

# Annual Report

ASX: AQQ



**APHRODITE**  
Gold Limited

30 September 2011

Company Announcements Office  
Australian Securities Exchange Limited

## Annual Report

Please find attached the 2011 Annual Report for Aphrodite Gold Limited.

Yours Sincerely,

Wayne Ryder  
Finance Director

For more information on Aphrodite Gold Limited please visit [www.aphroditegold.com.au](http://www.aphroditegold.com.au)

# Annual Report

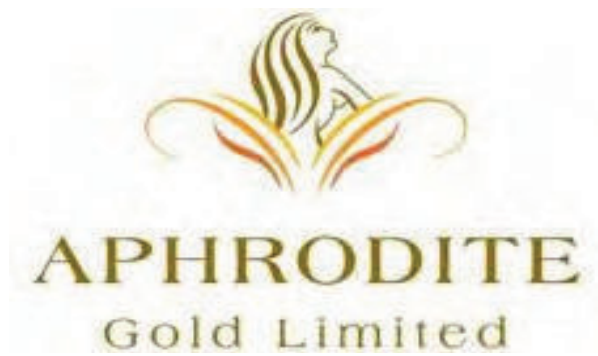
2011



**APHRODITE**  
Gold Limited

ACN 138 879 928





## **ANNUAL REPORT 2011**

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## **APHRODITE GOLD LIMITED**

### **CORPORATE DIRECTORY**

#### **REGISTERED AND CORPORATE OFFICE**

Aphrodite Gold Limited  
ABN 61 138 879 928  
45 Ventnor Avenue  
West Perth WA 6005

#### **DIRECTORS**

Warren Staude BSc MSc MAusIMM FFin – Non-Executive Chairman  
Wayne Ryder FCA FAICD MSME – Executive Director, Finance and Administration  
Leon Reisgys BSc(Hons) Grad Dipl FAusIMM MAIG – Executive Director, Exploration and Development  
Ken Jackson FCA – Non-Executive Director  
Heath Sandercock BE(Mining)(Hons) FAusIMM MMICA MSME – Non-Executive Director

#### **DIRECTOR OF EXPLORATION AND DEVELOPMENT**

Leon Reisgys  
Tel 618 9389 4421  
Fax 618 9389 4400  
lreisgys@aphroditegold.com.au

#### **CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY**

Wayne Ryder  
Tel 618 9389 4421  
Fax 618 9389 4400  
Mobile 614 1892 8180  
wayne@aphroditegold.com.au

#### **INVESTOR RELATIONS MANAGER**

Aaron Ryder  
Tel 618 9389 4421  
Fax 618 9389 4400  
Mobile 614 0716 3598

#### **AUDITOR**

Grant Thornton Audit Pty Ltd  
Chartered Accountants  
Level 1, 10 Kings Park Road  
West Perth WA 6005

#### **SOLICITORS**

Hardy Bowen Lawyers  
Level 1, 28 Ord Street,  
West Perth WA 6005

#### **WEB SITE**

[www.aphroditegold.com.au](http://www.aphroditegold.com.au)

## **APHRODITE GOLD LIMITED**

### **NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the 2011 Annual General Meeting of the Members of Aphrodite Gold Limited will be held at the Registered Office, 45 Ventnor Avenue, West Perth, Western Australia, 6005 at 11.00am on Friday 18 November 2011.

#### **BUSINESS :**

1. To receive, consider and, if thought fit, adopt the Balance Sheet at 30 June 2011 and the Income Statement for the period then ended, together with the Reports of the Directors and Auditor thereon.
2. To elect Directors:
  - i) Wayne Ryder retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election.
  - ii) Warren Staude retires by rotation in accordance with the Company's Constitution and, being eligible, offers himself for re-election.
3. To receive, consider and, if thought fit, adopt the Remuneration Report as contained in the Directors' Report.
4. To transact any other business in accordance with the Company's Constitution.

#### **BY ORDER OF THE BOARD**

**WAYNE RYDER FCA  
COMPANY SECRETARY**

**DATED AT PERTH THIS 30TH DAY OF SEPTEMBER 2011**

#### **PROXIES**

Any Member entitled to attend and vote is entitled to appoint not more than two Proxies who must be natural persons over the age of 18 years.

Where more than one Proxy is appointed each Proxy must be appointed to represent a specified proportion of the Member's voting rights.

A Proxy need not be a Member of the Company.

A Proxy Form is attached. If Proxies are appointed the Proxy Form must be lodged with the Company by delivery or post to the Registered Office, 45 Ventnor Avenue, West Perth WA 6005, or by fax to (08) 9389 4400, or by e-mail to [info@aphroditegold.com.au](mailto:info@aphroditegold.com.au) not less than 48 hours before the Meeting.

## **APHRODITE GOLD LIMITED**

### **CHAIRMAN'S REVIEW**

#### **Introduction**

Aphrodite Gold Limited ("Aphrodite" or "the Company") was formed in August 2009 for the principal purpose of acquiring and developing into production the advanced Aphrodite Gold Project ("the Project") near Kalgoorlie in the Eastern Goldfields of Western Australia.

The Aphrodite Gold Project is located 65Km North of Kalgoorlie in WA along the Kalgoorlie – Menzies Highway and consists of 5 long term mining leases covering almost 30 Km<sup>2</sup>.

The Project has previously been owned by a number of the world's largest gold companies who were frustrated in their plans to develop it simply because the gold price was not high enough at the time.

In our first year since listing on the ASX we have met a number of crucial milestones on our 'drive to production' including;

- Far exceeding the work program outlined in the Prospectus.
- Over 30,000m of drilling has been completed with more being undertaken.
- Updated JORC Resource estimated at over 1 million ounces of gold.
- Undertook a major metallurgical program, demonstrating positive results.
- Farmed into adjoining tenements held by Breakaway Resources to acquire up to 80% of the gold rights in their adjoining Scotia Nickel Project.
- Established a clear path to gold production, targeted to commence in 2013.

In March this year we announced to the ASX an updated JORC Resource Estimate of 10.06Mt averaging 3.19g/t gold containing 1.03 million ounces of gold (see note A.) This estimate consists of;

- 7.06Mt averaging 1.85g/t gold containing 420,000 ounces above 150m vertical depth ('potential open pit')
- 3Mt averaging 6.35g/t gold containing 613,000 ounces between 150m and 440m depth ('underground')

These resources are contained in the two main parallel lodes, Alpha and Phi which remain open at depth and along strike.

We have strong potential to increase the resources by further exploration and development of;

- Excellent historic intersections, below the existing resource area (below 440m depth) to around 600m depth.
- The Epsilon Lode (between the Alpha and Phi lodes) which has returned high grade drill results including 12m @ 10.94g/t gold including 2m @ 31.01g/t gold.
- Recent drilling of the Phi lode which has doubled the mineralised strike length to 1,200m
- The recently acquired Scotia JV tenements including the Chameleon prospect with drill results including 29m @ 3.40 g/t gold.

The Company has undertaken a critical initial metallurgical test work program.

This test work is being conducted on oxide, transitional (near surface) and primary (sulphide, deeper) ore at AMMTEC laboratories under the supervision of leading mineral engineering consultants METS. Results received to date indicate that recovery of over 90% of the gold is achievable.

The Company has developed a clear strategy to bring the project into production by 2013 utilising initial open pit mining, followed by a transition to underground mining of higher grade ores. We are assessing nearby processing facilities to treat our ore so that we can commence operations as soon as possible and keep our capital expenditure to a minimum.

## **APHRODITE GOLD LIMITED**

### **Financial Results**

For the year the Company capitalised exploration and development costs of the Aphrodite Gold Project and the Joint Venture with Breakaway Resources over their adjoining Scotia Project totalling \$4,656,256 (2010 \$8,858,113), bringing total capitalised costs at balance date to \$13,514,369.

Net loss from operations for the period after income tax was \$831,073 (2010 \$541,492).

### **Close**

In closing, I must make mention of the outstanding job done by our Executive and Independent Directors in developing the Project much faster than originally planned. Their skills and dedication have produced outstanding results. They have been assisted and supported by similarly highly skilled dedicated staff as well as drilling, metallurgical and other consultants.

I look forward to seeing you at the AGM, if you are able to attend, and I assure you of our team's continued enthusiastic and fully committed endeavours to bring the Aphrodite Gold Project into production at the earliest possible date, in all Shareholders best interests.

Yours sincerely

Warren Staude  
Chairman  
30 September 2011

### **Note A – JORC resource estimate**

Existing JORC Resource for the Aphrodite Gold Project consists of 3.67Mt @ 3.83g/t Au for 451,000 ounces (Indicated) and 6.39Mt @ 2.83g/t Au for 582,000 ounces (Inferred) totalling 10.06Mt @ 3.19g/t Au for 1,033,000 ounces. This resource has been broken down into two domains; potential open pit (0 to 150m depth) and underground (150 to 440m depth). Potential open pit resources consist of 1.92Mt @ 1.96g/t Au for 121,000 ounces (Indicated) and 5.14Mt @ 1.81g/t Au for 299,000 ounces (Inferred) totalling 7.06Mt @ 1.85 g/t Au for 420,000 ounces at a cut-off grade of 0.5g/t. Potential underground resources consist of 1.75Mt @ 5.87g/t Au for 330,000 ounces (Indicated) and 1.25Mt @ 7.02g/t Au for 283,000 ounces (Inferred) totalling 3.0Mt @ 6.35 g/t Au for 613,000 ounces at a cut off grade of 3.0g/t. Full details of the JORC resource are contained in the Company's ASX announcement of 24 March 2011.

### **Competent Persons Statement**

Information in this report that relates to technical results and resources reflects information compiled by Leon Reigys FAusIMM and Exploration and Development Director of Aphrodite Gold Ltd who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is reporting on as a competent person as defined in the 2004 Edition of "The Australian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves." Mr. Reigys consents to the inclusion in this report of the matters based on the information compiled by him, in the form and context in which it appears.



## **APHRODITE GOLD LIMITED**

### **DIRECTORS' REPORT**

Your Directors present their Report on the activities of Aphrodite Gold Limited for the period ended 30 June 2011.

#### **Currency**

All monetary amounts shown throughout the Annual Report are expressed in Australian Dollars.

#### **Directors and Company Secretary**

The following persons were Directors/Secretary of the Company during the year and at the date of this Report:

##### **Mr Warren Staude BSc MSc MAusIMM FFin**

Non-Executive Chairman. Appointed 14 August 2009.

Sydney based Warren has long term professional experience in mining and mineral exploration, resource investment and portfolio investment management.

He currently sits on the Joint Ore Reserves Committee (JORC) in Australia.

Over the past 20 years Warren has been engaged mostly in institutional investment management and research, working at AMP and GIO. Following AMP's takeover of GIO he assumed a leading role in establishing a specialist international resource equity investment fund and in assisting corporations in fund raising and with corporate advice. Previously he has worked as a consulting Geologist in both Government and industry, and on the academic staff at Macquarie University.

He is a Graduate of the University of Sydney (BSc, Geology), Macquarie University (MSc, Mineral Economics), is a Member of the Australasian Institute of Mining and Metallurgy and holds a Graduate Diploma from the Securities Institute of Australia.

Other Directorships held in the past 3 years were:

- Central West Gold NL, appointed 24 February 2002 – resigned 16 February 2011
- Malachite Resources NL, appointed 9 July 2002 – resigned 28 February 2011
- Frontier Resources Limited, appointed 31 December 2002 – current.
- Eagle Eye Metals Limited, appointed 31 March 2006 – current.
- Stonehenge Metals Limited, appointed 7 September 2006 - current.
- Excelsior Gold Limited, appointed 27 November 2008 – resigned 24 May 2011

Number of Shares held directly and indirectly 1,200,000.

Number of Options held directly and indirectly 600,000.

##### **Wayne Ryder FCA FAICD MSME**

Executive Director, Finance and Administration, and Company Secretary. Appointed 14 August 2009.

Wayne has an extensive track record in the mining resources sector over many years, having been involved in Australia with the ASX listing, and in the United States NASDAQ listing, of a considerable number of mining companies. He has developed excellent associations with US-based exploration groups, as well as key US capital market resource investors.

He has held Directorships with a number of successful explorers and producers both in an executive and non-executive role. He has also acted as the Secretary of a number of ASX listed public companies, mostly mining and exploration companies based in Western Australia, and manufacturing companies with operations in Australia and China.

## **APHRODITE GOLD LIMITED**

Perth based Wayne is a Fellow of the Institute of Chartered Accountants in Australia, a Fellow of the Australian Institute of Company Directors and a Member of the Society for Mining, Metallurgy and Exploration in the United States.

Other Directorships held in the past 3 years were:

- Eagle Eye Metals Limited, appointed 21 April 2005 – current.
- Globe Securities Limited, appointed 11 February 1987 – resigned 20 November 2008.

Number of Shares held directly and indirectly 2,750,000.

Number of Options held directly and indirectly 1,325,000.

### **Leon Reisgys BSc(Hons) Grad Dipl FAusIMM MAIG**

Executive Director, Exploration and Development. Appointed 19 April 2010.

Leon is based in Perth in his role as the Manager of the Company's Aphrodite Gold Project and leader of technical teams in Perth and Kalgoorlie.

He has extensive experience in the successful exploration and/or development of gold and other precious metals projects, base metals, uranium and mineral sand deposits in Australia and internationally. Has previously served as Managing Director and Chief Executive Officer of several ASX listed companies. He has not been a Director of any other ASX listed company during the last three years.

Leon holds a Bachelor of Science (Honours) degree in Applied Geology from the University of New South Wales and a Graduate Diploma in Mineral Economics from Macquarie University. He is a Fellow and Chartered Professional of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists.

Number of Shares held directly and indirectly 550,000.

Number of Options held directly and indirectly 250,000.

### **Ken Jackson FCA**

Non-Executive Director. Appointed 14 August 2009.

As a Chartered Accountant and the former Managing Director of Montagu Stockbrokers Ken has been involved in the public company arena for many years. His experience includes involvement with a considerable number of successful floats on to ASX, many of these involved in the minerals exploration industry.

Ken has a history of owning and managing successful commercial enterprises in the diversified industrial, corporate advisory and stockbroking industries.

He is a Fellow of the Institute of Chartered Accountants in Australia.

Number of Shares held directly and indirectly 1,900,000.

Number of Options held directly and indirectly 850,000.

## **APHRODITE GOLD LIMITED**

### **Heath Sandercock BE(Mining)(Hons) FAusIMM MMICA MSME**

Non-Executive Director. Appointed 19 April 2010.

Heath is a Mining Engineer and the Principal of Sandercock and Associates Pty Ltd. He has over 35 years experience in metaliferous, gold and other precious commodities mining projects, including operations management from junior to executive level, mine development and construction, management of feasibility studies, project financing and mine closure and rehabilitation in Australia, Southeast Asia and the Pacific.

Sydney based, he holds a Bachelor of Engineering in Mining from the University of New South Wales, is a Fellow of the Australasian Institute of Mining and Metallurgy, a Member of the Mining Industry Consultants Association and a Member of the Society for Mining, Metallurgy and Exploration in the United States. He has not been a Director of any other ASX listed company during the last three years.

Shares held directly and indirectly 525,000.

Options held directly and indirectly 262,500.

### **Options**

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

<b>Grant Date</b>	<b>Date of Expiry</b>	<b>Exercise Price</b>	<b>Number under Option</b>
6 May 2010	31 December 2013	\$0.20	66,790,750

Option holders do not have any rights to participate in any issues of shares or other interests in the company or any other entity.

During the year ended 30 June 2011 no shares were issued on exercise of options granted. No further shares have been issued since year end.

### **Results**

Net loss after income tax (Total Comprehensive Loss) for the year ended 30 June 2011 was \$831,073 (2010 \$541,492).

### **Principal Activities and Use of Funds**

During the year the principal activities of the Company were the exploration and development of the Aphrodite Gold Project. Cash funds were utilised in a way consistent with the business objectives as stated in the Company's Prospectus dated 6 May 2010. No other substantial activities were undertaken during the period.

### **Dividends or Distributions**

- a) no dividends or distributions were paid to members during the year ended 30 June 2011;
- b) no dividends or distributions were recommended or declared for payment to members, but not paid, during the year ended 30 June 2011.

### **Significant Changes in the State of Affairs**

No significant changes took place during the year in the state of affairs of the Company.

## APHRODITE GOLD LIMITED

### Matters Subsequent to the Reporting Date

At the date of this Report there is no matter or circumstance which has arisen since the end of the financial year that has significantly affected or may significantly affect:

- the Company's operations in future financial years; or
- the results of those operations in future financial years; or
- the Company's state of affairs in future financial years.

### Likely Developments and Expected Results of Operations

There are no likely developments contemplated at the date of this Report that may have a significant effect upon the expected results of operations of the Company other than those disclosed elsewhere in this Annual Report.

### Environmental Regulations

Operating in the minerals exploration and development industry, Aphrodite is subject to Environmental Regulations and controls as set down by the Statutory Authorities, including the Department of Industry & Resources. The Company has complied and will continue to comply with those Regulations, and has adopted such compliance as an important point in its Corporate Governance practices.

### Meetings of Directors and Committees

Directors during the year and Directors' Meetings held and attended were:

Name	Meetings Held	Meetings Attended
Warren Staude	7	7
Wayne Ryder	7	7
Leon Reisgys	7	7
Ken Jackson	7	6
Heath Sandercock	7	6

As the Company does not have an Audit Committee for the purpose of reviewing and discussing with the Auditor the Company's activities and financial statements, this function is undertaken by the Board of Directors.

The Company does not have a Remuneration Committee. Remuneration is considered and determined by the Board of the Directors of the Company, with any relevant affected Director not participating in the vote on his Remuneration.

### Remuneration Report (Audited)

The Board of the Company determines the remuneration policies and practices generally, and makes specific decisions on remuneration packages and other terms of employment for Executive Directors, other senior executives and Non-Executive Directors.

The Company has no Employee Option Plan and does not offer any other incentives to Directors or Key Management Personnel as part of their remuneration. No Key Management Personnel remuneration is linked to the Company's performance.

The performance of Key Management Personnel will be measured on an ongoing basis against criteria agreed with each executive, and is based predominantly on the successful development of the Company's Aphrodite Gold Project. Any bonuses and incentives to be paid in the future must be linked to predetermined performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance results leading to long term growth in Shareholder value.

## APHRODITE GOLD LIMITED

Key Management Personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

Upon retirement, Key Management Personnel are paid employee benefit entitlements accrued to the date of retirement.

All remuneration paid to Key Management Personnel is valued at cost and expensed.

The Board's policy is to remunerate Non-Executive Directors at market rates for time, commitment and responsibilities. The Board of Directors determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when and if required. The maximum aggregate amount of Directors' fees that can be paid to Non-Executive Directors is subject to approval by Shareholders at the Annual General Meeting.

During the year the following Directors' fees, Company Secretary's fees, salaries, management and consulting fees were paid or accrued to Directors:

<b>2011</b>	<b>Short term benefits</b>	<b>Post employment benefits</b>		
	<b>Salary and fees \$</b>	<b>Super \$</b>	<b>Share Based Payments \$</b>	<b>Total \$</b>
Warren Staude	66,248	2,477	-	68,725
Wayne Ryder	244,183	19,817	-	264,000
Leon Reisgys	278,716	23,119	-	301,835
Ken Jackson	65,023	2,477	-	67,500
Heath Sandercock	55,023	2,477	-	57,500
	<b>709,193</b>	<b>50,367</b>	<b>-</b>	<b>759,560</b>

<b>2010</b>	<b>Short term benefits</b>	<b>Post employment benefits</b>		
	<b>Salary and fees \$</b>	<b>Super \$</b>	<b>Share Based Payments \$</b>	<b>Total \$</b>
Warren Staude	56,500	-	-	56,500
Wayne Ryder	301,000	-	-	301,000
Leon Reisgys	54,200	-	-	54,200
Ken Jackson	27,500	-	-	27,500
Heath Sandercock	7,500	-	-	7,500
<b>Total</b>	<b>446,700</b>	<b>-</b>	<b>-</b>	<b>446,700</b>

No amounts were paid to Directors during 2011 or 2010 which were the result of meeting performance conditions.

No options have been granted to Directors during the period.

Salary and Directors' fees includes fees paid to related entities as shown in note 9 Related Party Transactions.

Finance and Administration Director Wayne Ryder and Exploration and Development Director Leon Reisgys are Key Management Personnel who are employed by the Company under Contract as from

## **APHRODITE GOLD LIMITED**

1 July 2010. Their current Contracts for Employment are for 2 years if not renewed or terminated by then, in which case their Contracts will automatically roll over for the ensuing 12 months. The Company may terminate either of their Contracts by written notice of at least 2 months, with the balance of remuneration to the expiry date of the Contract thereupon becoming due and payable. The Company may also terminate the Contract without any termination payment for any breaches of their required duties and responsibilities that remain unrectified for 14 days from notice thereof.

### **Corporate Governance Statement**

The Directors are responsible for the Corporate Governance practices of the Company. These practices are being progressively developed, having regard to the most suitable and effective procedures applicable to the Company.

The main Corporate Governance practices in operation by the Company are:-

#### **The Board of Directors**

- The Board's Charter is that it should be comprised of at least 3 Directors;
- be made up of a majority of Independent Non-Executive Directors;
- be comprised of Directors with a broad range of skills, qualifications and experience appropriate to the Company's operations;
- meet on a regular basis; and
- maintain constant on-going communication of activities between Directors so that all Directors are fully informed of the Company's business and so as to be possessed of all the necessary information required to make decisions by Resolutions of the Board.

#### **Duties and Responsibilities of Directors**

On the date on which this Report of the Directors is made out, the Board consisted of 5 Directors, the Chairman of which is an Independent Non-Executive Director, with 2 other Independent Non-Executives and 2 Executive Directors. Details of the Directors are set out at the commencement of this Directors' Report.

The primary responsibilities of the Board include:

- the approval of the Company's periodic Financial Statements;
- establishment of long term goals of the Company and strategic plans to achieve those goals;
- the review and adoption of annual budgets for the financial performance of the Company, monitoring the results on a regular basis;
- ensuring that the Company abides by ASX listing rule disclosure requirements;
- ensuring that all management, employees and consultants abide by a high standard code of conduct befitting a listed corporation;
- ensuring that the Company abides strictly by Environmental Regulations affecting its operations in the minerals exploration and development industry; and
- ensuring that the Company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities.

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire year ended 30 June 2011.

- be comprised of at least 3 Directors;
- be made up of a majority of Independent Non-Executive Directors;
- be comprised of Directors with a broad range of skills, qualifications and experience appropriate to the Company's operations;
- meet on a regular basis; and
- maintain constant on-going communication of activities between Directors so that all Directors are fully informed of the Company's business and so as to be possessed of all the necessary information required to make decisions by Resolutions of the Board.

## **APHRODITE GOLD LIMITED**

### **Board Composition**

The skills, experience and expertise relevant to the position of each Director who is in office at the date of the Annual Report and their term of office are detailed in the Directors' Report.

The names of independent Directors of the Company are:

- Warren Staude
- Ken Jackson
- Heath Sandercock

When determining whether a Non-Executive Director is independent the Director must not fail any of the following materiality thresholds:

- less than 5% of Company's Shares are held by the Director and any entity or individual directly or indirectly associated with the Director;
- none of the Director's income or the income of an individual or entity directly or indirectly associated with the Director is derived from a contract with any Member of the Company other than income derived as a Director of the Company.

All Directors have the right to seek independent professional advice in the furtherance of their duties as Directors at the Company's expense.

### **Securities Trading Policy**

The Company's policy regarding Directors and employees trading in its securities is set by the Board. The policy restricts Directors and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the Company's Securities' prices.

### **Communication with Shareholders**

The Company's policy is to keep Shareholders well informed of operational activities and financial matters via ASX announcements, media releases, direct letter and email advices and it's web site. The Company also actively encourages communication from Shareholders. To assist Key Management Personnel with communications, the Company retains an investor relations manager and media, broker and investor relations consultants.

### **Risk Management**

The Board and Risk Management Committee (to be formed) are responsible for the Company's system of internal controls to effectively manage material business risks and any oversights. The Board and Committee constantly monitors the operational and financial aspects of the Company's activities and considers the recommendations and advice of the Auditor and other external advisers on the operational and financial risks that face the Company.

The Board and Committee ensures that recommendations made by the Auditor and other external advisers are investigated and, where considered necessary, appropriate action is taken to ensure that the Company has an appropriate internal control environment in place to manage the risks identified.

The Board is satisfied from the advice of the Chief Financial Officer, who has signed off in that regard, that all material business risks and financial reporting risks for the period have been managed effectively.

## **APHRODITE GOLD LIMITED**

### **Code of Conduct**

As part of the Board's commitment to the highest standards of conduct, the Company has adopted a Code of Conduct to guide executives, management and employees in carrying out their duties and responsibilities. The Code of Conduct covers such matters as:

- responsibilities to Shareholders;
- relations with customers and suppliers;
- compliance with environmental regulations;
- employment practices; and
- responsibilities to the community.

### **Performance Evaluation**

A performance evaluation of the Board and all Board members was conducted by the Board for the period ended 30 June 2011. The Chairman also speaks to each Director individually regarding their role as a Director. The evaluation was considered by the Board and formed the basis for recommendations to set and improve performance criteria and goals for the next year.

### **Remuneration Policies**

The remuneration policy, which sets the terms and conditions for Key Management Personnel, was developed by the Board after seeking professional advice from independent consultants. Executives receive a base salary, a motor vehicle allowance and may also receive superannuation and fringe benefits. The Board reviews executive packages regularly by reference to the Company's performance, executive performance, comparable information from industry sectors and other listed companies and independent advice. The object is to reward executives adequately so as to attract highly capable personnel who will develop the Company's activities to the maximum benefit of Shareholders.

### **Remuneration Committee and Nomination Committee**

The Company does not have either a Remuneration Committee or Nomination Committee as recommended by the ASX Corporate Governance Council. Given that the Company has only 5 Directors, it is considered that there are no efficiencies to be gained by having these separate Committees, so these roles are undertaken by the Board.

### **Other Information**

Further information relating to the Company's corporate governance practices and policies has been made publicly available on the Company's web site at [www.aphroditegold.com.au](http://www.aphroditegold.com.au)

### **Proceedings on Behalf of Company**

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

### **Indemnification and Insurance of Officers and Auditors**

The Company has agreed to indemnify, to the extent permitted by law, each Director and Secretary of the Company against any liability incurred by that person as an Officer of the Company. The Company has in place the relevant Directors and Officers insurance policies.



## **APHRODITE GOLD LIMITED**

The Company has not paid any premiums in respect of any contract insuring its Auditor against a liability incurred in their role as Auditor of the Company. In respect of non-audit services, Grant Thornton Audit Pty Ltd, the Company's Auditor, has the benefit of an indemnity to the extent Grant Thornton Audit Pty Ltd reasonably relies on information provided by the Company which is false, misleading or incomplete. No amount has been paid under this indemnity during the period ended 30 June 2011 or to the date of this Report.

### **Non-audit Services**

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external Auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to Grant Thornton Australia Limited for non-audit services provided during the year:

Taxation services \$4,860

### **Auditor's Independence Declaration**

The Auditor's Independence Declaration for the period ended 30 June 2011 is at Page 16.

This Directors' Report is made in accordance with a Resolution of the Board of Directors.



**Wayne Ryder**  
**Director**

**Dated at Perth this 30th Day of September 2011**



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## **Auditor's Independence Declaration To the Directors of Aphrodite Gold Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Aphrodite Gold Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

J W Vibert  
Director - Audit & Assurance

Perth, 30 September 2011

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## **APHRODITE GOLD LIMITED**

### **DIRECTORS' DECLARATION**

1. In the opinion of the Directors of Aphrodite Gold Limited (the "Company"):

- (a) the financial statements and notes set out on pages 18 to 44, and the Remuneration disclosures that are contained in pages 10 to 12 of the Remuneration Report in the Directors' Report, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance, for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - (iii) complying with International Financial Reporting Standards as disclosed in Note 1.
- (b) the remuneration disclosures that are contained in page 10 to 12 of the Remuneration Report in the Directors' Report comply with Australian Accounting Standard AASB 124 Related Party Disclosures and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2011.

Signed in accordance with a resolution of the Directors:



**Wayne Ryder**  
**Director and Chief Financial Officer**  
**Dated at Perth this 30th day of September 2011**

The accompanying notes form part of the Financial Statements

**APHRODITE GOLD LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 30 June 2011**

	Note	2011 \$	2010 \$
<b>Revenue</b>	3	316,648	20,933
Total Revenue		<b>316,648</b>	<b>20,933</b>
<b>Expenses:</b>			
Employee benefits expenses		(486,306)	(295,570)
Consultant's fees		(349,466)	-
Occupancy expenses	4(c)	(95,948)	(62,379)
Depreciation		(35,497)	(1,141)
Other expenses	4(a)	(180,504)	(199,435)
Exploration and evaluation expenditure written off	4(b)	-	(3,900)
<b>Total Expenses</b>		<b>(1,147,721)</b>	<b>(562,425)</b>
<b>(Loss) before Income Tax</b>		<b>(831,073)</b>	<b>(541,492)</b>
<b>Income Tax Expense</b>	5	-	-
<b>(Loss) for the year</b>		<b>(831,073)</b>	<b>(541,492)</b>
<b>Other Comprehensive Income</b>		-	-
<b>Total Comprehensive (Loss) for the year</b>		<b>(831,073)</b>	<b>(541,492)</b>
<b>Basic and diluted (loss) per share (cents)</b>	20	<b>(0.6)</b>	<b>(0.6)</b>

The accompanying notes form part of the Financial Statements

**APHRODITE GOLD LIMITED**

**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2011**

	<b>Note</b>	<b>2011 \$</b>	<b>2010 \$</b>
<b>Current Assets</b>			
Cash and cash equivalents	7	3,000,000	8,807,144
Trade and other receivables	10	230,871	79,936
Other assets	11	65,339	90,364
<b>Total Current Assets</b>		<b>3,296,210</b>	<b>8,977,444</b>
<b>Non Current Assets</b>			
Property, plant and equipment	14	218,365	22,404
Exploration and evaluation costs	15	13,514,369	8,858,113
<b>Total Non – Current Assets</b>		<b>13,732,734</b>	<b>8,880,517</b>
<b>Total Assets</b>		<b>17,028,944</b>	<b>17,857,961</b>
<b>Current Liabilities</b>			
Trade and other payables	12	762,871	804,840
Provisions	13	65,008	-
<b>Total Current Liabilities</b>		<b>827,879</b>	<b>804,840</b>
<b>Total Liabilities</b>		<b>710,706</b>	<b>804,840</b>
<b>Net Assets</b>		<b>16,201,065</b>	<b>17,053,121</b>
<b>Equity</b>			
Issued capital	16	16,750,439	16,771,423
Reserves	22	823,190	823,190
Accumulated losses		(1,372,565)	(541,492)
<b>Total Equity</b>		<b>16,201,065</b>	<b>17,053,121</b>

The accompanying notes form part of the Financial Statements

**APHRODITE GOLD LIMITED**

**STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2011**

		<b>2011</b>	<b>2010</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Payments to suppliers & employees		(990,583)	(540,054)
Interest received		245,248	20,933
<b>Net cash (used in) operating activities</b>	18	<b>(745,335)</b>	<b>(519,121)</b>
<b>Cash flows from Investing activities</b>			
Exploration and evaluation costs		(4,656,256)	(5,470,723)
Purchases of property, plant and equipment		(231,458)	(23,545)
<b>Net cash (used in) investing activities</b>		<b>(4,887,714)</b>	<b>(5,494,268)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	15,816,304
Equity fund raising costs		(174,095)	(995,771)
<b>Net cash provided by/(used in) financing activities</b>		<b>(174,095)</b>	<b>14,820,533</b>
<b>Net (decrease)/increase in cash held</b>		<b>(5,807,144)</b>	<b>8,807,144</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>8,807,144</b>	<b>-</b>
<b>Cash and cash equivalents at end of financial year</b>		<b>3,000,000</b>	<b>8,807,144</b>

The accompanying notes form part of the Financial Statements

**APHRODITE GOLD LIMITED**

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2011**

	<b>Issued Capital \$</b>	<b>Accumulated Losses \$</b>	<b>Option Reserve \$</b>	<b>Total \$</b>
<b>2010</b>				
<b>Balance at beginning of the year</b>	-	-	-	-
Total comprehensive loss for the year	-	(541,492)	-	(541,492)
	-	<b>(541,492)</b>	-	<b>(541,492)</b>
Shares issued during the year	18,016,304	-	-	18,016,304
Fund raising costs	(1,244,881)	-	-	(1,244,881)
Options issued during the year	-	-	823,190	823,190
<b>Balance at end of the year</b>	<b>16,771,423</b>	<b>(541,492)</b>	<b>823,190</b>	<b>17,053,121</b>
<b>2011</b>				
<b>Balance at beginning of the year</b>	<b>16,771,423</b>	<b>(541,492)</b>	<b>823,190</b>	<b>17,053,121</b>
Total comprehensive loss for the year	-	(831,073)	-	(831,073)
	<b>16,771,423</b>	<b>(1,372,565)</b>	<b>823,190</b>	<b>16,222,048</b>
Shares issued during the year	-	-	-	-
Fund raising costs	(20,984)	-	-	(20,984)
Transfer to option reserve	-	-	-	-
<b>Balance at end of the year</b>	<b>16,750,439</b>	<b>(1,372,565)</b>	<b>823,190</b>	<b>16,201,064</b>

The accompanying notes form part of the Financial Statements

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2010**

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**Note 1: Statement of Significant Accounting Policies**

This financial report includes the financial statements and notes of Aphrodite Gold Limited ("the Company").

The Financial Report was authorised for issue on 30 September 2011 by a Resolution of the Board of Directors.

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

**Statement of compliance**

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

**Basis of Preparation**

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**(a) Income Tax**

The income tax expense (benefit) for the year comprises current income tax expense (benefit) and deferred tax expense (benefit).

Current income tax expense charged to the statement of comprehensive income is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the statement of comprehensive income when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be capitalised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is capitalised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are capitalised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be capitalised.



Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not capitalised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous capitalised and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous capitalised and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**(b) Property, Plant and Equipment**

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

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

**Plant and Equipment**

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

**Depreciation**

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

The depreciation rates used for each class of depreciable assets are:

<b>Class of fixed asset</b>	<b>Depreciation Rate</b>
Computer and electronic equipment	20% - 40%
Office furniture	20%
Motor vehicles	10% - 20%

**(c) Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

**(d) Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**(e) Financial Instruments**

**Recognition and Initial Measurement**

Financial instruments, incorporating financial assets and financial liabilities, are capitalised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

**Derecognition**

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

**Classification and Subsequent Measurement**

**i Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

**ii Financial Liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**Fair value**

Fair value is determined based on current bid prices for all quoted investments. Where the value of listed securities has increased the resultant gains are capitalised in the other financial assets reserve. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

**Impairment**

At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are capitalised in the statement of comprehensive income.

**(f) Provisions**

Provisions are capitalised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**(g) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

**(h) Goods and Services Tax (GST)**

Revenues, expenses and assets are capitalised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is capitalised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(i) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(j) Impairment of Non-Financial Assets other than goodwill and indefinite life intangibles**

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

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

**(k) Interests in Joint Ventures**

Where applicable, the Company's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the financial statements.

The Company's interests in joint venture entities are brought to account using the cost method.

**(l) Revenue**

Revenue is measured at the fair value of the consideration received or receivable. All revenue is stated net of the amount of goods and services tax (GST).

The Company receives interest on funds deposited with its Bank, and brings this to account as revenue in the income statement using the effective interest rate method.

**(m) Fair Value Estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

**(n) Trade and other payables**

Liabilities for trade creditors and other amounts are measured at amortised cost, which is the fair value of the consideration to be paid in the future for goods and services received that are unpaid, whether or not billed to the Company.

**(o) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

**(p) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Aphrodite Gold Limited.

## APHRODITE GOLD LIMITED

### (q) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### (r) Critical Accounting Estimates and Judgments

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

#### Key Estimates — Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

#### Key Judgments — Exploration and Evaluation Expenditure

The Company capitalised expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the Directors are of the belief that such expenditure should not be written off since feasibility studies have not yet concluded. Such expenditure is carried at balance date at \$13,514,369 (2010 \$8,858,113).

### (q) Going concern

The financial statements have been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. During the period the Company incurred an operating loss of \$831,073 (2010 \$541,492). Net cash outflow from operations was \$745,335 (2010 \$519,121).

The Company is developing its Aphrodite Gold Project towards production, targeted by 2013, and will require further funds to facilitate this. Negotiations since balance date with Stockbrokers have resulted in 2 firm offers to provide the Company with additional equity funds.

In the opinion of the Directors, the Company has adequate cash in hand at balance date to continue trading on a going concern basis.

## Note 2: New Accounting Standards for Application in Future Periods

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the year ended 30 June 2011. These are outlined in the table below:

Reference	Title	Summary	Application date of standard	Application date for Company*
AASB 9	Financial Instruments	AASB 9 includes requirements of the classification and measurements of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and	1 January 2013	1 July 2013

**APHRODITE GOLD LIMITED**

		<p>Measurement).</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <p>a) Financial assets are classified based on</p> <p>(1) the objective of the entity's business model for managing the financial assets;</p> <p>(2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.</p> <p>b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on a different basis.</p>		
AASB 2009-11	<p>Amendments to Australian Accounting Standards arising from AASB 9</p> <p>[AASB 1,3,4,5,7,101,102,108,112</p> <p>118,121,127,128,131,132</p> <p>136,139,1023 &amp; 1038 and Interpretations 10 &amp; 12]</p>	<p>These amendments arise from the issuance of AASB 9 Financial Instruments that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 Financial Instruments: Recognition and Measurement.</p> <p>This Standard shall be applied when AASB 9 is applied.</p>	1 January 2013	1 July 2013

**APHRODITE GOLD LIMITED**

AASB 124 (Revised)	Related Party Disclosures (December 2009)	<p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <ul style="list-style-type: none"> <li>a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other.</li> <li>b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other</li> <li>c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other.</li> </ul> <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced party disclosures.</p>	1 January 2011	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5,8,108,110,112,119,133,137, 139,1023 & 1031 and Interpretations 2,4,16,1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IRFS by the IASB.	1 January 2011	1 July 2011
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134, and Interpretation 13]	<p>Emphasises on the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</p> <p>Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.</p> <p>Provides guidance to illustrate how to apply disclosure principals in AASB 134 for significant events and transactions.</p> <p>Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.</p>	1 January 2011	1 July 2011
AASB 2010-5	Amendments to Australian Accounting	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including	1 January 2011	1 July 2011

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	Standards  [AASB 1,3,4,5,101,10 7,112,118,119, 121,132,133,1 34,137,139,14 0,1023 & 1038 and Interpretations 112,115,127,1 32 & 1042]	amendments to reflect changes made to the text of IFRS by the IASB.  These amendments have no major impact on the requirements of the amended pronouncements.		
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASBV1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)  [AASB 1,3,4,5,7,101,1 02,108,112,11 8,120,121,127, 128,131,132,1 36,137,139,10 23 & 1038 and Interpretations 2,5,10,12,19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: <ul style="list-style-type: none"> <li>• The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>• The remaining change is presented in profit or loss</li> </ul> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p>	1 January 2013	1 July 2013
AASB 2010-8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.	1 January 2012	1 July 2012
AASB 2011-1	Amendments to Australian Accounting Standards arising from	This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	1 July 2011	1 July 2011



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	the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]			
****	Joint Arrangements	<p>IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Ventures. IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation.</p> <p>Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.</p>	1 January 2013	1 July 2013
****	Disclosures of Interests in Other Entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether the control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013
****	Fair Value Measurement	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities. IFRS 13 does not change when an entity is required to use fair value, but rather, provide guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the	1 January 2013	1 July 2013

## APHRODITE GOLD LIMITED

		relevant assets.		
		IFRS 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.		

\* Designates the beginning of the applicable reporting period unless otherwise stated

\*\*\*\* the AASB has not issued this standard, which was finalised by the IASB in May 2011. The impact of the adoption of these new and revised standards and interpretations has not been determined by the Company.

### Note 3: Revenue

	2011 \$	2010 \$
Interest received	316,648	20,933
<b>Total Revenue</b>	<b>316,648</b>	<b>20,933</b>

### Note 4: Expenses

	2011 \$	2010 \$
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#### (a) Other Expenses

Administration expenses	180,504	199,435
<b>Total Other Expenses</b>	<b>180,504</b>	<b>199,435</b>

#### (b) Significant Expenses

Exploration expenditure written off	-	3,900
<b>Total Significant Expenses</b>	<b>-</b>	<b>3,900</b>

#### (c) Operating Lease Payments

Office Rent	74,918	44,032
Variable Outgoings	21,030	18,347
<b>Total Operating Lease Payments</b>	<b>95,948</b>	<b>62,369</b>

## APHRODITE GOLD LIMITED

### Note 5: Income Tax

	2011 \$	2010 \$
<b>Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate</b>		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Company's applicable tax rate is as follows:		
(Loss)/Profit from for the year before income tax expense	(831,073)	(541,492)
Tax at the company rate of 30% (2010: 30%)	(249,322)	(162,448)
<b>Add:</b>		
<b>Tax effect:</b>		
Non-allowable items		75
Deferred tax asset not brought to account	249,322	162,373
<b>Less:</b>		
<b>Tax effect:</b>		
Capital raising	-	-
Income accruals	-	-
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	2011 \$	2010 \$
<b>Unrecognised Deferred Tax Assets:</b>		
Tax losses – operating losses	4,587,195	2,853,470
Temporary differences	50,875	41,030
Temporary differences equity	229,115	298,771
	<b>4,867,185</b>	<b>3,193,271</b>
<b>Unrecognised Deferred Tax Liabilities</b>	<b>(4,075,731)</b>	<b>(2,657,424)</b>

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that profits will be available against which deductible temporary differences and tax losses can be utilised.

The potential deferred tax assets will only be obtained if:

- (i) the company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised in accordance with Division 170 of the Income Tax Assessment Act 1997;
- (ii) the company continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the company in realising the benefits.

## APHRODITE GOLD LIMITED

### Note 6: Key Management Personnel (KMP)

Refer to the audited Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Company's KMP for the year ended 30 June 2011.

The totals of remuneration paid to KMP of the Company during the year are as follows:

	2011 \$	2010 \$
Short term employee benefits	743,858	446,700
Post employment benefits	50,367	-
Other long term benefits	-	-
Termination benefits	-	-
Share based payments	-	-
	<b>794,225</b>	<b>446,700</b>

No other non-cash benefits were paid to Directors who held office during the year.

### Options granted as part of remuneration for the period ended 30 June 2011.

No Options were granted as remuneration for the period ended 30 June 2011 (2010 nil).

### Shares Issued on Exercise of Compensation Options.

No Options have been granted as compensation during the year ended 30 June 2011 (2010 nil) and accordingly no Options granted as compensation were exercised during the year.

### KMP options and shareholdings

(a) The number of options over ordinary shares held by each KMP during the financial year is as follows:

30 June 2011	Balance at beginning of year	Granted as remuneration during the year	Acquired	Balance at end of year	Vested and exercisable
Warren Staude	600,000	-	-	600,000	600,000
Wayne Ryder	1,325,000	-	-	1,325,000	1,325,000
Leon Reisgys	250,000	-	-	250,000	250,000
Ken Jackson	850,000	-	-	850,000	850,000
Heath Sandercock	262,500	-	-	262,500	262,500
<b>Total</b>	<b>3,287,500</b>	<b>-</b>	<b>-</b>	<b>3,287,500</b>	<b>3,287,500</b>

Number of Options held by Key Management Personnel at 30 June 2010

30 June 2010	Balance at beginning of year	Granted as remuneration during the year	Acquired	Balance at end of year	Vested and exercisable
Warren Staude	-	-	600,000	600,000	600,000
Wayne Ryder	-	-	1,325,000	1,325,000	1,325,000
Leon Reisgys	-	-	250,000	250,000	250,000
Ken Jackson	-	-	850,000	850,000	850,000
Heath Sandercock	-	-	262,500	262,500	262,500

## APHRODITE GOLD LIMITED

<b>Total</b>	-	-	<b>3,287,500</b>	<b>3,287,500</b>	<b>3,287,500</b>
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All Options were vested and exercisable.

(b) The number of ordinary shares held by each KMP during the financial year is as follows:

30 June 2011	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Acquired	Balance at end of year
Warren Staude	1,200,000	-	-	-	1,200,000
Wayne Ryder	2,700,000	-	-	50,000	2,750,000
Leon Reisgys	500,000	-	-	50,000	550,000
Ken Jackson	1,700,000	-	-	200,000	1,900,000
Heath Sandercock	525,000	-	-	-	525,000
	<b>6,625,000</b>	-	-	<b>300,000</b>	<b>6,925,000</b>

The number of ordinary shares held by each KMP during the 2010 financial year was:

30 June 2010	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Acquired	Balance at end of year
Warren Staude	-	-	-	1,200,000	1,200,000
Wayne Ryder	-	-	-	2,700,000	2,700,000
Leon Reisgys	-	-	-	500,000	500,000
Ken Jackson	-	-	-	1,700,000	1,700,000
Heath Sandercock	-	-	-	525,000	525,000
<b>Total</b>	-	-	-	<b>6,625,000</b>	<b>6,625,000</b>

(c) Material Contacts

Finance and Administration Director Wayne Ryder and Exploration and Development Director Leon Reisgys are Key Management Personnel who are employed by the Company under Contract as from 1 July 2010. Their current Contracts for Employment are for 2 years if not renewed or terminated by then, in which case these Contracts will automatically roll over for the ensuing 12 months. The Company may terminate their Contract by written notice of at least 2 months, with the balance of remuneration to the expiry date of the Contract thereupon becoming due and payable. The Company may also terminate the Contract without any termination payment for any breaches of their required duties and responsibilities that remain unrectified for 14 days from notice thereof.

Apart from the details shown in this note, no Director has entered into a material contract with the Company during the financial year.

(d) **Other KMP transactions**

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with KMP, refer to Note 9 Related Party Transactions.

## APHRODITE GOLD LIMITED

### Note 7: Cash and Cash Equivalents

	2011 \$	2010 \$
Cash at bank and in hand	-	91,017
Short term bank deposits	3,000,000	8,716,127
<b>Balance at end of the year</b>	<b>3,000,000</b>	<b>8,807,144</b>
Effective interest rate on short term bank deposit	5.58%	4.25%
Average maturity of short term bank deposit	at call	at call

Cash at bank earns interest at floating rates based on daily deposit rates. The carrying amounts of cash and cash equivalents represent fair value. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rate.

### Note 8: Auditor's Remuneration

	2011 \$	2010 \$
Remuneration of Grant Thornton Audit Pty Ltd for:		
– auditing and reviewing the financial report	25,604	13,336
Amounts paid to related practice of Auditor – Grant Thornton Australia Limited - for:		
– Taxation services	4,860	-
	<b>30,464</b>	<b>13,336</b>

### Note 9: Related Parties Transactions (a) Associated Entities

	2011 \$	2010 \$
Consulting fees paid to Serrasalmin Investments Pty Ltd, an entity in which Director Warren Staude has an interest	68,725	56,500
Salary and consulting fees paid to W. Ryder & Co, an entity in which Director Wayne Ryder has an interest	264,000	301,000
Salary and consulting fees paid to Townshend Mining Pty Ltd, an entity in which Director Leon Reisgys has an interest	301,835	54,200
Consulting fees paid to Allwood Jackson Pty Ltd, an entity in which Director Ken Jackson has an interest	67,500	27,500
Consulting fees paid to Sandercock and Associates, an entity in which Director Heath Sandercock has an interest	57,500	7,500
Consulting and other expenses reimbursed to Eagle Eye Metals Limited, a company which Wayne Ryder and Warren Staude are both Directors of	-	166,773

### (b) Balances payable at year end

Amounts payable to related parties are shown in Note 12

### Note 10: Trade and Other Receivables

	2011 \$	2010 \$
GST receivable	159,471	79,936
Bank interest receivable	71,400	-
	<b>230,871</b>	<b>79,936</b>

# APHRODITE GOLD LIMITED

## Note 11: Other Current Assets

	2011 \$	2010 \$
Security deposits and expenses float	40,000	17,000
Prepayments	25,339	73,364
	<b>65,339</b>	<b>90,364</b>

## Note 12: Trade and Other Payables

	2011 \$	2010 \$
Trade payables	572,491	582,340
Other payables		
- PAYG	84,965	-
- payroll tax	65,008	-
- debit card	7,894	-
Amounts payable to Related Parties:		
- W. Ryder & Co	32,513	166,000
- Serrasalmin Investments Pty Ltd	-	49,000
- Sandercock and Associates	-	7,500
	<b>762,871</b>	<b>804,840</b>

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

All creditors are on normal commercial trade terms, payable within 14- 30 days. Amounts due to KMP are on terms and conditions that are no more favourable than those available, or which may be reasonably available, on similar transactions to non-director related entities on an arms length basis.

## Note 13: Provisions

	2011 \$	2010 \$
Provision for annual leave	65,008	-
	<b>65,008</b>	<b>-</b>

## Movement in provisions

Opening balance 1 July	-	-
Additional Provisions	65,008	-
Amounts Used	-	-
	<b>65,008</b>	<b>-</b>

## Note 14. Property, Plant and Equipment

	2011 \$	2010 \$
Computer and electronic equipment – cost	64,893	23,545
Less – accumulated depreciation	(22,306)	(1,141)
Office furniture and equipment	28,286	-
Less – accumulated depreciation	(6,196)	-
Vehicles	161,824	-
Less – accumulated depreciation	(8,136)	-
	<b>218,365</b>	<b>22,404</b>

## APHRODITE GOLD LIMITED

### (a) Movements in Carrying Amounts

Movement in the carrying amount for computer and electronic equipment, office equipment and vehicles between the beginning and the end of the financial year.

	Computer & electronic Equipment \$	Office furniture & equipment \$	Vehicles \$	Total \$
<b>Gross carrying amount</b>				
Balance 1 July 2009	-	-	-	-
Additions	23,545	-	-	23,545
Balance 30 June 2010	23,545	-	-	23,545
<b>Depreciation</b>				
Balance at 1 July 2009	-	-	-	-
Depreciation	1,141	-	-	1,141
Balance at 30 June 2010	1,141	-	-	1,141
<b>Carrying amount 30 June 2010</b>	<b>22,404</b>	<b>-</b>	<b>-</b>	<b>22,404</b>
<b>Gross carrying amount</b>				
Balance 1 July 2010	23,545	-	-	23,545
Additions	41,348	28,286	161,824	231,458
Balance 30 June 2011	64,893	28,286	161,824	255,003
<b>Depreciation</b>				
Balance 1 July 2010	1,141	-	-	1,141
Depreciation	21,165	6,196	8,136	35,497
Balance 30 June 2011	22,306	6,196	8,136	36,638
<b>Carrying amount 30 June 2011</b>	<b>42,587</b>	<b>22,090</b>	<b>153,688</b>	<b>218,365</b>

### Note 15: Exploration and Evaluation Costs

	2011 \$	2010 \$
Balance at the beginning of the year	8,858,113	-
Expenditure incurred during the year	4,656,256	8,862,013
Impairment of exploration and evaluation costs	-	(3,900)
<b>Balance at the end of the year</b>	<b>13,514,369</b>	<b>8,858,113</b>

Expenditure of \$nil (2010 \$3,900) incurred in reviewing other companies' areas nearby the Aphrodite Gold Project has been written off at balance date.

The Directors' assessment of the carrying amount for the Company's Aphrodite Gold Project exploration and development property was after consideration of prevailing market conditions; previous expenditure for exploration work carried out on the tenements; and the potential for mineralisation based on the Company's and independent geological reports. The ultimate value of these assets is dependent upon recoupment by commercial development or the sale of the whole or part of the Company's interests in these exploration properties for an amount at least equal to the carrying value. Should this or any other exploration properties be established as non-viable commercially, the Company will then either on sell or abandon them and write off the expenditure incurred thereon to profit and loss. There may exist on the Company's exploration properties areas subject to claim under Native Title or containing sacred sites or sites of significance to Aboriginal people. As a result, the Company's exploration properties or areas within the tenements may be subject to exploration and mining restrictions.



## APHRODITE GOLD LIMITED

In June 2011 the Company signed a Joint Venture Agreement with Breakaway Resources Limited whereby Aphrodite can earn up to an 80% interest in the Gold Rights at their Scotia Project adjacent to the Aphrodite Gold Project. The area of the JV tenements is 217 sq km. Aphrodite can earn an initial 51% of the Gold Rights by spending \$400,000 on exploration of the tenements within the first year, and can earn a further 29% interest on spending a further \$1,100,000, or when the JV parties make a decision to mine, whichever occurs earlier. On a decision to mine, Breakaway may either elect to contribute in respect of its 20% interest to a mining JV, or to transfer its interest to Aphrodite in exchange for a 1.5% Net Smelter Royalty. No exploration funds were expended by Aphrodite on the JV tenements until post balance date.

<b>Note 16. Issued Capital</b>	<b>2011 \$</b>	<b>2010 \$</b>
133,581,500 fully paid ordinary shares	<b>16,750,439</b>	<b>16,771,423</b>
<b>(a) Ordinary Shares</b>	<b>No.</b>	<b>No.</b>
Number on issue at the beginning of the year	133,581,500	-
Number issued during the year	-	133,581,500
<b>Number on issue at the end of the year</b>	<b>133,581,500</b>	<b>133,581,500</b>
<b>(b) Options</b>		
Number on issue at the beginning of the year	66,790,750	-
Number issued during the year	-	66,790,750
<b>Number on issue at the end of the year</b>	<b>66,790,750</b>	<b>66,790,750</b>

The Company's capital consists of Ordinary Shares. The Company do not have a limited amount of authorised share capital. The Shares have no par value and are entitled to participate in dividends and the proceeds on any winding up of the Company in proportion to the number of Shares held. At Shareholders meetings each Ordinary Share is entitled to one vote when a poll is called, otherwise each Shareholder has one vote on a show of hands.

All Options over unissued Shares are exercisable on or before 31 December 2013 at an exercise price of 20 cents each were issued for no cash consideration.

### **(c) Capital Management**

The Board of Directors policy is to control the capital of the Company in the interests of Shareholders so that sufficient funds are available to effectively pursue the exploration and development of the Company's exploration properties, consisting solely of the Aphrodite Gold Project; to enable prompt payment of the Company's costs and debts incurred in pursuit of those objectives; to maintain low debt levels and no borrowings; and to maintain substantial (relative to the Company's size and share structure) cash reserves to enable participation in worthwhile new exploration and mining projects that may become available.

## **Note 17. Segment Reporting**

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Company is managed on the basis that it is a mineral exploration company operating in the geographical region of Australia. The mineral assets held via outright ownership or joint venture are considered one business segment, and the metal currently being targeted is gold in Western Australia.

## APHRODITE GOLD LIMITED

### Note 18. Cash Flow Information

#### Reconciliation of cash flows from operations with loss for the year

	2011	2010
	\$	\$
(Loss) for the year after income tax	(831,073)	(541,492)
Non-cash items in loss:		
Depreciation	35,497	1,141
Changes in assets and liabilities:		
(Increase)/decrease in other assets and receivables	125,910	(170,300)
Increase/(decrease) in trade payables and accruals	(75,669)	191,530
<b>Cash flows from operations</b>	<b>(745,335)</b>	<b>(519,121)</b>

### Note 19. Financial Risk Management

#### Financial Risk Management Policies

The Company's financial instruments consist of deposits with banks.

#### i. Financial Risk Exposures and Management

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and price risk.

##### Interest rate risk

Interest rate risk on funds the Company has on deposit is managed by regular review by the Board to ensure maximum available rates are being received.

##### Credit risk

Credit risk is managed and reviewed regularly by the Board. It arises from exposures through certain derivative financial instruments and deposits with financial institutions.

The Board monitors credit risk by only utilising banks with an "A" rating to minimise risk.

##### Price risk

The Company may be exposed to commodity price risk in the future through its Aphrodite Gold Project, should it be developed through to the production phase. Should this Project go into production, the operation's profitability will be subject to fluctuations in the price of gold. The gold price has fluctuated considerably over the past several years, although tending strongly higher, and prior to production commencing the Company will consider implementing a hedging policy, or the Company may opt to not participate or reduce its participation in the production phase and the risks involved therein by selling the Project or joint venturing out a part thereof so that the Company's retained interest will involve none or readily manageable expenditure.

#### a. Financial Instruments

#### ii. Financial instrument composition and maturity analysis:

The tables below shows the Company's Financial Assets and Financial Liabilities and the weighted interest rate average received on deposits.

## APHRODITE GOLD LIMITED

2011	Weighted Average Interest Rate %	Interest Bearing \$	Non-Interest Bearing \$	Total \$
<b>Financial Assets</b>				
Cash on deposit at bank	5.58%	3,000,000	-	3,000,000
Receivables	-		230,871	230,871
		<b>3,000,000</b>	<b>230,871</b>	<b>3,230,871</b>
<b>Financial Liabilities at amortised cost</b>				
Trade and other payables	-	-	762,871	762,871
		<b>-</b>	<b>762,871</b>	<b>762,871</b>
<b>2010</b>				
	Weighted Average Interest Rate %	Interest Bearing \$	Non-Interest Bearing \$	Total \$
<b>Financial Assets</b>				
Cash at bank	4.25%	91,017	-	91,017
Cash on deposit at bank	4.25%	8,716,127	-	8,716,127
		<b>8,807,144</b>	<b>-</b>	<b>8,807,144</b>
<b>Financial Liabilities at amortised cost</b>				
Trade and other payables		-	804,840	804,840
		<b>-</b>	<b>804,840</b>	<b>804,840</b>

### iii. Net Fair Values

The net fair value of financial assets and financial liabilities of the Company is equivalent to their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. The Company has no borrowings and all trade and other payables are due and are paid within a maximum of 30 days from receipt of agreed invoice.

### iv. Sensitivity Analysis

#### Interest Rate Risk and Price Risk

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

#### Interest Rate Sensitivity Analysis

At 30 June 2011, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant, would be as follows:

## APHRODITE GOLD LIMITED

<b>Increase/(decrease) in profit</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
— increase in interest rate by 2%	57,657	120,000
— decrease in interest rate by 2%	(57,657)	(120,000)
<b>Increase/(decrease) in equity</b>		
— increase in interest rate by 2%	57,657	120,000
— decrease in interest rate by 2%	(57,657)	(120,000)

### b. Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The company manages this risk through the following mechanisms:

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised cash funds are held at bank to cover all forecast outgoings.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed.

The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

<b>Financial Liability and Financial Asset Maturity Analysis</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Financial Liabilities due for payment within 1 year</b>		
Trade and other payables	730,358	582,340
Amounts payable to related parties	32,513	222,500
	<b>762,871</b>	<b>804,840</b>
<b>Financial Assets – cash flows realisable within 1 year</b>		
Cash and cash equivalents	3,000,000	8,807,144
Trade and other receivables	230,871	79,936
	<b>3,230,871</b>	<b>8,887,080</b>

### Note 20. Earnings Per Share

	<b>2011</b>	<b>2010</b>
Basic (loss) per Share (Cents)	(0.6)	(0.6)
(Loss) used in calculation of basic and diluted loss per Share	(831,073)	(541,492)
Weighted average number of Shares used in the calculation of the basic	133,581,500	92,141,484
(Loss) per Share and diluted (loss) per Share		

Options have not been included in the calculation of diluted loss per Share as the Company's ASX share price at balance date was below the 20 cent exercise price of the Options, so they were considered not dilutive in nature.

## APHRODITE GOLD LIMITED

### Note 21. Capital and Lease Commitments

#### Exploration Expenditure Commitments

Due to the nature of the Company's operations in exploring and developing the Aphrodite Gold Project, whereby expenditure is subject to constant variation in accordance with drilling and other exploration results as they come to hand, and given that the Company is planning for production from the Project, it is difficult to forecast the nature and amount of future expenditure.

Commitments shown comprise of the minimum exploration expenditure required by the W.A. Mines Department to maintain the tenements at the Aphrodite Gold Project and the Scotia Project held under Joint Venture, plus rates and taxes and other holding costs. No commitments are shown beyond 5 years due to the indeterminate nature of the exploration and development program.

Commitments are estimated as follows:

	2011 \$	2010 \$
Not later than 12 months	800,000	400,000
Between 12 months and 5 years	3,200,000	1,600,000
Greater than 5 years - indeterminate	-	-
	<b>4,000,000</b>	<b>2,000,000</b>

#### Operating Lease Commitments

Non-cancellable operating lease contracted for but not capitalised in the financial statements

Payable – minimum lease payments

	2011 \$	2010 \$
Not later than 12 months	117,153	84,420
Between 12 months and 5 years	-	-
Greater than 5 years	-	-
	<b>117,153</b>	<b>84,420</b>

The Company is committed to lease payments in respect of its offices premises. The current Lease Agreements are on normal commercial terms with no abnormal restrictions. They are due to expire in April 2012 unless renewed by mutual agreement, including as to term, conditions and rentals payable prior to then.

### Note 22. Reserves

	2011 \$	2010 \$
5,500,000 options issued	<b>823,190</b>	<b>823,190</b>
	<b>No.</b>	<b>No.</b>
Number on issue at the beginning of the year	5,500,000	-
Number issued during the year	-	5,500,000
<b>Number on issue at the end of the year</b>	<b>5,000,000</b>	<b>5,500,000</b>

Options issued as part of the purchase consideration for the Aphrodite Gold Project during the year ended 30 June 2010. The fair value of options was determined using the Black-Scholes pricing model. No options have been issued or exercised during the period.

## **APHRODITE GOLD LIMITED**

### **Note 23. Events After Reporting Date**

No matter or circumstances of significance have arisen since balance date.

### **Note 24. Contingent Liabilities**

At the end of the financial period the Company had no contingent liabilities.

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## **Independent Auditor's Report To the Members of Aphrodite Gold Limited**

### **Report on the financial report**

We have audited the accompanying financial report of Aphrodite Gold Limited (the "Company"), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

### **Directors' responsibility for the financial report**

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### **Auditor's responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

### **Independence**

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

### **Auditor's opinion**

In our opinion:

- a the financial report of Aphrodite Gold Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the Company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

### **Report on the remuneration report**

We have audited the remuneration report included in pages 10 to 12 of the directors' report for the year ended 30 June 2011. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.



**Auditor's opinion on the remuneration report**

In our opinion, the remuneration report of Aphrodite Gold Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



J W Vibert  
Director - Audit & Assurance

Perth, 30 September 2011

## APHRODITE GOLD LIMITED

### Shareholders and Optionholders Details

#### Substantial Shareholders at 21 September 2011 were:

Name	No. of Shares	% of Total
Mousseround LP, Tahithromos LLC, Ross Goodwin, New York, USA	17,620,000	13.19
Eagle Eye Metals Limited, West Perth, Australia	11,850,000	8.87

#### Spread of Shareholders

	No. of Holders	No. of Shares	% of Total
1 - 1,000	4	1,041	.00
1,001 - 5,000	22	94,757	.07
5,001 - 10,000	100	955,463	.72
10,001 - 100,000	367	18,188,100	13.61
100,001 - and above	208	114,352,139	85.60
	<b>701</b>	<b>133,581,500</b>	<b>100.00</b>

#### Spread of Optionholders

	No. of Holders	No. of Options	% of Total
1 - 1,000	-	-	-
1,001 - 5,000	68	337,500	.51
5,001 - 10,000	31	269,862	.40
10,001 - 100,000	265	10,341,092	15.48
100,001 - and above	138	55,842,296	83.61
	<b>502</b>	<b>66,790,750</b>	<b>100.00</b>

#### Top 20 Shareholders and Optionholders

Name	No. of Shares	% of Total	No. of Options	% of Total
HSBC Custody Nominees Aust	17,620,000	13.19	8,810,000	13.19
Eagle Eye Metals Limited	11,850,000	8.87	5,925,000	8.87
Ryder Super Fund	2,700,000	2.02	1,325,000	1.98
HSBC Custody Nom Aust Ltd	2,648,856	1.98		
HSBC Custody Noms	2,509,098	1.88		
David Davidson	2,500,000	1.87	1,250,000	1.87
ABN AMRO Clearing Sydney	1,980,898	1.48		
Allwood Jackson Pty Ltd	1,900,000	1.42	850,000	1.27
Gregory J Wood & Assoc Pty Ltd	1,750,000	1.31		
P & J Buttlegieg Nominees Pty Ltd	1,500,000	1.12	750,000	1.12
P & J Super Pty Ltd	1,500,000	1.12	750,000	1.12
Leet Investments Pty Ltd	1,450,000	1.09		
JP Morgan Nom Aust Ltd	1,329,500	1.00		
Sempre Fidelis Pty Ltd	1,320,000	.99	810,000	1.21
Pygocentrus Pty Ltd	1,200,000	.90	600,000	.90
Cao Liu Gen	1,200,000	.90		
Frank & L Gramazio	1,170,968	.88		
Qin Herong	1,052,500	.79	405,000	.61
Ottomin Inv Group Pty Ltd	1,050,000	.79		
Leet Inv Pty Ltd	1,000,000	.75		
Apex Gold Pty Ltd			3,335,000	4.99
Laceglen Holdings Pty Ltd			1,102,500	1.65
Mercantile Options Pty Ltd			884,000	1.32
Gerald Magree			700,000	1.05
Imperial Corp Ltd			625,000	.94
Evcorp Aust Pty Ltd			625,000	.94
George Phillip Kay			600,000	.90
Vigcorp SA Pty Ltd			600,000	.90
B2B Holdings Pty Ltd			550,000	.82
AMN Nominees Pty Ltd			500,000	.75
	<b>59,231,820</b>	<b>44.35</b>	<b>30,986,000</b>	<b>46.40</b>

**APHRODITE GOLD LIMITED**

**PROXY FORM**

I/We.....

of.....

being a Member/Members of **APHRODITE GOLD LIMITED**

HEREBY APPOINT.....

of.....

or failing him/her.....

of.....

or failing him/her the Chairman of the Meeting as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 11.00 a.m. on Friday 18 November 2011 and at any adjournment thereof.

SIGNED THIS                      DAY OF                      2011

Signature of.....(affix Common Seal)

Member(s).....(if a Corporation)

Proxy Directions and signing requirements:-

If you desire to direct your Proxy how to vote on any item place a mark in the appropriate space below.

		FOR	AGAINST
1.	To adopt the 2011 Annual Accounts		
2 (i)	To re-elect Wayne Ryder as a Director		
2 (ii)	To re-elect Warren Staude as a Director		
3	To approve the Remuneration Report		

Notes:

To be effective, the Proxy and the Power of Attorney (if any) under which it is signed must be received at the Registered Office, 45 Ventnor Avenue, West Perth WA 6005, or by fax at (08) 9389 4400 or email to [info@aphroditegold.com.au](mailto:info@aphroditegold.com.au) not less than 48 hours before the time for holding the Meeting or any adjournment thereof.

If the Member is a Corporation the Proxy Form should be signed under Common Seal.