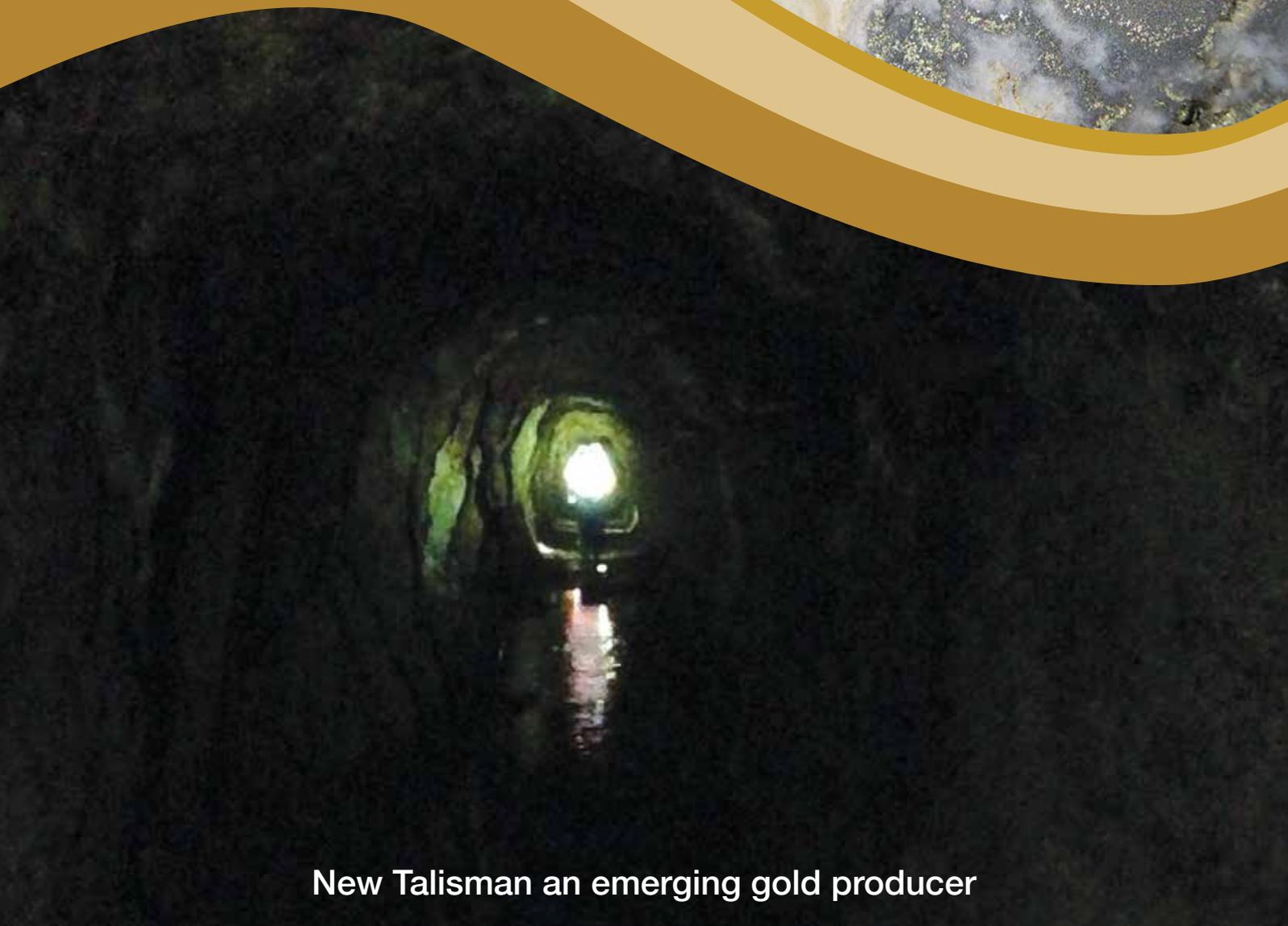


**NEW Talisman**  
GOLD MINES LIMITED

ANNUAL REPORT  
**2014**



New Talisman an emerging gold producer

# Report to the Shareholders of New Talisman Gold Mines Ltd

Year ended 31 March 2014

## HIGHLIGHTS

During the year under review the Company:

- Declared a Maiden JORC reserve for the Talisman mine
- Reached agreement with relevant agencies on arrangements for access to the Talisman mine
- Acquired all resource consents necessary to undertake bulk sampling/trial mining at the Talisman Mine
- Completed the Talisman mine bulk sampling/trial mining project plan
- Commenced the development works on the Talisman mine
- Cleared and re-instated the road to the mine portal
- Cleared the vegetation and re-instated the drainage at the hardstand area
- Secured the mine portal and mine entry barriers
- Completed the disposal of its project interest in the Mpokoto gold project for \$417,927
- Signed a letter of offer for a A\$2 million facility to fund development of the Talisman mine through a converting note
- Completed a Share Purchase Plan that raised NZ\$348,445

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Front cover: Talisman Mine entrance No 8 level  
This page: Stream at portal Talisman No 8 level

# Directors' Report

## For the year ended 31 March 2014

### Dear Shareholders

The directors of New Talisman Gold Mines Ltd (NTL) are pleased to provide the following report on the progress your company made in the year to 31 March 2014 and its financial position at the end of the period.

### INTRODUCTION

The company made significant progress during the year under review. Today, your company is very different from the company it was twelve short months ago. The difference is observable at two levels – both on the ground and in the balance sheet.

Twelve months ago your directors considered a pre-feasibility study that brought the results of many years of exploration at Talisman into a practical, feasible, plan to re-enter and work the historically rich mine. The plan aimed to extract bulk ore samples from the mine in order to test processing options and to trial different mining methods as a precursor to a larger sustainable operation in the future. Importantly, the plan took a minimal-capital, “learn to walk before you run”, approach but also offered a return on capital invested over the 18 month term of the bulk sampling/ trial mining plan itself. The directors concluded that the plan made eminent commercial sense, adopted it and instructed management to implement it.

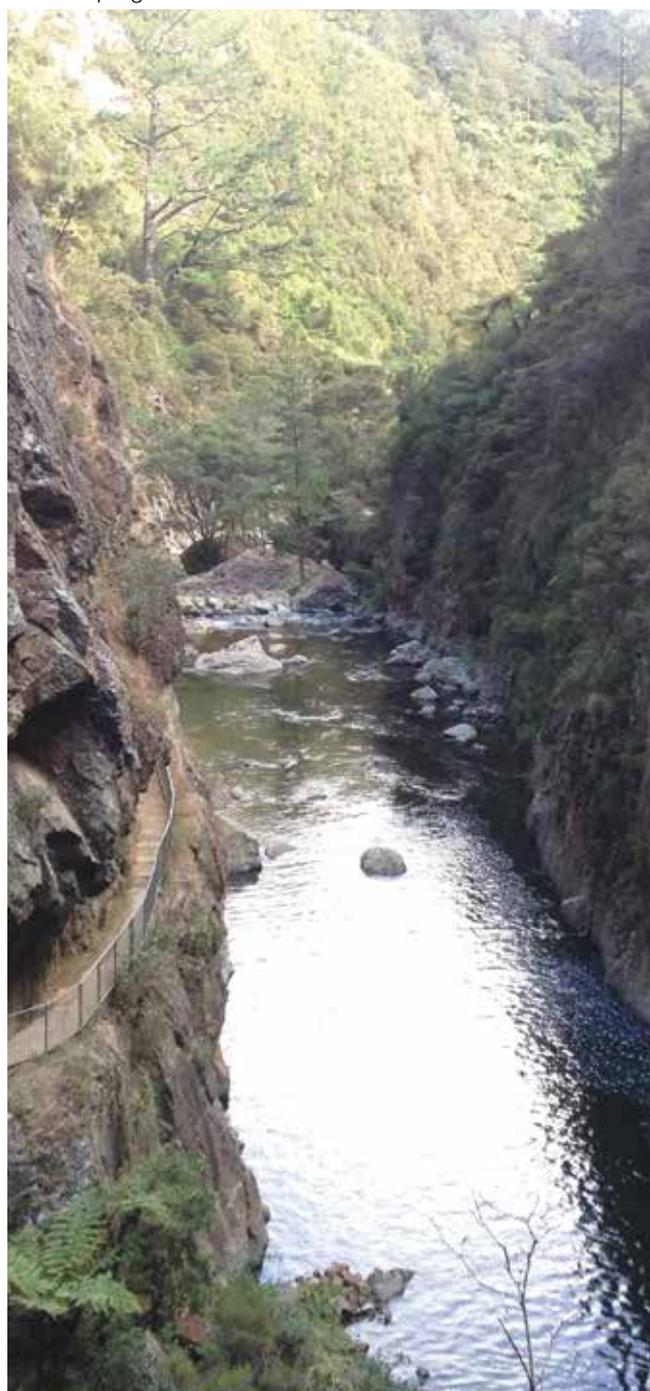
So unlike previous years when exploration and resource evaluation operations dominated activities, this year securing the remaining regulatory approvals to enter and operate the mine and developing the infrastructure for the mine itself took centre stage. Today we have all the consents necessary to enter and operate and it is physically possible to drive a truck to within a few meters of the mine portal and then to walk through the underground workings to the ore bearing face where bulk sampling/trial mining will commence. As set out elsewhere in this report the commencement of bulk sampling remains dependent on installation of the necessary surface facilities and underground infrastructure – water, compressed air, electricity, roof support and a ventilation system. That will take a few months but we still expect to extract the first bulk samples towards the end of the fourth quarter subject to financing. In short we are within arms-reach of our goal of becoming a gold producer.

Last year the only significant asset on the balance sheet was the intangible value attributed to the company's mining and exploration permits. That value was derived from the capitalised cost of geological exploration and evaluation on the permits over the years less any impairment or reduction in fair value as determined by independent valuation. This year the balance sheet is comprised of both intangible and tangible assets reflecting the historic exploration and evaluation activities together with the investment in consents, infrastructure and other works associated with the Talisman mine development.

Two of the company's permits (Rahu and Golden Valley) are approaching the end of their current terms. While there are options available to the company to extend, convert or renew the permits the outcome was uncertain at balance date and your directors elected to adopt a conservative position and write down the intangible value of the two permits based on independent valuation.

By contrast the Talisman mine development project is very much a growing tangible asset. As a tangible asset it is subject to different accounting treatment that will see the development costs initially capitalised and then amortised over the life of the mine. As a revenue generating asset there may be a case to be made that the carrying value of the development should be reviewed annually. That is a matter for your directors to consider by way of company policy within the ambit of the appropriate accounting standards in the future.

Shareholders should note however that the very same independent valuation that directors relied on to write down the intangible asset values noted above, placed a current fair value on the Talisman Mine Development project in the range of \$11m to \$15m. This valuation for Talisman alone may be compared with the \$9.5m carried in the balance sheet for all property, plant equipment and intangible assets. The difference is a measure of unreported value added by your company's operations in the year under review. Interestingly, a prominent independent Australian share analyst recently published an enterprise valuation for New Talisman that arrived at the same broad value for the company as the professional New Zealand valuer. Based on these indicators your directors are confident the company's market value is likely to be significantly re-rated once bulk sampling has commenced.



*Karangahake Gorge*

## CORPORATE

The company successfully exited its investment in the Mpokoto gold project in the Democratic Republic of Congo during the year. Armadale Capital PLC (ACP), a UK listed entity, offered to acquire the company's interest in the project in exchange for 93 million ACP shares. The company accepted that offer and subsequently sold down its ACP shares for NZ\$417,927. This represented a 38% return on the capital originally invested in the project. The proceeds received from the disposal of the company's stake in Mpokoto were subsequently applied to the Talisman mine development.

### Capital Raising

#### • Share Purchase Plan (SPP)

An SPP was initiated in September 2013, raising NZ\$348,445. Funds were applied to the Talisman mine development and NTL working capital.

#### • Rights Issue

Subsequent to the close of the year NTL raised NZ\$634,069 before expenses through a rights issue which closed on 6 June 2014. The funds will be applied to the bulk sampling project at Talisman and are sufficient to begin a major part of the work required to produce small quantities of ore from the mine. The placement of the shortfall is currently being investigated.

## Talisman Gold Project, NEW ZEALAND (100% New Talisman Gold)

### Talisman Mine Project

Following completion of the Pre-Feasibility Study in March 2013 the company initiated a Feasibility Study on the Talisman Mine project. The focus over the last year has been on establishing the primary drivers to initiate mining operations at the Talisman Mine. The feasibility study requires further data which will be acquired through the course of the initial bulk sampling/trial mining phase of the project and subsequently used to determine the key parameters for long term sustainable mining operations.

### Bulk Sampling Project

The bulk sampling/trial mining phase of the project was derived from the first year of the mine plan set out in the Pre-Feasibility study and takes into account the current price of gold along with the need to acquire additional geological and metallurgical data on the ore body and establish sustainable revenues from the bulk sampling/trial mining phase.



NTL CEO Matthew Hill outside the 5A portal after a trip through the Talisman

The project plan prescribes the infrastructure at the Talisman Mine necessary for the development of a number of small drives in the Maria and Mystery veins through which bulk ore samples will be extracted and sent for metallurgical analysis. A detailed schedule for mine refurbishment and installation of power, water and electrical systems, identifying appropriate equipment and suppliers and the corresponding capital and operating cost estimates was completed during the period. Based on an average development face advance of 12 metres per month per drive, the company expects to generate approximately 650 tonnes of material per month once sampling

operations are fully established. Based on the calculated JORC reserve it is estimated that the material extracted during this period will contain an average of 12.0 grams per tonne (g/t) of gold. Once the bulk sampling project is fully established it is estimated it will produce between 200 and 300 ounces of gold and between 600 and 900 ounces of silver per month.

The bulk sampling plan provides a positive return based on a gold price of US\$1200 per ounce. The company has already identified options to focus on high grade areas of the mine if the price of gold declines below US\$1200. Tests by SGS Laboratories on samples taken from stockpiled or show grades of up to 1% (10,000 g/t gold). Subject to completion of satisfactory financing arrangements the directors are confident of achieving the first revenues from ore at Talisman in the fourth quarter of 2014.



Principal mining engineer Wayne Chowles highlighting the location of ore bodies inside level 8.

### Mine Access and Consenting

As highlighted above NTL secured satisfactory terms and conditions for the access arrangements and resource consents necessary to commence operations at the mine in December 2013.

### Maiden JORC Reserve

In September 2013, following a Gap Analysis on the Pre-Feasibility Study carried out by Hatch Goba, an independent international mining consultancy, NTL announced the maiden, JORC compliant, ore reserve for the Talisman Mine. Ore reserves at the Talisman gold project, based on an average in-situ cut-off grade of 1.7 g/t, are 82,500 tonnes at 10.8 g/t gold and 48.1 g/t silver. Ore reserves are derived from and contained within, not additional to, the Measured and Indicated portions of the Mineral Resource. This ore reserve estimate reflects the outcome of the Pre-Feasibility Study conducted on Phase 1 of the Talisman Mine Project and forms a solid basis for the company to proceed with further project development.

### Health and Safety Management System

Development of a Health and Safety Management System which complies with the new Health and Safety in Employment (Mining Operations and Quarrying Operations) Regulations 2013 has progressed satisfactorily. A working group comprised some of New Zealand's leading mining professionals was established in early 2014 to assist in developing one of the first Health and Safety Management Systems to be lodged with the High Hazards Unit of Worksafe NZ under the new regulations. The documentation includes a series of Principal Hazard Management Plans which detail how the company will manage hazards at the mine. NTL is committed to creating a safe and healthy working environment at the Talisman Mine, is fully supportive of the new regulations and mindful of its overriding duty of care to keep its workforce safe.



*Bobcat working Talisman No 8 level*

### Metallurgical Testwork

Internal testwork on potential methods of gravity concentration for Talisman ore was conducted in July and August 2013 and resulted in the first gold production from the Talisman Mine in 23 years. 146 kg of ore was processed through a small scale test facility resulting in the production of 3 ounces of gold and silver concentrate.

Other testwork carried out by independent laboratories determined that there were no minerals or chemicals contained in the Talisman ore that presented a hazard or other impediment to conventional processing options. This testwork was required to ensure suitability with potential treatment facilities.

To date it appears both gravity and cyanide treatment provide for economic extraction of gold from the ore.



*Figure 1: Plan of the mine road location for shipment of ore from the mine*

### The Year Ahead

NTL is now in the process of establishing the team that will commence operations at the mine. Over the next month the company expects to lodge its Health and Safety Management Plan with Worksafe NZ along with notice of its intention to commence operations at the Talisman Mine. Concurrently the company will apply to the Department of Conservation for Authority to Enter and Operate on the land. The company can then begin activities at the mine site. First operations will include removing stockpiled ore for treatment, upgrading the access road to provide safe passage for the ore trucks and improving the security arrangements at the mine site prior to moving in equipment.

Once suitable security arrangements are in place work will begin on upgrading site water handling facilities, establishment of an explosives storage facility and construction of the ventilation air lock prior to installation of the main ventilation fan. With this in place the company will be in a position to proceed underground with mobile machinery to begin rehabilitation of the mine workings.

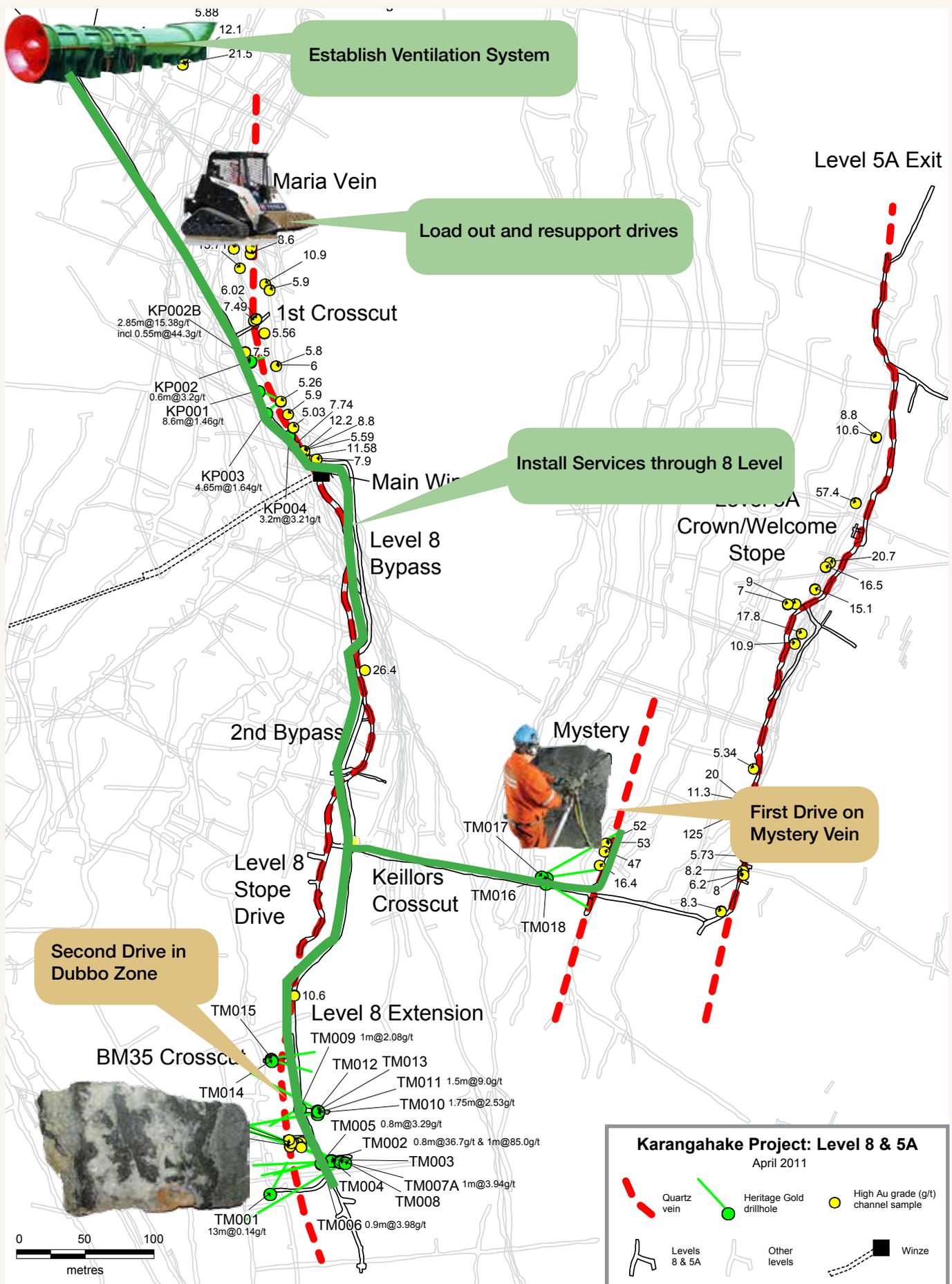
Rehabilitating the workings entails removal of several old timber sets and replacing these with modern support systems, loading out of rubble to create clear passage for machinery, installation of compressed air and service water piping and electrical reticulation to the Mystery and Dubbo sections.

Upon completion of the infrastructure and site preparation, the company can commence developing the initial drives on the Mystery and Maria veins, the location of these drives is shown in Figure 1.

As per its name the Mystery Vein is a relatively unknown vein with less than 100 metres of on vein development having been completed by Cyprus Mining in the 1980's. The ore reserve calculations take only high confidence measured and indicated resources proximate to these drives into account, however, with face sampling in the area yielding assayed gold grades exceeding 50 g/t and potential for strike extension of this vein, there is an excellent opportunity to increase resources and reserves in the short term.

The drive on the Maria Vein within the Dubbo Section of the mine will have a twofold purpose, firstly to provide additional information on the structural and grade characteristics of this high grade block of ground which has yielded core assays in excess of 1000 g/t and secondly, to provide a return path for ventilating air which will be forced through the area.

Blast holes will be drilled in the drive face using a hand held air leg rock drill, charged with explosive and detonated. The broken ore will be loaded from the face by an operator using a skid steer loader and removed from the mine in a purpose built trailer. The company expects to be in a position to conclude negotiations with respect to a toll treating arrangement within the coming months. Metallurgical testwork on ore samples from the mine has substantially progressed with no undue complications being noted.



Schematic diagram of the Talisman Mine showing the tunnels (drives) that will be equipped and the location of the Mystery and Maria drives that will be extended during the Bulk Sampling Program

## Coromandel Gold Limited (100% New Talisman Gold)

Coromandel Gold Limited (“CGL”), a 100% subsidiary of NTL, to manage and develop NTL’s exploration and non-core assets under a separate board and management structure. CGL adds value to the company’s minerals portfolio by identifying highly prospective areas in New Zealand and abroad and exploring them to the point where they can be assigned to the parent company for development or sold on to others who place a higher value on them. Completing its 2012 strategy, the board of NTL is currently looking at the potential for separating CGL into a listed vehicle capable of its own fundraising activities and work programs. This may be through a spin off or reverse merger into an existing shell.

### EL 40736 Golden Valley

The Golden Valley Exploration Permit covers 2524 hectares (ha) of highly prospective land to the east and north east of the currently producing Martha and Favona mines and the Correnso deposit now in development. Exploration by NTL targeted gold mineralisation beneath post mineral cover rocks and successfully identified several target areas initially from detailed aeromagnetic geophysical surveying and later ground based follow up.

These targets are characterised by anomalous gold and trace element soil geochemistry, one south of the Monument prospect and another known as the Orchard anomaly.

The Orchard anomaly comprises a broad approximately one km<sup>2</sup> gold anomaly where fire assay results of the soils show gold values ranging from 0.02 to 0.5ppm with coincident elevated arsenic and mercury values that are normally associated with gold mineralisation in epithermal systems in the Waihi Gold district.

Seismic surveys over the Orchard anomaly have identified structures that have been interpreted as potentially related to buried gold mineralisation.

A phased drill programme is planned, the timing of which will depend on funding. As set out earlier in this report this is being looked at through Coromandel Gold Limited.

## Northland Minerals Limited (100% New Talisman Gold Mines)

### EL 53706 Parakao

Northland Minerals Ltd, a wholly owned subsidiary of NTL holds an 1,188 hectare Exploration Permit in Northland, New Zealand.

Several gold rich copper occurrences related to base metal massive sulphide deposits lie within the permit. These are analogous to the “black smoker” base metal and gold-rich deposits being researched off the north east coast of New Zealand. Overseas examples of this style of mineralisation include Rio Tinto in Spain, Cyprus-style on Cyprus Island, and Mt Lyell in Tasmania.

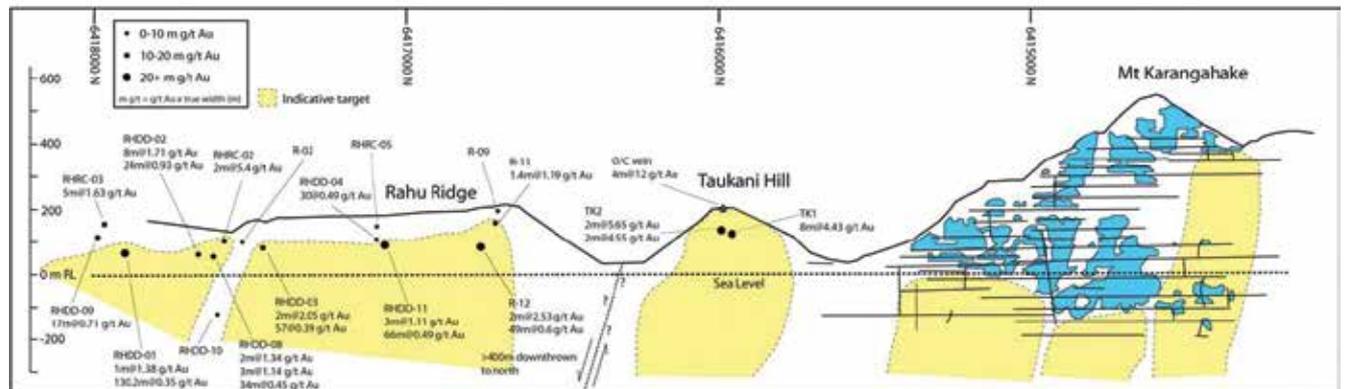
While some small scale mining took place in the middle of the 20<sup>th</sup> century there has been no modern exploration here. The recently completed government funded Northland airborne geophysical survey data provides the opportunity to target areas for further exploration in the permit which the company considers to be highly prospective for discovering new economic deposits of gold and copper.

### EL 40117 Rahu

#### Resource and geological modelling work

NTL is currently modelling the geology and gold grade distribution of the known mineralisation at Rahu as defined by drilling, geological mapping and surface sampling to determine which parts of the mineralisation outlined to date could be classified into a resource category under the JORC code 2012.

There have been 31 holes drilled into Rahu defining mineralisation over a strike length of 1500 metres which remains open along strike and at depth. While these holes are generally wide spaced there are several portions along strike where drill density and data continuity is likely to be sufficient to meet JORC classification. This will be used in the preparation of a report to help support an application to extend the Talisman Mining permit area of land to cover Rahu and secure this for future development options.



Rahu/Talisman cross section



Rahu drilling programme

## Broken Hill Prospecting Limited (20.29% New Talisman Gold)

### Thackaringa Cobalt Project, Heavy Mineral Sands Project, New South Wales AUSTRALIA

The company holds a 20.29% interest in Broken Hill Prospecting Limited (BHPL) which owns the project.

#### Resource estimate

The most recent JORC (2004) resource evaluation (27 July 2012) estimated the combined Inferred Mineral Resources of the Thackaringa cobalt-pyrite deposits (Pyrite Hill, Big Hill and Railway) as 35.7 million tonnes of pyrite mineralisation with an average grade of 1.85 pound per tonne of cobalt (66 million pounds of contained cobalt). In addition, 'Potential' for between 37-59 million tonnes of pyrite mineralisation of similar cobalt grade was estimated (additional 63-101 million pounds of contained cobalt). This Potential is conceptual in nature and more drilling is required to further define it and there is no certainty that more drilling will result in up-grade to Resource.

## Sulphuric Acid Opportunities

BPL is evaluating opportunities to establish a sulphuric acid industry with pyrite concentrate from BPL's deposits as a feed source for a pyrite roasting plant. There is a growing east Australia market for sulphuric acid and this is likely to expand with increasing growth of industries which require sulphuric acid for processing. These include developing mineral sand (ilmenite) processing, rare earth metals deposits, phosphate fertiliser resources, nickel, copper, and uranium mining and chemical industries. Many new project developments can be limited by sulphuric acid supply as well as unreliable and costly freight, and vagaries of off-shore acid and sulphur sourcing, distribution, and storage.

BPL's cobaltiferous pyrite deposits are particularly well suited to acid production as they contain negligible deleterious metals, are very large and are well located for cost effective open-cut development.



*View north from Pyrite Hill*



*RC drilling at Pyrite Hill cobalt deposit*

## Competent Person Statements

1. Exploration activities and results contained in the Broken Hill Prospecting Ltd section of this report are based on information compiled by Dr Ian Pringle, a Member of the Australasian Institute of Mining and Metallurgy. Dr Pringle is the Managing Director of Broken Hill Prospecting Ltd and also a Director of Ian J Pringle & Associates Pty Ltd, a consultancy company in minerals exploration. Dr Pringle has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code). The Inferred Mineral Resource was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The potential is reported under JORC Code 2012. It is conceptual in nature and more drilling is required to further define it. However, there is no certainty that additional work will result in an upgrade of potential to Mineral Resource. Dr Pringle has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

2. The information in this report that relates to the Talisman Project Pre-Feasibility Study, Ore Reserve estimates and Metallurgical Testwork were prepared by Mr Wayne J Chowles, a Mining Engineer and member of the AusIMM. Mr Chowles is a full time employee of New Talisman Gold Mines Limited and the author of the Talisman Prefeasibility Study referred to in this report. He has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Chowles consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

3. The information that relates to exploration results, exploration targets and mineral resources in the sections on the Talisman Gold Project and Coromandel Gold Limited of this report are based on information compiled by or supervised by Mr Murray Stevens. Mr Stevens is an independent consulting geologist who is a corporate member of the AusIMM. Mr Stevens has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", the JORC Code. The information is extracted from the report entitled "HERITAGE GOLD NEW ZEALAND LIMITED, KARANGAHAKE GOLD PROJECT, EXPLORATION AND RESOURCE DEFINITION PROGRAMME - PHASE 2, TALISMAN MINE, EXPLORATION PERMIT 40-081" created on 9 June 2006. The information in this report was first prepared and disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Persons findings are presented have not been materially modified from the original market announcement. Mr Stevens has consented to the inclusion in this report of the matters based on his information in the form and context in which they appear.

## Hatch Goba Disclaimer

The Gap Analysis report was prepared Hatch Goba "Hatch", for the sole and exclusive benefit of New Talisman Gold Mines Ltd for the purpose of providing a GAP analysis for the New Talisman Pre-feasibility Study (FEL2) and may not be provided to, relied upon or used by any third party. Any use of this report by the Owner is subject to the terms and conditions of the Services Agreement between Hatch and the Owner, including the limitations on liability set out therein.

This report is meant to be read as a whole, and sections should not be read or relied upon out of context. The report includes information provided by the Owner, the Third Party Consultants and by certain other parties on behalf of the Owner. Unless specifically stated otherwise, Hatch has not verified such information and disclaims any responsibility or liability in connection with such information. In addition, Hatch has no responsibility for, and disclaims all liability in connection with, the sections of this report that have been prepared by the Owner or by the Third Party Consultants.

This report contains the expression of the professional opinion of Hatch, based upon information available at the time of preparation. The quality of the information, conclusions and estimates contained herein is consistent with the intended level of accuracy as set out in this report, as well as the circumstances and constraints under which this report was prepared.

However, this report is a GAP Analysis review and, accordingly, all estimates and projections contained herein are based on limited and incomplete data. Therefore, while the work, results, estimates and projections herein may be considered to be generally indicative of the nature and quality of the Project, they are not definitive. No representations or predictions are intended as to the results of future work, nor can there be any promises that the estimates and projections in this report will be sustained in future work.



*Filling a bucket at Talisman Mine No 9 level - 1912*



*Examination of Mystery Vein at Keillors crosscut, Talisman Mine*

## Board of Directors

### James Murray McKee BA (Hons)

#### **Chairman and Non-executive (Independent) Director**

Murray McKee practices as a public policy and risk management consultant in Wellington with a strong focus on the emergency services sector. He previously held operations management positions with a US offshore oil and gas exploration company (1975–1987) and senior management positions with Coal Corporation of New Zealand Limited (1987-1995). He was Chairman of the Coal Research Association of New Zealand (1995) and a councillor on the New Zealand Minerals Industry Association (1993-1995). He was a ministerial appointee to the New Zealand Conservation Authority for two terms and served on both the West Coast and Tongariro/Taupo Conservation Boards. Mr McKee has served on the Board for 18 years, being appointed a Director on 16 March 1996, Acting Chairman from August 2012 and Chairman from March 2013.

### Matthew Geoffrey Hill MBA, MAICD, FINISIA

#### **Chief Executive Officer**

Matthew Hill is an experienced merchant banker having worked previously at Potter Warburg; Eventures (a joint venture between News Corp and Softbank); Pitt Capital and Souls Private Equity Limited. He specialises in resources and company listings. Mr Hill is a Director of International Pacific Capital, Managing Director of Soco Limited (an unlisted public resources company), Director of ASX listed Broken Hill Prospecting Limited, Director of Mt Kasi Gold Mines, Director of Asia Pacific Capital and is an Alternate Director of ASX listed Metals Finance Limited. Mr Hill holds an authorised Financial Services Licence in Australia and Fiji. He has previously advised a number of multinational companies in Australia, India and China. Mr Hill was appointed as Alternate Director for Geoffrey Hill on 1 December 1999, has served for nearly 8 years since his appointment as Director on 10 October 2006 and Chief Executive Officer in 2014.

### Dr Ian Pringle BSc (Hons) PhD, MAIG, MAusIMM, MAICD

#### **Non-executive (Independent) Director**

Dr Ian Pringle has served on the New Talisman Gold Mines board for nearly 3 years since his appointment on 2 August 2011. Dr Pringle has a BSc (Hons) in geology and a PhD in geology from the University of Otago in New Zealand. An experienced industry consultant, he has a record of successful mineral project generation, exploration management and mine development in Australia, South East Asia and the South West Pacific. Dr Pringle was previously Managing Director of Geopacific Resources NL and Exploration Manager of Silver Standard Australia Ltd and Oxiana Resources NL. He is currently Managing Director of Broken Hill Prospecting Ltd (ASX:BPL), in which New Talisman Gold Mines holds a 20.29% interest.

# Independent Auditor's Report

## TO THE SHAREHOLDERS OF NEW TALISMAN GOLD MINES LIMITED

### Report on the consolidated financial report

We have audited the consolidated financial report of New Talisman Gold Mines Limited and its subsidiaries, on pages 12 to 22, which comprise the statement of financial position of New Talisman Gold Mines Limited and the consolidated statement of financial position as at 31 March 2014, the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Directors' responsibilities for the consolidated financial statements

The directors are responsible for the preparation of a consolidated financial report in accordance with generally accepted accounting practice in New Zealand and which gives a true and fair view of the matters to which they relate and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibilities

Our responsibility is to express an opinion on the consolidated financial report based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial report that gives a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the consolidated financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditors we provided taxation advice to New Talisman Gold Mines Limited.

### Opinion

In our opinion, the consolidated financial report on pages 12 to 22:

- complies with generally accepted accounting practice in New Zealand;
- complies with International Financial Reporting Standards; and
- gives a true and fair view of the financial position of New Talisman Gold Mines Limited and the group as at 31 March 2014 and the financial performance and cash flows of the group for the year ended on that date.

### *Emphasis of matter*

#### Going concern

We draw attention to note 19 to the financial statements which states: "The directors are actively raising funds and issued a renounceable rights issue since balance date. The directors intend to ensure that sufficient funds will be available for at least 12 months to meet financial obligations as they fall due." The financial report has been prepared on a going concern basis and does not include any adjustments that may be necessary if further fundraising were not successful.

### Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations that we have required.

In our opinion, proper accounting records have been kept by the New Talisman Gold Mines Limited as far as appears from our examination of those records.

  
DFK OSWIN GRIFFITHS CARLTON

Chartered Accountants

AUCKLAND

24 June 2014

# New Talisman Gold Mines Limited

## Statement of Comprehensive Income

For year ended 31 March 2014

	Note	Group		Parent	
		2014 NZ\$	2013 NZ\$	2014 NZ\$	2013 NZ\$
<b>Continuing Operations</b>					
Other operating income	2	139,295	11,791	139,295	11,791
Operating and administrative expenses	3, 4	(482,059)	(661,862)	(1,028,346)	(658,506)
Exploration costs written off	10	(1,200,000)	-	(1,200,000)	-
<b>Gain/(loss) from operations</b>		<b>(1,542,764)</b>	<b>(650,071)</b>	<b>(2,089,051)</b>	<b>(646,715)</b>
Share of results of associates	13	(143,700)	(264,194)	-	-
<b>Net profit/(loss) for the year</b>		<b>(1,686,464)</b>	<b>(914,265)</b>	<b>(2,089,051)</b>	<b>(646,715)</b>
<b>Total comprehensive income/(loss)</b>		<b>(1,686,464)</b>	<b>(914,265)</b>	<b>(2,089,051)</b>	<b>(646,715)</b>
<b>Net profit/(loss) attributable to equity holders of the parent</b>		<b>(1,686,464)</b>	<b>(914,265)</b>	<b>(2,089,051)</b>	<b>(646,715)</b>
<b>Comprehensive profit/(loss) attributable to equity holders of the parent</b>		<b>(1,686,464)</b>	<b>(914,265)</b>	<b>(2,089,051)</b>	<b>(646,715)</b>
<b>Earnings per share</b>					
<b>Basic earnings/(loss) per share</b>					
From continuing operations	20	(0.31) cent	(0.22) cent	(0.39) cent	(0.16) cent
<b>Diluted earnings/(loss) per share</b>					
From continuing operations		(0.22) cent	(0.15) cent	(0.28) cent	(0.11) cent

# New Talisman Gold Mines Limited

## Statement of Changes in Equity

For year ended 31 March 2014

	Group 2014				Group 2013			
	Share Capital	Capital Reserves	Retained Earnings	Total Equity	Share Capital	Capital Reserves	Retained Earnings	Total Equity
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
Total comprehensive income/(loss)	-	-	(1,686,464)	(1,686,464)	-	-	(914,265)	(914,265)
Proceeds from share capital issued	919,464	-	-	919,464	1,544,780	-	-	1,544,780
Equity at beginning of year	25,814,174	335,341	(16,197,646)	9,951,869	24,269,394	335,341	(15,283,381)	9,321,354
<b>Equity at end of year</b>	<b>26,733,638</b>	<b>335,341</b>	<b>(17,884,110)</b>	<b>9,184,869</b>	<b>25,814,174</b>	<b>335,341</b>	<b>(16,197,646)</b>	<b>9,951,869</b>
	Parent 2014				Parent 2013			
	Share Capital	Capital Reserves	Retained Earnings	Total Equity	Share Capital	Capital Reserves	Retained Earnings	Total Equity
	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$	NZ\$
Total comprehensive income/(loss)	-	-	(2,089,051)	(2,089,051)	-	-	(646,715)	(646,715)
Proceeds from share capital issued	919,464	-	-	919,464	1,544,780	-	-	1,544,780
Equity at beginning of year	25,814,174	297,641	(15,346,284)	10,765,531	24,269,394	297,641	(14,699,569)	9,867,466
<b>Equity at end of year</b>	<b>26,733,638</b>	<b>297,641</b>	<b>(17,435,335)</b>	<b>9,595,944</b>	<b>25,814,174</b>	<b>297,641</b>	<b>(15,346,284)</b>	<b>10,765,531</b>

The accompanying notes form part of these financial statements

# New Talisman Gold Mines Limited

## Statement of Financial Position

As at 31 March 2014

	Note	Group		Parent	
		2014 NZ\$	2013 NZ\$	2014 NZ\$	2013 NZ\$
<b>Equity</b>					
Attributable to parent company shareholders	7	9,184,869	9,951,869	9,595,944	10,765,531
		<b>9,184,869</b>	<b>9,951,869</b>	<b>9,595,944</b>	<b>10,765,531</b>
<b>Term liabilities</b>					
Provision for closure and rehabilitation	9	666,023	-	666,023	-
<b>Total term liabilities</b>		<b>666,023</b>	<b>-</b>	<b>666,023</b>	<b>-</b>
<b>Current liabilities</b>					
Payables	8	80,713	136,328	80,713	136,328
Employee benefits	21	12,947	16,063	12,947	16,063
<b>Total current liabilities</b>		<b>93,660</b>	<b>152,391</b>	<b>93,660</b>	<b>152,391</b>
<b>Total liabilities</b>		<b>759,683</b>	<b>152,391</b>	<b>759,683</b>	<b>152,391</b>
<b>Total equity and liabilities</b>		<b>9,944,552</b>	<b>10,104,260</b>	<b>10,355,627</b>	<b>10,917,922</b>
<b>Current assets</b>					
Cash		334,745	325,880	334,745	325,880
Receivables and prepayments	22	48,100	40,259	68,506	55,032
<b>Total current assets</b>		<b>382,845</b>	<b>366,139</b>	<b>403,251</b>	<b>380,912</b>
<b>Non-current assets</b>					
Property, plant & equipment	9	5,779	5,564	5,779	5,564
Assets under construction	9	7,020,965	-	7,020,965	-
Intangible assets	10	1,998,433	8,720,090	1,981,383	8,707,736
Investments	11	7,770	340,007	7,560	321,157
Investment in associate company	13	528,760	672,460	936,689	1,502,553
<b>Total non-current assets</b>		<b>9,561,707</b>	<b>9,738,121</b>	<b>9,952,376</b>	<b>10,537,010</b>
<b>Total assets</b>		<b>9,944,552</b>	<b>10,104,260</b>	<b>10,355,627</b>	<b>10,917,922</b>

For and on behalf of the Board:



J M McKee (Chairman)  
Dated 24 June 2014



M G Hill  
Dated 24 June 2014

The accompanying notes form part of these financial statements

# New Talisman Gold Mines Limited

## Statement of Cash Flows

For year ended 31 March 2014

	Note	Group		Parent	
		2014 NZ\$	2013 NZ\$	2014 NZ\$	2013 NZ\$
<b>Cash flows from operating activities</b>					
<i>Cash was provided from:</i>					
Interest received		10,460	11,008	10,460	11,008
Other		1,050	1,773	1,050	1,773
		11,510	12,781	11,510	12,781
<i>Cash was disbursed to:</i>					
Payments to suppliers		(308,497)	(570,534)	(308,497)	(570,534)
Rent		(14,154)	(14,300)	(14,154)	(14,300)
Payments to and on behalf of employees		(133,508)	(153,132)	(133,508)	(153,132)
		(456,159)	(737,966)	(456,159)	(737,966)
<b>Net cash outflows from operating activities</b>	16	<b>(444,649)</b>	<b>(725,185)</b>	<b>(444,649)</b>	<b>(725,185)</b>
<b>Cash flows from investing activities</b>					
<i>Cash was provided from:</i>					
Intercompany loan repayments		325	61	325	61
Proceeds from sale of shares		428,677	-	428,677	-
		429,002	61	429,002	61
<i>Cash was applied to:</i>					
Prospecting and mine development expenditure		(869,129)	(514,173)	(869,129)	(514,173)
Purchase of property, plant and equipment		(2,248)	(2,331)	(2,248)	(2,331)
Investments		-	(310,473)	-	(310,473)
Intercompany loans		(5,236)	(7,611)	(5,236)	(7,611)
		(876,613)	(834,588)	(876,613)	(834,588)
<b>Net cash outflows from investing activities</b>		<b>(447,611)</b>	<b>(834,527)</b>	<b>(447,611)</b>	<b>(834,527)</b>
<b>Cash flows from financing activities</b>					
<i>Cash was provided from:</i>					
Issue of shares		1,014,932	1,712,645	1,014,932	1,712,645
Short term loan		-	125,581	-	125,581
		1,014,932	1,838,226	1,014,932	1,838,226
<i>Cash was applied to:</i>					
Short term loan repayment		(55,829)	(1,861)	(55,829)	(1,861)
Issue of shares		(31,862)	(291,537)	(31,862)	(291,537)
		(87,691)	(293,398)	(87,691)	(293,398)
<b>Net cash outflows from financing activities</b>		<b>927,241</b>	<b>1,544,828</b>	<b>927,241</b>	<b>1,544,828</b>
<b>Net increase/(decrease) in cash held</b>		<b>34,981</b>	<b>(14,884)</b>	<b>34,981</b>	<b>(14,884)</b>
Effect of changes in exchange rates		(26,116)	(6,157)	(26,116)	(6,157)
Cash at beginning of year		325,880	346,921	325,880	346,921
<b>Cash at end of year</b>		<b>334,745</b>	<b>325,880</b>	<b>334,745</b>	<b>325,880</b>
<b>CASH COMPRISES:</b>					
Cash		6,323	4,861	6,323	4,861
Short term deposits		328,422	321,019	328,422	321,019
		334,745	325,880	334,745	325,880

All cash balances are available without restriction except for NZ\$105,000 on deposit which is security for guarantees issued by the bank.

The accompanying notes form part of these financial statements

# Notes to the Financial Statements

For year ended 31 March 2014

## 1. STATEMENT OF ACCOUNTING POLICIES

### Reporting entity

New Talisman Gold Mines Limited is a profit-oriented company incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (NZX) and the Australian Securities Exchange (ASX).

The company is an issuer for the purposes of the Financial Reporting Act 1993 and the financial statements of the company and group have been prepared in accordance with the Financial Reporting Act 1993 and complies with NZX Listing Rule 10.6.1.

The group consists of New Talisman Gold Mines Limited (the "company") and its subsidiaries and associate (the "group") and these financial statements comprise the separate financial statements of the parent company and the consolidated financial statements of the group.

The company is engaged in mine development and mineral exploration through its wholly owned subsidiaries. The Directors authorised these financial statements for issue on 24 June 2014.

### Statement of Compliance

These consolidated and parent financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. They comply with New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards, as appropriate for for-profit-orientated entities. The financial statements comply with the International Financial Reporting Standards issued by the International Accounting Standards Board.

### Measurement base

The accounting principles adopted are those recognised as appropriate for the measurement and reporting of financial performance and financial position on the historical cost basis modified by the revaluation of certain assets. The accrual basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

The information is presented in New Zealand dollars which is the company's functional currency.

### Use of estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Where material, information on significant assumptions and estimates is provided in the relevant accounting policy or will be provided in the relevant note.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

### Specific accounting policies

The following specific accounting policies, which materially affect the measurement of financial performance and financial position, have been applied consistently.

#### (a) Prospecting costs

Acquisition, exploration and development expenditure on exploration and mining tenements is initially recorded at cost. Exploration and evaluation costs are capitalised as deferred expenditure.

In the event where exploration demonstrates a permit area is no longer prospective for economically recoverable reserves, or the exploration or prospecting permit is relinquished, the value or cost of the tenement is immediately recognised as an expense in the statement of comprehensive income.

#### (b) Mining tenements

When a tenement is assessed as capable of sustaining commercial mining operations, capitalised exploration and evaluation expenditure is

reclassified as assets under construction and is disclosed as a component of property, plant and equipment. All subsequent development expenditure, net of any proceeds from ore sales during the development stage, is capitalised and classified as assets under construction. On completion of development, the value or cost of accumulated exploration and development costs will be reclassified as other mineral assets and amortised on the basis of units of production over the expected productive life of the mine.

At the commencement of mining, or when an environmental disturbance occurs, provision will be made for the estimated future rehabilitation and reinstatement costs expected after the mine closes. These costs will also be amortised over the life of the mine.

#### (c) Property plant and equipment

All property, plant and equipment is initially recorded at cost.

When an item of property, plant and equipment is disposed of, the gain or loss is recognised in the statement of comprehensive income and is calculated as the difference between the sale price and the carrying value.

#### (d) Depreciation

Depreciation is provided on all tangible property, plant and equipment on a straight line basis at rates calculated to allocate the difference between the cost and residual values of each asset over its estimated useful life. For this purpose, the company has adopted the depreciation rates set by the Inland Revenue Department as appropriate.

Rates used during the year were:

Computer software and hardware	Straight line	30-36%
Field equipment	Straight line	10-36%
Fixtures and fittings	Straight line	10%
Office equipment	Straight line	18-30%

#### (e) Impairment of assets

At each reporting date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication of impairment. If the recoverable amount of an item of property, plant and equipment is less than its carrying amount, the item is written down to its recoverable amount and the write down recognised as an expense in the statement of comprehensive income. Recoverable amount is the higher of fair value less costs to sell and value in use.

If the carrying value of intangible capitalised exploration expenditure exceeds the value determined by an independent valuation, the asset is written down and the writedown recognised as an expense.

#### (f) Segment information

Operating segments are reported if:

- Revenue is 10% or more of combined operating segment revenues;
- The absolute value of profit or loss is greater than 10% of the combined reported profits or losses of all operating segments, whichever is greater;
- Assets are 10% or more of the combined assets of all operating segments; or
- Information about the segment would be useful to users of the financial statements.

#### (g) Income tax

The company is a mining company for New Zealand tax purposes. All exploration and development expenditure, including the cost of mining assets, is tax deductible in the year the expenditure is incurred. Mining losses can be set off against non-mining income in the ratio 3:2.

Deferred taxation assets are recognised in the financial statements only to the extent that it is probable that there will be future taxable profit to utilise them.

#### (h) Share capital

Ordinary shares and options are classified as equity. Direct costs of issuing shares and options are deducted from the proceeds of the issue.

#### (i) Cashflows

For the purpose of the statement of cash flows, cash includes cash on hand, deposits held at call with banks and short-term highly liquid investments with original maturities of three months or less.

# Notes to the Financial Statements

For year ended 31 March 2014

## (j) Employee entitlements

The liability for annual leave is accrued and recognised in the statement of financial position. Annual leave is recorded at the undiscounted amount expected to be paid for the entitlement earned.

## (k) Foreign currencies

Transactions in foreign currencies are converted into NZ currency at the rate of exchange ruling at the date of the transaction. At balance date foreign monetary assets and liabilities are translated at the closing rate and exchange variations resulting from these translations are recognised in the income statement.

## (l) Leases

New Talisman group leases certain equipment, land and buildings. Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased item, are included in profit and loss in equal instalments over the lease term.

Finance leases, which effectively transfer the risks and benefits of ownership, are capitalised at the lower of fair value and the present value of the minimum lease payments. Leased assets are recognised at cost and depreciated over their respective estimated useful lives.

## (m) Basis of consolidation

The consolidated financial statements include the parent company and all subsidiaries over which the parent company has the power to control the financial reporting and operating policies. The purchase method is used to prepare the consolidated financial statements, which involves adding together like terms of assets, liabilities, income and expenses on a line-by-line basis. All significant intercompany transactions are eliminated on consolidation. In the parent company's separate financial statements, the investment in subsidiaries is stated at cost less any impairment losses.

## (n) Associate companies

Associates are companies in which the group has significant influence but not control over the financial and operating policies. Investments in associates are initially recognised at cost and are subsequently by using the equity method, which increases or decreases the carrying amount by the group's share of profit or loss and other comprehensive income of the associate.

In the parent company's separate financial statements, investment in associates is stated at cost less any impairment losses.

## (o) Financial instruments

Financial instruments recognised in the statement of financial position include cash balances, receivables, payables, investments in and loans to others and borrowing. The parent and group have no off-balance sheet financial instruments.

### (1) Receivables and payables

Receivables and payables are initially recorded at fair value and subsequently at amortised cost using the effective interest method. Due allowance is made for impaired receivables (doubtful debts). The resulting carrying amount for receivables is not materially different from estimated realisable value.

### (2) Share investments

Share investments in listed companies are designated as financial assets at fair value. They are initially recorded at cost and subsequently at market value. Gains or losses are recorded in the statement of

comprehensive income. Share investments in unlisted companies cannot be reliably valued. They are therefore carried at cost less any impairment losses. Impairment losses, once recognised, are not reversed even if the circumstances leading to the impairment are resolved.

A gain or loss on financial instruments stated at market value is recognised in the income statement.

## (p) Goods and Services Tax

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of the receivables or payables balance in the statement of financial position.

## (q) Earnings per share

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shareholders outstanding, adjusted for the effects of all dilutive potential ordinary shares, comprising share options.

## (r) Adoption of new and revised standards

### Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except that the parent and group have adopted the following new and amended New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations since 1 April 2013.

### Adoption of Standards, Interpretations and modifications

The Directors have adopted the following standards:

- NZ IFRS 10 *Consolidated financial statements*; NZ IFRS 11 *Joint arrangements*; NZ IFRS 12 *Disclosure of interests in other entities*; NZ IFRS 13 *Fair value measurement*; and NZ IFRIC 20 *Stripping costs in the production phase of a surface mine*;
- Amendments to NZ IAS 32 and NZ IFRS 7 *Financial instruments disclosures*, which provide information allowing users to evaluate the effect of netting arrangements on the financial position;
- Amendments to NZ IAS 1 *Presentation of Financial Statement*;
- NZ IFRIC 14 *Prepayments of a Minimum Funding Requirement*.

The adoption of these standards does not have a material effect on these financial statements.

The Directors have not adopted and are yet to assess the impact of the following new and amended standards on the group's consolidated financial statements which are effective for periods beginning on or after 1 January 2014:

- Amendments to IFRS 10, IFRS 12 and to IAS 27 *Investment Entities*.

The Directors have not adopted and are yet to assess the impact of the changes resulting from the following new and amended standard on the group's consolidated financial statements which will be effective for accounting periods beginning on or after 1 January 2015:

- NZ IFRS 9 *Financial Instruments*.

## 2. OTHER OPERATING INCOME

	Group Mar 2014 NZ\$	Group Mar 2013 NZ\$	Parent Mar 2014 NZ\$	Parent Mar 2013 NZ\$
Interest	10,643	10,018	10,643	10,018
Dividend	-	123	-	123
Equipment hire	1,050	1,650	1,050	1,650
Gain on sale of shares*	127,602	-	127,602	-
Total operating income	139,295	11,791	139,295	11,791

\*In November 2013 the company's US\$250,000 loan to Netcom Global Inc and its shares in Netcom Global Inc were assigned to Armadale Capital PLC (ACP) in exchange for 93 million ACP shares. The company completed the sale of the ACP shares in January 2014 resulting in a gain on sale of shares.

# Notes to the Financial Statements

For year ended 31 March 2014

## 3. OPERATING AND ADMINISTRATION EXPENSES BY NATURE

	<b>Group</b> <b>Mar 2014</b> <b>NZ\$</b>	<b>Group</b> <b>Mar 2013</b> <b>NZ\$</b>	<b>Parent</b> <b>Mar 2014</b> <b>NZ\$</b>	<b>Parent</b> <b>Mar 2013</b> <b>NZ\$</b>
Audit fees – financial statements	18,250	16,550	18,250	16,550
Audit fees – tax advice	1,500	-	1,500	-
Depreciation	1,093	1,103	1,093	1,103
Director fees	75,000	72,022	75,000	72,022
Executive director remuneration	45,798	225,753	45,798	225,753
Employee salaries	100,000	100,822	100,000	100,822
Foreign exchange loss	39,888	6,140	39,888	6,140
Rental & lease costs	14,154	14,517	14,154	14,517
Share revaluation loss	21,119	7,664	568,219	7,664
Other	165,257	217,291	164,444	213,935
Total operating and administration expenses	482,059	661,862	1,028,346	658,506

## 4. DIRECTOR AND EMPLOYEE REMUNERATION

### Director Remuneration

	<b>Parent and Group</b>	
	<b>2014</b> <b>NZ\$</b>	<b>2013</b> <b>NZ\$</b>
MG Hill (Executive Director)*	254,424	152,934
JM McKee	50,000	40,000
IJ Pringle	25,000	23,333
PR Atkinson (resigned 26 April 2012)	-	6,411
PV Griffin (resigned 3 September 2012)	-	128,219
GG Hill (resigned 26 April 2012)	-	2,022

\*Of which \$45,798 (2013:Nil) is expensed and the remainder is capitalised in the Statement of Financial Position as part of Talisman development expenditure. During the reporting period, Messrs MG Hill, JM McKee and IJ Pringle each received 1,500,000 unlisted five year options under the Employee Share Option Plan.

### Remuneration of Employees

One employee received remuneration and benefits over the reporting period of between \$220,000 and \$230,000. Remuneration and benefits includes 2,000,000 shares issued under the Employee Share Option Plan.

<b>Employee Share Option Plan</b>	<b>2014</b> <b>Number</b>	<b>2013</b> <b>Number</b>
Unlisted options Issued to employees	6,000,000	-
Unlisted options Issued to directors	4,500,000	-
Total unlisted options issued during the period	10,500,000	-
Unlisted options converted to fully paid shares during the period	(2,000,000)	-
Unlisted options on issue at end of the period	8,500,000	-

## 5. TAXATION

	<b>Group</b> <b>2014</b> <b>NZ\$</b>	<b>Group</b> <b>2013</b> <b>NZ\$</b>	<b>Parent</b> <b>2014</b> <b>NZ\$</b>	<b>Parent</b> <b>2013</b> <b>NZ\$</b>
Operating loss before taxation	(1,542,764)	(650,071)	(2,089,051)	(646,715)
Prima facie income tax at 28%	(431,974)	(182,020)	(584,934)	(181,080)
Add/(subtract) the taxation effect of permanent differences				
Non-deductible entertainment expenses	84	-	84	-
Non-deductible legal fees	4,936	8,780	4,936	8,780
Tax losses not recognised	(426,954)	(173,240)	(579,914)	(172,300)
Temporary differences not recognised	(873)	(2,661)	(873)	(2,661)
Income tax expense/(benefit) not recognised	(427,827)	(175,901)	(580,787)	(174,961)

Deferred tax will not be recognised unless future taxable profit is probable.

# Notes to the Financial Statements

For year ended 31 March 2014

The parent company has estimated mining taxation losses available to offset against future mining income of NZ\$10,832,562 (2013: NZ\$11,474,273) and non-mining taxation losses of NZ\$16,646,408 (2013: NZ\$14,572,168) to carry forward. Such losses will only be available to be offset if:

- The company derives future assessable income of a nature and an amount sufficient to enable the benefit of the losses to be realised;
- The company continues to comply with the conditions for deductibility imposed by the law;
- There are no adverse changes in tax legislation or tax rates which affect the company in realising the benefit from the deduction for the losses.

There have been no movements through the imputation credit account, the balance of which is Nil (2013: Nil).

## 6. SEGMENT INFORMATION

During the current period, the company had only one business segment - mineral exploration, within New Zealand and Australia.

## 7. EQUITY & RESERVES

Equity	Group 2014 NZ\$	Group 2013 NZ\$	Parent 2014 NZ\$	Parent 2013 NZ\$
Share capital	26,733,638	25,814,174	26,733,638	25,814,174
Capital reserve	123,750	123,750	123,750	123,750
Share premium reserve	70,235	70,235	70,235	70,235
Asset revaluation reserve	100,900	100,900	100,900	100,900
Share revaluation reserve	40,456	40,456	2,756	2,756
Accumulated deficit	(17,884,110)	(16,197,646)	(17,435,335)	(15,346,284)
Total parent shareholder equity	9,184,869	9,951,869	9,595,944	10,765,531

The group's capital is managed with the objectives of maintaining adequate working capital so that all obligations can be met on time. All components of equity are regarded as "capital". All internal capital management objectives have been met. This has not changed since last year.

Accumulated deficit	Group 2014 NZ\$	Group 2013 NZ\$	Parent 2014 NZ\$	Parent 2013 NZ\$
Balance at beginning of year	(16,197,646)	(15,283,381)	(15,346,284)	(14,699,569)
Net loss attributable to shareholders	(1,686,464)	(914,265)	(2,089,051)	(646,715)
Balance at end of year	(17,884,110)	(16,197,646)	(17,435,335)	(15,346,284)

There were no movements in other reserves.

### Share capital

Ordinary Shares	Group and Parent			
	2014 Number	2013 Number	2014 NZ\$	2013 NZ\$
Balance beginning of year	479,406,064	343,553,188	25,814,174	24,269,394
Shares Issued	86,477,437	135,852,876	919,464	1,544,780
Balance at end of year	565,883,501	479,406,064	26,733,638	25,814,174

All authorised shares have been issued, are fully paid, have equal voting rights and will share equally in dividends and surplus on winding up. The shares have no par value.

### Listed Options

	Group and Parent	
	2014 Number	2013 Number
Balance at beginning and end of year	119,851,516	119,851,516

Listed options can be exercised on or before 28 November 2017. Conversion price is A\$0.02. When exercised, each option will convert to one fully paid ordinary share.

### Unlisted Options

Options issued to employees:	Group and Parent	
	2014 Number	2013 Number
Unlisted options issued (expiry 11/11/2018)	2,000,000	-
Unlisted options issued (expiry 13/2/2019)	2,000,000	-
Unlisted options converted to fully paid share at A 1.1 cent each	(2,000,000)	-
Total unlisted options on issue to employees	2,000,000	-
Options issued to directors:	Group and Parent	
Unlisted options issued (expiry 13/11/2018)	4,500,000	-
Total unlisted options on issue to directors	4,500,000	-
<b>Total unlisted options on issue at end of year</b>	<b>8,500,000</b>	<b>-</b>
<b>Total listed and unlisted options on issue at end of year</b>	<b>128,351,516</b>	<b>119,851,516</b>

Unlisted options were issued under the Employee Share Option Plan approved by shareholders 19 September 2013.

# Notes to the Financial Statements

For year ended 31 March 2014

## 8. RELATED PARTY TRANSACTIONS

Payments for consulting services to companies in which directors and major shareholders have a substantial interest amounted to NZ\$335,835 (2013:NZ\$308,289). At balance date, creditors included NZ\$22,042 payable to directors and other related companies (2013:NZ\$8,625) and debtors included NZ\$Nil (2013:NZ\$156) receivable from related parties. No related party debts were written off during the period.

## 9. PROPERTY, PLANT & EQUIPMENT

	Group and Parent				Total NZ\$
	Fixtures & fittings NZ\$	Office equipment NZ\$	Field equipment NZ\$	Motor vehicle NZ\$	
<b>Year Ended 31 March 2013</b>					
Carrying amount 1 April 2012	1,047	1,250	2,422	2,565	7,284
Additions	-	2,011	621	-	2,632
Depreciation	(128)	(975)	(684)	(2,565)	(4,352)
Carrying amount	919	2,286	2,359	-	5,564
<b>31 March 2013</b>					
Cost	1,285	5,298	8,289	18,000	32,872
Accumulated depreciation	(366)	(3,012)	(5,930)	(18,000)	(27,308)
Carrying amount	919	2,286	2,359	-	5,564
<b>Year Ended 31 March 2014</b>					
Carrying amount 1 April 2013	919	2,286	2,359	-	5,564
Additions	100	156	1,993	-	2,249
Depreciation	(126)	(966)	(942)	-	(2,034)
Carrying amount	893	1,476	3,410	-	5,779
<b>31 March 2014</b>					
Cost	1,385	4,565	7,128	18,000	31,078
Depreciation	(492)	(3,089)	(3,718)	(18,000)	(25,299)
Carrying amount	893	1,476	3,410	-	5,779

## ASSETS UNDER CONSTRUCTION

Talisman Mine Development	Group & Parent	
	2014	2013
	NZ\$	NZ\$
Balance at beginning of year	-	-
Transfer from Intangible Assets	5,613,340	-
Development expenditure	1,407,625	-
Balance at end of year	7,020,965	-

An independent valuation was obtained from Mr M Stevens for the Talisman mining permit. A mine is currently being developed on the Talisman Mining permit and this year the development expenditure has been recorded as a tangible asset stated at cost in the balance sheet. The independent valuation indicated a much higher current value for the Talisman mine development project than its carrying value in the balance sheet. The carrying value is recorded in these financial statements at \$5.6m. The independent valuation indicated a value in the range of \$11m to \$15m. Directors declined to include any revaluation of the Talisman mining permit in these financial statements but will review valuation policy with respect to tangible assets in the coming year.

The Pre-Feasibility Study allows for rehabilitation of the Talisman Mine site on its closure and estimates the cost at \$1m. The net present value of \$666,023 has been provided for and is included in development expenditure.

## 10. INTANGIBLE ASSETS

Prospecting costs & mining tenements	Group	Group	Parent	Parent
	2014	2013	2014	2013
	NZ\$	NZ\$	NZ\$	NZ\$
Balance at beginning of year	8,720,090	8,072,015	8,707,736	8,063,878
Development expenditure	91,683	648,075	86,987	643,858
Transfer to assets under construction	(5,613,340)	-	(5,613,340)	-
Less prospecting expenditure written off	(1,200,000)	-	(1,200,000)	-
Balance at end of year	1,998,433	8,720,090	1,981,383	8,707,736

# Notes to the Financial Statements

For year ended 31 March 2014

Exploration and evaluation expenditure is recorded as an intangible asset and carried at historic cost less any adjustment for impairment. An independent valuation of the Rahu and Golden Valley exploration permits was also obtained from Mr M Stevens. His valuation indicated an impairment in the carrying value. Directors recognised the impairment and have written down these assets by \$1.2 million in the current period. After adjustment, the carrying value of these exploration permits lies within the respective range of values determined by the valuer.

## TENEMENT SCHEDULE:

### Permits held by New Talisman Gold Mines Limited:

Granted Mining Permit, Coromandel, New Zealand  
51 326 Talisman

Granted Exploration Permits, Coromandel, New Zealand  
40 117 Rahu  
40 736 Golden Valley

### Permits Held by Northland Minerals Limited:

(100% owned subsidiary)

Granted Exploration Permits, Northland, New Zealand  
53 706 Parakao

The company is in a position to exercise its rights under the current permitting conditions and request a change of permitting over the Rahu permit which is due to expire on 16 August 2014.

## 11. SHARE INVESTMENTS

	Group 2014 NZ\$	Group 2013 NZ\$	Parent 2014 NZ\$	Parent 2013 NZ\$
Investment in listed companies	4,470	25,589	4,260	6,739
Investment in unlisted companies	3,300	314,418	3,300	314,418
Total share investments	7,770	340,007	7,560	321,157

Unlisted shares are held for the long term. They are stated at cost because fair value cannot be reliably measured. Investment in unlisted companies in the previous reporting period includes the company's investment in Netcom Global Inc.

Shares in Armadale Capital Plc (ACP), a company listed on the London Aim market, were acquired and sold during the reporting period (Note 2 discloses the gain on sale of these shares).

## 12. SUBSIDIARY COMPANIES

Subsidiaries	Percent held		Incorp	Balance	Activity
	2014	2013	in	date	
Coromandel Gold Limited	100%	100%	NZ	31 March	Share investment
Northland Minerals Limited	100%	100%	NZ	31 March	Minerals exploration

All subsidiaries are direct subsidiaries of the company. The investment in each subsidiary is recorded at cost (NZ\$Nil) in the company's statement of financial position.

## 13. ASSOCIATE COMPANY

At balance date the group had a 21.7% holding in Broken Hill Prospecting Limited (BPL) an associate company. The holding consists of 17,929,000 ordinary shares, (500,000 listed and 17,429,000 unlisted), and 8,964,500 unlisted options. BPL has exploration rights to cobalt deposits in Australia and is listed on the ASX. Its balance date is 30 June.

In accordance with NZ IAS 28, the company has recorded the carrying value of the investment in its separate accounts at the lower of cost or market value. In the group, the investment has been accounted for on an equity accounting basis.

Recognised revenue and expenses for the associate have been audited to 31 December 2013 and for the quarter ended 31 March 2014 are unaudited.

	Group	
Results of associate	2014 NZ\$	2013 NZ\$
Share of associate's surplus/(deficit)	(143,700)	(264,194)
Income tax	-	-
Share of recognised revenue and expenses for the year	(143,700)	(264,194)
Investment in associate		
Shares at cost	1,502,553	1,502,553
Share of surpluses/(deficits)	(830,093)	(565,899)
Balance at beginning of year	672,460	936,654
Share of recognised revenue and expenses for the year	(143,700)	(264,194)
Carrying value at end of year	528,760	672,460
Details of associate at 31 March 2014		
Assets	2,265,231	3,585,160
Liabilities	-	27,627
Revenue for the 9 month period to 31 March 2014	350,190	446,910
Loss for the 9 month period to 31 March 2014	349,586	709,360
Percentage held	<b>21.7%</b>	<b>21.7%</b>
Carrying amount	528,760	672,460

# Notes to the Financial Statements

For year ended 31 March 2014

## Impairment adjustment:

At 31 March 2014, the market value of the investment was NZ\$0.937m. The directors have made an impairment adjustment to the carrying value in the separate financial statements of the parent company and a write down of \$565,864 (2013:\$Nil) has been taken to profit and loss.

## 14. FINANCIAL INSTRUMENTS

### Credit Risk

Financial instruments which potentially subject the company to credit risk principally consist of bank balances and receivables. Surplus funds are placed on short term deposit with major trading banks and the company does not anticipate non-performance by those parties. Maximum exposure to credit risk at balance date is represented by the carrying value of the financial instruments. No collateral is held on these assets and the balances are stated net of recognised impairment losses. Cash at bank represented 90% of total cash and receivables. The group deals only with banks having at least an A credit rating.

### Currency Risk

The company has exposure to foreign exchange risk as a result of transactions from normal trading activities mainly denominated in Australian currency. The company holds funds in an Australian currency bank account. Exposure to exchange is unhedged.

### Liquidity Risk

Management supervises liquidity by budgeting and by carefully controlling cash outflows from existing cash resources. The group relies on new equity to fund exploration expenditure.

### Interest Rate Risk

The company has exposure to interest rate risk to the extent that it invests for fixed terms at fixed rates.

Re-pricing Analysis	Effective Interest Rate	Total NZ\$	6 months or less NZ\$
2014 short term bank deposits	3.02%	352,058	352,058
2013 short term bank deposits	2.58%	388,000	388,000

Over the long term, changes in interest rates and reduced amounts on deposit will affect profit or loss.

### Fair Values

Fair values used in the measurement of financial instruments may vary from values directly observed in active markets to those that have to be derived without reference to observable data.

Investments in listed companies are measured at fair value based on quoted prices in active markets. As stated in Note 11, the fair value of unlisted shares cannot be reliably measured.

Except for unlisted shares, there is no material difference between the carrying amounts and estimated fair values of the company's financial assets and liabilities.

## 15. COMMITMENTS

Operating lease commitments

Lease commitments under non-cancellable operating leases:

	Group & Parent	
	2014 NZ\$	2013 NZ\$
Not later than one year	13,644	7,959
Later than one year but not later than two years	-	-
	13,644	7,959

The group has capital commitments of NZ\$Nil (2013:\$Nil).

## 16. RECONCILIATION OF OPERATING CASHFLOW AND REPORTED DEFICIT

	Group		Parent	
	2014 NZ\$	2013 NZ\$	2014 NZ\$	2013 NZ\$
Net profit/(deficit) after taxation and before including share of retained deficit of associates	(1,542,764)	(650,071)	(2,089,051)	(646,715)
Add non-cash items:				
Depreciation	1,093	1,103	1,093	1,103
Field expenditure write off	1,200,000	-	1,200,000	-
Share revaluation (gain)/loss	21,119	7,664	568,219	7,664
Exchange (gain)/loss	39,888	6,160	39,888	6,160
	1,262,100	14,927	1,809,200	14,927
Add/(less) movement in working capital:				
Decrease/(increase) in debtors	52	9,546	52	9,546
Increase/(decrease) in creditors	(148,951)	(80,284)	(149,764)	(83,640)
Decrease/(increase) in accrued income	(181)	993	(181)	993
Decrease/(increase) in prepayments	(1,031)	(9,362)	(1,031)	(9,362)
Decrease/(increase) in intercompany loans	(5,477)	(7,404)	(5,477)	(7,404)
Decrease/(increase) in GST	(8,397)	(3,530)	(8,397)	(3,530)
	(163,985)	(90,041)	(164,798)	(93,397)
Net cash flows from operating activities	(444,649)	(725,185)	(444,649)	(725,185)

# Notes to the Financial Statements

For year ended 31 March 2014

## 17. CONTINGENT LIABILITIES

	Group and Parent	
	Mar 2014 NZ\$	Mar 2013 NZ\$
Contingent liabilities	-	-

## 18. NET TANGIBLE ASSETS PER SECURITY

	Group and Parent	
	Mar 2014 NZ\$	Mar 2013 NZ\$
Net tangible assets	7,946,119	970,434
Net tangible assets per security	1.5 cent	0.15 cent

## 19. GOING CONCERN

The financial report has been prepared on a going concern basis. The directors are actively raising funds and have completed a renounceable rights issue since balance date. The directors intend to ensure that sufficient funds will be available for at least 12 months to meet financial obligations as they fall due.

## 20. EARNINGS PER SHARE

	Group Mar 2014	Group Mar 2013	Parent Mar 2014	Parent Mar 2013
Profit/(loss) from continuing operations	(1,686,464)	(914,265)	(2,089,051)	(646,715)
Weighted average number shares	539,256,663	408,159,233	539,256,663	408,159,233
Basic earnings per share	(0.31) cent	(0.22) cent	(0.39) cent	(0.16) cent
Diluted average shares on issue	757,168,510	599,257,580	757,168,510	599,257,580
Diluted earnings per share	(0.22) cent	(0.15) cent	(0.28) cent	(0.11) cent

## 21. EMPLOYEE BENEFITS

	Mar 2014 NZ\$	Mar 2013 NZ\$	Mar 2014 NZ\$	Mar 2013 NZ\$
Balance at beginning of year	16,063	6,559	16,063	6,559
Additional provision	33,617	36,427	33,617	36,427
Amount utilised	(36,733)	(26,923)	(36,733)	(26,923)
Balance at end of year	12,947	16,063	12,947	16,063

## 22. RECEIVABLES AND PREPAYMENTS

	Group Mar 2014 NZ\$	Group Mar 2013 NZ\$	Parent Mar 2014 NZ\$	Parent Mar 2013 NZ\$
Sundry receivables	20,791	14,006	20,791	14,006
Accrued income	495	314	495	314
Prepayments	26,814	25,783	26,814	25,783
Intercompany advances	-	156	20,406	14,929
	48,100	40,259	68,506	55,032

### Health of receivables

All financial assets are within the contracts terms. None are overdue and none are impaired. No collateral is held for receivables.

## 23. JUDGEMENT AND ESTIMATION UNCERTAINTY

The preparation of financial statements of necessity involves judgement and estimation. The effect of estimation is greatest in the assessment of impairment to capitalised exploration expenditure. The directors have therefore obtained an independent confirmation from an experienced, independent valuer (Note 10).

## 24. SIGNIFICANT EVENTS SINCE BALANCE DATE

A renounceable rights issue closed on 6 June 2014. The issue raised \$634,069 before expenses.

Broken Hill Prospecting has completed a Share Purchase Plan (SPP) subsequent to balance date. The group's holding of shares and options in BPL are unchanged but as a result of the shares issued, the New Talisman shareholding has been diluted to 20.29%. NTL did not participate in the SPP.

# Additional Information

## DIRECTOR INFORMATION

The following general disclosures of interest were received in relation to the year ended 31 March 2014:

Director	Relevant Interest in Ordinary Shares	Relevant Interest in Options	Unlisted
M G Hill	150,000		1,500,000
J M McKee	-		1,500,000
I J Pringle	-		1,500,000

## DIRECTORS DISCLOSURE OF INTERESTS

The following general disclosures of interest were received in relation to the year ended 31 March 2014:

Director	Entity	Status
M G Hill	Asia Pacific Capital	Managing Director
	Asia Pacific Capital Group Limited (NZ)	Managing Director
	Broken Hill Prospecting Limited	Alternate Director
	International Pacific Capital Limited	Director
	Mt Kasi Gold Mines	Managing Director
	Service Dogs Fiji Limited	Director
	So Co Limited	Director
J M McKee	Broad Horizons Limited	Director
I J Pringle	Broken Hill Prospecting Limited	Director

## SHAREHOLDING STATISTICS AT 13 JUNE 2014

Name	Shares	%
Hamish Elliot Brown*	75,000,000	11.63%
HFT Nominees Ltd	32,154,117	4.98%
So Co Limited	28,096,507	4.35%
HSBC Custody Nominees (Australia) Limited	15,357,491	2.38%
International Pacific Securities Limited	14,356,000	2.22%
Nimpod Pty Limited	11,318,027	1.75%
Peter Robert Atkinson	10,901,950	1.69%
Bestfield Company	9,700,000	1.50%
International Pacific Capital Limited	9,567,135	1.48%
Peter William Hall	9,500,000	1.47%
Newtal Investments Pty Limited	9,000,000	1.39%
Dojomac Management Limited	7,183,500	1.11%
Riuo Hauraki Limited	7,000,000	1.08%
Basil Courtney McGirr	6,707,030	1.04%
Ajava Holdings Pty Limited	6,400,000	0.99%
Ka Fu Tse	6,100,000	0.94%
Robert Marshall Walsham & Rachel Sandra Walsham	5,637,800	0.87%
Jetosea Pty Ltd	5,480,080	0.85%
Ianaki Semerdziev	5,428,286	0.84%
Prophecy Mining Limited	5,340,000	0.82%
TOTAL FOR TOP 20	280,227,923	43.38%
TOTAL SHARES	644,606,217	100.00%

\* Substantial Security Holder

## DISTRIBUTION OF SHAREHOLDINGS

Size of Holding	Holders	Shares	%
1 - 1,000	99	24,624	0.00%
1,001 - 5,000	214	752,276	0.12%
5,001 - 10,000	190	1,612,362	0.25%
10,001 - 100,000	777	35,078,777	5.44%
100,001 and over	608	607,138,178	94.19%
TOTAL	1,888	644,606,217	100.00%

## Additional Information

### OPTION HOLDING STATISTICS AT 13 JUNE 2014

Name	Options	%
HFT Nominees Ltd	22,672,250	18.91%
International Pacific Securities Ltd	14,356,000	11.97%
Hamish Elliot Brown	12,718,283	10.61%
Nimpod Pty Limited	9,852,911	8.22%
So Co Limited	7,024,127	5.86%
Goffacan Pty Ltd	6,314,953	5.26%
Dojomac Management Pty Limited	4,789,000	3.99%
Ka Fu Tse	4,100,000	3.42%
Acemac Pty Limited <Mac Super A/C>	2,394,500	1.99%
Belanna Pty Ltd	2,394,500	1.99%
Ralph Nicholas Stagg	2,393,500	1.99%
International Pacific Capital Limited	2,391,784	1.99%
William Geoffrey Kroon	1,719,852	1.43%
Forsyth Barr Custodians Limited <Forsyth Barr Ltd – Nominee A/C>	1,525,000	1.27%
Ianaki Semerdziev	1,389,286	1.15%
Robert Marshall Walsham & Rachel Sandra Walsham <R&R Walsham Family A/C>	1,176,950	0.98%
ASB Nominees Limited <317485 ML A/C>	1,000,000	0.83%
George Matthew James Atkinson	1,000,000	0.83%
Riuo Hauraki Limited	992,293	0.82%
Christopher Lindsay Bollam	976,191	0.81%
<b>TOTAL FOR TOP 20</b>	<b>101,181,380</b>	<b>84.32%</b>
<b>TOTAL LISTED OPTIONS</b>	<b>119,851,516</b>	<b>100.00%</b>

### DISTRIBUTION OF OPTION HOLDERS

Size of Holding	Holders	Options	%
1 - 1,000	6	2,921	0.00%
1,001 - 5,000	23	75,779	0.06%
5,001 - 10,000	28	223,707	0.19%
10,001 - 100,000	124	5,498,056	4.59%
100,001 and over	68	114,051,053	95.16%
<b>TOTAL</b>	<b>249</b>	<b>119,851,516</b>	<b>100.00%</b>

# Compliance with Corporate Governance Best Practice

In accordance with the NZX Corporate Governance Best Practice Code Appendix 16 (“NZX Code”), and the ASX Corporate Governance Council’s Principles and Recommendations (“ASX Recommendations”) New Talisman Gold Mines Ltd (“company”) has adopted systems of control and accountability as the basis for corporate governance best practice.

Policies and Charters (for the board and its committees), including the company’s Code of Ethics and other policies and procedures relating to the Board and its responsibilities are available on the company’s website [www.newtalisman.co.nz](http://www.newtalisman.co.nz).

Commensurate with the spirit of the NZX Code and the ASX Recommendations, the company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices, taking into account factors such as the size of the company and the Board, resources available and activities of the company.

After due consideration by the Board during the company’s 2013/2014 financial year (“reporting period”) the company’s corporate governance practices departed from the NZX Code or ASX Recommendations only as set out below.

The information in this statement is current at 24 June 2014.

## EXPLANATIONS FOR DEPARTURES FROM NZX CORPORATE GOVERNANCE BEST PRACTICE CODE APPENDIX 16

Recommendation	Notification of Departure	Explanation for Departure
<b>2.6: Every issuer should have a formal and transparent method to recommend Director Remuneration to shareholders</b>	The Remuneration Committee does not recommend remuneration packages to shareholders.	Under the Charter adopted by the Board the Remuneration Committee meets once a year to review the company’s executive compensation programme. Subject to NZX Listing Rule requirements, the Board presently considers that such matters are more efficiently determined by the Remuneration Committee itself rather than by way of recommendation to shareholders.
<b>2.7: Directors are encouraged to take a portion of their remuneration under a performance based Equity Security compensation plan and/or invest a portion of the cash Director Remuneration in purchasing the Issuer’s Equity Securities</b>	Directors were not encouraged to take a portion of their remuneration under either a performance based equity plan or to invest a portion of their remuneration in equity securities of the company.	Shareholders approved a director/employee share plan in the current reporting period and the company is implementing the plan. Directors received Share Options shown in this report, Note 4 in the Notes to the Financial Statements.
<b>2.9: The Board should establish a formal procedure to regularly assess Director and Board performance</b>	The annual review of director and Board performance was carried out during discussions at the Board Strategy meeting.	Although there was not strict compliance with principle 2.9 of the NZX Code, the Board evaluated its performance and the broader performance of the company at the Board Strategy meeting. The Board considers this form of evaluation is more appropriate and effective due to the small size of the Board.
<b>3.1: For the purposes of Listing Rule 3.6.2 membership on the Audit Committee should comprise solely non-executive Directors of the Issuer</b>	Composition of the Audit Committee for part of the reporting period included two independent directors and one executive director who is not considered independent.	Appointment of an Executive Director to the Audit Committee was necessary to ensure compliance with Listing Rule 3.6.2(b) (that the Audit Committee comprise a minimum of three members). At all times, the majority of the Audit Committee members were independent.

## EXPLANATIONS FOR DEPARTURES FROM ASX RECOMMENDATIONS

The Company has followed each of the ASX Recommendations during the reporting period, except in relation to the matters specified below:

Recommendation	Notification of Departure	Explanation for Departure
<b>3.2: The company should establish a diversity policy and disclose the policy or a summary of the policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and the progress towards achieving them.</b>	The company has established a diversity policy, a copy of which is disclosed on the company’s website. However, the policy does not include requirements for the board to establish measurable objectives for achieving gender diversity, or for the board to assess annually the objectives and the progress towards achieving them.	The Board considers the size of the company’s operations make it impractical to establish meaningful measurable objective for achieving gender diversity.
<b>3.3: Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them</b>	No measurable objectives for achieving gender diversity have been set by the Board.	The Board considers the size of the company’s operations make it impractical to establish meaningful measurable objectives for achieving gender diversity. However, the Board recognises the importance of diversity and has therefore adopted a diversity policy, a copy of which is available on the company’s website.
<b>4.2: Structure the Audit Committee so that it consists of only non-executive directors, a majority of independent directors, an independent chair who is not chair to the Board, and at least 3 members</b>	The Audit Committee comprised two independent directors and one executive (not independent) director for the reporting period.	The structure of the Audit Committee is a function of the small size of the board. An executive non-independent member is appointed to fulfil the 3 member requirement.

# The Board

## (Recommendations 1.1 and 2.6)

The company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in a Statement of Board and Management Functions, which is disclosed on the company's website.

A profile of each director containing the skills, experience, expertise, formal qualifications and term of office of each director is set out in the director profiles on page 10.

The mix of skills and diversity that the Board is seeking to achieve in its membership is significant experience and expertise in: mine development and underground operations, geological modelling, financial reporting, financial markets, risk management, statutory compliance, resource management, health and safety and employment. Each of these skills are represented in the Board's current composition except significant experience and expertise in financial reporting and mine development. These skills are represented in the senior management team. The size of the Board and the development of the company's projects places constraints on the mix of skills the Board is able to achieve.

It is the policy of the Board that in determining candidates for the Board, the following process shall occur:

- The Nomination Committee evaluates the range of skills, experience and expertise of the existing Board. In particular, the Nomination Committee (or equivalent) is to identify the particular skills that will best increase the Board's effectiveness. Consideration is also given to the balance of independent directors on the Board.
- A potential candidate is considered with reference to their skills and expertise in relation to other Board members.
- If relevant, the Nomination Committee recommends an appropriate candidate for appointment to the Board. Any appointment made by the Board is subject to ratification by shareholders at the next general meeting.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Re-appointment of directors is not automatic. The company's Policy and Procedure for Selection and (Re) Appointment of Directors is disclosed on the company's website.

## IDENTIFICATION OF INDEPENDENT DIRECTORS

### (Recommendations 2.1, 2.2, 2.3 and 2.6)

In considering independence of directors, the Board refers to the criteria for independence as set out in NZX Listing Rule 3.3.2 and Box 2.1 of the ASX Recommendations ("Independence Criteria"). Applying the Independence Criteria during the reporting period and at balance date the Board comprises a majority of independent directors. The independent directors of the company were the Chair, J (Murray) McKee, and Ian Pringle. Matthew Hill is not an independent director as he is the Chief Executive Officer.

## STATEMENT CONCERNING AVAILABILITY OF INDEPENDENT PROFESSIONAL ADVICE

### (Recommendation 2.6)

If a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of his/her office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the company will pay the reasonable expenses associated with obtaining such advice.

## DIRECTOR REMUNERATION

### (Recommendation 8.3)

Details of remuneration are contained in the Notes to the Financial Statements forming part of this report at page 15.

Of the non-executive directors, during the reporting period:

- J (Murray) McKee received a fixed fee for his services as director and 1,500,000 five year unlisted options;
- Ian Pringle received a fixed fee for his services as a director and 1,500,000 five year unlisted options.

Of the executive director, during the reporting period:

- Matthew Hill received a fixed fee for his services as Executive Director and 1,500,000 five year unlisted options.

The company's Remuneration Policy is disclosed on the company's website. Remuneration of Directors and senior executives is set by reference to payments made by other companies of similar size and industry, and by reference to the skills and experience of the Directors and executives. Given the company's financial constraints, the Board considered it appropriate to issue options to non-executive directors during the reporting period.

There is currently no direct link between remuneration paid to any of the directors and corporate performance such as bonus payments for achievement of key performance indicators. There are no termination, retirement or company superannuation scheme benefits for non-executive directors.

## PERFORMANCE EVALUATION OF THE BOARD, COMMITTEES AND SENIOR EXECUTIVES

### (Recommendations 1.2, 1.3, 2.5 and 2.6)

During the reporting period, evaluation of the Board was carried out by the Chair. The Chair distributed a questionnaire, which was completed by each director and addressed their own performance, Board performance and the performance of the Chair. The responses to the questionnaires were then discussed on a roundtable basis at the Board Strategy meeting on 18 September 2013. The evaluation for the Chair, the Board and individual directors was undertaken during the reporting period in accordance with the process disclosed above.

Individual evaluation of Senior Management was conducted by the Chair. The evaluation comprised a comparison of performance against the company's objectives for the reporting period and an assessment of goals for the next reporting period. The evaluation of senior management was undertaken during the reporting period in accordance with the process disclosed above.

Board composition, succession planning and director training opportunities for the current calendar year were addressed during the Board Strategy meeting held in March 2014.

The company's Process for Performance Evaluations is disclosed on the company's website.

## CORPORATE CODE OF CONDUCT

### (Recommendations 3.1 and 3.5)

The board has adopted a Corporate Code of Conduct (available on the company's website). Directors, employees and consultants must comply with the policies which the Board has endorsed to achieve ethical behaviour and efficiency within the authorities and discretions designated to them, avoiding putting themselves in a position where they stand to benefit personally or be accused of insider trading. Compliance with all laws and regulations and maintenance of confidentiality and honesty is expected. The Corporate Code of Conduct forms part of every employment and consultancy agreement. Failure to comply can result in disciplinary action, including, where appropriate, dismissal. The Board has not adopted a Whistleblower Policy. However, employees have direct access to the Chair and are encouraged to contact the Chair with any suspected departure from the company's Code of Conduct.

## GENDER DIVERSITY

### (Recommendations 3.2, 3.3, 3.4 and 3.5)

The board has adopted a Diversity Policy (available on the company's website). As noted above, the Diversity Policy does not include requirements for the board to establish measurable objectives for achieving gender diversity. Gender diversity at balance date is the same as the previous reporting period:

Component	Total	Female Component	% Female Component
Board of Directors	3	0	0%
Senior Executives	2	1	50%
Consultants	3	1	33%
TOTAL*	8	2	25%

\* Total comprises the figures for the whole organisation.

The Board considers that the company complied with its diversity policy during the reporting period.

## AUDIT COMMITTEE

### (Recommendations 4.1, 4.2, 4.3 and 4.4)

The Audit Committee is comprised of Dr Ian Pringle, (Chair, non-executive, Independent), Mr Murray McKee (member, non-executive, Independent) and Mr Matthew Hill (member, Executive and non-Independent). Membership of the Audit Committee is a function of the small size of the Board. The Audit Committee's functions are limited to those delegated to it by the board in the Audit Committee Charter, a copy of which is disclosed on the company's website.

Dr Ian Pringle chairs the meetings, agendas are prepared for all meetings which are minuted. A representative of the external audit firm attends most meetings of the Committee. The Committee deals with any conflicts of interest that may occur by ensuring that the director with conflicting interests is not party to the relevant discussions.

During the reporting period, the Audit Committee had the opportunity to meet separately with the external auditor in respect of the financial reports. The Audit Committee is responsible for reviewing Annual and Interim Financial Statements, related stock exchange announcements and all other financial information published or released to the market; monitoring and making recommendations for improvement in internal control environment, including effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations; overseeing the risk management and compliance framework; the appointment, removal and remuneration of the external auditors; reviewing the terms of their engagement and the scope and quality of the audit, reviewing and approving the nature and scope of non-audit services and ensuring rotation of the external audit engagement partner.

Details of each of the director's qualifications are included in the Board of Director's Profiles on page 10. While Audit Committee members do not have specific financial qualifications, all members considered themselves to be financially literate and have financial experience and industry knowledge. Dr Pringle has significant experience in mineral exploration and development at senior management level, Mr McKee has gained significant financial experience from his careers in management consulting and senior management over the past 30 years and Mr Hill is an experienced merchant banker.

During the reporting period the Audit Committee held two meetings. Mr McKee and Dr Pringle attended both meetings and Mr Hill attended one meeting.

The company has established a Procedure for the Selection, Appointment and Rotation of its External Auditor, which is disclosed on the company's website. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee. Candidates for the position of external auditor must demonstrate complete independence from the company through

# The Board

the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee and any recommendations are made to the Board.

## **NOMINATION COMMITTEE**

### **(Recommendations 2.4 and 2.6)**

The Board has established a separate Nomination Committee comprising Mr J (Murray) McKee (Chair) and Mr M G Hill.

Some responsibilities of the Nomination Committee were also addressed by the full Board at Board and Strategy meetings during the reporting period. The Board has adopted, and the Nomination Committee applies a Nomination Committee Charter which is available on the Company's website. The Nomination Committee met once during the reporting period, and both members of the Nomination Committee attended the Nomination Committee meeting.

## **REMUNERATION COMMITTEE**

### **(Recommendations 8.1, 8.2 and 8.4)**

The Remuneration Committee meets at least once a year to review remuneration of executive and non-executive directors, incentive schemes and review the Remuneration Committee Policy (disclosed on the company's website). The Remuneration Committee deals with any conflicts of interest that may occur by ensuring that the director with conflicting interests is not party to the relevant discussions.

The Remuneration Committee met once during the reporting period and assigned some responsibilities to the whole Board for consideration during two strategy meetings held during the reporting period. All Board members attended the meeting of the full Board in its capacity as the Remuneration Committee. The Board has adopted, and the Remuneration Committee applies, a Remuneration Committee Charter which is available on the company's website.

The company's Policy for Trading, which is disclosed on the company's website, states that key management personnel must not enter into transactions or arrangements which operate to limit the economic risk of their security holding in the company without first seeking and obtaining written acknowledgement from the Chair, Audit Committee Chair or Executive Director; and Key Management Personnel are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

## **RISK MANAGEMENT**

### **(Recommendations 7.1, 7.2 and 7.4)**

The company has continued to develop its strategies for managing risk during the reporting period, particularly where internal controls are concerned. The company's internal controls are reviewed by the external auditor twice a year, and are monitored regularly by the independent directors. The Board relies on the sign-off of senior management with respect to the financial reports, which sign-off has been provided in respect of the company's 2013/2014 accounts.

The company has adopted a Risk Management Policy (a summary is available on the company's website). Under the Policy, the Board delegates day-to-day management of risk to the Chief Executive Officer. The Policy sets out the role of the Chief Executive Officer and accountabilities. It also contains the company's risk profile and describes some of the policies and practices the company has in place to manage specific business risks.

The process of management of material business risks is allocated to the business risk owners within the management team. The Board relies on risk controls being implemented effectively and the primary risk controls reviewed monthly through a standing item on the Board agenda. The company is in the process of updating its Risk Management Policy to include formal processes to identify, manage and mitigate risk, using a risk register. A significant body of work was completed during the reporting period addressing mine operational risks. This document will be reviewed externally by government regulators. Certain risks pertinent to the sector in which the company operates are not able to be managed at this time, for example the price of gold.

Material business risks reported on during the reporting period included statutory compliance, health and safety in the operational environment, sustainability of the company's ore resources, environmental risk working in a conservation estate, internal audit compliance, adequacy of computer systems, ethical conduct and business practice, retention of key staff, financial reporting and liquidity risk.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received a report from management as to the effectiveness of the company's management of its material business risks. The Board has complied with Recommendation 7.2 through (a) CEO monthly Management Report to the Board which addresses risk evaluation, analysis and treatment; (b) risk management is a standing item on the Board agenda, giving opportunity for Board discussion; and (c) the Audit Committee addresses areas of risk and evaluates the effectiveness of controls, these are recorded in the minutes of the Audit Committee.

## **ASSURANCES TO THE BOARD**

### **(Recommendations 7.3 and 7.4)**

Mr Matthew Hill, Chief Executive Officer and Mrs Sue Sangster, Company Secretary, are not required to provide a declaration to the Board in accordance with section 295A of the Corporations Act as the company is instead subject to the laws of New Zealand. However, the Board requires the Chief Executive Officer and the Chief Financial Officer to provide it with a declaration confirming that the financial reports for the reporting period present a true and fair view, in all material respects, of the company's financial condition and operational results, and are in accordance with relevant accounting standards. Assurance is also given that the financial statements are founded on a sound system of risk management and internal compliance and control and that the company's risk management and internal compliance and control is operating efficiently and effectively.

## **CONTINUOUS DISCLOSURE**

### **(Recommendations 5.1 and 5.2)**

The company has adopted a Continuous Disclosure Policy which sets out obligations for directors, employees and consultants in relation to continuous disclosure. The company has also adopted Compliance Procedures to ensure compliance with the ASX Listing Rule requirements in relation to continuous disclosure, and to ensure accountability at a senior executive level for that compliance. Summaries of both these documents are available on the company's website. In accordance with the NZX and ASX Listing Rules, the company is required to disclose to the market matters which could be expected to have a material effect on the price or value of the company's securities. Management processes are in place to ensure that all material matters which may potentially require disclosure are promptly reported to the Chief Executive Officer or the Company Secretary who is responsible for ensuring that such information is not released to any person until the NZX and ASX have confirmed its release to the market.

## **SHAREHOLDER COMMUNICATION**

### **(Recommendations 6.1 and 6.2)**

The Board has adopted a Shareholder Communication Policy, a copy of which is disclosed on the company's website.

## **DIRECTOR AND OFFICER LIABILITY INSURANCE**

The company maintains director and officer liability insurance and indemnifies directors and officers of the company against all liabilities which may arise out of the performance of normal duties as directors or officers, unless the liability relates to conduct involving a lack of good faith. This includes indemnity of costs and expenses incurred in defending an action that falls within the scope of the indemnity.

## **MATERIALITY**

### **(Recommendation 2.6)**

To the extent that it is necessary for the Board to consider issues of materiality, including in relation to the independence of directors, the Board refers to the thresholds for qualitative and quantitative materiality as adopted by the Board and contained in the Board Charter, which is disclosed in full on the company's website. Balance sheet items are material if they have a value of more than 10% of pro-forma net asset. Profit and loss items are material if they have an impact on the current year operating result of 10% or more. Items are also material if they impact on the reputation of the company, they involve a breach of legislation; they are outside the ordinary course of business; they could affect the company's rights to its assets; if accumulated, they would trigger the quantitative tests; they involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items; or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%. Criteria for determining the materiality of contracts can be found in "Board and Management" under Corporate Governance on the company's website.

## **SHARE TRADING**

The company has adopted a Share Trading Policy to assist with compliance with insider trading regulations under the Securities Market Act 1988 (New Zealand) and the Corporations Act 2001 (Australia). This policy restricts directors, employees and consultants from trading in a number of ways and is available on the company's website. Application must be made by directors, employees and consultants to the company for approval prior to trading in the company's securities. A requirement to comply with this policy forms part of every employment or consultancy agreement.

## **SUMMARY OF WAIVERS**

Due to an irreconcilable difference between the ASX and the NZX Listing Rules, the company obtained a waiver from NZX Listing Rule 7.10.10 to enable the Record Date for the Share Purchase Plan dated 5 September 2013 to be set as the day before Appendix 7 was lodged with the NZX.

# Company Directory

## DIRECTORS

J Murray McKee (Chairman, Independent)  
Matthew G Hill (Chief Executive Officer)  
Dr Ian J Pringle (Independent Director)

## Company Secretary

Mrs Sue Sangster

## REGISTERED (HEAD) OFFICE

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## BANKERS

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National Australia Bank, West Perth

## AUDITORS

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Auckland 1010

## SOLICITORS

Chapman Tripp, Auckland  
Simpson Grierson, Auckland  
Williams & Hughes, Perth

## SECURITIES LISTED

New Zealand Stock Exchange  
Australian Securities Exchange  
Codes: Shares NTL (NZSX & ASX)  
Options NTLOA (NZSX)  
Options NTLO (ASX)

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### Managing your shareholding online:

To change your address, update your payment instructions and view your investment portfolio including transactions please visit

[www.computershare.co.nz/investor-centre](http://www.computershare.co.nz/investor-centre)

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