NORTHERN GULF RESOURCE MANAGEMENT GROUP LTD
ABN 94 106 450 355

CONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012

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NORTHERN GULF RESOURCE MANAGEMENT GROUP LTD
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DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2012

The directors present their report together with the financial statements of the Group comprising of Northern Gulf Resource Management Group Limited (the Company) and its subsidiary for the year ended 30 June 2012.

Directors

The directors of the company at any time during or since the end of the year are :

Name	Special responsibilities
John Bethel	Director
John Wason	Director
Cornelia Pickering	Director
Joseph Lockyer (Resigned 14/09/2011)	Director
Sarah Hoyal	Director
John Coless	Director
Joseph Rainbow	Director
Anna Burley (Appointed 03/11/2011)	Director

Directors' Meetings

There were 15 Directors meetings held during the year. Directors are able to attend meetings either in person or by way of conference telephone call. The number of meetings attended by each director was as follows:

Name	Number of Meetings While a Director	Number of Meetings Attended
John Bethel	15	14
John Wason	15	15
Cornelia Pickering	15	12
Joseph Lockyer	4	2
Sarah Hoyal	15	15
John Colless	15	15
Joseph Rainbow	15	11
Anna Burley	7	5

Principal activities

The principal activity of Northern Gulf Resource Management Group Limited during the financial year is to plan and advise on issues and best practice for natural resources in the Northern Gulf Region. No significant change in the nature of these activities occurred during the year.

Results of operations

The operating net loss of the Group was $175,631 (2011: net deficit $312,536).

Distributions

The constitution of the Group prohibits any distribution of profits to members.

NORTHERN GULF RESOURCE MANAGEMENT GROUP LTD
ABN 106 450 355
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2012

State of Affairs
In the opinion of the Directors, there were no significant events impacting upon the state of affairs of the Group that occurred during the financial period.

Events subsequent to balance date
There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material nature, likely, in the opinion of the directors, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely Developments
It is the current intention of the directors to continue to support the current operations of the Group. Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report as the directors believe it would be likely to result in unreasonable prejudice to the Group.

Indemnification and insurance of officers and auditors
During or since the end of the financial year the Group has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Group has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Group, other than conduct involving a wilful breach of duty in relation to the Group.

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act and forms part of the Director's Report.

Signed in accordance with a resolution of the directors of Northern Gulf Resource Management Group Limited.

Director

Director

Dated this 1st day of NOV 2012

NORTHERN GULF RESOURCE MANAGEMENT GROUP LTD
ABN 106 450 355

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
Revenue	4	3,970,669	3,731,691
Employee benefits expense		(1,314,636)	(1,427,053)
Depreciation and amortisation expense		(99,007)	(105,620)
Consultancy fees		(356,826)	(217,670)
Project contract and management fees		(1,276,893)	(1,018,731)
Rent expense		(50,504)	(63,233)
Supplies and operating expenses		(164,852)	(84,465)
Motor vehicle expenses		(91,858)	(82,936)
Donation and sponsorship		(10,139)	(13,378)
Travelling expenses		(264,765)	(191,256)
Telephone, fax and internet expenses		(57,265)	(61,486)
Meeting expenses		(65,307)	(101,617)
Project training and conference expenses		(18,884)	(44,930)
Other expenses		(375,364)	(631,852)
Loss before income tax expense		(175,631)	(312,536)
Income tax	3(l)	-	-
Net loss after income tax		(175,631)	(312,536)
Other comprehensive income for the year		-	-
Total comprehensive income		(175,631)	(312,536)

The accompanying notes are an integral part of these financial statements.

NORTHERN GULF RESOURCE MANAGEMENT GROUP LTD
ABN 106 450 355

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	2012 $	2011 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	2,025,174	2,040,146
Trade and other receivables	7	236,297	80,722
Total Current Assets		**2,261,471**	**2,120,868**
Non-Current Assets			
Property, Plant and Equipment	8	357,414	432,192
Investments	9	95,000	55,000
Total Non-Current Assets		452,414	487,192
TOTAL ASSETS		**2,713,885**	**2,608,060**
LIABILITIES			
Current Liabilities			
Trade payables	10	174,894	290,200
Financial liabilities	11	28,711	90,497
Employee benefits	12	78,867	179,207
Other current liabilities	13	1,241,282	688,750
Total Current Liabilities		**1,523,754**	**1,248,654**
Non-Current Liabilities			
Employee benefits	12	22,165	20,800
Financial liabilities	11	8,175	3,184
Total Non-Current Liabilities		**30,340**	**23,984**
TOTAL LIABILITIES		**1,554,094**	**1,272,638**
Net Assets		**1,159,791**	**1,335,422**
EQUITY			
Retained surplus		1,159,791	1,335,422
TOTAL EQUITY		**1,159,791**	**1,335,422**

The accompanying notes are an integral part of these financial statements.

NORTHERN GULF RESOURCE MANAGEMENT GROUP LTD
ABN 94 106 450 355

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2012

	Retained Earnings $
Balance at 1 July 2010	1,647,958
Net loss for the year	(312,536)
Balance at 30 June 2011	**1,335,422**
Balance at 1 July 2011	1,335,422
Net loss for the year	(175,631)
Balance at 30 June 2012	**1,159,791**

The accompanying notes are an integral part of these financial statements.

NORTHERN GULF RESOURCE MANAGEMENT GROUP LTD
ABN 106 450 355

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from government grants and customers		4,721,265	4,362,279
Payments to suppliers and employees		(4,729,120)	(4,201,128)
Interest received		91,681	91,681
Net cash provided by (used in) operating activities	16	**83,826**	**252,832**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(34,550)	(84,407)
Proceeds from sale of property, plant and equipment		-	28,000
Net cash used in investing activities		**(34,550)**	**(56,407)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(64,248)	(83,092)
Net cash used in financing activities		**(64,248)**	**(83,092)**
Net increase (decrease) in cash and cash equivalents		(14,972)	113,333
Cash and cash equivalents at 1 July		2,040,146	1,926,813
Cash and cash equivalents at 30 June	16	**2,025,174**	**2,040,146**

The accompanying notes are an integral part of these financial statements.

1. GENERAL INFORMATION

Northern Gulf Resource Management Group Ltd (the Group) is a Group domiciled in Australia. The address of the Group is Savanna House, Saint George Street, Georgetown, Qld 4871. The consolidated financial statements of the Group as at and for the year ended 30 June 2012 comprise the Group and its subsidiary together referred to as the Group. The Group's primary function is to plan and advise on issues and best practice for natural resources in the Northern Gulf Region.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial reports are general purpose financial reports which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB). Because the Group is a not-for-profit entity and AASBs include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRSs), the financial report of the Group does not comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on the date shown on the directors' declaration.

(b) Basis of measurement

The consolidated financial report has been prepared on the historical cost basis except for the following material items in the statement of consolidated financial position :

- financial instruments at fair value through fair value through profit and loss are measured at fair value
- available-for-sale financial assets are measured at fair value

(c) Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

(a) Basis of consolidation

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Costs relating to the acquisition, other than those associated with the issued of debt or equity securities, that the Group incurs in connection with the business combination are expensed as incurred. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group has incurred in connection with the business combinations were capitalised as part of the cost of acquisition.

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interest to have a deficit balance.

Intra-group balance and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Cash and cash equivalents

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

(c) Financial instruments

(i) Non-derivative financial assets

Financial instruments are initially measured at cost on trade date, which includes transactions costs, when the related contractual rights or obligations exist.

Financial assets are recognised and derecognised on trade date when purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value.

The Group has the following non-derivative financial assets:

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

The Group has the following non-derivative financial liabilities: trade and other payables.

Such financial liabilities are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, these financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(d) Impairment

(i) Financial assets

At each reporting date, the Group assess whether there is objective evidence that a financial instrument has been impairment. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollective trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the allowance account are recognised in profit and loss.

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of cash-generating unit to which the asset belongs.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Impairment (continued)

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of comprehensive income.

(e) Property, plant and equipment

(i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Group immediately recognised all borrowing costs as an expense.

(ii) Depreciation

The depreciation amount of all property, plant and equipment, excluding freehold land, is depreciated on a straight line basis over their useful lives commencing from the time the asset is held ready for use:

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

Class of Fixed Asset	*Depreciation Rate*
Mapping Equipment	15 - 30%
Motor Vehicles	20 - 30%
Office Equipment	20 - 50%
Furniture & Fittings	20 - 30%

(f) Leased assets

legal ownership, are transferred to the Group are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expenses for the period.

(g) Employee benefits

Short-term employee provisions

Provision is made for the Group's liability to employee benefits occurring to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

(ii) Long-term employee provisions

The Group's net obligation is respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the balance date on government bonds that have maturity dates approximating to the terms of the Group's obligations.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Employee benefits (continued)

(iii) Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in statement of comprehensive income in the periods during which services are rendered by employees. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(h) Provisions

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position date. The increase in the provision due to the passage of time is recognised as interest expense.

(i) Revenue

(a) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be estimated reliably.

(b) Rendering of services

Revenue is recognised when the contract outcome can be measured reliably, control of the right to be compensated to the service determined, and the stage of completion can be measured reliably.

(c) Government funding

Grants received on the condition that specified services are delivered, or conditions are fulfilled, are considered reciprocal. Such grants are initially recognised as a liability and revenue is recognised as services are performed or conditions fulfilled. Revenue from non-reciprocal grants is recognised when the company obtains control of the funds.

(d) Interest

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial

(j) Leases

Operating leases

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

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

(k) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or part of the expense.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Goods and services tax (continued)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

(l) Income Tax

The company has been given exemption from Income Tax under Division 50 of the Income Tax Act 1997.

(m) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the company in the period of initial application.

> AASB 9 *Financial Instruments*

> AASB 2011-7 Amendments to Australian Accounting arising from AASB 9

Both these standards are mandatory for accounting periods beginning on or after 1 January 2013, with early adoption permissible. The company has not evaluated the potential effect of these standards. Given the nature of the company's operations, these standards are not expected to have a significant impact on the company's financial statements.

> AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2011-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements

Both these standards are mandatory for accounting periods beginning on or after 1 July 2013, with early adoption permissible. As a not-for-profit entity, the company will be eligible to apply the Tier 2 reporting requirements that are provided in these standards. If the company should decide to do so, this will reduce some disclosure in the notes to the financial statements but will not affect the statements of financial position or comprehensive income.

NORTHERN GULF RESOURCE MANAGEMENT GROUP LTD
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 $	2011 $
4 - REVENUE		
Grant funding-Caring For Our Country	2,161,000	2,071,000
Competitive funding-Caring For Our Country	1,212,596	1,246,524
Other funding	794,236	451,655
Other income	264,760	139,109
Interest received	89,810	91,681
Donations	805	5,000
Membership	94	90
Unexpended funds brought forward	668,650	395,282
Unexpended funds carried forward	(1,221,282)	(668,650)
	3,970,669	**3,731,691**

NOTE 5 - PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax expenses has been determined after accounting for:-

	2012	2011
Depreciation	99,007	105,620
Bad debts	4,297	4,400
Remuneration to the auditor- Audit or review	20,600	18,201

NOTE 6 - CASH AND CASH EQUIVALENTS

	2012	2011
Bendigo CM Trading	1,329,018	911,876
Bendigo CM Corp	571,098	435,229
Bendigo CM Public	56,789	54,779
NLP Grazing Account	-	11
NLP Farming Account	-	31
Keys to Savanna	-	16
Christensen Fund	-	44,417
Farm Ready Account	10	18
Credit card term deposit	65,547	61,815
Bank guarantee term deposit	2,712	2,606
NAB (every 3 months) term dep.	-	529,347
	2,025,174	**2,040,146**

NOTE 7 - TRADE AND OTHER RECEIVABLES

	2012	2011
Trade debtors	236,042	85,122
Provision for doubtful debts	(750)	(4,400)
	235,292	80,722
Other receivables	1,005	-
	236,297	**80,722**

NOTE 8 - PROPERTY, PLANT & EQUIPMENT

	2012	2011
Plant and Equipment	65,502	67,065
Less accumulated depreciation	(40,091)	(31,676)
	25,411	35,390
Mapping equipment	145,659	145,210
Less accumulated depreciation	(99,410)	(86,924)
	46,249	58,286
Motor vehicles	358,599	402,123
Less accumulated depreciation	(139,918)	(123,639)
	218,681	278,483
Computer equipment	116,414	110,367
Less accumulated depreciation	(59,213)	(63,493)
	57,201	46,874

NOTE 8 - PROPERTY, PLANT & EQUIPMENT (Continued)

Office equipment	52,039	52,039
Less accumulated depreciation	(42,167)	(38,880)
	9,872	13,159
Total property, plant and equipment	**357,414**	**432,192**

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and	Mapping	Motor	Computer equipment	Office equipment	Total
	$	$	$	$	$	
Balance at 1 July 2011	35,390	58,286	278,483	46,874	13,159	432,192
Additions	-	449	-	34,101	-	34,550
Disposals	(1,106)	-	(9,214)	-		(10,320)
Depreciation expense	(8,873)	(12,486)	(50,588)	(23,774)	(3,287)	(99,008)
Balance at 30 June 2012	**25,411**	**46,249**	**218,681**	**57,201**	**9,872**	**357,414**

NOTE 9 - INVESTMENTS

Trust Nature FNQ	90,000	50,000
Ravenshoe Gulf Country Community Enterprises Limited	5,000	5,000
	95,000	**55,000**

NOTE 10 - TRADE PAYABLES

Trade creditors	150,543	268,283
Credit Cards	19,755	20,098
Other payables	513	-
GST payable	4,083	1,819
	174,894	**290,200**

NOTE 11 - FINANCIAL LIABILITIES

Current		
Hire purchase liability	31,022	95,653
Less Unexpired term charges	(2,311)	(5,156)
	28,711	**90,497**
Non-Current		
Hire purchase liability	8,334	3,223
Less Unexpired term charges	(159)	(39)
	8,175	**3,184**

NOTE 12 - EMPLOYEE BENEFITS

	2012 $	2011 $
Current		
Provision for annual leave	63,796	86,318
Provision for long service leave	5,584	17,187
Other employee benefits	9,487	75,702
	78,867	**179,207**
Non-current		
Provision for long service leave	22,165	20,800
Number of employees at balance date	22	22

Defined contribution superannuation funds

The Group makes contributions to defined contribution superannuation funds. The amount recognised as an expense was $107,720 for the year ended 30 June 2012 (2011: $127,735).

NOTE 13 - OTHER LIABILITIES

	2012 $	2011 $
Accrued charges	20,000	20,000
Unexpended government grants	1,221,282	668,650
	1,241,282	**688,750**

NOTE 14 - EVENTS SUBSEQUENT TO REPORTING DATE

There are no events subsequent to reporting date that need to be advised.

NOTE 15 - FINANCIAL INSTRUMENTS

(a) Financial risk management

(i) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group customer base, including the default risk of the industry in which customers operate, has less

Approximately 91 percent (2011: 94 percent) of the Group's revenue is attributable to grant funds. Approximately 9 percent (2011: 6 percent) of the Group's other revenue relates to rendering services and other income.

The Group does not require collateral in respect of trade and other receivables.

The Group has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

NOTE 15 - FINANCIAL INSTRUMENTS (Continued)

(iii) Liquidity risk

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

iv) Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest on deposits makes up approximately 2% (2011: 2.45%) of the Group's revenue. The Group's policy is to ensure monies are held with a major bank at the best available interest rate.

b) Credit risk

(i) Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	2012 $	2011 $
Cash and cash equivalents	2,025,174	2,040,146
Trade and other receivables	236,297	80,722
	2,261,471	2,120,868

The Group has no exposure to credit risk outside Australia.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

Trade customers	236,042	65,969

(ii) Impairment losses

None of the Group's receivables are considered impaired (2009:nil).

(c) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

2012	Carrying amount $	Contractual cash flow $	6 months or less $	6-12 months $	1-2 years $
Trade and other payables	1,517,208	1,517,208	273,761	1,221,282	22,165
Loans and borrowings	36,886	36,886	14,356	14,356	8,175
	1,554,094	1,554,094	288,117	1,235,638	30,340

2011	Carrying amount $	Contractual cash flow $	6 months or less $	6-12 months $	1-2 years $
Trade and other payables	1,178,957	1,178,957	472,320	668,650	37,987
Loans and borrowings	93,681	93,681	45,248	45,249	3,184
	1,272,638	1,272,638	517,568	713,899	41,171

NOTE 15 - FINANCIAL INSTRUMENTS (Continued)

d) Currency risk

The Group is not exposed to foreign currency risk on sales, purchases and borrowings.

(e) Interest rate risk

At the reporting date the Group has fixed and variable interest-bearing financial instruments. The carrying amount at balance date has been set out below:

	2012 $	2011 $
Variable rate instruments		
Financial assets	2,025,174	2,040,146

f) Fair values

The fair values of trade and other receivables, cash and cash equivalents, trade and other payables and loans and borrowings approximate their carrying amounts shown in the statement of financial position.

NOTE 16 - CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with

Net loss for the year	(175,621)	(312,546)
Depreciation	99,007	105,620
Profit/(loss) on sale of assets	10,321	22,443
Interest expense	7,453	1,484
(Increase) / Decrease in trade and other receivables	(155,575)	54,763
(Increase) / Decrease in other assets	(40,000)	(55,000)
Increase / (Decrease) in trade & other payables	437,216	339,550
Increase / (Decrease) in provisions	(98,975)	96,518
	83,826	252,832

NOTE 17 - SEGMENT REPORTING

The Group is domiciled in Australia and operates predominantly in North Queensland.
All business operations are carried at Group's site location in North Queensland.

18 - RELATED PARTIES

(a) Directors' compensation

The directors received a total compensation of $47,030 (2011: $76,346).

(b) Transactions with directors-related entities

No related party transactions between directors and the company during the period other than directors fees.

(c) Key management personnel compensation

The names and positions of those having authority for planning, directing and controlling the company's activities, directly or indirectly (other than directors), are:

Names
Noeline Ikin - Chief Executive Officer
Timothy Hoogwerf - Operations Director

The compensation paid to the key management personnel noted above is as follows:

	2012 $	2011 $
Short-term employee benefits	156,950	197,862
Post-employment benefits	14,125	22,513
	171,075	220,375

18 - RELATED PARTIES (continued)

	2012	2011
	$	$

(d) Non-key management personnel disclosures

(i) Identity of related parties
The Group has a related party relationship with its subsidiary (see notes 22 and 23).

(ii) Other related party transactions

Advances are made by the Company to its wholly owned subsidiary Grassroots Pty Limited for operating purposes. The amounts outstanding between the Company and its controlled entity have no fixed date of repayment and are non-interest bearing. During the financial year ended 30 June 2012, advances to the subsidiary totalled $195,558 (2011: $494,683).

	Transactions value year ended 30 June		Balance outstanding as at 30 June	
	2012	2011	2012	2011
	$	$	$	$
Gulf Horizons Foundation Limited - administrative services expense	277,934	-	30,551	-

All outstanding balances with associates are priced on an arm's length basis and are to be settled in cash within six months of the reporting date. None of the balances is secured.

19 - INVESTMENTS

	Parent Entity	
Investment in controlled entities - at cost	100	100

20- CONSOLIDATED ENTITIES

	Country of Incorporation	Ownership interest	
Parent entity			
Northern Gulf Resource Management Group Ltd			
Group entities			
Grassroots Innovations Pty Ltd	Australia	100%	100%

21 - OPERATING LEASES

Non-cancellable operating lease rental are payable as follows :

Less than one year	48,515	48,712
Between one and five years	32,580	24,356
	81,095	73,068

The Group leases a number of buildings under operating leases. The leases typically run for a period of three years, with no renew the lease after that date. None of the leases include contingent rentals.

22 - AUDITORS'REMUNERATION

Audit services
Auditors of the Group - Jessups

Audit and preparation of the financial reports	20,600	18,201

NOTE 23 - PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2012 the parent entity of the Group was Northern Gulf Resource Management Ltd.

Result of Group entities		
Net surplus/(loss) for the period	(175,631)	(312,536)
Other comprehensive income	-	-
Total comprehensive income	(175,631)	(312,536)
Result of parent entity		
Net surplus/(loss) for the period	3,650	15,620
Other comprehensive income	-	-
Total comprehensive income	3,650	15,620
Financial position of parent entity at year end		
Current assets	2,859,358	2,565,622
Total assets	3,206,931	2,936,078
Current liabilities	1,516,720	1,248,653
Total liabilities	1,547,140	1,272,637
Total equity of the parent entity comprising of:		
Retained surplus	1,659,791	1,663,441
Total equity	1,659,791	1,663,441

NORTHERN GROUP RESOURCE MANAGEMENT GROUP LTD
ABN 106 450 355

CONSOLIDATED INCOME AND EXPENDITURE STATEMENT
30 JUNE 2012

	2012 $	2012 $
INCOME		
Grant funding-CFOC	2,161,000	2,071,000
Competitive funding-CFOC	1,212,596	1,246,524
Other funding	794,236	451,655
Other income	264,760	139,109
Interest received	89,810	91,681
Donations	805	5,000
Memberships	94	90
Unexpended funds brought forward	668,650	395,282
Unexpended funds carried forward	(1,221,282)	(668,750)
Total Income	3,970,669	3,731,591
EXPENDITURE		
Advertising	11,369	3,770
Auditors remuneration	22,663	18,201
Bank charges	3,317	2,515
Consultancy fees	356,826	219,670
Computer equipments <$1,000	2,101	3,725
Computer software	4,374	11,629
Computer maintenance	1,537	20,650
Depreciation and amortisation	99,007	105,620
Donation	-	60
Bad/doubtful debts	4,297	4,400
Electricity	4,634	8,037
Equipment supplies	4,751	8,149
Executive allowance	48,604	73,024
Fines	291	-
Freight and cartage	3,282	370
Ghostnets CDEP	37,505	-
Insurance	10,575	16,390
Internet	20,507	16,857
Loss on disposal of fixed asset	10,321	22,443
Legal cost		4,124
Licensing fees	5,844	1,647
Meeting costs	65,307	101,617
Memberships	31,822	55,514
Motor vehicle expenses	91,858	82,936
Office equipment	41,798	4,708
Office furniture	992	3,369
Office maintenance	3,282	8,818
Postage	4,640	6,507
Printing and stationery	31,442	28,657
Project Administration	40,898	10,044
Projects contract fees	1,179,550	909,391
Project management fees	74,225	109,340
Project training and conferences	18,884	17,598
Promotions and marketing	2,817	7,170
Project costs - other	9,279	115,708

NORTHERN GROUP RESOURCE MANAGEMENT GROUP LTD
ABN 106 450 355

CONSOLIDATED INCOME AND EXPENDITURE STATEMENT
30 JUNE 2012

	2012 $	2011 $
NGRMG funded project		-
Rent	50,504	63,233
Resources	44,114	4,552
Salaries and wages	1,149,680	1,427,053
Sponsorship	10,139	13,318
Stamp duty	249	188
Staff costs	-	2,701
Supplies or operating costs	164,852	84,465
Superannuation contributions	107,720	127,735
Telephone, Fax and satellite phone	14,747	19,999
Telephone- mobile	19,561	24,630
Training and conferences	24,421	27,332
Travelling expenses	264,765	191,256
Wages - contract	31,010	24,571
Website maintenance	2,450	12,590
Workcover	8,632	3,174
Work place health and safety	4,857	14,672
Total Expenses	**4,146,300**	**4,044,127**
Net profit/(loss) before income tax expense	**(175,631)**	**(312,536)**

THIS ADDITIONAL INFORMATION DOES NOT FORM PART OF THE STATUTORY FINANCIAL REPORT.

Directors' declaration

In the opinion of the directors of Northern Gulf Resource Management Group Ltd ("the Company")

(a) the consolidated financial statements and notes that are contained on pages 3 to 18 are in accordance with the Corporations Act 2001, including :

(i) giving a true and fair view of the Group's financial position as at 30 June 2012 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;

(b) there are reasonable grounds to believe that the Company will be able to pay it's debts when they become due and payable.

Dated at GEORGETOWN this FIRST day of NOVEMBER 2012

Signed in accordance with a resolution of directors:

AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF NORTHERN GULF RESOURCE MANAGEMENT GROUP LTD

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2012 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

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

Jessups

Ian Jessup
Partner

Dated this 30th day of October 2012

488 Mulgrave Road, Earlville QLD 4870

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF NORTHERN GULF RESOURCE MANAGEMENT GROUP LTD

Report on the Financial Report

I have audited the accompanying financial report of Northern Gulf Resource Management (Northern Gulf Management Resource Group) comprising Northern Gulf Resource Management Group Ltd and its entity, which comprises the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Northern Gulf Resource Management Group Ltd are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit

Independence

In conducting my audit, I have complied with the independence requirements of the Corporations Act 2001. I confirm that the independence declaration required by the Corporations Act 1997, provided to the directors of Northern Gulf Resource Management Group Ltd on 30 June 2012, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In my opinion the financial report of Northern Gulf Resource Management Group is in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the Northern Gulf Resource Management Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

Jessups

Ian Jessup

488 Mulgrave Road, Earlville QLD 4870

Dated this 2nd day of November 2012