NOVA RESOURCES LIMITED

ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

NOVA RESOURCES LIMITED

Contents of the Financial Statements
For The Year Ended 31 December 2012

NOVA RESOURCES LIMITED

Company Information
For the year ended 31 December 2012

DIRECTORS	Chung Dongwook – Deputy Chairman Chan Fook Meng - CEO and interim chairman Nazim Khan - non-executive Christopher Morgan - non-executive
SECRETARIES:	MQ Services Limited Victoria Place 31 Victoria Street Hamilton, HM10 Bermuda
REGISTERED OFFICE:	Victoria Place 31 Victoria Street Hamilton HM10 Bermuda
REGISTERED NUMBER:	39768
NOMINATED ADVISER	Daniel Stewart & Company Plc Becket House, 36 Old Jewry London EC2R 8DD
AUDITORS:	Jeffreys Henry LLP Finsgate 5-7 Cranwood Street London EC1V 9EE
BANKERS:	Emirates NBDPJSC 2 Basil Street Knightsbridge London SW3 1AA

Company Information (Continued...)
For The Year Ended 31 December 2012

LEGAL ADVISERS:	Thomas Eggar 14 New Street, London EC2M 4HE, United Kingdom DX 88 London
REGISTRAR:	Computershare Investor Services (Channel Island) Ltd Queensway House Hilgrove Street Jersey JE1 1ES Channel Islands
WEBSITE ADDRESS:	www.novaresourceslimited.com

NOVA RESOURCES LIMITED

Chairman's Statement

Introduction
The Board presents the audited financial statements for the Group for the year ended 31 December 2012.

Results Highlights
The operating loss on ordinary activities of the Group for the year amounted to £3,082,065 (2011: £274,831) and the loss after tax for the year was £3,167,606 (2012: £156,223). This was mainly as a result of impairments against goodwill arising from the acquisition of Nova Mongolia Pte Ltd (£2,255,143) and provisions against the loan to Hoddle Ltd (£320,986).

The loss per share for the year was 3.11p (2011: 0.23p).

At 31 December 2012, the Group had cash and cash equivalents of £119,016.

At 31 December 2012, 21,415,861 ordinary shares in European Islamic Investment Bank Plc ("EIIB") are held by the Company. The EIIB shares are traded on the AIM market of the London Stock Exchange. At 31 December 2012, the investment in EIIB was valued at the market bid price resulting in a fair value loss adjustment through the income statement of £117,787.

Group Development
During the year, we raised £975,000 by way of a share subscriptions and a further £60,000 by way of convertible loan notes, to enhance the funds available to us.

We acquired the outstanding 30% of the issued shares of Nova Mongolia Corp Pte Ltd in Singapore, satisfied by new shares.

In December 2011 we loaned Hoddle Limited ('Hoddle'), a company whose then subsidiaries or related companies are also engaged in the transportation of coal in Mongolia, USD500,000. Discussions are ongoing with Hoddle with respect to the loan.

In January 2012, the Group's Mongolian subsidiary entered into a contract to transport coal within Mongolia and commenced on 5 June 2012, for one year, with the option to extend for a further year, if agreed by both parties. The contract expired on 15 April 2013, and discussions are still ongoing with respect to renewal of the contract. However, no final decision has been reached yet.

The Company has secured a loan of US$2million for the acquisition of trucks and to provide further working capital. In addition, we have raised additional short term loans of £372,975 and have a trade finance facility with Khan Bank of Mongolia (drawn down by £697,000).

The Group will continue to seek further opportunities in line with its investing policy.

Investing Policy
The Company's Investing Policy is to focus on building up businesses, or alternatively identifying and acquiring quoted and unquoted businesses, that are involved in providing services and facilities to support, assist and serve the natural resources industries, in particular exploration, mining and extraction of resources. The services and facilities that are to be within the scope of the investing strategy will include transportation, logistics, processing, testing and storage. The investing strategy will extend to companies and businesses that are engaged in trading of natural resource products and commodities, including but not limited to coal, owning natural resources, mines and tenements and exploration and extraction rights for natural resources of any kind, developing and construction of infrastructure for transportation, including building roads and building and owning plants for the conversion and processing of coal to useable fuel in each case in any part of the world.

Chairman's Statement (Continued...)
For The Year Ended 31 December 2012

The Company's investment strategy will continue to include real estate, investment and development, including the operation of businesses that can be combined with real estate interests based in Asia, though other geographical areas will be considered should appropriate opportunities occur which could benefit the Company.

By actively investing in businesses with complementary areas of expertise, which may for example include in relation to the natural resource sector, including exploration, processing, inspection, testing, aviation, maintenance and similar activities and in the real estate sector, real estate, education, hotels, mortgage financing and other such activities, the Directors believe that it is possible to generate considerable opportunities for the cross selling of services between the different operations and countries. The Directors also intend to continue to make minority investments in such businesses where it would be a passive investor, but where those investments provide the opportunity for enhancing the growth prospects of the Company.

With regard to the acquisitions that the Company expects to make, the Directors may adopt earn-out structures, with specific performance targets being set for the sellers of the businesses acquired, and with suitable metrics applied.

The Company may invest by way of hiring appropriate persons to build up a business or by outright acquisition or by the acquisition of assets, including intellectual property, of a relevant business, partnerships or joint venture arrangements. Such investments may result in the Company acquiring the whole or part of a company (which in the case of an investment in a company may be private or listed on a stock exchange, and which may be pre-revenue), and such investments may constitute a minority stake in the Company or project in question. The Company's investments may take the form of equity, joint venture debt, convertible instruments, licence rights, or other financial instruments as the Director deem appropriate.

The Company will be both an active and a passive investor and the Directors will place no minimum or maximum limit on the length of time that any investment may be held.

There is no limit on the number of projects into which the Company may invest, nor the proportion of the Company's gross assets that any investment may represent at any time and the Company will consider possible opportunities anywhere in the world.

There are no borrowing limits in the Articles of Association of the Company. The Directors do not intend to acquire any cross-holdings in other corporate entities that have an interest in the Ordinary Shares.

There are no restrictions in the type of investment that the Company might make nor on the type of opportunity that may be considered other than set out in this Investing Policy.

As the Company's ordinary shares are traded on AIM this provides a facility for shareholders to realise their investment in the Company. In addition, the Directors may consider from time to time other means of facilitating returns to shareholders including dividends, share repurchases, demergers, schemes of arrangement or liquidation.

Chan Fook Meng
Chairman

Date: ……………..……2013

NOVA RESOURCES LIMITED

Report of the Directors
For the year ended 31 December 2012

The Directors present their report with the financial statements of the Group for the year ended 31 December 2012.

PRINCIPAL ACTIVITY
The principal activity of the Company in the year under review was that as set out in the Company's Investing Policy.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS
This is set out in the Chairman's Statement on page 3.

KEY GROUP PERFORMANCE INDICATORS

31.12.12	£
Bank and other interest received	43,226
Operating loss	(3,082,065)
Cash outflow	(351,623)

SHARE CAPITAL ALTERATIONS
On 20 January 2012, 4,000,000 share options were granted, plus an additional 1,000,000 to an employee; 500,000 were cancelled on the resignation from the Board of Mr Lai Seng Kwoon;

On 10 February 2012, 10,200,000 ordinary new shares were subscribed in cash, plus convertible Loan Notes for £60,000;

On 14 February 2012, 23,571,428 ordinary shares were issued for the acquisition of the remaining 30% of the issued share capital of Nova Mongolia Corp Pte Ltd not currently owned by the company, together with 12,857,143 warrants to subscribe for ordinary shares;

On 27 February 2012, 2,210,526 new ordinary shares were subscribed for cash.

KEY RISKS AND UNCERTANTIES
The key risks identified by the Board are detailed in note 3 to the financial statements.

RESULTS AND DIVIDENDS
The loss for the year is £3,167,606, which has been transferred to reserves. No dividends will be distributed for the year ended 31 December 2012.

DIRECTORS
The directors during the year under review were:

Chung Dongwook	
Chan Fook Meng	
Lai Seng Kwoon	(Resigned 4 January 2012)
Charles Green	(Appointed 11 January 2012, Resigned 17 May 2012)
Christopher Morgan	(Appointed 11 May 2012)
Nazim Khan	(Appointed 11 January 2012)

All the directors who are eligible offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS (Contd…)

All the directors who are eligible offer themselves for re-election at the forthcoming Annual General Meeting.

Remuneration of the Directors for the year is summarised as follows:

	Directors' Fees
	£
Chung Dongwook	-
Chan Fook Meng	-
Charles Green	12,742
Christopher Morgan	-
Nazim Khan	-
Total	**12,742**

Chan Fook Meng has an interest in 55million ordinary shares through Shine Link Limited representing 51.9% of the Company.

On 20 January 2012 the Company granted share options (the "Share Options") to certain directors as follows:

Director	Number of Share Options granted
Chung Dongwook	2,500,000
Charles Green	1,000,000
Nazim Khan	500,000

In addition, the Company is granting 1,000,000 Share Options to Mr Enrique Lopez de la Mesa, EVP Corporate Development, on the same terms.

The Share Options have an exercise price of 8.25 pence and can be exercised by each person as follows:

- One third can be exercised after 20 July 2012
- One third can be exercised after 20 July 2013; and
- One third can be exercised after 20 July 2014.

The Share Options expire on 31 December 2016 and are conditional upon the respective person remaining as an employee of the Company at the time of each exercise.

Pursuant to the announcement dated 4 January 2012, regarding the resignation of Mr Lai Seng Kwoon, 500,000 share options which had been issued have now been cancelled.

SUBSTANTIAL SHAREHOLDERS

As at 20 June 2013, the Company had been notified of the following beneficial interests in 3% or more of the issued share capital:

	Number of ordinary shares	% of issued share capital
Ordinary 1p shares		
Beaufort Nominee Ltd	48,571,428	45.83%
HSBC Global Custody Nominee (UK) Ltd	20,000,000	18.87%
The Bank of New York (Nominees) Ltd	10,000,000	9.44%
Xcap Nominees Ltd	7,536,332	7.11%
Schweco Nominees Ltd	6,360,000	6.00%

INDEMNITY OF OFFICERS

The Company may purchase and maintain, for any director or officer, insurance against any liability and the Company does maintain appropriate insurance cover against legal action bought against its directors and officers.

PUBLICATION OF ACCOUNTS ON COMPANY'S WEBSITE

Financial statements are published on the Company's website. The maintenance and integrity of the website is the responsibility of the directors. The directors' responsibilities also extend to the financial statements contained therein.

COMPANY'S POLICY ON PAYMENT OF CREDITORS

It is the Company's normal practice to make payments to suppliers in accordance with agreed terms provided that the supplier has performed in accordance with the relevant terms and conditions.

GOING CONCERN

After making appropriate enquiries, the directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Bermuda company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business for the foreseeable future;
- follow applicable accounting standards.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Bermuda Companies Act 1981. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS
The auditors, Jeffreys Henry LLP have indicated their willingness to continue in office. In accordance with section 89 of Bermuda Companies Act 1981, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

ON BEHALF OF THE BOARD:

Chan Fook Meng
Director

Date: ……………….2013

<u>Report of the Independent Auditors to the Members of</u>

NOVA RESOURCES LIMITED

We have audited the Group and Company financial statements of Nova Resources Limited for the year ended 31 December 2012, which comprise the consolidated statement of comprehensive income, consolidated and company statement of changes in equity, consolidated and company statement of financial position, consolidated and company statement of cash flows, and the related notes on pages 19 to 38. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made sole to the Company's members, as a body, to the requirements of the Bermuda Companies Act 1981 and in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we have read all the financial and non-financial information in the Chairman's Report and Directors Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatement or inconsistencies we consider the implication of our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view, of the state of the Group and Company's affairs as at 31 December 2012 and of the Group's loss and Group's and Company's cash flows for the year then ended;

- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;

- the company financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006 and;

- the financial statements have been properly prepared in accordance with the Companies Act 2006.

Opinion on other matter

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the Independent Auditors to the Members of

NOVA RESOURCES LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sanjay Parmar
SENIOR STATUTORY AUDITOR
For and on behalf of Jeffreys Henry LLP, statutory auditor

Finsgate
5-7 Cranwood Street
London
EC1V 9EE
United Kingdom

Date:………………2013

NOVA RESOURCES LIMITED

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012

	Notes	Year ended 2012	Year ended 2011
CONTINUING ACTIVITIES		**£**	**£**
Turnover		1,170,166	-
Cost of sales		(831,797)	-
Gross Profit		338,369	-
Administrative expenses		(1,165,291)	(274,831)
Impairment of goodwill		(2,255,143)	-
OPERATING LOSS	**9**	(3,082,065)	(274,831)
Unrealised gains/(losses) on financial assets designated at fair value through profit or loss	**12**	(117,787)	117,788
LOSS BEFORE FINANCE INCOME AND TAX		(3,199,852)	(157,043)
Finance income	**7**	43,226	1,920
Finance expense	**8**	(982)	-
Other income		-	-
LOSS BEFORE TAX		(3,157,608)	(155,123)
Tax	**10**	(9,998)	-
LOSS FOR THE YEAR		(3,167,606)	(155,123)
Minority interests		-	(1,100)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(3,167,606)	(156,223)
Attributable to			
Owners of the Company		(3,167,606)	(156,223)
Loss per share:			
Basic	**11**	(3.11p)	(0.23p)
Diluted	**11**	(3.11p)	(0.23p)

These notes form part of the financial statements

NOVA RESOURCES LIMITED

Consolidated Statement of Financial Position
31 December 2012

	Notes	2012 £	2011 £
ASSETS			
Non-current assets			
Goodwill	**13**	-	64,753
Financial assets designated at fair value through profit or loss	**12**	653,184	770,971
Tangible Fixed Assets	**14**	2,170,128	-
		2,823,312	835,724
Current assets			
Inventories	**15**	19,288	-
Trade and other receivables	**16**	922,218	324,134
Cash and cash equivalents	**17**	119,016	470,639
		1,060,522	794,773
TOTAL ASSETS		3,883,834	1,630,497
SHAREHOLDERS' EQUITY			
Called up share capital	**20**	1,061,153	700,000
Share based payment reserve		16,742	-
Loan note equity reserve		12,434	-
Share premium		4,995,765	2,604,061
Retained losses		(4,929,556)	(1,740,681)
		1,156,538	1,563,380
Non-controlling interests		-	1,100
		1,156,538	1,564,480
LIABILITIES			
Non-current liabilities			
Convertible loan note	**19**	20,845	-
		20,845	-
Current liabilities			
Trade and other payables	**18**	2,023,622	66,017
Convertible loan note	**18**	16,721	-
Bank loan	**18**	666,108	-
		2,706,451	66,017
		2,727,296	66,017
TOTAL EQUITY AND LIABILITIES		3,883,834	1,630,497

These notes form part of the financial statements

NOVA RESOURCES LIMITED

Consolidated Statement of Financial Position
31 December 2012

The financial statements were approved and authorised by the Board of Directors on ……………2013 and were signed on its behalf by:

Chan Fook Meng
Director
Company registration number: 39768

NOVA RESOURCES LIMITED

Consolidated Statement of Changes in Equity
For The Year Ended 31 December 2012

	Share Capital £	Share Premium £	Other Reserves £	Retained Loss £	Total £
At 1 January 2011	600,000	2,504,061	-	(1,584,458)	1,519,603
Loss after tax for the year	-	-	-	(156,223)	(156,223)
Issue of shares	100,000	100,000	-	-	200,000
At 31 December 2011	**700,000**	**2,604,061**	**-**	**(1,740,681)**	**1,563,380**
Issue of shares	361,153	2,391,704	-	-	2,752,857
Loss after tax for the year	-	-	-	(3,167,606)	(3,167,606)
Provision for minority interest no longer required	-	-	-	1,100	1,100
Prior year losses in subsidiaries	-	-	-	(22,369)	(22,369)
Share based payment reserve	-	-	16,742	-	16,742
Loan note equity reserve – capital portion of notes	-	-	12,434	-	12,434
At 31 December 2012	**1,061,153**	**4,995,765**	**29,176**	**(4,929,556)**	**1,156,538**

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of the respective shares net of share issue expenses. Share issue expenses comprise mainly the costs incurred in respect of the initial public offering on the AIM market of the London Stock Exchange.

Retained loss represents the cumulative loss of the Group attributable to equity shareholders.

NOVA RESOURCES LIMITED

Company Statement of Financial Position
31 December 2012

	Notes	2012 £	2011 £
ASSETS			
Non-current assets			
Investments	**13**	498	498
Financial assets designated at fair value through profit or loss	**12**	653,184	770,971
		653,682	771,469
Current assets			
Trade and other receivables	**16**	2,296	388,232
Cash and cash equivalents	**17**	19,103	470,632
		21,399	858,864
TOTAL ASSETS		675,081	1,630,333
SHAREHOLDERS' EQUITY			
Called up share capital		1,061,153	700,000
Share premium		4,995,765	2,604,061
Share based payments reserve		16,742	-
Loan note equity reserve		12,434	-
Retained losses		(5,549,921)	(1,739,249)
		536,173	1,564,812
LIABILITIES			
Non-current liabilities			
Convertible loan notes	**19**	20,845	-
		20,845	-
Current liabilities			
Trade and other payables	**18**	118,063	65,521
		118,063	65,521
TOTAL EQUITY AND LIABILITIES		675,081	1,630,333

The financial statements were approved and authorised by the Board of Directors on ……………2013 and were signed on its behalf by:

Chan Fook Meng
Director

Company registration number: 39768

NOVA RESOURCES LIMITED

Company Statement of Changes in Equity
For The Year Ended 31 December 2012

	Share Capital £	Share Premium £	Other Reserve £	Retained Loss £	Total £
At 1 January 2011	600,000	2,504,061	-	(1,584,458)	1,519,603
Loss after tax for the year	-	-	-	(154,791)	(154,791)
Issue of shares	100,000	100,000	-	-	200,000
At 31 December 2011	700,000	2,604,061	-	(1,739,249)	1,564,812
Loss after tax for the year	-	-	-	(4,240,375)	(4,240,375)
Consideration in warrants (see note 13)	-	-	487,288	-	487,288
Issue of shares	361,153	2,391,704	(487,288)	487,288	2,752,857
Share based payments reserve	-	-	16,742	-	16,742
Loan note equity reserve – capital portion of note	-	-	12,434	-	12,434
Foreign exchange differences	-	-	-	(57,585)	(57,585)
At 31 December 2012	1,061,153	4,995,765	29,176	(5,549,921)	536,173

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of the respective shares net of share issue expenses. Share issue expenses comprise mainly the costs incurred in respect of the initial public offering on the AIM market of the London Stock Exchange.

Retained loss represents the cumulative loss of the Company attributable to equity shareholders.

NOVA RESOURCES LIMITED

Consolidated Statement of Cash flows
For The Year Ended 31 December 2012

	Note	Year ended 2012 £	Year ended 2011 £
Cash flows from operating activities			
Cash generated/(consumed in) from operations	**21**	841,192	(580,942)
Net cash from operating activities		841,192	(580,942)
Cash flows from investing activities			
Interest received		43,226	1,920
Interest paid		(982)	-
Acquisition of tangible fixed assets		(2,312,443)	-
Purchase of subsidiary undertaking net of cash balances		64,753	(64,753)
Additional acquisition cost of subsidiary		(22,369)	-
Net cash from investing activities		(2,227,815)	(62,833)
Cash flows from financing activities			
Issue of ordinary shares		975,000	200,000
New loan		60,000	-
Net cash from financing activities		1,035,000	200,000
(Decrease) in cash and cash equivalents		(351,623)	(443,775)
Cash and cash equivalents at beginning of year		470,639	914,414
Cash and cash equivalents at end of year		119,016	470,639

NOVA RESOURCES LIMITED

Company Statement of Cash flows
For The Year Ended 31 December 2012

	Note	Year ended 2012 £	Year ended 2011 £
Cash flows from operating activities			
Cash generated from (consumed in)/operations	**21**	(1,465,695)	(645,204)
Net cash from operating activities		(1,465,695)	(645,204)
Cash flows from investing activities			
Interest received		43,266	1,920
Acquisition of subsidiaries		(64,100)	(498)
Net cash from investing activities		(20,834)	1,422
Cash flows from financing activities			
Issue of ordinary shares		975,000	200,000
New loan		60,000	-
Net cash from financing activities		1,035,000	200,000
Increase/(decrease) in cash and cash equivalents		(451,529)	(443,782)
Cash and cash equivalents at beginning of year		470,632	914,414
Cash and cash equivalents at end of year		19,103	470,632

1. GENERAL INFORMATION

Nova Resources Limited (formerly Tembusu Investments Limited) is a company incorporated in Bermuda under the Bermuda Companies Act 1981. The Company's shares are traded on the AIM market of the London Stock Exchange. The address of the registered office is disclosed on page 1 of the financial statements. The principal activities of the Company are described in the directors' report.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as adopted by the European Union and with those parts of the Companies Act 1981 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

These policies have been consistently applied.

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

(a) New and amended standards adopted by the Company

The following new and revised IFRSs have been applied in the current year and retrospectively to all periods unless otherwise stated. Their adoption has not had any significant impact on the accounts reported in these financial statements.

- Amendments to IFRS 1 'Severe Hyperinflation'.

The amendments regarding severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

- Amendments to IFRS 1 'Removal of Fixed Dates for First-time Adopters'.

The amendments regarding the removal of fixed dates provide relief to first-time adopters of IFRSs from reconstructing transactions that occurred before their date of transition to IFRSs.

- Amendments to IFRS 7 'Transfers of Financial Assets'.

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset.

- Amendments to IAS 12 'Deferred Tax: Recovery of Underlying Assets'.

The amendments to IAS 12 provide an exception to the general principle set out in IAS 12 Income Taxes that the measurement of deferred tax should reflect the manner in which an entity expects to recover the carrying amount of an asset. Specifically, the amendments establish a rebuttable assumption that the carrying amount of an investment property measured using the fair value model in IAS 40 Investment Property will be recovered entirely through sale.

(b) New and revised IFRSs in issue but not yet effective

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

	Effective date for annual periods beginning on or after
• IFRS 9 *Financial Instruments (as revised in 2010)*	*1 January 2015*
• Amendments to IFRS 9 and IFRS 7 *Mandatory Effective Date of IFRS 9 and Transition Disclosures*	*1 January 2015*
• IFRS 10 *Consolidated Financial Statements*	*1 January 2013*
• IFRS 11 *Joint Arrangements*	*1 January 2013*
• IFRS 12 *Disclosure of Interests in Other Entities*	*1 January 2013*
• Amendments to IFRS 10, IFRS 11 and IFRS 12 *Consolidate Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*	*1 January 2013*
• IAS 27 *Separate Financial Statements (as revised in 2011)*	*1 January 2013*
• IAS 28 *Investments in Associates and Joint Ventures (as revised in 2011)*	*1 January 2013*
• IFRS 13 *Fair Value Measurement*	*1 January 2013*
• IAS 19 *Employee Benefits (as revised in 2011)*	*1 January 2013*
• Amendments to IFRS 1 *Government Loans*	*1 January 2013*
• Amendments to IFRS 7 *Disclosures – Offsetting Financial Assets and Financial Liabilities*	*1 January 2013*
• Amendments to IAS 1 *Presentation of Items of Other Comprehensive Income*	*1 July 2012*
• Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*	*1 January 2014*
• *Annual Improvements to IFRSs 2009-2011 Cycle*	*1 January 2013*
• IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	*1 January 2013*

• IFRS 9 issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

IFRS requires all recognised financial assets that are within the scope of IAS 39 'Financial Instruments: Recognition and Measurement' to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

(b) New and revised IFRSs in issue but not yet effective (continued)

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of the changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of IFRS 9 will not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

• IFRS 10 replaces the parts of IAS 27 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements. SIC-12 'Consolidation – Special Purpose Entities' has been withdrawn upon the issuance of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

• IFRS 11 replaces IAS 31 'Interests in Joint Ventures'. IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 'Jointly Controlled Entities – Non-Monetary Contributions by Ventures' has been withdrawn upon the issuance of IFRS 11. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under IAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

• IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

• IFRS 10, 11, 12 and 13 are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

(b) New and revised IFRSs in issue but not yet effective (continued)

The directors anticipate that these four standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The directors consider that the application of these five standards will not likely have a significant impact on amounts reported in the consolidated financial statements.

• IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 'Financial Instruments: Disclosures' will be extended by IFRS 13 to cover all asset and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that application of the new Standard may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

• The amendments to IAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to IAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to IAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the amendments to IAS 19 will not have a significant impact on the financial statements, as the group does not have defined benefit plans.

2.1 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Pounds Sterling (£), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.2 Receivables

Receivables are recognised and stated at fair value less any allowances for doubtful debts and provisions for impairment. Known bad debts are written off and doubtful debts are provided for based on estimates of possible losses which may arise from non-collection of certain receivables accounts.

2.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.4 Share capital

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.

2.5 Share premium

Share premium represents the excess of the amount subscribed for share capital over the nominal value of these shares net of share issue expenses.

2.6 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.7 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.8 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date together with any adjustment to tax payable in respect of previous years.

2.8 Taxation (continued)

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

2.9 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

Coal transportation: revenue is recognised as a commission on the amounts of coals transferred per contractual agreement. Fuel costs of vehicles and driver costs are recognised as a cost of services sold on date of completion. Revenue is the consideration received or receivable from customers in the normal course of business.

2.10 Investments

Investments are stated at cost less provision for any impairment in value.

2.11 Property and equipment

All items of property and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Subsequent to recognition, property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation of other property and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets as follows:

Computer	3 years
Vehicles	10 years
Furniture and equipment	10 years

Useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss.
The assets' useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

2.12 Impairment of Nonfinancial Assets

Property and Equipment and Prepayments
The Group assesses at each reporting period as to whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is made at each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased, If such indication exists, the recoverable amount is estimated, A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.13 Inventories

Inventories are valued at the lower of cost or net realisable value ("NRV")**.** The cost of parts and supplies comprise all costs of purchase and other costs incurred in bringing the parts and supplies to their present location and condition. These are recorded on the first-in-first-out method. NRV of parts and supplies is the current replacement cost.

2.14 Financial instruments

A financial instrument is recognised in the financial statements when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus directly attributable transaction costs.

(a) Financial assets

The Group and the Company determine the classification of their financial assets as loans and receivables and they comprise debt instruments that are not quoted on an active market, trade and other receivables and cash and cash equivalents.

(i) Subsequent measurement
Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

2.14 Financial instruments (Continued…)
(a) Financial assets (Continued…)

(ii) Derecognition
A financial asset or part of it is derecognised when, and only when, the contractual right to receive cash flows from the asset has expired or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset.

(iii) Impairment of financial asset
At each reporting date the Group and the Company assess whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset or the group of financial assets and it can be reliably measured.

Fair values
The carrying amounts of the financial assets and liabilities such as cash and cash equivalents, receivables and payables of the Group at the balance sheet date approximated their fair values, due to relatively short term nature of these financial instruments.

The Group provides financial guarantees to licensed banks for credit facilities extended to a subsidiary company. The fair value of such financial guarantees is not expected to be significantly different as the probability of the subsidiary company defaulting on the credit lines is remote.

The investments are valued in accordance with the policy stated above. It is the directors' opinion that the carrying value of trade receivables and trade payables approximates their fair value due to their short term maturity. Therefore, the directors consider all assets to be carried at a valuation, which equates to fair value.

Investments are made in a combination of equity and fixed rate financial instruments so as to provide potential high future capital growth.

In accordance with IAS 39, the Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain criteria set out in the standard. No embedded derivatives have been identified by the Group.

The accounting policies for financial instruments have been applied to the items below:

Assets as per balance sheet	2012 £ Loans and receivables £	2012 £ Assets at fair value through profit and loss £	2011 £ Loans and receivables £	2011 £ Assets at fair value through profit and loss £
Cash	19,103	-	470,639	-
Trade and other receivables	312,288	-	324,134	-
Investment at fair value through profit and loss	-	653,184	-	770,971
Total	331,391	653,184	794,773	770,971

2.14 Financial instruments (Continued…)

(a) Financial assets (Continued…)

Liabilities as per balance sheet	2012 Other financial liabilities £	2011 Other financial liabilities £
Trade and other payables	381,398	66,017
Loan	2,308,332	-
Unsecured loan notes	50,000	-
	2,739,730	66,017

Assets classified as fair value through profit or loss were designated as such upon initial recognition. The Company has not reclassified financial assets between any of the categories detailed in IAS39, either in current or prior periods.

2.15 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Impairment of non-financial assets

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

2.16 Loss of the parent company

As permitted by Section 408 of the Companies Act 2006, the income statement of the Parent Company is not presented as part of these financial statements. The Parent Company's loss for the financial year was £4,223,633 (2011: £154,791).

3. RISKS SENSITIVITY AND ANALYSIS

The Group's activities expose it to a variety of financial risks: interest rate risk, liquidity risk, foreign currency risk and capital risk. The Group's activities also expose it to non-financial risks: market risk, regulatory and legislative risk. The Group's overall risk management programme focuses on unpredictability and seeks to minimise the potential adverse effects on the Group's financial performance. The Board, on a regular basis, reviews key risks and, where appropriate, actions are taken to mitigate the key risks identified.

3.1 Foreign currency risk

Currency fluctuations may affect the Group's operating cash flows since certain of its costs and potential future revenues are likely to be denominated in a number of different currencies other than Pound Sterling such as US Dollars, Mongolian Tugrik and any potential income may become subject to exchange controls. The Group does not currently have a foreign currency hedging policy in place. If and when appropriate, the adoption of such a policy will be considered.

The net unhedged financial assets and liabilities of the Group companies that are not denominated in their functional currencies are as follows:

	Net Financial Assets/ (liabilities) held in non-functional currencies			
	Singapore Dollars	**US Dollars**	**Mongolian Tugrik**	**Total**
Group	**£**	**£**	**£**	**£**
As at 31 December 2012				
Trade receivables	-	-	609,930	609,930
Other receivables	-	-	310,366	310,366
Cash and bank balances	2,779	-	97,134	99,913
Trade payables	(6,651)	-	(91,659)	(98,310)
Other payables	-	-	(172,424)	(172,424)
Loans	-	(2,308,332)	-	(2,308,322)
	(3,872)	(2,308,332)	753,347	(1,558,847)

	Net Financial Assets/ (liabilities) held in non-functional currencies			
	Singapore Dollars	**US Dollars**	**Mongolian Tugrik**	**Total**
Group	**£**	**£**	**£**	**£**
As at 31 December 2011				
Trade receivables	-	-	-	-
Other receivables	-	322,796	-	322,796
Cash and bank balances	50	-	589	639
Trade payables	-	-	-	-
Other payables	(889)	-	(104)	(993)
Loans	-	-	-	-
	(839)	322,796	485	322,442

3. RISKS SENSITIVITY AND ANALYSIS (contd...)

3.1 Foreign currency risk

	Net Financial Assets/ (liabilities) held in non-functional currencies			
	Singapore Dollars	US Dollars	Mongolian Tugrik	Total
Company	£	£	£	£
As at 31 December 2012				
Other receivables	-	375	-	375
Other payables	-	(7,262)	-	(7,262)
	-	(6,887)	-	(6,887)

	Net Financial Assets/ (liabilities) held in non-functional currencies			
	Singapore Dollars	US Dollars	Mongolian Tugrik	Total
Company	£	£	£	£
As at 31 December 201				
Other receivables	65,294	322,796	-	388,090
Other payables	-	(498)	-	(498)
	65,294	322,298	-	387,592

3.2 Interest rate risk

The following table sets out the carrying amounts, the effective interest rates as at the Statement of Financial Position date and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk:

	Note	Effective interest rate %	2012 Within 1 year £	2012 2- 3 years £	2011 Within 1 year £	2011 2 - 3 years £
Loan	18	7.5	1,611,135	-	-	-
Loan	18	16.8	697,197	-	-	-
Convertible loan note	19	10	-	50,000	-	-
			2,308,332	50,000	-	-

3.3 Liquidity risk

The Group prepares periodic working capital forecasts for the foreseeable future, allowing an assessment of the cash requirements of the Company, to manage liquidity risk. Cash resources are managed in accordance with planned expenditure forecasts and the directors have regard to the maintenance of sufficient cash resources to fund the Group's immediate operating and exploration activities.

3.4 Capital risk

The successful commercial exploitation of the haulage project will require significant capital investment. The only sources of financing currently available to the Group are through the issue of additional equity capital or convertible debt. The Group's ability to raise funds will depend, *inter alia*, on the success of its strategy and operations.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment of receivables

The Group assesses at each Statement of Financial Position date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual and anticipated impairment. The carrying amount of the Group's receivables at the reporting date is disclosed in Note 16.

Impairment of goodwill

The Group is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows. Actual outcomes could vary.

Share-based compensation

The fair value of options and warrants are determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

5. EMPLOYEES AND DIRECTORS

The company has 69 employees including 4 directors.

During the period the company paid directors' emoluments of £12,742 (2011 - £30,875).

The average number of directors during the year was three.

	2012 £	2011 £
Wages	40,323	-
Social security	6,951	-
	47,274	-

6. SEGMENTAL ANALYSIS

There is no segmental area of operations as the company as all operations were undertaken in Mongolia.

7. FINANCE INCOME

	2012	2011
	£	£
Bank interest received	-	1,920
Other interest received	43,226	-
	43,226	1,920

8. FINANCE EXPENSES

	2012	2011
	£	£
Interest paid – other	982	-

9. OPERATING LOSS

	2012	2011
	£	£
The operating loss is stated after charging:		
Loss on foreign currency translation	203,325	225
Auditors' remuneration	15,000	7,000
Depreciation	96,867	
Share based payment	16,742	

10. TAX

The Company is an exempted company under the laws of Bermuda and is granted exemption from all forms of taxation in Bermuda until 2016.

11. LOSS PER SHARE

The basic loss per share is calculated by dividing the loss of £3,167,606 (2011 - £156,223) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, which was 101,795,589 (2011 – 68,000,000)

The diluted loss per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares. For the year ended 31 December 2012 the diluted loss per share is equivalent to the basic loss per share.

12. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS - GROUP AND COMPANY

All items held as fair value through profit or loss were designated as such upon initial recognition. Movements in investment at fair value through profit or loss are summarised as follows:

Quoted Investments	**2012**	**2011**
	£	**£**
Opening cost	1,827,566	1,827,566
Opening unrealised gain/(loss)	(1,056,595)	(1,174,383)
Opening Valuation	770,971	653,183
Additions at cost	-	-
Disposal proceeds	-	-
Net profit/(loss) realised on disposal	-	-
Changes in fair value in the year	(117,787)	117,788
	653,184	770,971
Closing cost	770,971	653,183
Closing unrealised gain/(loss)	(117,787)	117,788
Closing valuation	653,184	770,971

12. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS - GROUP COMPANY (Continued…)

In May 2008, the Company acquired 21,915,861 ordinary shares in European Islamic Investment Bank Plc ("EIIB") for a total consideration of £1,845,066. EIIB is traded on the AIM market of London Stock Exchange. At 31 December 2012, the share price of EIIB decreased to 3.05 pence per share resulting to a loss arising from change in fair value made of £117,787.

The investment was determined by reference to market bid prices as at 31 December 2012.

13. INVESTMENT IN SUBSIDIARY

	Shares in Subsidiaries £
Cost	
At 1 January 2011	1
Additions	497
At 31 December 2011	498
Additions	3,389,625
At 31 December 2012	3,390,123
Provision	
At 1 January 2011 and 2012	-
Charge	3,389,625
At 31 December 2012	3,389,625
CARRYING VALUE	
At 31 December 2012	498
At 31 December 2011	498

The details of the subsidiaries are as follows:

Name of Company	Country of Incorporation	Shareholdings	Principal Activity
Nova East Management Pte Ltd	Singapore	100%	Inactive
Nova East Capital Private Limited	Singapore	100%	Dormant
Nova Mongolia Corp PTE Ltd	Singapore	100% (balance of 30% acquired in 14 February 2012)	Investment Holding Company

Nova Mongolia Corp PTE Ltd has acquired 100% of this issued share capital of Nova Logistics Holdings Limited (formally known as Salins Limited), a company incorporated in the British Virgin Islands, an investment holding company which in turn owns 100% of the issued share capital of Nova Trans LLC (Formerly ZHCH Mining LLC) ("NT"), a company incorporated in Mongolia to provide coal transportation and logistics services in Mongolia. NT entered into a contract with another Mongolia company on 17 January 2012 to transport coal within Mongolia, to commence on 15 May 2012, for one year; actual commencement took place on 5 June 2012.

13. INVESTMENT IN SUBSIDIARY (Continued...)

The Company purchased 300 shares in the capital of Nova Mongolia Corp Pte Ltd ("Nova Mongolia") on 14 February 2012. The total consideration for the Acquisition is £1,767,857.09 which is to be fully paid by the allotment and issuance of 23,571,428 ordinary shares of par value of £0.01 each at the issue price of £0.075 each and 12,857,143 warrants (the "Consideration Warrants"), exercisable at £0.02 per ordinary share, up to 28 February 2013. Those are only exercisable if the company makes a reverse takeover under AIM Rules.

The Consideration Warrants contain the following terms:

1. the warrants are not exercisable until the company has acquired or invested in a company that qualifies as a reverse takeover under the AIM rules; and

2. the warrants expired on 28 February 2013.

The Company now owns 100% of Nova Mongolia; Nova Mongolia owns 100% of Nova Logistics Holdings Limited (formerly Salins Limited) which in turn owns owns 100% of Nova Trans LLC (formerly ZHCH Mining LLC).

On a fully diluted basis, following execution of the Consideration Warrant together with execution/conversion of all outstanding options, warrants and convertible loan notes, but not including the convertible loan notes that may or may not be issued pursuant to the Investment Facility with Odin Structured Advisory Services LLP announced on 5 January 2012, (collectively, the "Convertibles") an additional 50,157,143 shares of par value £0.01 each would be issued, giving a total number of Ordinary Shares in issue of 153,928,571.

The Convertibles comprise:

1. 42,857,143 warrants which may only be exercised upon completion of a reverse takeover by 28 February 2013, issued as 30,000,000 warrants to Bernholz Limited (the sole beneficiary of which is Chan Fook Meng) and the 12,857,143 Consideration Warrants. The total number of Ordinary Shares that could be issued upon exercise is 42,857,143;

2. 6,500,000 options issued to directors and management of Nova which can only be exercised in tranches as announced on 16 November 2011 and 20 January 2012. The first tranche may only be converted in May 2012. The total number of Ordinary Shares that could be issued upon exercise is 6,500,000; and

3. 60,000 convertible unsecured loan notes which may be converted at any time as announced on 10 February 2012. The total number of Ordinary Shares that could be issued upon exercise is 800,000 as declared in Note 19.

   Goodwill of £2,255,143 (2011 - £64,573) arose on this acquisition.

   The Company assesses at each reporting date whether there is an indication that the goodwill may be impaired, by considering whether the value in use is greater than the recoverable amount. At the year end full impairment of the value of the goodwill was booked.

14. TANGIBLE FIXED ASSETS

Cost	Land and Camps £	Trucks, Trailers and other Motor vehicles £	Furniture and Other assets £	Computer and software £	Total £
At 1 January 2012	-	-	-	-	-
Additions	362,266	1,897,987	40,362	11,822	2,312,437
Disposals	-	(45,448)	-	-	(45,448)
At 31 December 2012	362,266	1,852,539	40,362	11,822	2,266,989
Accumulated depreciation					
At 1 January 2012	-	-	-	-	-
Charge for the year	886	92,441	2,052	1,482	96,861
On Disposals	-	-	-	-	-
At 31 December 2012	886	92,441	2,052	1,482	96,861
Net Book Value					
31 December 2012	361,380	1,760,098	38,310	10,340	2,170,128
31 December 2011	-	-	-	-	-

The bank and other loans are secured against the trucks and trailers.

15. INVENTORIES

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Transportation parts and supplies	19,288	-	-	-

16. TRADE AND OTHER RECEIVABLES

	Group 2012 £	Group 2011 £	Company 2012 £	Company 2011 £
Trade debtor	609,930	-	-	-
Loan - intercompany	-	-	375	64,098
- Hoddle Limited	-	322,796	-	322,796
Other debtors	287,269	-	-	-
Prepayments	25,019	1,338	1,921	1,338
	922,218	324,134	2,296	388,232

The Company has lent to Hoddle Limited ("Hoddle") US$500,000 (£320,986) on 5 January 2012,for a period of 12 months. As security for the Loan, the Company has been granted a charge over the entire issued share capital of Hoddle (the "Hoddle Shares").

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Notes to the Financial Statements
For The Year Ended 31 December 2012

16. TRADE AND OTHER RECEIVABLES (continued…)

The sole shareholder of Hoddle Limited is JI Won Park ("Park"). Park, a Korean citizen, is a businessman with interests in Mongolia. He is not related to any director or substantial shareholder of the Company. Park has also granted the Company exclusivity with respect to the Hoddle Shares in that he has agreed not to sell, and will terminate all discussions relating to the sale of, any of the Hoddle Shares to any third party until 30 September 2012.

Hoddle is an investment holding company incorporated in the British Virgin Islands. It owns 50% per cent of the entire issued share capital of Standard MT Private Limited ("Standard"), a company incorporated in Singapore. Standard owns 49 per cent of the entire issued share capital of MSR LLC, a company organised and existing under the laws of Mongolia ("MSR"). MSR owns 95 per cent of the issued share capital if Standard Mining Trans LLC, a company organised and existing under the laws of Mongolia ("SMT").

SMT is in the business of providing logistics services to mines in Mongolia. SMT has signed a contract with MoEnCo LLC ("MoEnCo"), a company incorporated in Mongolia to transport coal from its Khushuut coal mine to a storage ground close to the border with the People's Republic of China. MoEnCo is a subsidiary of Mongolian Energy Corporation, SMT will commence the transportation of coal once the Khushuut coal mine commences production of coal. Production is expected to commence sometime in 2012.

As at the 31 December 2012, a provision was made against the carrying value of the amount due from Hoddle Limited.

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Bank current accounts	119,016	470,639	19,103	470,632
	119,016	470,639	19,103	470,632

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Trade payables	160,264	58,024	61,956	58,024
Other creditors	96,772	104	7,262	7,497
Current portion of convertible notes loan (see note 19)	16,721	-	16,721	-
Loans	2,308,332	-	-	-
Accruals	124,362	7,889	32,124	-
	2,706,451	66,017	118,063	65,521

Trade payable and accruals principally comprise amounts outstanding for ongoing expenses

18. TRADE AND OTHER PAYABLES (continued...)

Included in loans above totalling £2,308,332;

(a) An unsecured loan of US$ 2,000,000 (£1,1238,160), from Brincan Holdings SA, a company incorporated in the British Virgin Islands to Nova Trans LLC, a wholly owned subsidiary of the group. This loan was for the acquisition of trucks and additional working capital. A sum of US$3,000,000 is repayable in May 2013 and discussions are ongoing with Brincan with respect to repayment of the loan. The sum of US$3,000,000 is guaranteed by Nova Resources Limited.

(b) USD loans totalling £372,975 from related parties or companies controlled by them. There are interest free and have no fixed date of repayments but are repayable on demand.

19. Long Term Liabilities

On 10 February 2012 the Company raised £60,000 from the issue of the convertible unsecured loan notes 2015. The salient terms of the notes are as follows:

(a) The holder of the Notes has the right, but not the obligation, to convert the principal amount outstanding to newly issued Ordinary Shares in the capital of the Company at the subscription rate of £0.075 for each Ordinary Share.

(b) There is no interest on the amount outstanding. If all or part of the Notes is not converted by 31 March 2015, Nova shall pay to the Noteholder the principal.

On 15 May 2012, £10,000 of the notes were converted into 133,333 ordinary shares.

	Group		Company	
	2012	**2011**	**2012**	**2011**
	£	**£**	**£**	**£**
At 1 January 2012	-	-	-	-
Issued on 10 February 2012	60,000	-	60,000	-
Converted on 15 March 2012	(10,000)	-	(10,000)	-
Balance at 31 December 2012	50,000	-	50,000	-
Allocated as follows:-				
Short term liabilities (Note 18)	16,721			
Transferred to shareholders' equity				
Loan note equity reserve	12,434			
Included in long tern liabilities	20,845			
	50,000			

20. CALLED UP SHARE CAPITAL

Authorised Number	Class	Nominal Value	2012 £	2011 £
500,000,000	Ordinary	1p	5,000,000	5,000,000
Allotted, issued and fully paid				
106,115,287(2011 -70,000,000)	Ordinary	1p	1,061,153	700,000

On 15 March 2011 the company issued 10,000,000 new ordinary shares of 2p each, raising £0.2m for working capital purpose. As part of the Share issue, warrants to subscribe for 30,000,000 ordinary shares were issued with an exercise price of 2p, of which 10,000,000 warrants that are exercisable when the market value reaches 4p, 10,000,000 are exercisable when the market value reaches 6p and 10,000,000 when the market value reaches 8p.

Share options to certain directors were granted on 16 November 2011 totalling 2,000,000 options. The Share Options have an exercise price of 3 pence and can be exercised by each director as follows:-

- One third can be exercised after 1 May 2012;
- One third can be exercised after 14 November 2012; and
- One third can be exercised after 14 May 2013.

On 20 January 2012, 4,000,000 share options were granted plus an additional 1,000,000 to an employee; on the resignation from the Board of Mr Lai Seng Kwoone, 500,000 options issued on 16 November 2011 were cancelled.

On 10 February 2012, 10,200,000 ordinary shares were subscribed in cash;

On 14 February 2012, 23,571,428 ordinary shares were issued for the acquisition of the remaining 30% of the issued share capital of Nova Mongolia Corp Pte Ltd not currently owned by the company, together with 12,857,143 warrants to subscribe for ordinary shares;

On 27 February 2012, 2,210,526 new ordinary shares were subscribed for cash.

Share – based payments

Details of the options and warrants issued are provided in the Directors' Report. The details of the option scheme are as follows:

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20. CALLED UP SHARE CAPITAL (continued...)

	2012 Number of options	2012 Weighted average exercise price Pence	2011 Number of options	2011 Weighted average exercise price Pence
Outstanding at beginning of period	2,000,000	3	-	-
Options cancelled in period	-	-	-	-
Options granted in period	11,500,000	-	2,000,000	3
Outstanding at end of the period	13,500,000	3	2,000,000	3
			-	

None of the options above have been exercised and all remain outstanding at the year end. The fair value of the options granted during the period has been calculated using the Black Scholes model assuming the inputs shown below:

Grant date	November 2011
Share price at grant date	2.38p
Exercise price	3p
Expected option life in years	5
Risk free interest rate	4%
Expected volatility	25%
Expected dividend yield	0%
Fair value of option	0.36p

Volatility has been estimated by taking the historic volatility in the Company's share price over two years.

	2012 Number of warrants	2012 Weighted average exercise price Pence	2011 Number of warrants	2011 Weighted average exercise price Pence
Outstanding at beginning of the period	30,000,000	6	-	-
Warrants granted in period	42,857,143	-	30,000,000	6
Outstanding at end of the period	72,857,143	6	30,000,000	6

The warrant over ordinary shares that have been issued to employees have a seven year vesting period six months from the grant date.

None of the warrant above have been exercised and all remain outstanding at the year end. The fair value of the warrants granted during the period has been calculated using the Black Scholes model assuming the inputs shown below:

20. CALLED UP SHARE CAPITAL (continued...)

Grant date	February 2012
Share price at grant date	8p
Exercise price	2p
Expected warrant life in years	1
Risk free interest rate	4%
Expected volatility	25%
Expected dividend yield	0%
Fair value of option	0.0p

Volatility has been estimated by taking the historic volatility in the Company's share price over two years.

21. RECONCILIATION OF OPERATING LOSS TO CASH GENERATED FROM OPERATIONS

	Group 2012 £	Company 2012 £	Group 2011 £	Company 2011 £
Loss before interest and tax	(1,109,909)	(478,257)	(158,143)	(156,711)
Provision for quoted investment	117,787	117,787	(117,788)	(117,788)
Minority interests	(1,100)	-	1,100	-
	(993,222)	(360,470)	(274,831)	(274,499)
(Increase)/(decrease) in inventories	(19,288)	-	-	-
(Increase)/decrease in trade and other receivables	(919,070)	(1,157,789)	(299,926)	(364,024)
(Decrease)/increase in trade and other payables	2,613,715	35,822	(6,185)	(6,681)
Depreciation	96,867	-	-	-
Loss on disposal of fixed assets	45,448	-	-	-
Share based payments	16,742	16,742	-	-
Cash generated from / (consumed in) operations	841,192	(1,465,695)	(580,942)	(645,204)

22. FINANCIAL COMMITMENTS

Capital commitments

There was no capital expenditure that had been contracted for at the balance sheet date but not yet incurred.

23. RELATED PARTY TRANSACTIONS

As at 31 December 2012, Nova Trans Limited owed Menora Trading Limited £55,107, a company controlled by Chan Fook Meng. The loan bears interest at 8% per annum.

As at 31 December 2012, Nova Trans Limited owed £78,088 to Nazim Khan.

23. RELATED PARTY TRANSACTIONS (contuinuted)

As at 31 December 2012, Nova Trans Limited owed £224,427 to Ferro Mongolia Resources Limited, a company where Christopher Morgan and Chan Fook Meng are directors.

As at 31 December 2012, Nova East Management Pte Limited paid services and consultancy fees of £60,411 to Menora Trading Limited.

24. CONTINGENT LIABILITIES

The Company has no contingent liabilities arising in respect of legal claims arising from the ordinary course of business and it is not anticipated that any material liabilities will arise from the contingent liabilities other than those provided for.

25. POST BALANCE SHEET EVENTS

On the 20th April 2013, the coal transportation contract between Nova Trans LLC and Transgobi LLC expired.

On the 20th June 2013, the company issued 5,500,000 warrants. Each warrant entitles the Warrant holder to subscribe for one new ordinary share in the Company at a price of 1.5pence per new ordinary share at any time until 30 June 2018.

26. ULTIMATE CONTROLLING PARTY

The parent company is Shine Link Limited, a British Virgin Islands registered company owned by Mr Chan Fook Meng.