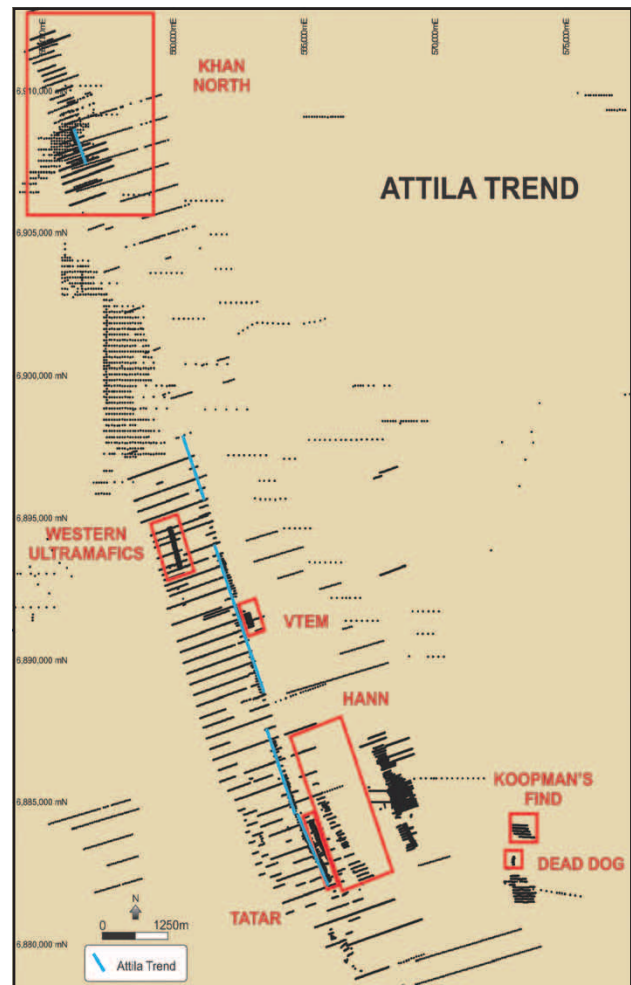


Figure 5: Attila Trend.

#### Alaric

- 7 metres @ 5.1 g/t Au from 67 metres including 1 metre @ 30.3 g/t Au
- 3 metres @ 14.5 g/t Au from 143 metres including 1 metre at 36.4 g/t Au
- 1 metre @ 30.6 g/t Au from 14 metres
- 1 metre @ 33.5 g/t Au from 71 metres
- 1 metre @ 24.9 g/t Au from 37 metres

# Review of Operations continued

## Gold Prospects: Hann, Tatar, VTEM, Western Ultramafics

Gold Road has located several new gold prospects along the 33 kilometre Attila Trend in the last financial year, including Tatar, VTEM and Western Ultramafics. The Hann Prospect was discovered earlier, in 2009.

### Hann

The Hann prospect is a 4.3 kilometre long gold anomaly located on the Attila Trend, 2.4 kilometres west of the Central Bore Project.

Discovered in July 2010 Gold Road has so far tested 2.5 kilometres of the anomaly. RC drilling was chosen instead of RAB due to the hardness of the outcropping rocks, though it is essentially a RAB type drilling program.

Significant results include:

- 2 metres @ 9.6 g/t Au from 45 metres, including 1 metre @ 16.0 g/t Au
- 1 metre @ 2.9 g/t Au at Hann South

### Tatar

The Tatar prospect is located 500 metres east of the Attila South gold deposit on the Tamerlane trend. It was discovered during a RAB program which was designed to test and sterilise the ground between the Attila South gold deposit and the Hann prospect.

A 1.5 kilometre long gold anomaly was delineated – coinciding with lithological contact between felsic volcanoclastics (tuff) and andesite units.

Significant results include:

- 1 metre @ 0.55 g/t Au from 32 metres
- 1 metre @ 2.0 g/t Au from 10 metres

### VTEM

The VTEM prospect is located close to the Alaric 2 gold deposit on the Tamerlane trend. Geophysical modelling of VTEM showed a ~600 metre long, steeply east dipping, moderately conductive body, the top of which is about 75 metres below surface.

Gold Road completed 151 RAB holes for 5,267 metres on seven traverses, 80 metres apart, and 3 RC holes for 616 metres. Drilling identified a 500 metre long gold and a 300 metre wide arsenic-copper-lead-zinc-nickel anomaly. The VTEM anomaly was caused by the presence of graphite.

### Western Ultramafics

The Western Ultramafics prospect is located 1.5 kilometres west of the Alaric 3 gold deposit.

Gold Road completed 136 RAB holes for 1,816 metres, but encountered problems with the shallow water table and the program was terminated. Aircore drilling later resumed with 203 holes being drilled for 8,036 metres.

Drilling was designed to test a 1.5 kilometre long zone where sporadic historical drilling identified gold anomalism (the best intercept: 1 metre @ 3.7 g/t Au).

Gold Road's drilling confirmed the presence of anomalous gold in the area. The gold anomaly generally is located near or within the contact between the ultramafic/mafic and the intermediate schist (after granodiorite) units.

Drilling indicated a presence of barren transported sediments from 20 metres thick in the northern section of the drilling grid to more than 40 metres in the southern end. That could explain why the best gold anomalies appear to be located in the area where the transported sediments are shallower. The apparent short strike of gold anomalies (generally less than 100 metres), are probably caused by the deepening of the channel. A few RAB holes returned anomalous copper on the edges of the ultramafic unit (elevated background Cr-Ni). The interpretation of the drilling results is in progress.





## Central Bore Project: Resource Update

In February 2012 Gold Road announced an updated JORC Resource for the Central Bore Project of 519,000 tonnes at 9.1 g/t Au for a total of 152,323 ounces (see Table 1).

Compared to the March 2011 JORC Resource, the overall grade increased by 16% which resulted in marginally higher contained gold. The Measured and Indicated categories increased to 94% of the total Resource, boosting confidence in the Project's economic viability. The updated Resource highlighted the strength of the Imperial Shoot through a 114% increase in tonnage to 164,800 tonnes and an increase in contained ounces to 101,738 ounces at a grade of 19.2 g/t Au.

The Resource is defined along an 800 metre strike length to a depth of approximately 400 metres below the surface and is open at depth.

The updated Resource estimate underpinned Gold Road's plans to accelerate Central Bore into production and use the resultant cash flow to fund exploration of the Yamarna Belt.

Infill drilling throughout 2012, which includes 30 diamond holes from a depth of 50 to 267 metres, is expected to further increase the Measured and Indicated categories of the deposit, and Gold Road expects to update Central Bore's Resource in late 2012.

Resource update highlights:

- Central Bore Project Resource is 519,000 tonnes at 9.1 g/t Au for a total of 152,323 ounces
- Increased confidence in the Resource with Measured and Indicated categories rising 26% to 143,429 ounces
- Measured and Indicated categories account for 94% of the total Resource
- Overall grade increased by 16%, resulting in marginally higher contained gold
- Imperial Shoot tonnage increased 114% to 164,800 tonnes
- Imperial Shoot contained ounces increased 73% to 101,738 ounces
- Combined Resource for Imperial Shoot is 164,800 tonnes at 19.2 g/t Au for 101,738 ounces
- Imperial Shoot outcrops and remains open at depth
- The deepest intercept of 5 metres at 104 g/t Au from 426 metres, including 1 metre at 480 g/t Au, has been restricted to a radius of 7 metres and at this stage is included in the inferred category.
- Infill drilling planned with aim of further increasing the Measured and Indicated categories



Ravensgate completed the resource estimate, which was prepared in accordance with the guidelines of the JORC Code (2004). Grade estimation was carried out using ordinary kriging. A breakdown of the estimate is as follows using a cut-off of 1.0 g/t Au (Table 1).

Table 1:

Central Bore Project (1.0 g/t) (2012)	Tonnes	Grade g/t Au	Ounces Au
Measured	22,000	22.4	15,710
Indicated	444,000	8.9	127,719
Inferred	53,000	5.3	8,893
<b>TOTAL</b>	<b>519,000</b>	<b>9.1</b>	<b>152,323</b>

The new model is very similar to the previous Resource Estimate for Central Bore completed by Ravensgate in March 2011. Globally resource tonnages have decreased due to tighter domaining of high grade zones but grade has increased which results in a marginally higher global contained metal.

The main difference is that the Indicated Resource has been increased by approximately 26% which reflects conversion from Inferred to Indicated categories by completed infill drilling since the last model.

# Review of Operations continued

## Gold Prospects: Justinian and Justinian East Prospects

Discovered in August 2010, the Justinian Prospect is located 200 metres east of Central Bore. Gold mineralisation at Justinian has similar characteristics to Central Bore, including visible gold in the pan and an association with elevated molybdenum. It is a wider structure in places but more fractured and complex than Central Bore. It has a strike length of 600 metres. The Maiden Resource is expected in the fourth Quarter 2012. Justinian East is a 800 metre long anomaly, located 200 to 400 metres east of Justinian.

The SAM survey, carried out in March 2012 showed a strong relationship between known structures which host mineralisation at Justinian and Justinian East, as well as identifying additional conductive structure between the Central Bore and Justinian deposits.

Interpretation of SAM images suggested that Justinian and Justinian East are hosted in western and eastern limbs respectively of a north-south trending fold structure.

Over the 2011/2012 financial year Gold Road drilled out 49 RC holes for 5,759 metres at Justinian and Justinian East.

Significant intercepts at Justinian include:

- 1 metre @ 15.2 g/t Au from 164 metres
- 1 metre @ 13.6 g/t Au from 34 metres
- 3 metres @ 7.2 g/t Au from 120 metres; including 1 metre @ 19.2 g/t Au
- 2 metres @ 6.3 g/t Au from 87 metres; including 1 metre @ 11.4 g/t Au

Significant gold intercepts between Justinian and Central Bore included:

- 1 metre @ 7.3 g/t Au from 22 metres (prior to SAM survey)
- 3 metres @ 1.9 g/t Au and 1 metre @ 2.7 g/t Au

## Gold Prospects: Central Bore North and Central Bore South

Central Bore North and Central Bore South were identified in 2011.

Central Bore North is located 0.5 -1.5 kilometres north along the trend of the high-grade Imperial Shoot at the Central Bore deposit, Central Bore North is a 2 kilometre long gold anomaly.

Central Bore South is a 500 metre long mineralised structure. The SAM survey in March 2012 identified a new potential gold target approximately 250 metres west of Central Bore South, which requires follow up test work.

Significant intercepts at Central Bore North include:

- 4 metres @ 6.1 g/t Au from 119 metres, including 1 metre @ 18.4 g/t Au
- 3 metres @ 3.6 g/t Au from 146 metres and 3 metres @ 5.4 g/t Au from 164 metres, including 1 metre @ 14.5 g/t Au
- 5 metres @ 3.8 g/t Au from 41 metres, including 1 metre @ 13.4 g/t Au
- 5 metres @ 3.2 g/t Au from 85 metres including 1 metre @ 6.1 g/t Au





Gold Road completed a maiden RC program of 15 holes for 1,750 metres and 340 holes for 4,992 metres of RAB drilling at the Central Bore South prospect.

Significant intercepts at Central Bore South include:

- 
- RAB, 3 metres @ 5.2 g/t Au from 27 metres, including 1 metre @ 11.7 g/t Au
- 
- RAB, 1 metre @ 1.2 g/t Au from 30 metres
- 
- RC, 2 metres @ 1.5 g/t Au from 43 metres, 1 metre @ 3.9 g/t Au from 55 metres, 1 metre @ 1.2 g/t Au from 83 metres and 1 metre @ 0.7 g/t Au from 94 metres
- 

## New Gold Trends

### Tobin Hill Trend

#### Gold Prospects: Dead Dog and Koopman's Find Prospects

Tobin Hill is located 5.5 kilometres south-east of the Central Bore Project. The Tobin Hill trend consists of two new gold discoveries, the Dead Dog and Koopman's Find prospects.

Gold Road completed the first phase of the RAB drilling program at Tobin Hill in early 2011, which identified "spotty" anomalies.

A second phase of RAB drilling which concluded in October 2011 delineated the 700 metre Dead Dog gold trend with grades up to 15 g/t Au over 1 metre. The anomaly is open to the north and south. A follow up RAB program is planned to occur in 2012. Dry blowing tests in the area indicated a presence of coarse "jagged" gold that indicated that the recovered gold is close to the in-situ source.

In January 2012 Gold Road discovered the Koopman's Find prospect, a 400 metre long trend located approximately 1 kilometre north-northeast of the Dead Dog prospect. The high-grade gold patch was discovered during a regional auger drilling program and a rock chip sample returned a grade of 40.7 g/t Au. The gold appears to be hosted by quartz veining. Fine gold was also recovered through panning the surface material within a 50-200 metre radius of the discovery patch. These results are encouraging as they come from a virgin area with limited previous exploration. Most of the area is covered with transported material and Permian sediments and scree.

In May 2012 gold mineralisation was found to be hosted either by separate north-northwest trends or the same trend but offset by faulting. Both trends are associated with a broad zone of anomalous trace elements like copper, zinc, arsenic, nickel, chromium, iron and manganese. The mineralisation is hosted by a 100 metre wide zone

of alternating andesite and carbonaceous sediments. The weathering is relatively deep (60-70 metres) and the rock is strongly altered and leached.

Gold Road plans to carry out a SAM survey in the area. SAM was used at the Central Bore Area which identified three new targets which had not been detected by other techniques.

Over the 2011/2012 financial year Gold Road completed 1,002 RAB drill-holes for 37,606 metres across the Tobin Hill trend.

Significant intercepts include:

- 
- 1 metre @ 15.0 g/t Au from 32 metres
- 
- 10 metres @ 0.8 g/t Au from 28 metres including 1 metre @ 4.5 g/t Au
- 
- 10 metres @ 1.0 g/t Au from 36 metres including 1 metre @ 4.1 g/t Au
- 

### Dorothy Hills

#### Gold Prospects: Dorothy Hills and Dorothy Hills North

The Dorothy Hills gold trend is located approximately 23 kilometres north-east of Central Bore and currently consists of two prospects, Dorothy Hills and Dorothy Hills North.

The Dorothy Hills prospect was discovered in 2011 using combined auger and soil geochemistry programs, and consists of a 1.8 kilometre and a 1.4 kilometre gold anomaly. Both anomalies are open-ended.

Gold Road discovered the Dorothy Hills North prospect in January 2012, and is a 1.5 kilometre long gold anomaly at the sheared granite and basalt contact. Gold is hosted by both the granite and basalt, which extends over 15 kilometres. The contact of the granite and basalt is well defined (characterised by the presence of multiple quartz veining) and dipping about 45° to northeast (dip direction 55°). Mineralisation is open to the southeast but it appears to pinch out to the north at the apex of a granitic intrusion.

RAB drilling also identified weaker gold anomalies parallel to the contact within both the basalt and the granite. One isolated 300 metre wide gold anomaly is located within the granite, on the most southern long drilling fence coincident with north-south trending folded magnetic trends. This anomaly appears to be associated with quartz veining or stock-work.

Magnetics show that a structure (granite intruding into basalt) similar to Dorothy Hills is located approximately 7 kilometres northwest from Dorothy Hills North. There is almost no previous exploration on this ground.

# Review of Operations continued

The magnetic images also show numerous similar structures in Gold Road's southern tenements. The lesson learned from Dorothy Hills exploration successes will be applied to those new areas.

Over the 2011/2012 financial year Gold Road completed 1,382 RAB drill-holes for 20,700 metres across the Dorothy Hills gold trend and 29 RC holes for 2,933 metres with 2 diamond tails for 686 metres.

Significant intercepts include:

- 2 metres @ 3.5 g/t Au, including 1 metre @ 6.4 g/t Au from 30 metres
- 1 metre @ 1.5 g/t Au from 17 metres
- 1 metre @ 2.2 g/t Au from 9 metres

## Elvis

The Elvis prospect is located 1.5 kilometres southwest of the Attila Trend and is a 2.3 kilometre long, and up to 200 metre wide, gold anomaly open to the north and south. Gold Road conducted a RAB drilling program at the prospect in 2012, with early results indicating that Elvis could be the southern extension of a possible new gold trend running parallel to the 33 kilometre long Attila Trend.

Gold mineralisation at Elvis is hosted by quartz veining within the granodiorite and it is associated with the presence of trace elements including copper and molybdenum. Mineralisation is located in the area where the airborne magnetic images show a bend that is believed to be conducive for gold mineralisation.

The Elvis prospect shows a similarity to another recently discovered zone of gold-copper-molybdenum mineralisation located west of Khan North, at the northern extension of the 33 kilometre long Attila Trend. The Elvis prospect and the gold-copper-molybdenum discovery at Khan North are approximately 33 kilometres apart and also in a north-northwest orientation. Both zones of mineralisation are associated with the same magnetic trend. It is possible that the Elvis Trend represents another mineralised zone parallel to the Attila Trend, which needs to be systematically explored.

Over the 2011/2012 financial year Gold Road completed 1,056 RAB drill-holes for 23,494 metres at the Elvis prospect:

Significant intercepts include:

- 1 metre @ 3.6 g/t Au from 20 metres
- 4 metres @ 1.3 g/t Au from 16 metres
- 2 metres @ 1.3 g/t Au from 4 metres
- 1 metre @ 1.2 g/t Au from 12 metres





# Pathway to Production

## Introduction

Yamarna's size, scale and prospectivity, together with the breakthrough discovery of Central Bore, have led Gold Road to progress a strategy to become a self-funded explorer, allowing the Company to unlock the potential of the Yamarna Belt.

The Company aims to use the cash flow generated from gold production to fund systematic, continuous exploration of the Belt. Importantly, production will enable Gold Road to de-link its exploration program from market volatility – allowing a sustained exploration program. Gold Road believes this strategy will provide greater long-term shareholder value through significantly reduced dilution.

In September 2011 Gold Road appointed Mr Gordon Murray as Business Development Manager to strengthen and develop the Company's production capabilities. A senior mining engineer with more than 20 years' experience in the resources industry, Mr Murray was a project manager for BHP Billiton at the Olympic Dam Mine and a contract mining engineer for Barrick Gold Australia Ltd. He has also held senior mine management positions with St Barbara Ltd, Troy Resources, Australian Mines Limited and Siberia Mining Corporation. Mr Murray holds a Bachelor of Engineering (Mining), a First Class Mine Manager's Certificate of Competency (Western Australia) and a Graduate Diploma in Petroleum Engineering.

The Company further strengthened its production capabilities this year through the appointment of Mr David Woodall to the Board as a Non-Executive Director. Mr Woodall is a mining engineer with more than 28 years' industry experience. With a proven track-record in advancing exploration projects into production, Mr Woodall's career has included development of numerous gold, base metal and iron ore mines.

Mr Woodall has had senior management positions with internationally publically listed resources companies in Canada, Australia, Fiji, Central Asia and China. As a graduate of the WA School of Mines, and having spent well over 10 years working in the Western Australian gold fields, Mr Woodall is knowledgeable regarding mining in the Western Australian greenstone belts.

Mr Woodall holds a BAppSc (Mining Engineering), a Graduate Diploma (Business), MSc (Mineral Economics) and a First Class Mine Managers Certificate of Competency (Western Australia and Queensland).

Mr Woodall's appointment has brought a very high level of experience in both open pit and underground mine development to the Company, which will prove invaluable as Gold Road moves towards production.

Gold Road has further expanded its production division through the year with the appointment of a Principal

Mining Engineer, Mr Asam Shaibu. Mr Shaibu has more than 10 years mining experience mostly in the gold sector. He has held various positions at Freda Rebecca Mine in Zimbabwe, Xstrata Copper in Mount Isa and a senior role at St Barbara Mines in Southern Cross. He holds a Mining Engineering degree from the University of Zimbabwe as well as a First Class Mine Manager's Certificate of Competency (Western Australia).

The Company expects to add to this team throughout 2012 and 2013.

## Central Bore Initial Scoping Study

Gold Road completed a successful Scoping Study at Central Bore (based on the March 2011 Resource) in February 2012. Completed by Optiro Pty Limited (**Optiro**), the key finding of the Study was that Central Bore is viable as a standalone project.

As part of the Scoping Study, Gold Road carried out further metallurgical testwork to investigate the gravity recoverable gold content of both the oxide and fresh ore samples. The gravity recoverable gold content for oxide and fresh material were 52.7% and 52.2% respectively. The report indicated that "in practice 60 - 80% of this figure would be achievable for a well-designed circuit".

The study estimated transport and toll treatment costs of \$32 million over the life of mine and Gold Road recognised that this outlay could potentially be utilised to construct a modest sized process plant at Yamarna which could not only treat high grade Central Bore ore but also be used to process additional lower grade resources from the Attila Trend or from future exploration success on the Yamarna belt.

## Central Bore and Attila Trend Scoping Study

The strategy of Gold Road in light of the current conditions in raising funds has been to protect our shareholder value by developing a development plan that would enable the self-funding of its focused exploration of the Yamarna Belt. In February 2012 Gold Road commenced a Scoping Study that encompassed both advanced projects – Central Bore and the Attila Trend.

The Scoping Study is investigating several scenarios for a 100,000 or 400,000 tonne per annum processing plant facilities at Yamarna, producing around 30,000 to 50,000 ounces of gold per annum. A summary of the Scoping Study results are set out in the ASX announcement – Economic Viability of Mining at Yamarna Confirmed (26 September 2012).

Feed for Gold Road's production plant is expected to come from multiple open pits along the 33 kilometre Attila Trend and an underground mine at Central Bore.

## Pathway to Production continued

A number of important milestones towards the completion of the Scoping Study have been achieved, including Fauna and Flora field studies, hydrology studies (with water bore drilling of seven production bores and one inspection bore completed with good flow rates recorded) and completion of de-watering bores at Central Bore, Attila South and Alaric 3. The Subterranean Fauna Assessment is in progress with field work completed, and an Infrastructure Study to identify and estimate the cost of non-process plant related infrastructure is underway.

### Native Title

Gold Road has agreements in place with relevant traditional owners allowing for:

- the conduct of Aboriginal heritage surveys over its tenements; and
- access to its tenements over Cosmo Newberry Aboriginal Reserves.

In accordance with the statutory process under the Native Title Act 1993 (Cth), Gold Road is in advanced discussions with the current registered native title claim group over the area of the Yamarna Project, the Yilka people, with a view to reaching agreement regarding the grant of Gold Road's mining leases. Gold Road intends to conclude those discussions during the forthcoming year.

*Table 3: Current JORC compliant Gold Resource.  
Note: rounding errors may occur*

Project Name (cut-off)	'000 t	Grade g/t Au	Ounces Au
Central Bore Project (1.0 g/t) (2012)	519	9.13	153,000
Measured	22	22.5	16,000
Indicated	444	8.90	128,000
Inferred	53	5.25	9,000
Attila Trend (0.5 g/t) (2012) (encompasses Attila South, Attila North, Alaric, Khan and Khan North projects)	25,527	1.29	1,060,000
Measured	8,382	1.44	389,000
Indicated	9,360	1.24	373,000
Inferred	7,785	1.19	298,000
<b>TOTAL</b>	<b>26,046</b>	<b>1.45</b>	<b>1,213,000</b>

### NOTES:

*The information in this report which relates to Exploration Results or Mineral Resources is based on information compiled by Ziggy Lubieniecki, the Executive Director – Technical of Gold Road, who is a Member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Ziggy Lubieniecki has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Ziggy Lubieniecki consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.*

*The information in this report which relates to the Yamarna Gold Project Mineral Resource estimates are based on geostatistical modelling by Ravensgate using sample information and geological interpretation supplied by Gold Road. The Mineral Resource estimates were undertaken by Stephen Hyland, a principal Consultant of Ravensgate. Mr Stephen Hyland is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Stephen Hyland consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.*

*The information in this report which relates to the Yamarna Scoping Study is based on reporting by Optiro using information and geological interpretation supplied by Gold Road. The Yamarna Scoping Study compilation was undertaken by Russell McBeath, a principal Consultant of Optiro. Mr McBeath is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr McBeath consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.*



# Schedule of Interests in Mining Tenements

Tenement Number	Registered Title Holder	Gold Road % Interest	Status
<b>EXPLORATION LICENCES</b>			
E38/0361	Gold Road Resources	100	Granted
E38/1083	Gold Road Resources	100	Granted
E38/1097	Gold Road Resources	100	Granted
E38/1386	Gold Road Resources	100	Granted
E38/1388	Gold Road Resources	100	Granted
E38/1798	Gold Road Resources	100	Granted
E38/1858	Gold Road Resources	100	Granted
E38/1931	Gold Road Resources	100	Granted
E38/1932	Gold Road Resources	100	Granted
E38/1964	Gold Road Resources	100	Granted
E38/2178	Gold Road Resources	100	Granted
E38/2235	Gold Road Resources	100	Granted
E38/2236	Gold Road Resources	100	Granted
E38/2249	Gold Road Resources	100	Pending
E38/2250	Gold Road Resources	100	Granted
E38/2290	Gold Road Resources	100	Granted
E38/2291	Gold Road Resources	100	Granted
E38/2292	Gold Road Resources	100	Granted
E38/2293	Gold Road Resources	100	Granted
E38/2294	Gold Road Resources	100	Granted
E38/2319	Gold Road Resources	100	Granted
E38/2320	Gold Road Resources	100	Granted
E38/2325	Gold Road Resources	100	Granted
E38/2326	Gold Road Resources	100	Granted
E38/2327	Gold Road Resources	100	Granted
E38/2355	Gold Road Resources	100	Granted
E38/2356	Gold Road Resources	100	Granted
E38/2362	Gold Road Resources	100	Granted
E38/2363	Gold Road Resources	100	Granted
E38/2415	Gold Road Resources	100	Granted
E38/2427	Gold Road Resources	100	Granted
E38/2428	Gold Road Resources	100	Granted
E38/2429	Gold Road Resources	100	Granted
E38/2446	Gold Road Resources	100	Granted
E38/2447	Gold Road Resources	100	Granted
E38/2507	Gold Road Resources	100	Granted
E38/2638	Gold Road Resources	100	Application
E38/2722	Gold Road Resources	100	Application
E38/2729	Gold Road Resources	100	Application

Tenement Number	Registered Title Holder	Gold Road % Interest	Status
<b>EXPLORATION LICENCES</b>			
E38/2735	Gold Road Resources	100	Application
E38/2766	Gold Road Resources	100	Application
E39/1553	Gold Road Resources	100	Granted
E39/1554	Gold Road Resources	100	Granted
E39/1555	Gold Road Resources	100	Granted
<b>MINING LEASES</b>			
M38/435	Gold Road Resources	100	Granted
M38/436	Gold Road Resources	100	Granted
M38/437	Gold Road Resources	100	Granted
M38/438	Gold Road Resources	100	Granted
M38/439	Gold Road Resources	100	Granted
M38/788	Gold Road Resources	100	Granted
M38/814	Gold Road Resources	100	Granted
M38/841	Gold Road Resources	100	Granted
M38/1178	Gold Road Resources	100	Application
M38/1179	Gold Road Resources	100	Application
M38/1255	Gold Road Resources	100	Application
<b>PROSPECTING LICENCES</b>			
P38/3337	Gold Road Resources	100	Granted
P38/3338	Gold Road Resources	100	Granted
P38/3344	Gold Road Resources	100	Granted
P38/3345	Gold Road Resources	100	Granted
P38/3346	Gold Road Resources	100	Granted
P38/3350	Gold Road Resources	100	Granted
P38/3352	Gold Road Resources	100	Granted
P38/3824	Gold Road Resources	100	Granted
P38/3869	Gold Road Resources	100	Granted
P38/3870	Gold Road Resources	100	Granted
P38/3887	Gold Road Resources	100	Granted
P38/3895	Gold Road Resources	100	Granted
P38/3896	Gold Road Resources	100	Granted
<b>MISCELLANEOUS LICENCES</b>			
L38/180	Gold Road Resources	100	Granted
L38/186	Gold Road Resources	100	Application
L38/187	Gold Road Resources	100	Application
L38/210	Gold Road Resources	100	Application
L38/211	Gold Road Resources	100	Application

# Corporate Governance Statement

The Directors of Gold Road support the establishment and on-going development of good corporate governance for the Company.

Gold Road has adopted systems of control and accountability as the basis for the administration of corporate governance. These policies and procedures are summarised below. The Board of the Company is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

The Board and management are committed to corporate governance and, to the extent they are applicable to the Company, have adopted the Eight Essential Corporate Governance Principles and each of the Best Practice Recommendations as published by ASX Corporate Governance Council (**ASX Principles and Recommendations**).

Further information about the Company's corporate governance practices is set out on the Company's website at [www.goldroad.com.au](http://www.goldroad.com.au). In accordance with the recommendations of the ASX, information published on the Company's website includes:

1. Board Charter
2. Nomination Committee Charter
3. Audit Committee Charter
4. Remuneration Committee Charter
5. Policy and Procedure for Selection and Appointment of New Directors
6. Code of Conduct
7. Policy for Dealing in the Company Securities
8. Continuous Disclosure Policy
9. Shareholder Communications Policy
10. Company's Risk Management Policy
11. Diversity Policy

This Statement sets out the corporate governance practices in place during the course of the financial year and as at the date of this report which comply with the recommendations of the Corporate Governance Council unless otherwise stated.

## Corporate Governance Council Principle 1

### ***Lay Solid Foundations for Management and Oversight***

#### **Role of the Board of Directors**

The role of the Board is to build long term sustainable value for its security holders whilst respecting the interests of its stakeholders.

In order to fulfil this role, the Board is responsible for the overall corporate governance of the Company including formulating its strategic direction, setting remuneration and monitoring the performance of Directors and Senior Executives. The Board relies on Senior Executives to assist it in approving and monitoring expenditure, ensuring the integrity of internal controls and management information systems and monitoring and approving financial and other reporting.

In complying with Recommendation 1.1 of the Corporate Governance Council, the Company has adopted a Board Charter which clarifies the respective roles of the Board and senior management and assists in decision making processes. A copy of the Board Charter and the responsibilities of senior executives and management are available on the Company's website.

#### **Board Processes**

An agenda for Board meetings has been determined to ensure certain standing information is addressed and other items which are relevant to reporting deadlines and or regular review are scheduled when appropriate. The agenda is regularly reviewed by the Executive Chairman and the Company Secretary.

#### **Evaluation of Senior Executive Performance**

The Company has not complied with Recommendation 1.2 of the Corporate Governance Council. Due to the early stage of development of the Company it is difficult for quantitative measures of performance to be established. As the Company progresses its projects, the Board intends to establish appropriate evaluation procedures. The Executive Chairman currently assesses the performance of key executives on an informal basis.

## Corporate Governance Council Principle 2

### ***Structure the Board to Add Value***

#### **Board Composition**

The Constitution of the Company provides that the number of Directors shall not be less than three. There is no requirement for any share holding qualification.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include the quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the scope of activities of the Company, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the Board and are subject to re-election by shareholders at the next general meeting. In any event one third of the Directors are subject to re-election by shareholders at each general meeting.

The Board is presently comprised of six members, four Non-executive Directors and two Executive Directors.

The Board has assessed the independence of the Non-Executive Directors in accordance with the definition contained within the ASX Corporate Governance Guidelines and has concluded that the majority of the Non-Executive Directors, do not meet the recommended independence criteria. As a result the Company does not comply with Recommendation 2.1 of the Corporate Governance Council. Mr Hart is not independent by virtue of his Director related services provided to the Company, through Endeavour Corporate and Mr Davis is not independent as he has previously been employed by the Company in an executive capacity.

#### **Independent Chairman**

The Chairman is an Executive of the Company and therefore not an independent Chairman. As such Recommendation 2.2 of the Corporate Governance Council has not been complied with. The Board however believes that Mr Murray is the most appropriate person for the position as Chairman because of his industry experience and proven track record as a public company Director.

The Board at this point in time has two independent Non-Executive Directors, Mr Martin Pyle and Mr David Woodall. The Board considers both its structure and composition are appropriate given the size of the Company and its current scale of operation.

#### **Roles of Chairman and Chief Executive Officer**

The roles of Chairman and Chief Executive Officer are not exercised by different individuals, and as such the Company does not comply with Recommendation 2.3 of the Corporate Governance Council. The Executive Chairman of the Company is currently exercising both these roles. Due to the size of the Company and Mr Murray's experience, the Board is of the opinion that Mr Murray has the capacity to fulfil both these roles at the present time.

A profile of each Director, including their skills, experience and relevant expertise, and the date each Director was appointed to the Board is set out in the Directors' Report.

#### **Nomination Committee**

The Board does not have a separate Nomination Committee comprising of a majority of independent Directors and as such does not comply with Recommendation 2.4 of the Corporate Governance Council. The selection and appointment process for Directors is carried out by the full Board. The Board considers that given the importance of Board composition it is appropriate that all members of the Board partake in such decision making.

A copy of the Nomination Committee Charter and the Policy and Procedure for Selection and Appointment of New Directors is available on the Company's website.



# Corporate Governance Statement continued

## **Evaluation of Board Performance**

The Company has a formal process for the evaluation of the performance of the Board and as such does comply with Recommendation 2.5 of the Corporate Governance Council. The Board undertakes an annual formal review of its performance. The process includes the completion of individual questionnaires focussed on Board processes, effectiveness and structure as well as the effectiveness and contribution made by each Director. The responses are collated and discussed with a view to considering recommendations for improvement.

## **Education**

All Directors are encouraged to attend professional education courses relevant to their roles.

## **Independent Professional Advice and Access to Information**

Each Director has the right to access all relevant information in respect to the Company and to make appropriate enquiries of senior management. Each Director has the right to seek independent professional advice on matters relating to him as a Director of the Company at the Company's expense, subject to prior approval of the Chairman which shall not be unreasonably withheld.

## **Corporate Governance Council Principle 3**

### ***Promote Ethical and Responsible Decision Making***

#### **Code of Conduct**

The Board believes in and supports ethical and responsible decision making. It is expected that all Directors, managers and employees observe the highest standards of integrity, objectivity and business ethics in conducting its business, striving at all times to enhance the reputation and performance of the Company in respect of legal and other obligations to all legitimate stakeholders.

Accordingly, the Board acknowledges the rights of stakeholders and has adopted a Code of Conduct.

The Board has adopted a Code of Conduct that applies to all employees, executives and Directors of the Company and as such complies with Recommendation 3.1 of the Corporate Governance Council. This Code addresses expectations for conduct in the following areas:

- Responsibility to shareholders;
- Integrity and honesty;
- Respect for laws;
- Conflicts of interests;
- Protection of assets;
- Confidential information;
- Employment practices;
- Respect for the community;
- Respect for individuals;
- Fair trading and dealing;
- Compliance with Code of Conduct; and
- Periodic review of the Code.

A copy of the Company's Code of Conduct is available on the Company's website.

#### **Diversity Policy**

The Board has implemented a Diversity Policy in line with Corporate Governance guidelines. The Group believes that the promotion of diversity on its Boards, in senior management and within the organisation generally is good practice and adds to the strength of the Group.

The policy affirms existing employment arrangements which seek to attract and retain people by promoting an environment where employees are treated with fairness and respect and have equal access to opportunities as they arise. Diversity within the workforce includes such factors as religion, race, ethnicity, language, gender, disability and age.

The Board has adopted a diversity policy that details the purpose of the policy and the employee selection and appointment guidelines, consistent with the recommendations of the Corporate Governance Council. The Board believes that the adoption of an efficient diversity policy has the effect of broadening the employee recruitment pool, supporting employee retention, including different perspectives and is socially and economically responsible governance practice.

The Company employs new employees and promotes current employees on the basis of performance, ability and attitude. The Board is continually reviewing its practices with a focus on ensuring that the selection process at all levels within the organisation is formal and transparent and that the workplace environment is open, fair and tolerant.

The Company, in keeping with the recommendations of the Corporation Governance Council provides the following information regarding the proportion of gender diversity in the organisation as at 30 June 2012

	Proportion of females	Total number of persons employed
Females employed in the Company as a whole	7	28
Females employed in the Company in Senior positions	3	9
Females appointed as a Director of the Company	Nil	6

The recommendations of the Corporate Governance Council relating to reporting requires a Board to set measurable objectives for achieving diversity within the organisation, and to report against them on an annual basis. The Company has implemented measurable objectives as follows:

Measurable Objective	Objective Satisfied	Comment
Adoption and promotion of a Formal Diversity Policy	Yes	The Company has adopted a formal diversity policy which has been made publicly available via the Company's website.
To ensure Company policies are consistent with and aligned with the goals of the Diversity Policy	Yes	The Company's selection, remuneration and promotion practices are merit based and as such are consistent with the goals of the Company's Diversity Policy.
To provide flexible work and salary arrangements to accommodate family commitments, study and self-improvement goals, cultural traditions and other personal choices of current and potential employees.	Yes	The Company will, where considered reasonable, and without prejudice, accommodate requests for flexible working arrangements.
To implement clear and transparent policies governing reward and recognition practices.	Yes	The Company grants reward and promotion based on merit and responsibility as part of its annual and on-going review processes.
To provide relevant and challenging professional development and training opportunities for all employees.	Yes	The Company seeks to continually encourage self-improvement in all employees, irrespective of seniority, ability or experience, through external and internal training courses, regular staff meetings and relevant on job mentoring.

## Gender Diversity

The Company has not implemented specific measurable objectives regarding the proportion of females to be employed within the organisation or implemented requirements for a proportion of female candidates for employment and Board positions. The Board considers that the setting of quantitative gender based measurable targets is not consistent with the merit and ability based policies currently implemented by the Company.

The Board will consider the future implementation of gender based diversity measurable objectives when more appropriate to the size and nature of the Company's operations.

# Corporate Governance Statement continued

## **Security Trading Policy**

The Board has committed to ensuring that the Company, its Directors and executives comply with their legal obligations as well as conducting their business in a transparent and ethical manner. The Board has adopted a policy on dealing in the Company's securities by Directors, officers and employees which prohibits dealing in the Company's securities when those persons possess inside information and as such complies with Recommendation 3.2 of the Corporate Governance Council. Further, in keeping with recent Listing Rule Amendments, additional restrictions are placed on trading by relevant persons including Directors, key management personnel and employees. The policy also provides that notification of intended trading should be given to the Chairman prior to trading. A copy of the Policy for dealing in Company Securities is available on the Company's website.

The law prohibits insider trading and the Corporations Act and the ASX Listing Rules require disclosure of any trading undertaken by Directors or their related entities in the Company's securities.

## **Corporate Governance Council Principle 4**

### ***Safeguarding Integrity in Financial Reporting***

#### **Audit Committee**

The Company has during the second half of the 2012 financial year established a separately constituted Audit Committee.

The Audit Committee is comprised of three Non-executive Directors and complies with Recommendation 4.1 of the Corporate Governance Council.

The Audit Committee consists of Non-executive Directors and is chaired by an Independent Director who is not the Chairman of the Board. The majority of members of the Audit Committee are independent and the Company therefore complies with Recommendation 4.2 of the Corporate Governance Council.

The members of the Audit Committee are David Woodall (Chairman), Martin Pyle and Russell Davis. The relevant qualifications and details of attendance at Audit Committee meetings are set out in the Directors' Report. This complies with Recommendation 4.4 of the Corporate Governance Council.

The Audit Committee operates under an **Audit Committee Charter** which complies with Recommendation 4.3 of the Corporate Governance Council. The responsibilities of the Audit Committee include the appointment, compensation and oversight of the independent auditor and the review of the published financial reports

Going forward external audit recommendations, internal control matters and any other matters arising from the half-year audit review and the annual statutory audit will be discussed directly between the Audit Committee and the audit engagement director.

#### **External Auditors**

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. Performance of the external auditor is reviewed annually by the Board. Auditor rotation is required by the Corporations Act 2001. The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

#### **Financial Reporting**

The Board relies on senior executives to monitor the internal controls within the Company. Financial performance is monitored on a regular basis by the Executive Chairman and Company Secretary who report to the Board at the scheduled Board meetings.



## Corporate Governance Council Principle 5

### ***Make Timely and Balanced Disclosure***

#### **Timely and Balanced Disclosure**

The Board is committed to the promotion of investor confidence by providing full and timely information to all security holders and market participants about the Company's activities and to comply with the continuous disclosure requirements contained in the Corporations Act 2001 and the ASX Listing Rules.

The Company has adopted formal written policies and procedures, designed to ensure compliance with the ASX Listing Rule requirements, in accordance with Recommendation 5.1 of the Corporate Governance Council. A copy of the Continuous Disclosure Policy is available on the Company's website.

Continuous disclosure is discussed at all regular Board meetings and on an on-going basis the Board ensures that all activities are reviewed with a view to the necessity for disclosure to security holders.

In accordance with ASX Listing Rules, the Company Secretary is appointed as the Company's disclosure officer.

## Corporate Governance Council Principle 6

### ***Respect the Rights of Shareholders***

#### **Communications**

The Board fully supports security holder participation at general meetings as well as ensuring that communications with security holders are effective and clear. During the period this has been incorporated into a formal shareholder communication strategy, and so complies with Recommendation 6.1 of the Corporate Governance Council.

A copy of the Shareholder Communications Policy is available on the Company's website.

In addition to electronic communication via the ASX website, the Company publishes all ASX releases including Annual and Half-Yearly financial statements on the Company's website at [www.goldroad.com.au](http://www.goldroad.com.au).

Shareholders are able to pose questions on the audit process and the financial statements directly to the independent auditor who attends the Company's Annual General Meeting for that purpose.

## Corporate Governance Council Principle 7

### ***Recognise and Manage Risk***

#### **Risk Management Policy**

The Board has implemented a formal risk management policy and therefore complied with Recommendation 7.1 of the Corporate Governance Council. The Board delegates day-to-day management of risk to the Executive Chairman, Company Secretary and senior executives who are responsible for implementing and maintaining a framework of control and accountability systems to enable risk to be assessed and managed. A copy of the Company's Risk Management Policy is available on the Company's website.

#### **Risk Management and the Internal Control System**

The Executive Chairman and Company Secretary, with the assistance of senior executives as required, have responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

In order to implement risk management strategies, it was considered important that the Company establish an internal control regime in order to:

- Assist the Company to achieve its strategic objectives;
- Safeguard the assets and interests of the Company and its stakeholders; and
- Ensure the accuracy and integrity of external reporting.

# Corporate Governance Statement continued

Key identified risks to the business are monitored on an on-going basis as follows:

- **Business risk management**

The Company manages its activities within budgets and operational and strategic plans.

- **Internal controls**

The Board has implemented internal control processes typical for the Company's size and stage of development. It requires the senior executives to ensure the proper functioning of internal controls and in addition it obtains advice from the external auditors as considered necessary.

- **Financial reporting**

Directors approve an annual budget for the Company and regularly review performance against budget at Board Meetings.

- **Operations review**

Members of the Board regularly visit the Company's exploration project areas, reviewing development activities, geological practices, environmental and safety aspects of operations.

- **Environment and safety**

The Board has adopted an Occupational Health and Safety Policy and Environmental Policy through which all employees and contractors are inducted.

The Company is committed to ensuring that sound environmental management and safety practices are carried out in its exploration activities. Significant resources have been focussed on establishing and maintaining a culture of best practice through the implementation of an Occupational Health and Safety Plan and an Environmental Management Plan.

The Company's risk management strategy is evolving and will be an on-going process and it is recognised that the level and extent of the strategy will develop with the growth and change in the Company's activities.

## **Risk Reporting**

As the Board has responsibility for the monitoring of risk management it has not required a formal report regarding the material risks and whether those risks are managed effectively, therefore not complying with Recommendation 7.2 of the Corporate Governance Council. The Board believes that the Company is currently effectively communicating its significant and material risks to the Board and its affairs are not of sufficient complexity to justify the implementation of a more formal system for identifying, assessing monitoring and managing risk in the Company.

The Board is seeking to improve and formalise the Company's risk management of internal control systems.

The Company does not have an internal audit function.

## **Executive Chairman and Company Secretary Written Statement**

The Board requires the Executive Chairman and the Company Secretary provide a written statement that the financial statements of the Company present a true and fair view, in all material aspects, of the financial position and operational results and have been prepared in accordance with Australian Accounting Standards and the Corporations Act. The Board also requires that the Executive Chairman and Company Secretary provide sufficient assurance that the declaration is founded on a sound system of risk management and internal control, and that the system is working effectively.

The declarations have been received by the Board, in accordance with Recommendation 7.3 of the Corporate Governance Council.

## Corporate Governance Council Principle 8

### ***Remunerate Fairly and Responsibly***

The Company's remuneration policy is to ensure that the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Disclosure of the details of the nature and amount of each element of Directors', including Non-Executive Directors, and Executive's remuneration is included in the financial statements.

### **Remuneration Committee**

During the second half of the 2012 financial year a Remuneration Committee was established to assist the Board by making recommendations on remuneration packages for Executive and Non-executive Directors, and where appropriate, senior managers. In addition, the Remuneration Committee reviews proposed long and short term incentive plans including the appropriate use of performance based hurdles.

The Remuneration Committee consists of three Non-Executive Directors being Martin Pyle (Chairman), David Woodall and Russell Davis. The Remuneration Committee is chaired by an Independent Director, and has a majority of Independent Directors and accordingly complies with Recommendation 8.2 of the Corporate Governance Council.

The Remuneration Committee operates under a Remuneration Committee Charter which complies with Recommendation 8.1 of the Corporate Governance Council. The Charter clearly sets out the role and responsibilities of the Remuneration Committee and the charter terms provide the Remuneration Committee with the ability to access internal and external resources as appropriate.

### **Distinguish Between Executive and Non-Executive Remuneration**

The Company does distinguish between the remuneration policies of its Executive and Non-Executive Directors in accordance with Recommendation 8.2 of the Corporate Governance Council.

Executive Directors receive salary packages which may include performance based components, designed to reward and motivate, including the granting of share options and performance rights, subject to shareholder approval and with vesting conditions relating to continuity of engagement.

Non-Executive Directors receive fees agreed on an annual basis by the Board, within total Non-Executive remuneration limits voted upon by shareholders at Annual General Meetings.

The Board ensures that, all matters of remuneration will continue to be in accordance with Corporations Act requirements, by ensuring that none of the Directors participate in any deliberations regarding their own remuneration or related issues. To the extent that additional executives are appointed in the future and the scope of the Company's activities expands, the Company will reconsider whether a change in the structure of executive remuneration is appropriate.



# Directors' Report

The Directors present their report on Gold Road for the year ended 30 June 2012.

## Directors

The names and details of the Directors of Gold Road during the financial year and until the date of this report, unless otherwise indicated, are:

Ian Murray	<i>Executive Chairman</i>
Ziggy Lubieniecki	<i>Executive Director – Technical</i>
Russell Davis	<i>Director (Non-Executive)</i>
Kevin Hart	<i>Director (Non-Executive)</i>
Martin Pyle	<i>Director (Non-Executive)</i>
David Woodall	<i>Director (Non-Executive) – appointed 20 February 2012</i>

### IAN MURRAY

*Executive Chairman*

Mr Murray was appointed on 15 October 2007 as Non-Executive Director and on 12 February 2008 as Executive Chairman.

Mr Murray is a qualified Chartered Accountant with more than 16 years' corporate experience in the publicly-listed resources sector.

Between 1997 and 2005 he held positions including Chief Financial Officer and Chief Executive Officer with DRDGOLD Ltd. Mr Murray oversaw DRDGOLD's major acquisitions, restructures and stock exchange listings which grew the Company from a small, lease-bound South African miner into a globally listed multi-mine gold company producing over 1 moz of gold per annum at its peak. During this time he also served on the board of South African gold refinery Rand Refinery Limited and the internet based commodity investment platform GoldMoney.com. Mr Murray also recently served on the board of Metaliko Resources Limited (resigned 28 June 2012). He has not held any other directorships in public listed companies in the past three years.

Mr Murray is 46 years of age.

### ZIGGY LUBIENIECKI

*Executive Director – Technical*

Mr Lubieniecki joined the Company in June 2007 and was appointed Executive Director on 13 December 2010.

Mr Lubieniecki is a geologist with more than 25 years' experience in exploration, mining, management, property acquisition, and company listing. He holds a Bachelor of Applied Science from the Royal Melbourne Institute of Technology.

During his career he has worked on a range of commodities for companies including Chevron, Mt Burgess Gold Mining, Sundowner Minerals NL, Forsyth NL, Plutonic Resources, Micromine Pty Ltd, Australian Platinum Mines NL, Apex Minerals NL and Goldcrest Mines Limited.

Mr Lubieniecki has held senior positions including Chief Mine Geologist for Plutonic and Exploration Manager for Australian Platinum Mines. In recent years Mr Lubieniecki has been responsible for proving up Thatcher Soak Uranium Deposit and discovery of the Central Bore Gold Deposit for Gold Road. He has not held any other directorships in public listed companies in the past three years.

Mr Lubieniecki is 60 years of age.

### RUSSELL DAVIS

*Non-Executive Director*

Mr Davis was a founding director of Gold Road appointed on 28 May 2004. He served as Executive Exploration Director to 1 January 2008 and subsequently as a Non-Executive Director.

Mr Davis is a geologist with over 25 years' experience in mineral exploration, management, property acquisition, mining and development. He has worked on the exploration and development of a range of commodities for a number of international and Australian companies, holding senior positions including Chief Mine Geologist, Exploration Manager and Regional

Manager. Mr Davis was responsible for acquiring the projects held by Gold Road. Mr Davis also recently served as Managing Director of Syndicated Metals Limited (resigned 19 March 2012). He has not held any other directorships in public listed companies in the past three years.

Mr Davis holds a Bachelor of Science (Honours) and an MBA and is a Member of the Australasian Institute of Mining and Metallurgy and a Fellow of the Financial Services Institute of Australasia.

Mr Davis is 54 years of age.

#### **KEVIN R HART**

*Company Secretary, Non-Executive Director*

Mr Hart is a Chartered Accountant and was appointed to the position of Company Secretary on 4 August 2006 and Non-Executive director on 17 May 2007. He has over 20 years' experience in accounting and the management and administration of public listed entities in the mining and exploration industry.

He is currently a partner of Endeavour Corporate, an advisory firm which specialises in the provision of Company Secretarial services to ASX listed entities. Mr Hart currently also serves on the board of Alloy Resources Limited and has not held any other directorships in public listed companies in the past three years. Mr Hart holds a Bachelor of Commerce degree from the University of Western Australia.

Mr Hart is 50 years of age.

#### **MARTIN PYLE**

*Non-Executive Director*

Mr Pyle was appointed on 22 June 2010 as Non-Executive Director.

Mr Pyle is a mining industry consultant with over 25 years' experience in the resources industry in Australia. His previous roles have included Corporate Finance Executive with prominent east and west coast broking firms where he was responsible for the generation and execution of resources related equity raisings, mergers and acquisitions, corporate advisory and research.

Most recently he has provided corporate advisory services to a number of junior resource companies and is Chairman of Midwinter Resources Limited, Managing Director of Aurora Minerals Limited and Executive Director of Desert Energy Limited. Mr Pyle holds a Bachelor of Science (First Class Honours – Geology) and MBA. Mr Pyle also served as a director of Syndicated Metals Limited from May 2010 to November 2011.

Mr Pyle is 47 years of age.

#### **DAVID WOODALL**

*Non-Executive Director – appointed 20 February 2012*

Mr Woodall is a mining engineer with more than 28 years' industry experience. With a proven track-record in advancing exploration projects into production, Mr Woodall's career has included development of numerous gold, base metal and iron ore mines.

Until 31 August 2012 Mr Woodall was President and Chief Executive Officer of Altynalmas Gold (50% owned by Ivanhoe Mines), he has had senior management positions with internationally publically listed resources companies in Canada, Australia, Fiji and China. As a graduate of the WA School of Mines, and having spent well over 10 years working in the Western Australian gold fields, Mr Woodall is knowledgeable regarding mining in the Western Australian greenstone belts.

Mr Woodall holds a BAppSc (Mining Engineering), a Graduate Diploma (Business), MSc (Mineral Economics), First Class Mine Managers Certificate of Competency (Western Australia and Queensland). He is a Member of the Australasian Institute of Mining & Metallurgy.

Mr Woodall is 52 years of age.

# Directors' Report continued

## Directors' Interests

As at the date of this report the Directors' interests in shares and unlisted options of the Company are as follows:

Director	Directors' Interests in Ordinary Shares	Directors' Interests in Unlisted Options	Directors' Interests in Performance Rights
I Murray	10,661,648	6,000,000	600,000
Z Lubieniecki	1,101,000	3,800,000	500,000
R Davis	6,936,068	1,500,000	Nil
K Hart	Nil	1,500,000	Nil
M Pyle	2,021,857	800,000	Nil
D Woodall	Nil	Nil	Nil

## Directors' Meetings

The number of meetings of the Company's Directors (including meetings of committees of directors) held during the year ended 30 June 2012 and the number of meetings attended by each Director were:

Director	Board of Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
I Murray	5	5	No	–	No	–
Z Lubieniecki	5	5	No	–	No	–
R Davis	5	5	–	–	1	1
K Hart	5	5	–	–	No	–
M Pyle	5	5	–	–	1	1
D Woodall	2	2	–	–	1	1

## Principal Activities

The principal activities of the company during the financial year consisted of mineral exploration in Western Australia.

There were no significant changes in these activities during the financial year.

## Results of Operations

The net loss after income tax for the financial year was \$2,893,026 (2011: \$3,029,931).

Included in the loss for the current year is a write-off of capitalised exploration and evaluation expenditure totalling \$44,900 (2011: \$404,490).

## Dividends

No dividend has been paid since the end of the previous financial year and no dividend is recommended for the current year. No dividend was paid during the previous financial year.



## Review of Activities

### Exploration

A detailed review of the Company's activities during the financial year is set out in the section titled "Review of Operations" in this Report.

### Financial position

At the end of the financial year the Company had \$12,825,934 (2011: \$9,685,631) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is \$28,379,371 (2011: \$10,801,313). Mineral exploration and evaluation expenditure incurred during the year for the Company before any write-offs was \$17,622,958 (2011: \$6,061,190).

Expenditure was principally focused on the Company's Yamarna Projects.

## Significant Changes in the State of Affairs

On 13 October 2011 the Company completed a Placement that raised \$15,220,202, before capital raising costs, from the issue of 47,563,130 ordinary shares at 32 cents each.

On 4 November 2011 the Company completed a Share Purchase Plan that raised \$8,000,000, before capital raising costs, from the issue of 25,000,000 ordinary shares at 32 cents each.

## Options and Performance Share Rights over Unissued Capital

### Unlisted options

During the financial year 1,427,000 unlisted options over unissued shares were issued. The Company issued 300,000 shares pursuant to the exercise of options during the financial year and to the date of this report.

As at the date of this report unissued ordinary shares of the Company under unlisted options are:

Number of options outstanding	Exercise price	Expiry date
5,200,000	37 cents	30 November 2012
200,000	15 cents	31 December 2012
1,000,000	18.5 cents	30 May 2013
1,000,000	22 cents	30 May 2013
1,000,000	26 cents	30 May 2013
300,000	17 cents	31 May 2013
700,000	10 cents	30 June 2014
600,000	15 cents	30 June 2014
3,500,000	61.5 cents	31 October 2014
1,000,000	97.5 cents	30 April 2015
119,000	70.5 cents	31 May 2015
46,000	95.3 cents	30 June 2015
633,334	9.5 cents	30 September 2015
733,334	10.7 cents	30 September 2015
733,332	12.8 cents	30 September 2015
324,000	54.8 cents	31 October 2015
310,000	48 cents	31 December 2015
702,000	47.25 cents	31 March 2016
45,000	27 cents	30 June 2016

These unlisted options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

The holders of unlisted options are not entitled to any voting rights until the options are exercised into ordinary shares.

# Directors' Report continued

## **Performance Share Rights**

At 30 June 2012 and the date of this report, there were 190,000 (2011: Nil) vested and 1,610,000 (2011: Nil) unvested Performance Share Rights to acquire ordinary shares on issue.

As at the date of this report unissued ordinary shares of the Company under Performance Share Rights are:

Outstanding	Vesting Date	Expiry date
550,000*	30 November 2012	–
550,000*	30 November 2013	–
40,000	31 March 2012	31 March 2015
105,000	31 March 2013	31 March 2015
105,000	31 March 2014	31 March 2015
150,000	30 June 2012	30 June 2015
150,000	30 June 2013	30 June 2015
150,000	30 June 2014	30 June 2015

\* Represent Performance Share Rights issued to Directors. The grant of these Performance Share Rights is subject to recipients remaining employed by the Company up to the Test Date and the 10 day VWAP of trading in the shares up to the relevant Test Date being at least:

- 47 cents per Share in relation to 550,000 Performance Rights which are tested and vest on 30 November 2012; and
- 59 cents per Share in relation to 550,000 Performance Rights which are tested and vest on 30 November 2013.

During the year ended 30 June 2012, 1,865,000 (2011: Nil) Performance Share Rights were issued pursuant to the terms of the Company's Performance Share Rights Plan to employees and Directors of the Company.

During the year ended 30 June 2012 65,000 (2011: Nil) ordinary shares were issued on the exercise of vested Performance Share Rights.

None of the Performance Share Rights on issue entitle the holder to participate in any share issue of the Company or any other body corporate.

## **Matters Subsequent to the End of the Financial Year**

There has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

## **Likely Developments and Expected Results of Operations**

Likely developments in the operations of the Company are included elsewhere in this Report. Disclosure of any further information has not been included in this report because, in the reasonable opinion of the Directors to do so would be likely to prejudice the business activities of the Company and is dependent upon the results of the future exploration and evaluation activities.

## **Environmental Regulation and Performance**

The Company holds various exploration licences to regulate its exploration activities in Australia. These licences include conditions and regulations with respect to the rehabilitation of areas disturbed during the course of its exploration activities.

So far as the Directors are aware, all exploration activities have been undertaken in compliance with all relevant environmental regulations.

## Remuneration Report (Audited)

The remuneration report is set out under the following main headings:

- (a) Principles used to determine the nature and amount of remuneration
- (b) Details of remuneration
- (c) Service agreements
- (d) Share-based compensation
- (e) Additional information

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company, including directors of the Company and other executives. Key management personnel comprise the directors of the Company and senior executives.

### Directors disclosed in this report include:

- (i) *Executive Chairman*  
Ian Murray (appointed Executive Chairman 12 February 2008)
- (ii) *Non-Executive Director and Company Secretary*  
Kevin Hart (appointed Non-Executive Director 17 May 2007)
- (iii) *Non-Executive Director*  
Russell Davis (appointed 28 May 2004. Became Non-Executive Director on 1 January 2008)
- (iv) *Non-Executive Director*  
Martin Pyle (appointed 22 June 2010)
- (v) *Executive Director*  
Ziggy Lubieniecki (appointed General Manager 1 August 2009. Appointed Executive Director on 13 December 2010)
- (vi) *Non-Executive Director*  
David Woodall (appointed Non-Executive Director 20 February 2012)

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

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency
- Capital management

The framework provides a mix of fixed and variable pay, and a blend of short and long term incentives.

### Remuneration Committee

The Board has appointed a Remuneration Committee to assist it in its determination of levels and components of remuneration packages. The Remuneration Committee consists only of Non-executive Directors.

The Remuneration Committee is responsible for reviewing the overall philosophy, strategy, plans, policies and procedures to implement the remuneration objective. It also reviews and makes recommendations as to the makeup of the remuneration packages for the Directors and Executives, ensuring that there is a clear link between performance and remuneration by balancing fixed remuneration with long and short term incentives to align long and short term performance of the Executives.



# Directors' Report continued

In making recommendations to the Board, the Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of Executives on a periodic basis by reference to the status of the Group and the stage of development of its assets, the skill sets required of the Directors and Executives, trends in comparative ASX listed companies and the need for a balance between fixed remuneration and non-cash long and short term incentive remuneration. The process includes a review of Group and individual performances, broad market remuneration data and relevant comparative remuneration externally and internally.

The Remuneration Committee may from time to time obtain external advice from independent consultants who will provide no other services to the Group.

## **Remuneration approval process**

The Board approves the remuneration packages of the Executive Chairman and Executives and all awards made under the long-term incentive plan, following consideration of the recommendations from the Remuneration Committee. The Board also sets the aggregate remuneration of Non-executive Directors which is then subject to shareholder approval.

## **Non-executive Directors**

Total cash remuneration for all Non-Executive Directors was voted on by shareholders, whereby it is not to exceed in aggregate \$200,000 per annum. Non-Executive Directors do not receive bonuses. Directors' fees cover all main Board activities.

## **Executive Pay**

A combination of the following comprises the executive's total remuneration:

- Base pay and benefits, including superannuation,
- Short term performance incentives, and
- Long term incentives through participation in the Gold Road Resources Limited Employee Incentive Plan (the **Plan**).

## **Base pay**

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

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

There are no guaranteed base pay increases included in any executives' contracts.

## **Benefits**

Executives can salary sacrifice certain benefits including motor vehicle and remote area housing benefits.

## **Superannuation**

Retirement benefits are paid to complying superannuation funds nominated by the executives. During the year ended 30 June 2012 the Company contribution rate was 9% of ordinary time earnings.

## **Short term incentives**

Short term incentives are usually in the form of cash bonuses to executive directors and other executives. Payment of cash bonuses are entirely discretionary with the majority of the cash bonuses calculated based on Key Performance Indicators (**KPIs**). The actual KPIs, weightings and priorities are agreed annually with the Board so as to ensure they remain relevant and appropriate to the Company and the Executives and are reviewed periodically to ensure it is linked to the strategic and operational plans of the Company, including budgets agreed for each financial year.

On an annual basis, after consideration of performance against KPIs the Remuneration Committee determines the amount, if any, to be paid.

## **Long-term incentives**

Long term incentives are provided via the Plan.

The plan was approved by shareholders at the Annual General Meeting held on 29 November 2010.

## (b) Details of remuneration

Details of the nature and amount of each element of the emoluments of each key management personnel of the Company for the year ended 30 June 2012 and 2011 are set out in the following tables:

### YEAR 2012

Directors/ Executives	Salaries & Fees \$	Superannuation Contributions \$	Other Benefits \$	Value of Options and Share Rights \$	Total \$	Performance Related %	Remuneration consisting of options & Performance Rights %
I Murray*	414,246	22,275	4,027	80,900	514,448	32%	18%
R Davis	50,000	–	4,027	–	54,027	–	–
K Hart	50,000	–	4,027	–	54,027	–	–
M Pyle	44,257	743	4,027	–	49,027	–	–
Z Lubieniecki*	384,809	23,859	4,027	87,289	499,984	28%	20%
D Woodall#	18,333	1,650	4,027	–	24,010	–	–
<b>Total</b>	<b>961,645</b>	<b>48,527</b>	<b>24,162</b>	<b>168,189</b>	<b>1,202,523</b>		

\* Includes the following STI incentives paid as cash bonuses for the year ended 30 June 2012:

- I Murray \$82,500
- Z Lubieniecki \$62,500 and payment of accrued entitlements of \$113,887

# D Woodall was appointed a director on 20 February 2012

### YEAR 2011

Directors/ Executives	Salaries & Fees \$	Superannuation Contributions \$	Other Benefits \$	Value of Options & Share Rights \$	Total \$	Performance Related %	Remuneration consisting of options %
I Murray	290,200	–	2,705	388,372	681,277	57	57
R Davis	45,000	–	2,705	86,881	134,586	65	65
K Hart	45,000	–	2,705	86,881	134,586	65	65
M Pyle	45,368	762	2,705	86,881	135,716	64	64
Z Lubieniecki	227,168	19,035	–	317,235	563,438	60	57
<b>Total</b>	<b>652,736</b>	<b>19,797</b>	<b>10,820</b>	<b>966,250</b>	<b>1,649,603</b>		

## (c) Service agreements

Remuneration and other terms of employment for the executive directors are formalised in service agreements. The agreement provides for the provision of performance-related cash bonuses and participation, when eligible, in the Plan. Other major provisions of the agreements relating to remuneration are set out below:

The contracts may be terminated early by either party with notice as set out in the service agreement, subject to termination payments as detailed below.

### *Ian Murray, Executive Chairman*

- Term of agreement – no fixed term, commenced 1 August 2011.
- Termination notice – 4 months' notice by individual and 12 months' notice by Company.
- Base salary exclusive of superannuation of \$330,000 to be reviewed annually.
- Short term incentives up to 50% of base salary at the discretion of the Board.
- Long term incentives up to 100% of base salary at the discretion of the Board.

### *Ziggy Lubieniecki, Technical Director*

- Term of agreement – no fixed term, commenced 13 December 2010.
- Termination notice – 4 months' notice by individual and 12 months' notice by Company.
- Base salary exclusive of superannuation of \$250,000 to be reviewed annually.
- Short term incentives up to 50% of base salary at the discretion of the Board.

# Directors' Report continued

## (d) Other transactions with key management personnel

Mr Kevin Hart has an interest as a Partner in a Chartered Accounting firm, Endeavour Corporate. This firm provides company secretarial and accounting services to the Company in the ordinary course of business. The value of transactions in the financial year ended 30 June 2012 amounted to \$129,657 (2011: \$141,830).

During the year, Martin Pyle Consulting, a company controlled by Mr Martin Pyle, provided corporate and strategic advice services to the company. The value of transactions in the financial year ended 30 June 2012 amounted to \$36,000 (2011: \$36,904).

Terms and conditions were not more favourable than those available, or which might reasonably be expected to be available for a similar transaction to unrelated parties on an arms-length basis.

## (e) Share-based compensation

### Options and Performance Share Rights

Options over shares in Gold Road are granted under the Plan which was approved by shareholders at an Annual General Meeting of shareholders of the Company held on 29 November 2010.

The Plan is designed to provide long term incentives for executives to deliver long term shareholder returns, and participation in the future growth of the Company. Under the Plan participants are granted options which typically vest on issue with a strike price as determined at the discretion of the Board. The Plan allows the Company to issue free options to an eligible person. The options are exercisable at a fixed price in accordance with the Plan. The options of any participant in the scheme lapse where the relevant person ceases to be an employee or director of, or vendor services to the Company.

Performance Share Rights to be issued under the Plan have varying vesting periods as determined by the Board at the date of grant except under certain circumstances whereby Performance Share Rights may be capable of exercise prior to the expiry of the vesting period. 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 any guaranteed benefits.

There were no options issued to directors in the year to 30 June 2012.

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

Directors/ Executives	Granted No.	Grant Date	Fair value at grant date	Exercise price per option	Expiry date	First exercise date	Last exercise date
Z Lubieniecki	333,333	17 Sep 2010	6.81 cents	9.5 cents	30 Sep 2015	30 Sep 2011	30 Sep 2015
Z Lubieniecki	333,333	17 Sep 2010	6.71 cents	10.7 cents	30 Sep 2015	30 Sep 2012	30 Sep 2015
Z Lubieniecki	333,334	17 Sep 2010	6.54 cents	12.8 cents	30 Sep 2015	30 Sep 2013	30 Sep 2015
I Murray	2,000,000	30 Nov 2010	17.38 cents	61.5 cents	31 Oct 2014	30 Nov 2010	31 Oct 2014
R Davis	500,000	30 Nov 2010	17.38 cents	61.5 cents	31 Oct 2014	30 Nov 2010	31 Oct 2014
K Hart	500,000	30 Nov 2010	17.38 cents	61.5 cents	31 Oct 2014	30 Nov 2010	31 Oct 2014
M Pyle	500,000	30 Nov 2010	17.38 cents	61.5 cents	31 Oct 2014	30 Nov 2010	31 Oct 2014
Z Lubieniecki	1,000,000	27 Apr 2011	27.24 cents	97.5 cents	30 Apr 2015	13 May 2011	30 Apr 2015

During the year ended 30 June 2012, 1,100,000 (2011: Nil) Performance Share Rights were issued pursuant to the terms of the Plan to Directors of the Company.

Directors	Granted No.	Grant Date	Fair value at grant date	Expiry date	Test date	Vesting date
Z Lubieniecki*	250,000	23 Nov 2011	27 cents	—	30 Nov 2012	30 Nov 2012
Z Lubieniecki**	250,000	23 Nov 2011	24 cents	—	30 Nov 2013	30 Nov 2013
I Murray*	300,000	23 Nov 2011	27 cents	—	30 Nov 2012	30 Nov 2012
I Murray**	300,000	23 Nov 2011	24 cents	—	30 Nov 2013	30 Nov 2013

The grant of these Performance Share Rights is subject to recipients remaining employed by the Company up to the Test Date and the 10 day VWAP of trading in the shares up to the relevant Test Date being at least:

- \*47 cents per Share in relation to 550,000 Performance Share Rights which are tested and vest on 30 November 2012; and
- \*\*59 cents per Share in relation to 550,000 Performance Share Rights which are tested and vest on 30 November 2013.



The assessed fair value at grant date of options and performance share rights granted to individuals are allocated equally over the period from grant date to vesting date.

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

No options or performance share rights have been granted to directors or senior executives since the end of the financial year.

#### **Exercise of options granted as compensation**

During the reporting period, no shares were issued on the exercise of options previously granted as compensation to Directors.

#### **Analysis of options and rights over equity instruments granted as compensation**

Details of vesting profile of the options granted as remuneration to each key management person of the Group are detailed below.

Directors/ Executives	Balance at start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
I Murray	6,000,000	–	–	–	6,000,000	6,000,000
Z Lubieniecki	3,800,000	–	–	–	3,800,000	3,133,333
R Davis	1,500,000	–	–	–	1,500,000	1,500,000
K Hart	1,500,000	–	–	–	1,500,000	1,500,000
M Pyle	800,000	–	–	–	800,000	800,000
D Woodall	–	–	–	–	–	–

Details of vesting profile of the Performance Share Rights granted as remuneration to each key management person of the Group are detailed below.

Directors/ Executives	Balance at start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
I Murray	–	600,000	–	–	600,000	–
Z Lubieniecki	–	500,000	–	–	500,000	–
R Davis	–	–	–	–	–	–
K Hart	–	–	–	–	–	–
M Pyle	–	–	–	–	–	–
D Woodall	–	–	–	–	–	–

#### **Company performance**

The table below shows the performance of the Company as measured by share price and change in market capitalisation.

	30 June 2012 \$	30 June 2011 \$	30 June 2010 \$	30 June 2009 \$
Share Price	0.17	0.60	0.10	0.04
Market capitalisation	66,302,663	186,885,175	19,584,333	6,816,400

**THIS IS THE END OF THE REMUNERATION REPORT**

# Directors' Report continued

## Officer's Indemnities and Insurance

Subsequent to the end of the financial year the Company paid an insurance premium to insure certain officers of the Company. The officers of the Company covered by the insurance policy include the Directors named in this report.

The Directors and Officers Liability insurance provides cover against all costs and expenses that may be incurred in defending civil or criminal proceedings that fall within the scope of the indemnity and that may be brought against the officers in their capacity as officers of the Company. The insurance policy does not contain details of the premium paid in respect of individual officers of the Company. Disclosure of the nature of the liability cover and the amount of the premium is subject to a confidentiality clause under the insurance policy.

The Company has not provided any insurance for an auditor of the Company.

## Proceedings on Behalf of the Company

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

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

## 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. For further details please refer to the corporate governance section contained elsewhere in this report.

## Non-Audit Services

The Company's auditor, Stantons International, did not provide any non-audit services during the year.

Total remuneration paid to Stantons International during the financial year:

	2012 \$	2011 \$
Audit and review of the Company's financial statements	34,365	20,118

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act is set out on page 35.

## Auditor

Stantons International continues in office in accordance with section 327 of the Corporations Act 2001.

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

DATED at Perth this 28th day of September 2012.



**Ian Murray**  
Executive Chairman

28 September 2012

Board of Directors  
Gold Road Resources Limited  
22 Altona Street  
West Perth WA 6005

Dear Sirs

**RE: GOLD ROAD RESOURCES LIMITED**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Gold Road Resources Limited.

As Audit Director for the audit of the financial statements of Gold Road Resources Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**



**Martin Michalik**  
**Director**



# Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Note	30 June 2012 \$	30 June 2011 \$
Revenue	6	<b>880,930</b>	384,382
<b>Total revenue</b>		<b>880,930</b>	384,382
Employee expenses		<b>(2,910,932)</b>	(834,752)
Employee expenses recharged to exploration		<b>2,171,010</b>	740,259
Equity based remuneration expense	19	<b>(441,210)</b>	(1,068,632)
Director's fees		<b>(162,590)</b>	(148,648)
Depreciation expense	7	<b>(336,731)</b>	(95,738)
Accounting and advisory expenses		<b>(443,291)</b>	(744,277)
Compliance costs		<b>(278,285)</b>	(212,311)
Operating lease expenses		<b>(129,738)</b>	(77,845)
Legal costs	7	<b>(92,822)</b>	(32,383)
Insurance		<b>(66,182)</b>	(27,332)
Travel expenses		<b>(469,370)</b>	(245,243)
Advertising		<b>(113,281)</b>	(179,042)
Recruitment expenses		<b>(144,035)</b>	(195,048)
Office expenses		<b>(387,751)</b>	(148,621)
Other expenses from ordinary activities		<b>(23,848)</b>	(57,754)
Exploration costs written off and expensed	7,15	<b>(44,900)</b>	(404,490)
<b>Loss before income tax</b>		<b>(2,893,026)</b>	(3,347,475)
Income tax (expense)/benefit	8	–	317,544
<b>Loss for the year</b>	20(b)	<b>(2,893,026)</b>	(3,029,931)
Other comprehensive income for the year		–	–
<b>Total comprehensive loss for the year attributed to members of the Company</b>		<b>(2,893,026)</b>	(3,029,931)
		<b>Cents</b>	Cents
Basic loss per share (cents)	30	<b>(0.78)</b>	(1.21)
Diluted loss per share (cents)	30	<b>(0.78)</b>	(1.21)

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

# Statement of Financial Position

AS AT 30 JUNE 2012

	Note	30 June 2012 \$	30 June 2011 \$
<b>Current assets</b>			
Cash and cash equivalents	9	12,825,934	9,685,631
Trade and other receivables	10	246,219	791,466
Prepayments	11	11,478	11,478
<b>Total current assets</b>		<b>13,083,631</b>	10,488,575
<b>Non-current assets</b>			
Property, plant and equipment	12	1,823,516	1,183,014
Investment in subsidiary	13	598	598
Other financial assets	14	69,227	68,227
Capitalised mineral exploration and evaluation expenditure	15	28,379,371	10,801,313
<b>Total non-current assets</b>		<b>30,272,712</b>	12,053,152
<b>Total assets</b>		<b>43,356,343</b>	22,541,727
<b>Current liabilities</b>			
Trade and other payables	16	2,257,900	1,271,002
Provisions	17	142,632	60,183
<b>Total current liabilities</b>		<b>2,440,532</b>	1,331,185
<b>Non-current liabilities</b>			
Provisions	17	13,756	–
<b>Total non-current liabilities</b>		<b>13,756</b>	–
<b>Total liabilities</b>		<b>2,414,288</b>	1,331,185
<b>Net assets</b>		<b>40,942,055</b>	21,210,542
<b>Equity</b>			
Contributed equity	18(b)	53,803,866	31,227,681
Shares to be issued	18(d)	–	392,856
Equity remuneration reserve	20(a)	2,678,813	2,237,603
Accumulated losses	20(b)	(15,540,624)	(12,647,598)
<b>Total equity</b>		<b>40,942,055</b>	21,210,542

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

# Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Ordinary Shares \$	Accumulated losses \$	Equity Remuneration Reserve \$	Total \$
<b>Balance as at 1 July 2011</b>	<b>31,620,537</b>	<b>(12,647,598)</b>	<b>2,237,603</b>	<b>21,210,542</b>
Loss for the year	–	(2,893,026)	–	(2,893,026)
Other comprehensive income for the year	–	–	–	–
Total comprehensive loss for the year	–	(2,893,026)	–	(2,893,026)
Movement in equity remuneration reserve	–	–	441,210	441,210
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity	23,259,703	–	–	23,259,703
Transaction costs of equity issued	(1,076,374)	–	–	(1,076,374)
<b>Balance at 30 June 2012</b>	<b>53,803,866</b>	<b>(15,540,624)</b>	<b>2,678,813</b>	<b>40,942,055</b>
<b>Balance as at 1 July 2010</b>	15,142,361	(9,617,667)	1,168,971	6,693,665
Loss for the year	–	(3,029,931)	–	(3,029,931)
Other comprehensive income for the year	–	–	–	–
Total comprehensive loss for the year	–	(3,029,931)	–	(3,029,931)
Movement in equity remuneration reserve	–	–	1,068,632	1,068,632
Transactions with equity holders in their capacity as equity holders:				
Contributions of equity	16,749,237	–	–	16,749,237
Transaction costs of equity issued	(663,917)	–	–	(663,917)
Shares to be issued	392,856	–	–	392,856
<b>Balance at 30 June 2011</b>	<b>31,620,537</b>	<b>(12,647,598)</b>	<b>2,237,603</b>	<b>21,210,542</b>

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

# Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Note	30 June 2012 \$	30 June 2011 \$
<b>Cash flows from operating activities</b>			
Interest received		823,005	363,933
Payments to suppliers and employees		(2,411,209)	(2,026,639)
<b>Net cash flows (used in) operating activities</b>	29	<b>(1,588,204)</b>	<b>(1,662,706)</b>
<b>Cash flows from investing activities</b>			
Payments for exploration and evaluation		(16,606,129)	(5,640,129)
Payments for plant and equipment		(1,004,202)	(1,016,050)
Proceeds from sale of plant and equipment		16,363	—
Payments for security deposits		(1,000)	(103,228)
<b>Net cash flows (used in) investing activities</b>		<b>(17,594,968)</b>	<b>(6,759,407)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		23,399,849	17,001,947
Transaction costs on issue of shares		(1,076,374)	(663,918)
<b>Net cash flows from financing activities</b>		<b>22,323,475</b>	<b>16,338,029</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,140,303</b>	<b>7,915,916</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>9,685,631</b>	<b>1,769,715</b>
<b>Cash and cash equivalents at the end of the financial year</b>	9	<b>12,825,934</b>	<b>9,685,631</b>

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



# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

## Note 1 Basis of preparation of the financial report

The following is a summary of the significant accounting policies adopted by Gold Road in the preparation of these financial statements. These policies have been consistently applied to all years presented, unless otherwise stated.

### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB) and the Corporations Act 2001. The financial report also complies with the IFRS and interpretations adopted by the International Accounting Standards Board.

### (b) Adoption of New and Revised Standards –

#### Changes in accounting policies on initial application of accounting standards

In the year ended 30 June 2012, 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 the current annual reporting period. 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 accounting policies.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Company, except for AASB 9 *Financial Instruments*, which becomes mandatory for the Company's 2014 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

### (c) Report basis and conventions

These financial statements have been prepared under the historical cost convention, and on an accruals basis.

### (d) Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

### (e) Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realization of assets and discharge of liabilities in the ordinary course of business. The ability of the Company to continue to adopt the going concern assumption will depend on future successful capital raisings, the successful exploration and subsequent exploitation of the Company's tenements and/or sale of non-core assets. The Directors are confident of securing funds if and when necessary to meet the Company's obligations as and when they fall due.

## Note 2 Summary of significant accounting policies

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

### (a) Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Gold Road at the end of the reporting period. A controlled entity is any entity over which Gold Road has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Company during the year, the financial performance of those entities are included only for the period they were controlled.

Intra-group balances and transactions are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

## Note 2 Summary of significant accounting policies *continued*

### **(a) Basis of consolidation** *continued*

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of equity since that date.

In the Company's financial statements, investments in subsidiaries are carried at cost. Consolidated financial statements have not been prepared as disclosed in Note 13.

### **(b) Segment reporting**

Operating segments are identified and segment information disclosed, where appropriate, on the basis of internal reports reviewed by the Company's Board of Directors, being the Company's Chief Operating Decision Maker, as defined by AASB 8.

### **(c) Revenue recognition and receivables**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, allowances and amounts collectable on behalf of third parties.

#### *Interest income*

Interest income is recognised on a time proportion basis and is recognised as it accrues.

### **(d) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary timing differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantially enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to those timing differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

### **(e) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (Note 26). Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the period of the lease. Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

# Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

## Note 2 Summary of significant accounting policies continued

### (f) Impairment of assets

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

### (g) Cash and cash equivalents

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

### (h) Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments.

### (i) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

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

Depreciation of property, plant and equipment is calculated using the straight line and written down value methods to allocate their cost, net of residual values, over their estimated useful lives, as follows:

Office equipment	5-7 years
Office furniture	10-15 years
Field equipment	10 years
Computer equipment	2-3 years
Vehicles	8 years
Buildings	5 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(f)).

### (j) Mineral exploration and evaluation expenditure

Mineral exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

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

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off in the year in which that assessment is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

## Note 2 Summary of significant accounting policies *continued*

### **(k) Joint ventures**

Interests in joint ventures are brought to account by including the appropriate share of the relevant assets, liabilities and costs of the joint ventures in their relevant categories in the financial statements.

### **(l) Trade and other payables**

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

### **(m) Employee benefits**

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

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

#### *(ii) Long service leave*

The liability for long service leave is 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 reporting date using the projected unit credit method. Consideration is given to expected future salaries, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *(iii) Share-based payments*

Share-based compensation payments are made available to directors and employees.

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

The grant date fair value of instrument granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the instrument. The amount recognised as an expense is adjusted to reflect the actual number of instruments that vest, except for those that fail to vest due to market conditions not being met.

The fair value of the instruments granted is adjusted to reflect market vesting conditions. Non-market vesting conditions are included in assumptions about the number of instruments that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of instruments that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

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

### **(n) 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.

### **(o) Earnings per share**

#### *(i) Basic earnings per share*

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

#### *(ii) Diluted earnings per share*

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



# Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

## Note 2 Summary of significant accounting policies continued

### **(p) Goods and service tax (GST)**

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

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

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

## Note 3 Financial risk management

The Company has exposure to a variety of risks arising from its use of financial instruments. This note presents information about the Company's exposure to the specific risks, and the policies and processes for measuring and managing those risks. Further quantitative disclosures are included throughout this financial report. The Board of Directors has overall responsibility for the risk management framework.

### **(a) Credit risk**

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

#### *(i) Trade and other receivables*

The Company has no investments and the nature of the business activity does not result in trade receivables. The receivables that the Company recognises through its normal course of business are short term in nature and the most significant (in quantity) is the receivable from the Australian Taxation Office and interest receivable. The risk of non-recovery of receivables from this source is considered to be negligible.

#### *(ii) Cash deposits*

The Company's primary banker is Westpac Bank Limited. At reporting date all operating accounts are with this bank. The Company also has funds held on deposit with Westpac Bank and BankWest. The Directors believe any risk associated with both banks are mitigated by their size and reputation. Except for this matter the Company currently has no significant concentrations of credit risk.

### **(b) Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's reputation.

The Company manages its liquidity risk by monitoring its cash reserves and forecast spending. Management is cognisant of the future demands for liquid finance resources to finance the Company's current and future operations, and consideration is given to the liquid assets available to the Company before commitment is made to future expenditure or investment.

## Note 3 Financial risk management continued

### (c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising any return.

#### (i) Currency risk

The Company is not exposed to any currency risk as it only transacts in the functional currency of the Company, the Australian dollar (AUD).

#### (iii) Interest rate risk

As the Company has significant interest bearing assets, the Company's income and operating cash flows are exposed to changes in market interest rates. The assets are short term interest bearing deposits, and no financial instruments are employed to mitigate risk (Note 21 – Financial Instruments).

### (d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors capital expenditure and cash flows as mentioned in 3(b).

## Note 4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

### (a) Accounting for capitalised exploration and evaluation expenditure

The Company's accounting policy is stated at 2(j). There is some subjectivity involved in the carrying forward as capitalised or writing off to the statement of comprehensive income exploration and evaluation expenditure, however management give due consideration to areas of interest on a regular basis and are confident that decisions to either write off or carry forward such expenditure reflect fairly the prevailing situation.

### (b) Accounting for share-based payments

The Company's accounting policy is stated at 2(m). The value of these payments are based on reasonable estimates using a recognised pricing model.

### (c) Deferred taxation

Deferred tax assets are recognised for deductible temporary differences when management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

## Note 5 Segment information

The Company operates predominantly in the mineral exploration industry in Australia. For management purposes, the Company is organised into one main operating segment which involves the exploration of minerals in Australia. All of the Company's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

# Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	2012 \$	2011 \$
<b>Note 6 Revenue and other income</b>		
<i>Other revenue</i>		
Interest received	<b>880,930</b>	384,382

## Note 7 Expenses

Loss before income tax includes the following specific expenses:

Depreciation:		
Plant and equipment	<b>45,217</b>	22,644
Office equipment	<b>44,635</b>	13,201
Vehicles	<b>40,830</b>	10,598
Camp buildings	<b>206,049</b>	49,295
Loss on disposal of motor vehicle	<b>10,606</b>	–
Legal expenses	<b>92,822</b>	32,383
Exploration expenditure written off and expensed	<b>44,900</b>	404,490

## Note 8 Income tax

### (a) Income tax expense/(benefit)

*Current income tax:*

Current income tax benefit	<b>(6,054,307)</b>	(2,414,454)
Current income tax benefit not recognised	<b>867,908</b>	1,004,242
Research and development tax concession refund	–	(317,544)

*Deferred income tax:*

Relating to deductible and taxable temporary differences	<b>5,186,399</b>	1,410,212
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Income tax benefit reported in the statement of comprehensive income

–	(317,544)
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### (b) Reconciliation of prima facie tax (benefit)

Loss before income tax	<b>(2,893,026)</b>	(3,347,475)
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Tax at Australian rate of 30% (2011: 30%)	<b>(867,908)</b>	(1,004,243)
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*Tax effect:*

Non-deductible leave provisions	<b>24,135</b>	15,508
Non-deductible legal costs	<b>27,847</b>	9,715
Non-deductible share based payment	<b>132,363</b>	320,590
Non-deductible entertainment	<b>8,200</b>	3,225
Accrued interest income	<b>17,368</b>	6,124
Capital raising costs	<b>(122,895)</b>	(58,463)
Exploration costs	<b>(5,273,417)</b>	(1,706,910)
Research and development tax concession refund	–	(317,544)
Deferred tax benefit not brought to account	<b>6,054,307</b>	2,414,454

Income tax (benefit)	–	(317,544)
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## Note 8 Income tax continued

### (c) Deferred tax – Statement of Financial Position

#### Assets:

Tax losses available utilised to offset deferred tax liabilities	<b>8,104,262</b>	3,033,731
Accrued expenses	<b>4,200</b>	4,200
Leave provisions	<b>46,916</b>	18,055
Equity raising costs	<b>403,893</b>	203,875

**2012**  
**\$**

**2011**  
**\$**

**8,559,271**

3,259,861

#### Liabilities:

Accrued income	<b>(45,460)</b>	(9,567)
Exploration expenditure	<b>(8,513,811)</b>	(3,250,294)

**(8,559,271)**

(3,259,861)

#### Net deferred tax asset

–

–

### (d) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Tax losses	<b>3,685,183</b>	2,954,953
------------	------------------	-----------

**3,685,183**

2,954,953

Deferred tax assets have not been recognised in respect of these items because it is not probable in the short to medium term that these assets will be realised. The Company has total estimated tax losses at 30 June 2012 of \$39,325,327 (2011: \$19,144,304)

**2012**  
**\$**

**2011**  
**\$**

## Note 9 Current assets – cash and cash equivalents

Cash at bank and on hand	<b>12,825,934</b>	9,685,631
--------------------------	-------------------	-----------

**12,825,934**

9,685,631

These balances attract a weighted average interest rate of 5.20% (2011: 5.50%).

## Note 10 Current assets – trade and other receivables

Research and development tax concession refund	–	317,544
GST recoverable	<b>98,649</b>	249,540
Options exercised receivable	–	140,147
Security deposit	<b>61,745</b>	60,000
Interest receivable	<b>78,309</b>	20,413
Other receivables	<b>7,516</b>	3,822

**246,219**

791,466

## Note 11 Current assets – prepayments

Prepaid expenses	<b>11,478</b>	11,478
------------------	---------------	--------

**11,478**

11,478



# Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	2012 \$	2011 \$
<b>Note 12 Non-current assets – property, plant and equipment</b>		
<i>Plant and equipment</i>		
At cost	<b>509,731</b>	365,624
Accumulated depreciation	<b>(98,565)</b>	(53,348)
	<b>411,166</b>	312,276
<i>Office equipment</i>		
At cost	<b>293,280</b>	133,547
Accumulated depreciation	<b>(111,721)</b>	(67,086)
	<b>181,559</b>	66,461
<i>Motor vehicles</i>		
At cost	<b>337,897</b>	269,147
Accumulated depreciation	<b>(65,183)</b>	(26,475)
	<b>272,714</b>	242,672
<i>Camp buildings</i>		
At cost	<b>1,216,989</b>	614,468
Accumulated depreciation	<b>(258,912)</b>	(52,863)
	<b>958,077</b>	561,605
	<b>1,823,516</b>	1,183,014
<b>Reconciliation</b>		
<i>Plant and equipment</i>		
Net book value at start of the year	<b>312,276</b>	100,966
Additions	<b>144,107</b>	233,954
Depreciation	<b>(45,217)</b>	(22,644)
Net book value at end of the year	<b>411,166</b>	312,276
<i>Office equipment</i>		
Net book value at start of the year	<b>66,461</b>	33,555
Additions	<b>159,733</b>	46,107
Depreciation	<b>(44,635)</b>	(13,201)
Net book value at end of the year	<b>181,559</b>	66,461
<i>Motor vehicles</i>		
Net book value at start of the year	<b>242,672</b>	24,707
Additions	<b>97,841</b>	228,563
Disposals	<b>(26,969)</b>	–
Depreciation	<b>(40,830)</b>	(10,598)
Net book value at end of the year	<b>272,714</b>	242,672
<i>Camp buildings</i>		
Net book value at start of the year	<b>561,605</b>	103,474
Additions	<b>602,521</b>	507,426
Depreciation	<b>(206,049)</b>	(49,295)
Net book value at end of the year	<b>958,077</b>	561,605
	<b>1,823,516</b>	1,183,014

No items of property, plant and equipment have been pledged as security by the Company.

### Note 13 Non-current assets – investment in subsidiary

During the 2007 year Gold Road acquired 100% of Thatcher's Soak Uranium Pty Ltd for \$598, the Company was incorporated in Western Australia on 22 March 2007.

The subsidiary company had no material assets or liabilities at the reporting date and in addition had no revenue or expenses since incorporation.

Consolidated financial statements have not been prepared as the Directors consider to do so would be immaterial to the reporting entity's net assets at the reporting date and its result and cash flows for the year.

2012 \$	2011 \$
------------	------------

### Note 14 Non-current assets – other financial assets

Security and environmental bonds

69,227	68,227
--------	--------

Included in the above are bonds that act as security for environmental bonds over tenements on which the Company has worked or is currently working.

### Note 15 Non-current assets – capitalised mineral exploration and evaluation expenditure

*In the exploration and evaluation phase*

Cost brought forward

10,801,313	5,144,613
------------	-----------

Exploration expenditure during the year

17,622,958	6,061,190
------------	-----------

Exploration expenditure written off

(44,900)	(404,490)
----------	-----------

Cost carried forward

28,379,371	10,801,313
------------	------------

The recoverability of the carrying amount of the exploration and evaluation assets is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

### Note 16 Current liabilities – trade and other payables

Trade payables

1,825,825	1,135,401
-----------	-----------

Accruals and other payables

432,075	135,601
---------	---------

Trade and other payables

2,257,900	1,271,002
-----------	-----------

### Note 17 Provisions

Current – Employee entitlements

142,632	60,183
---------	--------

Non-current – Employee entitlements

13,756	–
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# Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

## Note 18 Contributed equity

### (a) Ordinary shares

The Company is a public company limited by shares. The company was incorporated in Perth, Western Australia.

The Company's shares are limited whereby the liability of its members is limited to the amount (if any) unpaid on the shares respectively held by them.

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

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

		2012 No.	2011 No.	2012 \$	2011 \$
<b>(b) Share capital</b>					
Issued share capital		<b>390,015,665</b>	311,475,291	<b>53,803,866</b>	31,227,681
<b>(c) Share movements during the year</b>	<i>Issue price</i>				
Balance brought forward		<b>311,475,291</b>	195,843,333	<b>31,227,681</b>	15,142,361
Placement	\$0.085	–	29,000,000	–	2,465,000
Placement	\$0.34	–	26,500,000	–	9,010,000
Placement	\$0.32	<b>47,563,130</b>	–	<b>15,220,202</b>	–
Share Purchase Plan	\$0.32	<b>25,000,000</b>	–	<b>8,000,000</b>	–
Listed Options exercised	\$0.07	<b>5,612,244</b>	51,431,958	<b>392,857</b>	3,600,238
Unlisted Options exercised	\$0.07	–	700,000	–	49,000
Unlisted Options exercised	\$0.095	<b>100,000</b>	–	<b>9,500</b>	–
Unlisted Options exercised	\$0.15	<b>200,000</b>	500,000	<b>30,000</b>	75,000
Unlisted Options exercised	\$0.20	–	6,500,000	–	1,300,000
Unlisted Options exercised	\$0.25	–	1,000,000	–	250,000
Performance Share Rights exercised	\$0.00	<b>25,000</b>	–	–	–
Performance Share Rights exercised	\$0.00	<b>40,000</b>	–	–	–
Less: costs related to shares issued		–	–	<b>(1,076,374)</b>	(663,918)
At the end of the year		<b>390,015,665</b>	311,475,291	<b>53,803,866</b>	31,227,681
<b>(d) Shares to be issued</b>					
Shares to be issued in respect of 5,612,244 options exercised	\$0.07	–	5,612,244	–	392,856
		–	5,612,244	–	392,856

### (e) Share Options

#### (i) Options granted during the year

The following table illustrates the number (No.) of, and movements in, share options issued during the year:

	2012 No.	2011 No.
Outstanding at the beginning of the year	<b>17,019,000</b>	76,255,004
Unlisted options granted (ii)	<b>1,427,000</b>	7,319,000
Unlisted options exercised (iii)	<b>(300,000)</b>	(8,700,000)
Listed options exercised	–	(57,044,202)
Forfeited during the year	–	(700,000)
Listed options expired during the year	–	(110,802)
Outstanding at the end of the year	<b>18,146,000</b>	17,019,000
Exercisable at the end of the year	<b>16,679,334</b>	13,219,000

## Note 18 Contributed equity *continued*

### (e) Share Options *continued*

#### (ii) *Unlisted options granted during the year:*

Number of options granted	Exercise price	Expiry date
46,000	95.3 cents	30 June 2015
324,000	54.8 cents	31 October 2015
310,000	48 cents	31 December 2015
702,000	47.3 cents	31 March 2016
45,000	27 cents	30 June 2016

*The above options were granted and issued pursuant to the terms and conditions of the Plan.*

#### (iii) *Unlisted options exercised during the year:*

Number of options exercised	Exercise price	Expiry date
200,000	15 cents	31 December 2012
100,000	9.5 cents	30 September 2015

#### (iv) *Options outstanding at year-end*

Number of options outstanding	Exercise price	Expiry date
5,200,000	37 cents	30 November 2012
200,000	15 cents	31 December 2012
1,000,000	18.5 cents	30 May 2013
1,000,000	22 cents	30 May 2013
1,000,000	26 cents	30 May 2013
300,000	17 cents	31 May 2013
700,000	10 cents	30 June 2014
600,000	15 cents	30 June 2014
3,500,000	61.5 cents	31 October 2014
1,000,000	97.5 cents	30 April 2015
119,000	70.5 cents	31 May 2015
46,000	95.3 cents	30 June 2015
633,334	9.5 cents	30 September 2015
733,334	10.7 cents	30 September 2015
733,332	12.8 cents	30 September 2015
324,000	54.8 cents	31 October 2015
310,000	48 cents	31 December 2015
702,000	47.3 cents	31 March 2016
45,000	27 cents	30 June 2016

#### (v) *Weighted average remaining contractual life*

The weighted average remaining contractual life for the unlisted share options outstanding as at 30 June 2012 is 1.72 years (2011: 2.56 years).

#### (vi) *Weighted average fair value*

The weighted average fair value of the unlisted options granted during the year was 0.13 cents (2011: 0.15 cents).



# Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

## Note 18 Contributed equity continued

### (e) Share Options continued

#### (vii) Option and performance share right pricing model

The fair value of the equity-settled instruments granted is estimated as at the date of the grant using the Black-Scholes Model taking into account the terms and conditions upon which the instruments were granted.

The following table lists the inputs to the models used for options issued in the years ended 30 June 2012 and 30 June 2011:

	30 June 2012	30 June 2011
Expected volatility (%)	82.58 - 96.39	90.54 - 103.97
Risk-free interest rate (%)	2.51 - 4.46	4.76 - 5.17
Expected life of option (years)	4	3.9 - 5
Option exercise price (\$)	0.27 - 0.953	0.615 - 0.975
Underlying share price at measurement date (\$)	0.18 - 0.635	0.38 - 0.65

### (f) Performance Share Rights

At 30 June 2012, there were 190,000 (2011: Nil) vested and 1,610,000 (2011: Nil) unvested Performance Share Rights to acquire ordinary shares on issue.

As at the balance date unissued ordinary shares of the Company under Performance Share Rights are:

Outstanding	Vesting Date	Expiry date
550,000*	30 November 2012	–
550,000*	30 November 2013	–
40,000	31 March 2012	31 March 2015
105,000	31 March 2013	31 March 2015
105,000	31 March 2014	31 March 2015
150,000	30 June 2012	30 June 2015
150,000	30 June 2013	30 June 2015
150,000	30 June 2014	30 June 2015

\* Represent Performance Share Rights issued to Directors. The grant of these Performance Share Rights is subject to the recipients remaining employed by the Company up to the Test Date and the 10 day VWAP of trading in the shares up to the relevant Test Date being at least:

- 47 cents per Share in relation to 550,000 Performance Share Rights which are tested and vest on 30 November 2012; and
- 59 cents per Share in relation to 550,000 Performance Share Rights which are tested and vest on 30 November 2013.

During the year ended 30 June 2012, 1,865,000 (2011: Nil) Performance Share Rights were issued pursuant to the terms of the Plan.

During the year ended 30 June 2012 65,000 (2011: Nil) ordinary shares were issued on the exercise of vested Performance Share Rights.

Performance Share Rights are valued at the underlying market value of the ordinary shares over which they are granted. Refer to Note 18(e)(vii) for inputs used in valuing the Performance Share Rights.

2012	2011
\$	\$

## Note 19 Share-based payments

### (a) Recognised share-based payment expenses

The expense recognised for services received during the year is shown in the table below:

Expenses arising from equity settled share-based payment transactions

- Recognised in Statement of Comprehensive Income
- Recognised in Equity

441,210	1,068,632
–	–
441,210	1,068,632

### (b) Types of share-based payment plans

#### *Incentive Option Plan*

The Company has a formal option plan for the issue of options to employees, directors and consultants, which was approved by shareholders at the Company's Annual General Meeting on 29 November 2010. Options are granted free of charge and are exercisable at a fixed price in accordance with the terms of the grant. Options over unissued shares are issued under the terms of the Plan at the discretion of the Board.

#### *Performance Share Rights Plan*

The Company has a formal plan for the issue of Performance Share Rights to employees, which was approved by shareholders at the Company's Annual General Meeting on 29 November 2010. Performance Share Rights are granted free of charge and are exercisable into ordinary fully paid shares in accordance with the terms of the grant. Performance Share Rights are issued to employees under the terms of the Plan at the discretion of the Board.

Refer to Note 18 for movements in share options and Performance Share Rights during the year.

2012	2011
\$	\$

## Note 20 Reserves and accumulated losses

### (a) Equity remuneration reserve

Balance brought forward at 1 July

2,237,603	1,168,971
-----------	-----------

Transfer to equity remuneration reserve in respect of options issued

441,210	1,068,632
---------	-----------

Balance carried forward at 30 June

2,678,813	2,237,603
-----------	-----------

The equity remuneration reserve is used to recognise the fair value of options issued but not exercised.

### (b) Accumulated losses

Balance brought forward at 1 July

(12,647,598)	(9,617,667)
--------------	-------------

Loss for the year

(2,893,026)	(3,029,931)
-------------	-------------

Balance carried forward at 30 June

(15,540,624)	(12,647,598)
--------------	--------------

# Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

## Note 21 Financial instruments

### (a) Credit risk

The Directors do not consider that the Company's financial assets are subject to anything more than a negligible level of credit risk, and as such no disclosures are made. Refer to Note 3(a).

### (b) Impairment losses

The Directors do not consider that any of the Company's financial assets are subject to impairment at the reporting date. No impairment expense or reversal of impairment charge has occurred during the reporting period.

### (c) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements. Refer to Note 3(b).

	Carrying amount \$	Contractual cash flows \$	6 months or less \$	6 months or more \$
<b>Company</b>				
<b>30 June 2012</b>				
Financial assets	13,141,380	13,141,380	13,072,153	69,227
Financial liabilities	2,257,900	(2,257,900)	(2,257,900)	–
<b>Company</b>				
<b>30 June 2011</b>				
Financial assets	10,545,324	10,545,324	10,477,097	68,227
Financial liabilities	(1,271,002)	(1,271,002)	(1,271,002)	–

### (d) Currency risk

The Company does not have any exposure to foreign currency risk (refer to Note 3(c)).

### (e) Interest rate risk

At the reporting date the interest profile of the Company's interest-bearing financial instruments was as follows (refer to Note 3(c)):

	Company Carrying Amount	
	2012 \$	2011 \$
<b>Fixed rate instruments</b>		
Financial assets	–	–
Financial liabilities	–	–
<b>Variable rate instruments</b>		
Financial assets	12,825,934	9,685,631

### (f) Fair value sensitivity analysis for fixed rate investments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

## Note 21 Financial instruments continued

### (g) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The 100 basis points sensitivity is based on reasonable possible change over the financial year using the observed range for the historic 2 years.

	Profit or loss		Equity	
	100bp increase \$	100bp decrease \$	100bp increase \$	100bp Decrease \$
<b>30 June 2012</b>				
Variable rate instruments	128,259	128,259	128,259	128,259
<b>30 June 2011</b>				
Variable rate instruments	96,856	96,856	96,856	96,856

### (h) Fair values

*Fair values versus carrying amounts*

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

## Note 22 Dividends

No dividends were paid or proposed during the financial year.

The Company has no franking credits available as at 30 June 2012.

## Note 23 Key management personnel disclosures

### (a) Directors

The following persons were directors of Gold Road during the financial year:

- (i) *Executive Chairman*  
Ian Murray (appointed Executive Chairman 12 February 2008)
- (ii) *Non-Executive Director and Company Secretary*  
Kevin Hart (appointed Non-Executive Director 17 May 2007)
- (iii) *Non-Executive Director*  
Russell Davis (appointed 28 May 2004.  
Became Non-Executive Director on 1 January 2008)
- (iv) *Non-Executive Director*  
Martin Pyle (appointed 22 June 2010)
- (v) *Executive Director*  
Ziggy Lubieniecki (appointed General Manager 1 August 2009.  
Appointed Executive Director on 13 December 2010)
- (vi) *Non-Executive Director*  
David Woodall (appointed Non-Executive Director 20 February 2012)

### (b) Other key management personnel

There were no other persons employed by or contracted to the Company during the financial year, having responsibility for planning, directing and controlling the activities of the Company.

# Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

## Note 23 Key management personnel disclosures continued

### (c) Compensation for key management personnel

	Company Carrying Amount	
	2012 \$	2011 \$
Short-term employee benefits	816,645	637,069
Bonuses	145,000	15,667
Post-employee benefits	48,527	19,797
Other benefits	24,162	10,820
Share-based payment	168,189	966,250
Total compensation	1,202,523	1,649,603

### (d) Equity instrument disclosures relating to key management personnel

#### (i) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director of Gold Road and other key management personnel of the Company are set out below.

#### YEAR 2012

Directors/ Executives	Balance at start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
I Murray	6,000,000	—	—	—	6,000,000	6,000,000
Z Lubieniecki	3,800,000	—	—	—	3,800,000	3,133,334
R Davis	1,500,000	—	—	—	1,500,000	1,500,000
K Hart	1,500,000	—	—	—	1,500,000	1,500,000
M Pyle	800,000	—	—	—	800,000	800,000
D Woodall	—	—	—	—	—	—

#### YEAR 2011

Directors/ Executives	Balance at start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
I Murray	8,027,000	2,000,000	(4,027,000)	—	6,000,000	5,000,000
Z Lubieniecki	3,100,000	2,000,000	(1,300,000)	—	3,800,000	2,200,000
R Davis	5,565,000	500,000	(4,565,000)	—	1,500,000	1,500,000
K Hart	1,000,000	500,000	—	—	1,500,000	1,500,000
M Pyle	800,000	500,000	(500,000)	—	800,000	800,000
D Woodall	—	—	—	—	—	—



## Note 23 Key management personnel disclosures continued

### (d) Equity instrument disclosures relating to key management personnel continued

#### (ii) Performance Share Rights

The number of Performance Share Rights over ordinary shares in the Company held during the financial year by each director of Gold Road and other key management personnel of the Company are set out below.

#### YEAR 2012

Directors/ Executives	Balance at start of the year	Granted during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
I Murray	–	600,000	–	–	600,000	–
Z Lubieniecki	–	500,000	–	–	500,000	–
R Davis	–	–	–	–	–	–
K Hart	–	–	–	–	–	–
M Pyle	–	–	–	–	–	–
D Woodall	–	–	–	–	–	–

#### YEAR 2011

No Performance Share Rights were issued to directors during the year ended 30 June 2011.

#### (ii) Share holdings

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

#### YEAR 2012

Directors/Executives	Balance at start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
I Murray	11,135,000	–	(473,352)	10,661,648
Z Lubieniecki	1,101,000	–	–	1,101,000
R Davis	8,075,000	–	(1,138,932)	6,936,068
K Hart	–	–	–	–
M Pyle	2,000,000	–	21,857	2,021,857
D Woodall	–	–	–	–

#### YEAR 2011

Directors/Executives	Balance at start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
I Murray	8,108,000	4,027,000	(1,000,000)	11,135,000
R Davis	6,260,000	4,565,000	(2,750,000)	8,075,000
K Hart	–	–	–	–
M Pyle	1,500,000	500,000	–	2,000,000
Z Lubieniecki	1,200,000	1,300,000	(1,399,000)	1,101,000

# Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

## Note 23 Key management personnel disclosures continued

### (e) Loans made to key management personnel

No loans were made to a director of Gold Road or any other key personnel, including personally related entities during the reporting period.

### (f) Other transactions with key management personnel

Mr Kevin Hart has an interest as a Partner in a Chartered Accounting firm, Endeavour Corporate. This firm provides company secretarial and accounting services to the Company in the ordinary course of business. The value of transactions in the financial year ended 30 June 2012 amounted to \$129,657 (2011: \$141,830).

During the year, Martin Pyle Consulting, a company controlled by Mr Martin Pyle, provided corporate and strategic advice services to the company. The value of transactions in the financial year ended 30 June 2012 amounted to \$36,000 (2011: \$36,904).

Terms and conditions were not more favourable than those available, or which might reasonably be expected to be available for a similar transaction to unrelated parties on an arms-length basis.

## Note 24 Remuneration of auditors

Audit and review of the Company's financial statements

2012 \$	2011 \$
34,365	20,118
<b>34,365</b>	<b>20,118</b>

## Note 25 Contingencies

### (a) Contingent liabilities

There were no material contingent liabilities noted or provided for in the financial statements of the Company as at 30 June 2012 other than:

#### *Native Title and Aboriginal Heritage*

Native title claims have been made with respect to areas which include tenements in which the Company has an interest. The Company is unable to determine the prospects for success or otherwise of the claims and, in any event, whether or not and to what extent the claims may significantly affect the Company or its projects. Agreement is being or has been reached with various native title claimants in relation to Aboriginal Heritage issues regarding certain areas in which the Company has an interest.

### (b) Contingent assets

There were no material contingent assets as at 30 June 2012.

## Note 26 Commitments

### (a) Exploration

The Company has certain obligations to perform minimum exploration work on mineral leases held. These obligations may vary over time, depending on the Company's exploration programmes and priorities. As at reporting date, total exploration expenditure commitments on tenements held by the Company have not been provided for in the financial statements and which cover the following twelve month period amount to \$2,150,000 (2011: \$1,972,000). These obligations are also subject to variation by farm-out arrangements or sale of the relevant tenements.

### (b) Operating lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are as follows:

	2012 \$	2011 \$
Within one year	89,000	106,800
Later than one year but not later than five years	–	89,000
Later than 5 years	–	–
	<b>89,000</b>	<b>195,800</b>

### (c) Contractual commitment

Within one year  
Later than one year but not later than five years  
Later than 5 years

–	–
–	–
–	–
–	–

There are no other material contractual commitments as at 30 June 2012 other than those disclosed above and not otherwise disclosed in the Financial Statements.

## Note 27 Related party transactions

There were no related party transactions during the year, other than disclosed at Note 23.

## Note 28 Events occurring after the reporting date

There has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

# Notes to the Financial Statements continued

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	2012 \$	2011 \$
<b>Note 29 Reconciliation of loss after tax to net cash outflow from operating activities</b>		
Loss from ordinary activities after income tax	<b>(2,893,026)</b>	(3,029,931)
Depreciation	<b>336,731</b>	95,738
Exploration expenditure written off	<b>44,900</b>	404,490
Loss on disposal of assets	<b>10,606</b>	–
Share based payments expense	<b>441,210</b>	1,068,632
<i>Change in operating assets and liabilities:</i>		
(Increase) in accrued interest receivable	<b>(57,897)</b>	(20,414)
(Increase)/Decrease in other receivables	<b>313,851</b>	(317,544)
(Increase)/decrease in prepaid expenses	–	(10,838)
Increase in leave provisions	<b>96,205</b>	45,167
Increase in trade and other payables	<b>119,216</b>	101,994
Net cash outflow from operating activities	<b>(1,588,204)</b>	(1,662,706)

	2012 cents	2011 cents
<b>Note 30 Earnings per share</b>		
<b>(a) Basic earnings per share</b>		
Loss attributable to ordinary equity holders of the Company	<b>(0.78)</b>	(1.21)
<b>(b) Diluted earnings per share</b>		
Loss attributable to ordinary equity holders of the Company	<b>(0.78)</b>	(1.21)
	\$	\$
<b>(c) Loss used in calculation of basic and diluted loss per share</b>		
Loss for the year	<b>(2,893,026)</b>	(3,029,931)
	No.	No.
<b>(d) Weighted average number of shares used as the denominator</b>		
Weighted average number of shares used as the denominator in calculating basic and diluted earnings per share	<b>367,573,589</b>	250,485,252

## **(e) Information concerning the classification of securities**

### *Options and Performance Share Rights*

Options and Performance Share Rights to acquire ordinary shares granted by the Company and not exercised at the reporting date are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. At year end, none of the options and Performance Share Rights were considered to be dilutive. The options have not been included in the determination of basic earnings per share. Refer to Note 18 for details of the options and Performance Share Rights issued.

# Directors' Declaration

In the opinion of the Directors of Gold Road

- (a) the financial statements, notes and the additional disclosures included in the Directors' Report designated as audited of the Company are in accordance with the Corporations Act 2001, including:
  - (i) *complying with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and*
  - (ii) *giving a true and fair view of the financial position of the Company as at 30 June 2012 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the financial year ended on that date.*
- (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.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2012.

The directors draw attention to Note 1(a) to the financial statements, which include a statement of compliance with International Financial Reporting Standards.

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

On behalf of the Board

Signed at Perth this 28th day of September 2012.



**Ian Murray**  
Executive Chairman



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOLD ROAD RESOURCES LIMITED**

### **Report on the Financial Report**

We have audited the accompanying financial report of Gold Road Resources Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the 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.

#### *Directors' responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's Responsibility*

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

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

*Independence*

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

*Opinion*

In our opinion:

- (a) the financial report of Gold Road Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) the financial report of the Company also complies with International Financial Reporting Standards as disclosed in note 1(a).

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 36 to 60 of the directors' report for the year ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

*Opinion*

In our opinion the remuneration report of Gold Road Resources Limited for the year ended 30 June 2012 complies with section 300 A of the *Corporations Act 2001*.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
(Trading as Stantons International)  
(An Authorised Audit Company)

*Stantons International Audit & Consulting Pty Ltd*



**Marin Michalik**  
Director

West Perth, Western Australia  
28 September 2012

# ASX Shareholder Information

Pursuant to the Listing Requirements of the Australian Stock Exchange Limited, the shareholder information set out below was applicable as at 10 October 2012.

## (a) Distribution of Equity Securities

Analysis of numbers of shareholders by size of holding:

Distribution	Number of Shareholders
1 – 1,000	214
1,001 – 5,000	1,456
5,001 – 10,000	1,358
10,001 – 100,000	3,262
More than 100,000	508
<b>TOTALS</b>	<b>6,800</b>

There were 1,012 shareholders holding less than a marketable parcel of ordinary shares.

## (b) Twenty Largest Shareholders

The names of the twenty largest holders of ordinary shares are listed below:

Shareholder Name	Ordinary Shares	
	Number of Shares	Percentage of Issued
HSBC Custody Nom Aust Ltd*	47,668,860	12.22%
J P Morgan Nom Aust Ltd	12,368,646	3.17%
National Nom Ltd	7,290,398	1.87%
Citicorp Nom PL	6,556,576	1.68%
Zenith Pacific Ltd	6,000,000	1.54%
Haifa PL	5,811,135	1.49%
Russell John Davis	5,176,068	1.33%
Asarco Expl Co Inc	5,000,000	1.28%
Bell Potter Nom Ltd BB Nom A/C	3,681,857	0.94%
Robert James Brooks	3,550,957	0.91%
Kurraba Inv PL	3,521,857	0.90%
Brooks Oxana V	3,207,857	0.82%
Helen Ma PL Stevema S/F A/C	2,881,924	0.74%
Martini 5 PL MCV S/F A/C	2,771,098	0.71%
Forsyth Barr Custs Ltd Forsyth Barr Ltd	2,511,367	0.64%
William D Goodfellow	2,371,857	0.61%
Martin James Pyle S/F A/C	2,021,857	0.52%
First Farley PL S/F A/C	1,953,519	0.50%
Ucan Nom PL	1,866,236	0.48%
ABN Amro Clearing Sydney Cust A/C	1,848,436	0.47%
<b>TOTAL</b>	<b>128,060,505</b>	<b>32.82%</b>

\* Includes 10,661,648 ordinary shares held by Troyleigh Investments Pty Ltd (an entity related to Mr Ian Murray, Executive Chairman) representing 2.73% of total issued shares.

## (c) Voting Rights

In accordance with the Company's Constitution, voting rights in respect of ordinary shares are on a show of hands whereby each member present in person or by proxy shall have one vote and upon a poll, each share will have one vote.



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