RED EMPEROR RESOURCES NL

ACN 124 734 961

Annual Report

For the year ended 30 June 2010

CONTENTS

CORPORATE DIRECTORY

MANAGING DIRECTOR
Gregory Bandy

NON-EXECUTIVE DIRECTOR
Kent Hunter
Stephen Brockhurst

COMPANY SECRETARY
Shannon Caporn

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STOCK EXCHANGE LISTING
Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: RMP

DIRECTORS' REPORT

Your directors present their report on the Company for the year ended 30 June 2010.

1. DETAILS OF DIRECTORS AND OFFICERS

Directors holding office during all of the financial year and up to the date of this report unless otherwise stated are:

Greg Bandy	Managing Director (appointed 1 August 2010)
Qualifications	BCom, ASXA1 (ASX)
Experience	Mr Bandy is a senior advisor at Patersons Securities. He has over ten years experience with capital markets and currently holds an executive board position with Empire Beer Group. He brings with him an intimate knowledge of equities and corporate transactions as well as an array of opportunities to Red Emperor.
Directorships of listed companies held within the last 3 years	Empire Beer Group Limited — 18 March 2009 to present
Interest in Shares	Nil

Kent Hunter	Non-Executive Director (effective 1 August 2010; formerly Managing Director)
Qualifications	BBus, CA
Experience	Mr Hunter is a Chartered Accountant with over 16 years' corporate and company secretarial experience. He has been involved in the listing of over 20 companies on ASX in the past 9 years. He has experience in capital raisings, ASX compliance and regulatory requirements and is currently also a director of Cazaly Resources Limited and Cauldron Energy Limited and is company secretary of two other ASX listed entities.
Directorships of listed companies held within the last 3 years	Cauldron Energy Limited — November 2002 to present Cazaly Resources Limited — August 2003 to present Gryphon Minerals Limited — January 2004 to 5 November 2008 Venture Minerals Limited — May 2006 to 18 July 2008 Elixir Petroleum Limited — March 2004 to 12 November 2007
Interest in Shares	1,108,001 ordinary fully paid shares

DIRECTORS REPORT (Continued)

Stephen Brockhurst	Non-Executive Director
Qualifications	BCom
Experience	Mr Brockhurst has 10 years experience in the finance and corporate advisory industry and has been responsible for the preparation of the due diligence process and prospectuses on a number of initial public offers with capital raising in excess of $100 million. Mr Brockhurst's experience includes corporate and capital structuring, corporate advisory and Company secretarial services, capital raising, ASX and ASIC compliance requirements. Mr Brockhurst is currently also a Director of Stirling Minerals Limited, and Company Secretary of both Cauldron Energy Limited and Monitor Energy Limited.
Directorships of listed companies held within the last 3 years	Stirling Minerals Limited — April 2009 to present Jacka Resources Limited — October 2009 to present Blackham Resources Limited — May 2006 to 16 December 2009
Interest in Shares	250,001 ordinary fully paid shares
Terry Gardiner	Non-Executive Director (resigned 1 August 2010)
Qualifications	Diploma of Financial Services (Financial Planning)
Experience	Mr Gardiner holds a Diploma in Financial Services and is an Executive Director of Barclay Wells Limited, a boutique Perth broking firm. Mr Gardiner has extensive business experience ranging from owning and operating a number of private businesses, funds management administration, entertainment and hospitality services, property investment and share and derivatives trading. Mr Gardiner has experience in capital raisings and support and promotion in the junior mining sector and also extensive experience in discretionary funds management for sophisticated and private investors.
Directorships of listed companies held within the last 3 years	Nil
Interest in Shares	1,001,100 ordinary fully paid shares

DIRECTORS REPORT (Continued)

COMPANY SECRETARY

The Company Secretary, Shannon Caporn, LLB, B.Com, ACIS, was appointed as Company Secretary on 1 August 2010.

Ms Shannon Caporn is a senior executive of Grange Consulting Group Pty Ltd, where she specialises in providing corporate advice in relation to acquisitions, capital raisings, listing of companies on ASX, due diligence reviews and legal compliance, takeovers and managing legal issues associated with the activities undertaken by Grange's clients. Shannon acts as company secretary for a number of ASX listed and unlisted companies. Shannon is a corporate lawyer and an associate of the Institute of Chartered Secretaries and Administrators (ICSA) and Chartered Secretaries Australia (CSA) and a member of AMPLA. The company secretarial services provided by Ms Caporn are as an employee of Grange Consulting Group Pty Ltd.

The former Company Secretary, Elizabeth Hanrahan, BSc, MAcc, was appointed as Company Secretary upon incorporation of the Company and held the position until 1 August 2010. The company secretarial services provided by Ms Hanrahan were as an employee of Mining Corporate Pty Ltd.

Ms Hanrahan has seven years' corporate and accounting experience. She has been involved in the listing of approximately ten junior gold and base metal exploration companies on ASX in the past six years. She has experience in corporate advisory and company secretarial services, ASX and ASIC compliance management.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year was mineral exploration and project acquisition.

There were no significant changes in the nature of the Company's principal activities during the financial year.

3. FINANCIAL POSITION

The net assets of the Company have decreased by $1,123,846 from 30 June 2009 to $1,444,685 in 2010.

The Company's working capital, being current assets less current liabilities, has reduced from $1,865,777 in 2009 to $676,565 in 2010.

The directors believe the Company is in a strong and stable financial position to expand and grow its current operations. On 12 August 2010 the Company announced $2.8M has been raised under a private placement facility of 31,111,111 shares.

4. OPERATING RESULTS

The loss of the Company after providing for income tax amounted to $1,150,426 (2009: $1,967,858).

5. DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

DIRECTORS REPORT (Continued)

6. REVIEW OF OPERATIONS

JILLEWARRA COPPER GOLD PROJECT

The North Murchison Goldfields have recently had resurgence in polymetallic exploration with the discoveries of the Doolgunna Project (Sandfire Resources NL) and the Austin Project (Silver Swan Group).

Red Emperor is pleased to announce that the Company is commencing a geochemistry program in conjunction with a drilling program within the next month after interpretation of prior exploration activities including geochemistry and soil sampling has identified drill targets to test the gossan and the margins of the ultramafic unit.

Field reconnaissance by Cazaly Resources Limited ("Cazaly", ASX Code:CAZ) highlighted the prospectivity of the ultramafic–basalt horizon between Rafters Run and Hewitt's Find. The prospective contact zone strikes for over 6km within the Project Area but has received limited drill testing. Exploration in the Rafters Run area has previously focused on nickel and the IP anomalies require further investigation, however the potential for copper – gold mineralisation has not been evaluated.

Mullock samples were previously collected from a small prospecting shaft (Rafters Run prospect) and returned significant results (up to 10.8% Cu). The mineralisation was hosted in a sheared ultramafics unit at the interpreted contact within a basalt unit.

The current geochemical program will target amenable areas along the mineralisation trends already identified, involving the collection of approximately 950 samples.

In conjunction with Cazaly, the Company has scheduled 1,000 metres of RC drilling, covering 14 drillholes. The prospective ultramafic–basalt contact zone strikes for over 6km within the Project Area and has received limited historical drill testing.

The proposed geochemical program, combined with the proposed 1,000m of RC drilling, provides an excellent opportunity to explore a large portion of the tenements in areas that have already provided indications of mineralisation. The Company has recently received heritage and environmental approvals for such programs.

RUSSIAN POTASH PROJECT:

The Directors advise that in relation to the proposed acquisition of a controlling interest in a Russian potash project, details of which were announced to ASX on 20 May 2009 (the **Project**), the Company has been advised by its Russian partners that the acquisition date is once again facing a delay. The Russian entity with which Red Emperor has a conditional agreement to acquire the Project remains confident it can ultimately achieve its objective of instituting an acquisition process that is commercially acceptable to and within a timeframe acceptable to the Company.

The Russian entity has indicated that their discussions with relevant government departments have not yet led to a commercially viable outcome, in particular in relation to the pricing of the Project. Red Emperor remains committed to the agreement to acquire the Project should the Russian entity achieve its aim of delivering an acquisition process at a commercial price.

DIRECTORS REPORT (Continued)

RUSSIAN TIMBER PROJECT

As announced to ASX on 19 June 2008, the Company has entered into a Memorandum of Understanding with Russian partners whereby the partners will provide the Company with the opportunity to acquire a 100% interest in a license to harvest a timber resource in Russia.

The Company has been advised by the Russian partners that they are no longer in a position to procure this license for the Company.

OTHER PROJECTS WITH RUSSIAN PARTNERS

The Company and its Russian Partners continue to source and review additional and alternative resource projects, including mineral resources, for attractive opportunities to add shareholder value. The Company is currently reviewing several prospective projects. The Company looks forward to updating the market on these exploration projects in the future.

7. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 31 August 2009 the Company's listed $0.25 options expired. 19,495,002 options lapsed unexercised.

On 16 June 2010, the Company announced the heads of agreement signed with Africa Oil Corp to acquire an interest in onshore petroleum projects in the Dharoor Valley and the Nugaal Valley of Puntland, Somalia ("Puntland Farmin"). Pursuant to the transaction, the Company will acquire a 10% interest in the Puntland Farmin with an option to increase its interest by a further 10% to 20%. The Puntland Farmin is conditional on the satisfaction of certain conditions precedent including ministerial approval following execution of formal agreements as announced to ASX on 12 August 2010.

There have been no other significant changes in the Company's state of affairs during the financial year or since the end of the financial year.

8. AFTER BALANCE DATE EVENTS

On 16 July 2010 the Company incorporated a wholly owned subsidiary, Puntland Oil Pty Ltd.

On 20 July 2010 the Company issued 4.5M shares to Max Capital Pty Ltd as part consideration for corporate services and as in the ASX announcement dated 16 June 2010.

On 1August 2010, the Company has appointed Greg Bandy as the managing director with the resignation of Terry Gardner.

On 12 August 2010 the Company issued 31,111,111 shares at 9c per share as a private placement to investors to raise $2.8M. This placement was approved at the general meeting of shareholders held 23 July 2010.

On 12 August 2010 the Company issued 11.5M shares to Max Capital Pty Ltd as the balance of consideration for corporate services and as stated in the ASX announcement dated 16 June 2010. This issue to Max Capital was approved at the general meeting of shareholders held 23 July 2010.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

DIRECTORS REPORT (Continued)

9. FUTURE DEVELOPMENTS

The Company will continue its mineral exploration activity at its exploration projects with the object of identifying commercial resources.

10. ENVIRONMENTAL ISSUES

The Company is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

The directors have considered the recently enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the company for the current, nor subsequent, financial year. The director will reassess this position as and when the need arises.

11. REMUNERATION REPORT

This report details the nature and amount of remuneration for each director of Red Emperor Resources NL.

Remuneration Policy

The remuneration policy of Red Emperor Resources NL has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The board of Red Emperor Resources NL believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the company, as well as create goal congruence between directors and shareholders.

The Board's policy for determining the nature and amount of remuneration for board members is as follows:

- The Remuneration policy, setting the terms and conditions for the executive directors and other senior staff members, was developed and approved by the board. In determining competitive remuneration rates, the Board seeks independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice is obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation options and fringe benefits.

The Company is an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions, within the same industry. The Board however acquired shares as part of the terms of the Initial Public Offer. Board members have retained these securities which assist in aligning their objectives with overall shareholder value.

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DIRECTORS REPORT (Continued)

Options may also be issued to Board members to provide a mechanism to participate in the future development of the Company and as an incentive for their future involvement with and commitment to the Company.

Options and performance incentives will be issued in the event that the entity moves from an exploration entity to a producing entity, and key performance indicators such as profits and growth can be used as measurements for assessing Board performance.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits.

All remuneration paid to directors is valued at the cost to the Company and expensed or capitalised to exploration expenditure if appropriate. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board in consultation with independent advisors determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Directors and executives are encouraged to buy shares in the Company. In addition Directors and executives may be issued shares and/or options to encourage the alignment of personal and shareholder interest.

Details of Remuneration for Year Ended 30 June 2010

The remuneration for each director of the company receiving the highest remuneration during the year was as follows:

	SHORT-TERM BENEFITS			POST EMPLOYMENT	SECURITIES ISSUED		TOTAL
	Salary	Other *	Non-Cash	Superannuation	Equity	Options	$
Directors							
Kent Hunter – Managing Director							
2010	100,000	-	-	9,000	-	-	109,000
2009	91,667	-	-	8,250	-	-	99,917
Stephen Brockhurst – Non Executive Director							
2010	30,000	-	-	2,700	-	-	32,700
2009	30,000	-	-	2,700	-	-	32,700
Terry Gardiner – Non Executive Director							
2010	30,000	-	-	2,700	-	-	32,700
2009	30,000	-	-	2,700	-	-	32,700
Total Remuneration Directors							
2010	160,000	-	-	14,400	-	-	174,400
2009	151,667	-	-	13,650	-	-	165,317

DIRECTORS REPORT (Continued)

Other related party payments

i) An aggregate amount of $68,938 (2009: $78,660) was paid, or was due and payable to Mining Corporate Pty Ltd, a company of which Messrs Hunter and Brockhurst are Directors, for the provision of corporate and secretarial services to the Company. The total payment to Mining Corporate Pty Ltd included the provision of company secretarial services performed by Elizabeth Hanrahan.
ii) During the year, $50,925 (2009: nil) was paid to Barclay Wells Limited, a company of which Mr Gardiner is a Director, for the provision of capital raising services in relation to the Company's standby loan facility.

Employment Contracts of Directors and Senior Executives

Managing Director, Gregory Bandy
- Term of agreement - commencing 26 July 2010 with no fixed term.
- Annual salary of $60,000 exclusive of superannuation.

Non-Executive Director, Kent Hunter
The Company entered into an agreement with Mr Hunter following his role changing to non-executive director on the following terms:
- Term of agreement - commencing 7th January 2008 with no fixed term
- Director's fee of $30,000 per annum and included directors; and officers' liability insurance

Mr Hunter was engaged during the year as executive director under the following terms:
- Term of agreement - commencing 1st September 2007 with 3 years term.
- Annual salary of $120,000 paid on a pro-rata basis exclusive of superannuation and inclusive of taxes, non cash benefits other than an allowance of up to $10,000 per annum.

Non-Executive Director, Stephen Brockhurst
- Term of agreement - commencing 1st September 2007 with no fixed term
- Director's fee of $30,000 per annum and included directors; and officers' liability insurance

Non-Executive Director, Terry Gardiner
- Term of agreement - commencing 7th January 2008 with no fixed term
- Director's fee of $30,000 per annum and included directors; and officers' liability insurance

The employment contract states a three-month resignation period. The Company may terminate an employment contract without cause by providing three months written notice or making payment in lieu of notice, based on the individual's annual salary component
During and since the end of financial year, no options were issued to Directors and executives as part of remuneration.

12. DIRECTORS' INTEREST IN CONTRACT

Messrs Hunter and Brockhurst are directors and shareholders of Mining Corporate Pty Ltd, which provided company secretarial services to Red Emperor Resources NL during the year.

Mr Gardiner is a director of Barclay Wells Limited which provided capital raising services to the Company during the year.

DIRECTORS REPORT (Continued)

13. MEETINGS OF DIRECTORS

The number of directors' meetings held during the financial period each director held office during the financial period and the numbers of meetings attended by each director are:

	Directors Meetings	
Director	**Number Eligible to Attend**	**Meetings Attended**
Kent Hunter	3	3
Stephen Brockhurst	3	3
Terry Gardiner	3	3

The Company does not have a formally constituted audit committee. The Board has resolved that given the size and scale of the operations of the Company, the full Board will undertake the role of the Audit Committee. The Board has adopted an Audit Committee Charter which represents the duties required to be undertaken by the whole Board in their role as otherwise performed by the audit committee.

14. OPTIONS

At the date of this report, no options over unissued ordinary shares of the Company existed.

On 31 August 2009 the Company's listed $0.25 options expired. 19,495,002 options lapsed unexercised.

During the financial year 4,000 ordinary shares have been issued as the result of the exercise of options.

There has been no further issue of ordinary shares as the result of the exercise of options since the end of the financial year.

15. PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, and no proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237. The company was not a party to any such proceedings.

16. INDEMNIFYING OFFICERS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

17. NON-AUDIT SERVICES

The board of directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

No non-audit services were provided by the external auditors during the year ended 30 June 2010.

DIRECTORS REPORT (Continued)

18. AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration required by Section 307C of the *Corporations Act 2001* is set out on page 14.

Signed in accordance with a resolution of the Board of Directors.

Kent Hunter
Director **Perth, 28 September 2010**

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

This declaration is made in connection with our audit of the financial report of Red Emperor Resources NL for the year ended 30 June 2010 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 28th day of September 2010

Bentleys
Thinking ahead

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& Corporate (WA) Pty Ltd
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Independent Auditor's Report

To the Members of Red Emperor Resources NL

We have audited the accompanying financial report of Red Emperor Resources NL ("the Company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Company.

Directors Responsibility for the Financial Report

The directors of Red Emperor Resources NL are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing 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. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, 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.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Auditor's Opinion

In our opinion:

a. The financial report of Red Emperor Resources NL is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

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

b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included within the report of the directors for the year ended 30 June 2010. The directors of Red Emperor Resources NL are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Red Emperor Resources NL for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 28th day of September 2010

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2010

	NOTE	30 June 2010 $	30 June 2009 $
Revenues from ordinary activities	2	20,512	92,144
Administration expenses		(56,544)	(60,081)
Capital raising costs		(168,881)	-
Compliance and regulatory expenses		(56,249)	(52,256)
Consultancy costs		(542,333)	(138,053)
Directors fees		(60,000)	(59,250)
Employee benefits expense		(14,400)	(13,650)
Occupancy expense		(24,087)	(24,038)
Exploration expenditure written off		(2,830)	(17,843)
Forestry expenditure written off		(55,487)	(387,536)
Mineral project generation written off		(153,034)	(684,452)
Net fair value loss on financial assets		(12,983)	(596,843)
Loss on share trading		(24,110)	(26,000)
Loss before income tax expense		(1,150,426)	(1,967,858)
Income tax expense	3	-	-
Loss for the year		(1,150,426)	(1,967,858)
Other comprehensive income			
Net gain on revaluation of financial asset		25,580	-
Other Comprehensive income for the year, net of tax		25,580	-
Total comprehensive income for the year		(1,124,846)	(1,967,858)
Total comprehensive income attributable to members of the company		(1,124,846)	(1,967,858)
Basic loss per share (cents per share)	5	(2.95)	(5.04)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2010

	NOTE	30 June 2010 $	30 June 2009 $
CURRENT ASSETS			
Cash and cash equivalents	6	60,001	1,145,505
Trade and other receivables	7	76,394	54,799
Financial asset at fair value through profit and loss	8	781,615	921,144
Financial assets available for sale	8	225,580	200,000
TOTAL CURRENT ASSETS		1,143,590	2,321,448
NON CURRENT ASSETS			
Exploration, evaluation and development expenditure	9	768,120	702,754
TOTAL NON CURRENT ASSETS		768,120	702,754
TOTAL ASSETS		**1,911,710**	**3,024,202**
CURRENT LIABILITIES			
Trade and other payables	10	467,025	100,671
Financial liabilities	11	-	355,000
TOTAL CURRENT LIABILITIES		467,025	455,671
TOTAL LIABILITIES		**467,025**	**455,671**
NET ASSETS		**1,444,685**	**2,568,531**
EQUITY			
Issued capital	12	5,299,019	5,103,029
Option reserve	13	-	194,990
Financial asset reserve		25,580	-
Accumulated losses		(3,879,914)	(2,729,488)
TOTAL EQUITY		**1,444,685**	**2,568,531**

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2010

	Issued Capital $	Option Reserve $	Financial Asset Reserve $	Accumulated Losses $	Total $
Balance at 30 June 2008	**5,103,029**	**194,990**	**-**	**(761,630)**	**4,536,389**
Loss for the year	-	-	-	(1,967,858)	(1,967,858)
Total other comprehensive income	-	-	-	-	-
Balance at 30 June 2009	**5,103,029**	**194,990**	**-**	**(2,729,488)**	**2,568,531**
Exercise of options	1,040	(40)	-	-	1,000
Lapse of options	194,950	(194,950)		-	-
Loss for the year	-	-	-	(1,150,426)	(1,150,426)
Total other comprehensive Income	-	-	25,580	-	25,580
Balance at 30 June 2010	**5,299,019**	**-**	**25,580**	**(3,879,914)**	**1,444,685**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2010

	NOTE	30 June 2010 $	30 June 2009 $
Cash Flows from Operating Activities			
- Payments to suppliers and employees		(482,850)	(326,775)
- Payments for exploration and evaluation		(83,734)	(311,318)
- Payments for forestry evaluation		(61,461)	(381,562)
- Payments for mineral project evaluation		(175,080)	(662,405)
- Interest received		21,125	107,170
Net cash used in operating activities	16(ii)	(782,000)	(1,574,890)
Cash Flows from Investing Activities			
- Purchase of shares		(118,339)	(334,741)
- Proceeds from sale of shares		228,835	852
- Loan to unrelated entity		(65,000)	-
Net cash used in investing activities		45,496	(333,889)
Cash Flows from Financing Activities			
- Proceeds from issue of shares		1,000	-
- Standby loan facility funds received/(returned)		(355,000)	355,000
- Repayment of loan to unrelated entity		5,000	-
Net cash provided by financing activities		(349,000)	355,000
Net decrease in cash held		(1,085,504)	(1,553,779)
Cash at beginning of financial year		1,145,505	2,699,284
Cash at end of financial year	16(i)	60,001	1,145,505

The accompanying notes form part of these financial statements

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers the Company of Red Emperor Resources NL. Red Emperor Resources NL is a listed public company, incorporated and domiciled in Australia.

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

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

(a) Going concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Company incurred a loss from ordinary activities of $1,150,426 for the year ended 30 June 2010 (2009: $1,967,858 loss). Included within this loss was the write off of exploration and project opportunity evaluation expenditure of $211,351 (2009: $1,089,831).

The net working capital position of the Company at 30 June 2010 was $676,565 (2009: $1,865,777) and the net decrease in cash held during the year was $1,085,504 (2009: a decrease of $1,553,779).

The ability of the Company to continue to pay its debts as and when they fall due is dependent upon the Company successfully raising additional share capital and ultimately developing one of its mineral properties and from the continued support of directors.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- Since the end of the financial year the Company has raised $2.8M by the issue of 31,111,111 shares in a private placement as approved by shareholders at the general meeting held 23 July 2010; and
- The Company holds shares in listed companies with a current book value of approximately $700,000 which can be readily sold for cash.

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

(b) Income Tax

The income tax revenue for the year comprises current income tax income and deferred tax income.

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

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

Current and deferred income tax income is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

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

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

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

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

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

(c) Exploration, Evaluation and Development Expenditure

Costs incurred during exploration and evaluations related to an area of interest are accumulated. Costs are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not at balance date reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves. In these instances the entity must have rights of tenure to the area of interest and must be continuing to undertake exploration operations in the area.

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

(c) Exploration, Evaluation and Development Expenditure (con't)

These assets are considered for impairment on an annual basis, depending on the existence of impairment indicators including:

- the period for which the Company has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; and
- sufficient key data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

(d) Segment Reporting

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Company's chief operating decision maker which, for the Company, is the board of directors. In this regard, such information is provided using different measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position. Reconciliations of such management information to the statutory information contained in the interim financial report have been included.

As a result of the adoption of the revised AASB 8, certain cash generating units have been redefined having regard to the requirements in AASB 136: Impairment of Assets.7.

(e) Financial Instruments

Recognition and Initial Measurement

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

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

Derecognition

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

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

(e) Financial Instruments (con't)

Classification and Subsequent Measurement

i.Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. Available-for-sale financial assets

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

v. Financial Liabilities

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

Fair value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Impairment

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

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

(f) Impairment of Assets

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

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

(g) Foreign Currency Transactions and Balances

Functional and presentation currency

The financial statements are presented in Australian dollars which is the entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the Statement of Comprehensive Income.

(h) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. 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. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(i) Provisions

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

(j) Cash and Cash Equivalents

Cash and cash equivalents includes cash on 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 short-borrowings in current liabilities on the Statement of Financial Position.

(k) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.
Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

Cash flows are included in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities which are classified as operating cash flows.

(m) Trade and Other Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the entity will not be able to collect the debts. Bad debts are written off when identified.

(n) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid and arise when the company becomes obliged to make future payments in respect of the purchase of these goods and services.

(o) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

In the case of capital funds being returned to investors due to a cancelled capital raising, the associated capital raising costs are expensed in the loss for the year.

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

(p) Share Based Payments

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(q) Earnings Per Share

Basic earnings per share is calculated as net earnings attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for an bonus element.

Diluted EPS is calculated as net earnings attributable to members, adjusted for:
costs of servicing equity (other than dividends) and preference share dividends; the after tax effect of dividends and interest associated with dilutive potential ordinary shares that would have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(r) Critical accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using Black-Scholes option pricing model.

Exploration and evaluation costs
Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at Statement of Financial Position date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

Environmental Issues
Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the company's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

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

Taxation
Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

(s) Comparative figures

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

When the Group applies an accounting policy retrospectively, makes a retrospective statement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period is disclosed.

(t) New Accounting Standards for Application in Future Periods

The AASB has issued new, revised and amended Standards and Interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. A discussion of those future requirements and their impact on the Company is as follows:

- AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

  The changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
  - reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
    - the objective of the entity's business model for managing the financial assets; and
    - the characteristics of the contractual cash flows.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

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

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

- AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]

- (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

  These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB 2009–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

  These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

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

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

- AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

  This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

- AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

  This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

  The Company does not anticipate the early adoption of any of the above Australian Accounting Standards.

The financial report was authorised for issue on 28 September 2010 by the board of directors.

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

	2010 $	2009 $
2. REVENUE		
Interest received	20,512	91,860
Other	-	284
	20,512	92,144

	2010 $	2009 $
3. INCOME TAX EXPENSE		
The components of the tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-

(a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

	2010 $	2009 $
Net loss before tax	(1,150,426)	(1,967,858)
Prima facie tax benefit on loss from ordinary activities before income tax at 30%	(345,128)	(590,357)
Increase in income tax due to:		
Non-deductible expenses	256,493	324,393
Effect of non recognition of current year tax losses	88,499	171,440
Derecognition of previously recognised tax losses	-	8,930
Effect of non recognition of current year capital losses	-	14,715
Capital gain on expiry of options	58,500	-
Under provision from prior year	-	60,416
Decrease in income tax expense due to:		
Movement in unrecognised temporary differences	(16,320)	37,792
Utilisation of previously unrecognised capital losses	(14,715)	-
Tax benefit of deductible equity raising costs	(27,329)	(27,329)
Income tax attributable to entity	-	-

(b) **Unrecognised deferred tax assets**
Deferred tax assets have not been recognised in respect of the following:

	2010 $	2009 $
Deductible temporary differences	67,699	119,022
Tax revenue losses (no expiry date)	506,393	417,893
Tax capital losses	-	14,715
	574,092	551,630

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

	2010 $	2009 $
4. *AUDITORS' REMUNERATION*		
Remuneration of the auditor for:		
- Auditing or reviewing the financial report	26,325	23,250
- Other services	-	-
	26,325	23,250

	2010 $	2009 $
5. *EARNINGS PER SHARE*		
(a) Loss used in the calculation of basic EPS	(1,150,426)	(1,967,858)
	Number of Shares	***Number of Shares***
(b) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic earnings per share:	39,005,003	39,001,003

6. *CASH AND CASH EQUIVALENTS*

Cash at bank and in hand	60,001	44,705
Short term bank deposits	-	745,800
Standby loan facility funds	-	355,000
	60,001	1,145,505

7. *TRADE AND OTHER RECEIVABLES*

Current		
Accrued interest	-	613
Other debtors	16,394	33,396
Loan to unrelated entity (i)	60,000	-
Prepayments	-	20,790
	76,394	54,799

The following table details the Company's trade and other receivables exposed to risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Company and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not fully be repaid to the Company.

(i) Under a formal loan agreement, a loan of $65,000 was made to an unrelated party on 19 January 2010 of which $5,000 was repaid on 10 June 2010. The total loan is required to be repaid by 1 August 2010 plus interest calculated on the number of days the loan is outstanding at a rate of 12% per annum.

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

7. TRADE AND OTHER RECEIVABLES (con't)

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount	Past due and impaired	Past due but not impaired				Within initial trade terms
			< 30 days	31-60 days	61-90 days	> 90 days	
	$	$	$	$	$	$	$
2010							
GST receivable	10,034	-	-	-	-	-	10,034
Loan to non-related entity	60,000	-	-	-	-	-	60,000
Other	6,360	-	-	-	-	-	6,360
	76,394	**-**	**-**	**-**	**-**	**-**	**76,394**
2009							
Accrued interest	613	-	-	-	-	-	613
Prepayments	20,790	-	-	-	-	-	20,790
GST receivable	19,957	-	-	-	-	-	19,957
Other	13,439	-	-	-	-	-	13,439
	54,799	**-**	**-**	**-**	**-**	**-**	**54,799**

8. FINANCIAL ASSETS

Current financial assets at fair value through profit and loss		
Listed investments, at fair value	781,615	921,144
Current available for sale Financial Asset		
Unlisted investments, at fair value	225,580	200,000
	1,007,195	1,121,144

Financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity dates attached to these investments.

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

9. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

	2010	2009
	$	$
Non-Current		
Costs carried forward in respect of areas of interest in:		
- Exploration and evaluation phases – at cost	768,120	702,754
Movement		
Brought forward	702,754	462,418
Exploration expenditure capitalised during the year	221,230	942,631
Exploration expenditure written off	(155,864)	(702,295)
	768,120	702,754

The exploration expenditure written off consists of $2,830 (2009: $15,872) in relation to expenditure on the Jillewarra Project in Western Australia, $nil (2009: $1,971) in relation to Western Australian tenement opportunity expenditure and $153,034 (2009: $684,452) in relation to overseas opportunities.

The value of the Company's interest in exploration expenditure is dependent upon:

- the continuance of the Company's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The granted Jillewarra tenements are due to expire on 6 April 2011. There are however mechanisms within the Mining Act to extend the period of tenure if certain conditions are met, particularly if significant mineralisation is found. The Company and its joint venture partners will be working towards identifying any mineral potential prior to the tenements expiring.

The Company's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

10. TRADE AND OTHER PAYABLES

	2010	2009
	$	$
Current		
Trade creditors	498	82,666
Accruals	466,527	18,005
	467,025	100,671

11. FINANCIAL LIABILITIES

Standby loan funds	-	355,000

On 18 May 2009 the Company announced it would raise up to A$6 million by way of redeemable converting standby loans primarily for the purpose of acquiring a controlling interest in a Russian potash project (Project), details of which were announced on 20 May 2010. A total of $2,117,750 was received pursuant to the standby loan however, as announced to ASX on 7 September 2009; refunds have been issued for the total loan funds.

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

12. ISSUED CAPITAL	2010 $	2009 $
Ordinary Shares – Fully Paid		
At the beginning of the reporting period	5,102,279	5,102,279
Shares issued during the year	-	-
Options exercised during the year		
- 4,000 on 31 July 2009	1,040	-
Options lapsed during the year		
- 19,495,002 on 31 August 2009	194,950	-
Transaction costs relating to share issues	-	-
At reporting date	5,298,269	5,102,279

	2010 $	2009 $
Ordinary Shares – Partly Paid (Paid $0.0001, $0.2499 unpaid)		
At the beginning of the reporting period	750	750
Shares issued during the year	-	-
Transaction costs relating to share issues	-	-
At reporting date	750	750

The authorised share capital of the company as at 30 June 2010 was 39,005,003 ordinary shares.

	No.	No.
Ordinary Shares – Fully Paid		
At the beginning of the reporting period	31,501,003	31,501,003
Options exercised during the year		
- 4,000 on 31 July 2009	4,000	-
At reporting date	31,505,003	31,501,003

	No.	No.
Ordinary Shares - Partly Paid (Paid $0.0001, $0.2499 unpaid)		
At the beginning of the reporting period	7,500,000	7,500,000
Shares issued during the year	-	-
At reporting date	7,500,000	7,500,000

At shareholders meetings each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital Management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.
The Company's capital includes ordinary share capital, partly paid shares and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

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

Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The net working capital position of the Company at 30 June 2010 was $676,565 (2009: $1,865,777) and the net decrease in cash held during the year was $1,085,504 (2009: a decrease of $1,553,779).

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. For further details please refer to Note 1 to the financial statements.

13. OPTION RESERVE

	2010 $	2009 $
Reserves at the beginning of the reporting period	194,990	194,990
4,000 options exercised during the year	(40)	-
19,495,002 options expired during the year	(194,950)	-
Option Reserve at the end of the financial reporting period	-	194,990

14. CONTINGENT LIABILITIES

On 16 June 2010, the Company announced the h eads of agreement signed with Africa Oil Corp to acquire an interest in onshore petroleum projects in the Dharoor Valley and the Nugaal Valley of Puntland, Somalia ("Puntland Farmin"). Pursuant to the transaction, the Company is required to deposit US$2 million with an escrow agent and enter into a formal escrow agreement by 31 August 2010 for the purpose of meeting the Company's payment obligations set out in the Farmin Agreement.

On 16 June 2010, the Company also announced the corporate advisory mandate with Max Capital Pty Ltd to provide introduction, facilitation and financing services. The fee to Max Capital includes:

1. 5.5 million fully paid ordinary shares in the capital of the Company and a cash payment of $150,000 on the Company executing formal agreements in response of a transaction introduced by Max Capital; and
2. a milestone payment of 20 million fully paid ordinary shares in the capital of the Company on the project introduced achieving a commercial milestone as agreed between Max Capital and the Company.

In the opinion of the directors there were no other contingent liabilities at 30 June 2010, and the interval between 30 June 2010 and the date of this report.

15. OPERATING SEGMENTS

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources. During the year the Company operated in two business segments (for primary reporting) being:

(i) mineral exploration; and
(ii) forestry; and

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

15. OPERATING SEGMENTS (continued)

principally in two geographical segment (for secondary reporting) being:

(i) Australia; and
(ii) Russia

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted
Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Company.

Inter-segment transactions
Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets
Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities
Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Company as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

*Unallocated item*s
The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- administration and other operating expenses not directly related to a specific segment.

Comparative information
This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

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

15. OPERATING SEGMENTS (continued)

(a) Segment performance

	Australia Exploration & Evaluation $	Russia Exploration & Evaluation $	Forestry Evaluation $	Treasury $	Total Operations $
Year ended 30 June 2010					
Revenue					
Interest revenue	-	-	-	20,512	20,512
Realised gain on sale of financial assets	-	-	-	-	-
Total segment revenue	**-**	**-**	**-**	**20,512**	**20,512**
Reconciliation of segment result to net profit before tax					
Unallocated revenue	-	-	-	-	-
Total group revenue	**-**	**-**	**-**	**20,512**	**20,512**
Segment net profit/(loss) before tax				**20,512**	**20,512**
Reconciliation of segment result to company revenue					
Amounts not included in segment result but reviewed by the board:					
- net fair value gain/(loss) on financial assets	-	-	-	(12,983)	(12,983)
- exploration expenditure written off	(2,830)	(153,034)	-	-	(155,864)
- forestry expenditure written off	-	-	(55,487)	-	(55,487)
Unallocated items:					
- other	-	-	-	-	(926,092)
Net loss before tax from continuing operations					**(1,150,426)**

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

15. OPERATING SEGMENTS (continued)

(a) Segment performance

	Australia Exploration & Evaluation $	Russia Exploration & Evaluation $	Forestry Evaluation $	Treasury $	Total Operations $
Year Ended 30 June 2009					
Revenue					
Interest revenue	-	-	-	92,144	92,144
Realised gain on sale of financial assets	-	-	-	-	-
Total segment revenue	**-**	**-**	**-**	**92,144**	**92,144**
Reconciliation of segment result to company revenue					
Unallocated revenue	-	-	-	-	-
Total group revenue	**-**	**-**	**-**	**92,144**	**92,144**
Segment net profit before tax	**-**	**-**	**-**	**92,144**	**92,144**
Reconciliation of segment result to net loss before tax					
Amounts not included in segment result but reviewed by the board:					
- net fair value gain/(loss) on financial assets	-	-	-	(596,843)	(596,843)
- exploration expenditure written off	(17,843)	(684,452)	-	-	(702,295)
- forestry expenditure written off	-	-	(387,536)	-	(387,536)
Unallocated items:					
- other	-	-	-	-	(373,328)
Net loss before tax from continuing operations					**(1,967,858)**

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

15. OPERATING SEGMENTS (continued)

(b) Segment assets

	Australia Exploration & Evaluation	**Russia Exploration & Evaluation**	**Forestry Evaluation**	**Treasury**	**Total Operations**
	$	**$**	**$**	**$**	**$**
As at 30 June 2010					
Segment assets	**768,120**	**-**	**-**	**1,067,196**	**1,835,316**
Segment asset increases/(decreases) for the year:					
- capital expenditure	65,366	-	-	-	65,366
- financial assets at fair value through profit and loss	-	-	-	(1,199,453)	(1,199,453)
	65,366	-	-	(1,199,453)	(1,134,087)
Reconciliation of segment assets to total assets					
Other assets	-	-	-	-	76,394
Total asset from continuing operations					**1,911,710**
As at 30 June 2009					
Segment assets	**702,754**	**-**	**-**	**2,266,649**	**2,969,403**
Segment asset increases/(decreases) for the year:	204,336	-	-	-	204,336
- capital expenditure	-	-	-	(1,850,509)	(1,850,509)
- financial assets at fair value through profit and loss					
	204,336	-	-	(1,850,509)	(1,646,173)
Reconciliation of segment assets to total assets					
Other assets	-	-	-	-	54,799
Total asset from continuing operations					**3,024,202**

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

15. OPERATING SEGMENTS (continued)

(c) Segment liabilities

	Australia Exploration & Evaluation	Russia Exploration & Evaluation	Forestry Evaluation	Treasury	Total Operations
	$	$	$	$	$
As at 30 June 2010					
Segment liabilities	-	-	-	-	-
Reconciliation of segment liabilities to total liabilities					
Other liabilities	-	-	-	-	467,025
Total liabilities from continuing operations					**467,025**
As at 30 June 2009					
Segment liabilities	**15,539**	**14,342**	-	**355,000**	**384,881**
Reconciliation of segment liabilities to total liabilities					
Other liabilities	-	-	-	-	70,790
Total liabilities from continuing operations					**455,671**

	2010	2009
	$	$

(d) Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the location of operation:

	2010 $	2009 $
Australia	20,512	92,144
Russia	-	-
Total	20,512	92,144

(e) Assets by geographical region

The location of segment assets by geographical location of the assets is disclosed below:

	2010 $	2009 $
Australia	1,911,710	3,024,202
Russia	-	-
Total assets	1,911,710	3,024,202

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

16. CASH FLOW INFORMATION	**2010 $**	**2009 $**
(i) Cash is made up of the following:-		
Cash at bank	60,001	1,145,505
(ii) Reconciliation of cash flows from operating activities with loss from ordinary activities after income tax		
Loss from ordinary activities after income tax	(1,150,426)	(1,967,858)
Non-cash flows in loss for the year		
- Fair value gain on financial assets	-	(20,549)
- Provision for diminution of investment	12,983	617,393
- (Gain)/Loss on share trading	24,109	26,000
Cash flows not in loss for the year		
- Payments for exploration and evaluation	(83,734)	(311,318)
- Payments for forestry evaluation	(61,461)	(381,562)
- Payments for project evaluation	(175,080)	(662,405)
- Exploration costs written-off	2,830	17,843
- Forestry costs written-off	55,487	387,535
- Mineral project evaluation costs written-off	153,034	684,452
Changes in assets and liabilities		
- Decrease/(Increase) in receivables	(29,655)	16,804
- Increase/(Decrease) in trade and other creditors, accruals and employee entitlements	469,913	18,775
Net cash inflow/(outflow) from Operating Activities	(782,000)	(1,574,890)

17. EVENTS SUBSEQUENT TO REPORTING DATE

On 16 July 2010 the Company incorporated a wholly owned subsidiary, Puntland Oil Pty Ltd.

On 20 July 2010 the Company issued 4.5M shares to Max Capital Pty Ltd as consideration for corporate services and as in the ASX announcement dated 16 June 2010.

On 1August 2010, the Company has appointed Greg Bandy as the managing director and Terry Gardiner resigned as non-executive director.

On 12 August 2010 the Company issued 31,111,111 shares at 9c per share as a private placement to investors to raise $2.8M. This placement was approved at the general meeting of shareholders held 23 July 2010.

On 12 August 2010 the Company issued 11.5M shares to Max Capital Pty Ltd as the balance of consideration for corporate services and as in the ASX announcement dated 16 June 2010. This issue to Max Capital was approved at the general meeting of shareholders held 23 July 2010.

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

17. EVENTS SUBSEQUENT TO REPORTING DATE (cont')

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

18. RELATED PARTY TRANSACTIONS

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Transactions with related entities

Remuneration (excluding the reimbursement of costs) received or receivable by the directors of the company and aggregate amounts paid to superannuation plans in connection with the retirement of directors are disclosed in the Directors Report.

The following payments were made to Director related entities:

iii) An aggregate amount of $68,939 (2009: $78,660) was paid, or was due and payable to Mining Corporate Pty Ltd, a company of which Messrs Hunter and Brockhurst are Directors, for the provision of corporate and secretarial services to the Company.
iv) An aggregate amount of $nil (2009: $200,000) was invested in Subiaco Asset Management, a Company of which Mr Gardiner is a Director.
v) During the year a total of $50,925 (2009: $700) was paid to Barclay Wells, a company of which Mr Gardiner is a director, as brokerage payable on listed investment transactions.

These transactions were on commercial terms and conditions and at market rates.

19. KEY MANAGEMENT PERSONNEL COMPENSATION

a) Names and positions held of company key management personnel in office at any time during the financial year are:

Mr Kent Hunter	Managing Director
Mr Stephen Brockhurst	Non-Executive Director
Mr Terry Gardiner	Non-Executive Director

The Company has taken advantage of the relief provided by AASB 2010-4 *Amendments to Australian Accounting Standard – Key Management Personnel Disclosures by Disclosing Entities* and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report on pages 9 to 11.

	Short term benefits	**Post-employment benefits**	**Total**
	$	**$**	**$**
2010			
Total compensation	160,000	14,400	174,400
2009			
Total compensation	151,667	13,650	165,317

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

19. KEY MANAGEMENT PERSONNEL COMPENSATION (con't)

b) Options and Rights Holdings

Number of Options Held by Key Management Personnel					
	Balance 1 July 2009	**Granted as remuneration**	**Options Exercised**	**Net Change - Other**	**Balance 30 June 2010**
Kent Hunter	504,000	-	-	(504,000)	-
Stephen Brockhurst	125,000	-	-	(125,000)	-
Terry Gardiner	438,500	-	(4,000)	(434,500)	-
	1,067,500	-	(4,000)	(1,063,500)	-

During and since the end of financial year, no options were issued to Directors and executives as part of remuneration. The net change refers to listed options which lapsed, unexercised, on 31 August 2009.

c) Shareholdings

Number of Shares held by Key Management Personnel					
	Balance 1 July 2009	**Granted as remuneration**	**Received on exercise of options**	**Net Change - Other**	**Balance 30 June 2010**
Kent Hunter	1,108,001	-	-	-	1,108,001
Stephen Brockhurst	250,001	-	-	-	250,001
Terry Gardiner	948,600	-	4,000	48,500	1,001,100
	2,306,602	-	4,000	48,500	2,359,102

The Company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement. The Company may terminate the contracts without cause by providing one to three months written notice or making payment in lieu of notice based on the individual's annual salary component at industry award redundancy rates.

20. FINANCIAL INSTRUMENTS

(a) Financial risk management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable, accounts payable and shares in listed companies.

The Company does not speculate in the trading of derivative instruments. The main risks the Company is exposed to through its financial instruments are interest rate risk and liquidity risk.

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

20. FINANCIAL INSTRUMENTS (con't)

Risk management is carried out by the full Board of Directors as the Company believes that it is crucial for all board members to be involved in this process. The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

Interest rate and liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company manages the interest rate and liquidity risk by preparing forward looking cash flow analysis in relation to its operational, investing and financing activities and monitoring its cash assets and assets readily convertible to cash in the context of its forecast future cash flows. The Company continually monitors its access to additional equity capital should that be required, maintains a reputable credit profile and manages the credit risk of its financial assets.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis. The Company does not have any significant credit risk exposure to a single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Company's maximum exposure to credit risk without taking account of the fair value of any collateral or other security obtained.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings:

	2010	**2009**
	$	**$**
Financial assets:		
Cash and cash equivalents		
AA	60,001	1,145,505

Interest rate risk

The following table details the Company's exposure to interest rate risk as at the reporting date:

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

20. FINANCIAL INSTRUMENTS (con't)

2010 — **Fixed interest rate maturing in:**

Financial Instrument	**Floating interest rate**	**1 year or less**	**Over 1 to 5 years**	**More than 5 years**	**Non-interest Bearing**	**Total**	**Weighted average effective interest rate**
Financial Assets							
Cash	60,001	-	-	-	-	60,001	3.89%
Receivables – other	-				16,394	16,394	n/a
Loan – unrelated entities	-	60,000	-	-	-	60,000	12.0%
Financial assets at fair value through profit and loss	-	-	-	-	781,615	781,615	n/a
Financial assets available for sale	-	-	-	-	225,580	225,580	n/a
Total financial assets	60,001	60,000	-	-	1,023,589	1,143,590	
Financial Liabilities							
Trade payables and accruals	-	-	-	-	467,025	467,025	n/a
Total financial liabilities	-	-	-	-	467,025	467,025	

2009 — **Fixed interest rate maturing in:**

Financial Instrument	**Floating interest rate**	**1 year or less**	**Over 1 to 5 years**	**More than 5 years**	**Non-interest Bearing**	**Total**	**Weighted average effective interest rate**
Financial Assets							
Cash	1,145,505	-	-	-	-	1,145,505	5.93%
Receivables – other	-	-	-	-	54,799	54,799	n/a
Financial assets at fair value through profit and loss					921,144	921,144	n/a
Financial assets available for sale	-	-	-	-	200,000	200,000	n/a
Total financial assets	1,145,505	-	-	-	1,175,943	2,321,448	
Financial Liabilities							
Trade payables and accruals	-	-	-	-	100,671	100,671	n/a
Total financial liabilities	-	-	-	-	100,671	100,671	

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

20. FINANCIAL INSTRUMENTS (con't)

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

The Company's income and operating cash flows are substantially independent of changes in market interest rates.

Net fair value

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

The net fair value of financial assets and financial liabilities is based on upon market prices where a market exists or be discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

Market risk

The Company is exposed to equity securities price risk. This arises from investments held by the Company and classified on the Statement of Financial Position as either available-for-sale or at fair value through profit and loss.

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

2010

Financial assets	**Level 1** $	**Level 2** $	**Level 3** $	**Total** $
Financial Assets				
Financial assets at fair value through profit and loss				
- investments held for trading	781,615	-	-	781,615
Available-for-sale financial assets	-	225,580	-	225,580
- unlisted investments				
	781,615	225,580	-	1,007,195

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

20. FINANCIAL INSTRUMENTS (con't)

<u>2009</u>

Financial assets	**Level 1** **$**	**Level 2** **$**	**Level 3** **$**	**Total** **$**
Financial Assets				
Financial assets at fair value through profit and loss				
- investments held for trading	921,144	-	-	921,144
Available-for-sale financial assets				
- unlisted investments	-	200,000	-	200,000
	921,144	200,000	-	1,121,144

Interest rate sensitivity analysis

The following table illustrates sensitivities to the Company's exposures to changes in interest rates and equity prices. The tables indicates the impact of how profit and equity values reports at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

CHANGE IN LOSS	**Change** **$**	**2010** **$**
Increase in interest rate by 200 basis points	+1,200	1,149,226
Decrease in interest rate by 200 basis points	-1,200	1,151,626

CHANGE IN EQUITY	**Change** **$**	**2010** **$**
Increase in interest rate by 200 basis points	+1,200	1,445,885
Decrease in interest rate by 200 basis points	-1,200	1,443,485

Year ended 30 June 2009

CHANGE IN LOSS	**Change** **$**	**2009** **$**
Increase in interest rate by 200 basis points	+22,910	1,944,938
Decrease in interest rate by 200 basis points	-22,910	1,990,758

CHANGE IN EQUITY	**Change** **$**	**2009** **$**
Increase in interest rate by 200 basis points	+22,910	2,591,441
Decrease in interest rate by 200 basis points	-22,910	2,545,621

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

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

21. COMMITMENTS

a) Exploration

In order to maintain current rights of tenure to mining tenements, the Company has the following discretionary exploration expenditure requirement up until expiry of leases. These obligations, where are subject to renegotiation on expiry of the leases, are not provided for in the financial statements and are payable:

	2010	**2009**
	$	**$**
Not longer than one year	45,863	82,500
Longer than one year, but no longer than five years	-	63,062
	45,863	145,562

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the Statement of Financial Position may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 17 to 49, are in accordance with the Corporations Act 2001:

   (a) The financial statement and the notes comply with the AASBs

   (b) giving a true and fair view of the Company's financial position as at 30 June 2010 and of their performance for the year then ended;

   (c) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1 to the financial statements; and

2. the Chief Executive Officer and Chief Financial Officer have each declared that:

   (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view.

3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Kent Hunter
Director

Perth,
28 September 2010

ADDITIONAL SHAREHOLDER INFORMATION

Shareholding

The distribution of members and their holdings of equity securities in the company as at 8 September 2010 was as follows:

Number Held as at 12 August 2010	Fully Paid Ordinary Shares
1-1,000	7
1,001 - 5,000	60
5,001 – 10,000	82
10,001 - 100,000	299
100,001 and over	120
TOTALS	**568**

Holders of less than a marketable parcel:
- fully paid shares Nil

Substantial Shareholders

The company has the following substantial shareholders listed in the Company’s register as at 8 September 2010:

Max Capital Pty Ltd	8.650%
J & J Bandy Nominees Pty Ltd	6.614%

Restricted Securities

The Company has no restricted securities

Voting Rights

Ordinary Shares

In accordance with the Company's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

ADDITIONAL SHAREHOLDER INFORMATION (CONT.)

Twenty Largest Shareholders as at 8 September 2010

The names of the twenty largest ordinary fully paid shareholders are as follows:

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
Max Capital Pty Ltd	6,800,000	8.650
J & J Bandy Nominees Pty Ltd	5,200,000	6.614
Yeldep Pty Ltd <Yeldep Family A/C>	3,500,000	4.452
Subiaco Capital Management P/L <Global Speculative Fund>	1,796,334	2.285
Cornela Pty Ltd <Macliver Family A/C>	1,500,000	1.908
Arpege Pty Ltd <Pedley Super Fund A/C>	1,500,000	1.908
Stirling Minerals Limited	1,397,366	1.777
A22 Pty Limited	1,245,300	1.584
Okap Ventures Pty Ltd	1,200,000	1.526
Okap Ventures Pty Ltd	1,111,111	1.413
Kouta Bay Pty Ltd <The Houndy Family A.C>	1,100,000	1.399
Finico Pty Limited	1,092,800	1.390
Morgrae Pty Ltd <Humphrey Super Fund A/C>	1,000,000	1.272
Empire Beer Group Limited	1,000,000	1.272
Yeldep Pty Ltd	936,666	1.191
Seventy Three Pty Ltd <King Super Fund No 3 A/C>	1,000,000	1.272
Mr Terry James Gardiner	918,000	1.168
Group Seventy Three Super Fund Pty Ltd <Super Fund A/C>	750,000	0.954
Tyche Investments Pty Ltd	750,000	0.954
Troca Enterprises Pty Ltd <Coulson Super A/C>	750,000	0.954
Total	**34,547,577**	**43.945**

CORPORATE GOVERNANCE

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Recommendations*. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting period, we have identified such policies or committees.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at asx.com.au/about/corporate_governance/index.htm.

Recommendation	Section
Recommendation 1.1 Functions of the Board and Management	1.1
Recommendation 1.2 Performance Evaluation of Senior Executives	1.4.10
Recommendation 1.3 Reporting on Principle 1	1.1 and 1.4.10
Recommendation 2.1 Independent Directors	1.2.1
Recommendation 2.2 Independent Chairman	1.2.1
Recommendation 2.3 Role of the Chairman and CEO	1.2.2
Recommendation 2.4 Establishment of Nomination Committee	2.3
Recommendation 2.5 Performance Evaluation Processes	1.4.10
Recommendation 2.6 Reporting on Principle 2	1.2.1, 1.4.10, 2.3 and the Directors' Report
Recommendation 3.1 Code of Conduct	4
Recommendation 3.2 Company Security Trading Policy	1.4.9
Recommendation 3.3 Reporting on Principle 3	4 and 1.4.9
Recommendation 4.1 Establishment of Audit Committee	2.1
Recommendation 4.2 Structure of Audit Committee	2.1.1
Recommendation 4.3 Audit Committee Charter	2.1
Recommendation 4.4 Reporting on Principle 4	2.1
Recommendation 5.1 Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2 Reporting on Principle 5	1.4.4
Recommendation 6.1 Communications Strategy	1.4.8
Recommendation 6.2 Reporting on Principle 6	1.4.8
Recommendation 7.1 Policies on Risk Oversight and Management	3.1
Recommendation 7.2 Risk Management Reporting	3.1
Recommendation 7.3 Attestations by CEO and CFO	1.4.11
Recommendation 7.4 Reporting on Principle 7	2.1.3 , 1.4.11
Recommendation 8.1 Establishment of Remuneration Committee	2.2
Recommendation 8.2 Executive and Non-Executive Director Remuneration	2.2.4
Recommendation 8.3 Reporting on Principle 8	2.2 and 2.2.4

1. Board of Directors

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board carry out its functions, it has developed a Code of Conduct to guide the Directors, the Chairman and other key executives in the performance of their roles.

1.2.1 Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. The names of the Directors and their qualifications and experience are stated in the Directors' Report along with the term of office held by each of the Directors. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment skills.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. The Board recognises that the following criteria is not exhaustive in determining the independence of directors.

An Independent Director is a Non-Executive Director and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- has not been employed in an executive capacity by the Company or another group member since incorporation;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or other group member other than as a Director of the Company.
- their role is to advise the Company on matters pertaining to their expertise and provide governance in the best interests of the Company. Independent Directors do not participate in day to day operations or management of the Company and its affairs.
- are remunerated based on a set scale relating to the risks undertaken within their roles as Non-Executive Directors. Additional work engagements may be undertaken by independent Directors at commercial rates, however the Company and the Independent Director must ensure that materiality thresholds are not breached.

Mr G Bandy is an Executive Director of the Company and does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Mr K Hunter is a Non-Executive Director of the Company; although he was previously an Executive Director of the Company and does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Mr S Brockhurst is a principal of Mining Corporate Pty Ltd and Mining Corporate Pty Ltd was engaged by the Company to provide company secretarial and financial management services during the year. The Board (in the absence of Mr Brockhurst) consider he is capable of and demonstrates that he consistently makes decisions and takes actions which are designed to be in the best interests of the Company and therefore the Board considers Mr Brockhurst to possess the characteristics required of a person who would be eligible to take the role of an independent director. The Board notes that the fees payable to Mining Corporate Pty Ltd are not high enough to be considered material to Mr Brockhurst's practice or to Mining Corporate Pty Ltd and are also not material to the Company.

1.2.2 Role of the Chairman and CEO

Recommendation 2.3 has been complied with as the company currently does not have a CEO in place and appointed management is separate from the Chairman's position.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

- Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
- Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- Overseeing Planning Activities: the development of the Company's strategic plan.
- Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available for inspection at the Company's registered office.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the *Corporations Act*, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has adopted a continuous disclosure policy to ensure that the Company complies with the disclosure requirements of the ASX Listing Rules. which is available on the Company's website. The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules* the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

1.4.5 Education and Induction

It is the policy of the Company that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- access to a copy of the Board Charter;
- guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;

- background information on and contact information for key people in the organisation;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the *Corporations Act* from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders, the Company website and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company and encourages shareholders to visit the Company's website for information.

The Company's policy for shareholder communication is available on the Company's website.

1.4.9 Trading in Company Shares

On 22 July 2009 the Board reviewed and re-adopted a Share Trading Policy. The Board periodically reminds directors, officers and employees of the prohibition in the Corporations Act 2001 concerning trading in the Company's securities when in possession of "inside information". The Board also periodically reminds directors of their obligations under to notify the Company Secretary of any trade in securities to ensure that ASX Listing Rule requirements are met.

1.4.10 Performance Review/Evaluation

It is the policy of the Board to conduct regular evaluation of its performance against appropriate measures. The evaluation process was introduced via the Board Charter adopted on 15 May 2007 and reviewed on 22 July 2009 and was implemented for the financial period ended 30 June 2010. A performance evaluation of senior executives was undertaken during the financial period ended 30 June 2010 in accordance with the Board Charter. The objective of this evaluation is to to provide ongoing best practice corporate governance to the Company.

1.4.11 Attestations by CEO and CFO

It is the Board's policy, that the CEO and the CFO make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. However, as at the date of this report the Company does not have a designated CEO or CFO. Due to the size and scale of operations of the Company these roles are performed by the Board as a whole.

2. Board Committees

2.1 Audit Committee

Due to the size and scale of operations of the Company the full Board undertakes the role of the Audit Committee. In the absence of a formal audit committee the board considers the issues that would otherwise would be considered by the audit committee. A copy of the Audit Committee Charter is available on the Company's website.

Below is a summary of the role and responsibilities of an Audit Committee.

2.1.1 Role

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

As the whole Board only consists of three (3) members, the Company does not have an audit committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues and an audit committee cannot be justified based on a cost-benefit analysis. In the absence of an audit committee, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

2.1.2 Audit Committee Charter

The Board has adopted an Audit Committee Charter which sets of the roles and responsibilities, composition, structure and membership requirements. The Board refers to the Audit Committee Charter to ensure they are meeting all the requirements otherwise delegated to an audit committee. A copy of the Audit Committee Charter is available on the Company's website.

2.1.3 Responsibilities

The Audit Committee or as at the date of this report the full Board of the Company reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the members.

The Audit Committee or as at the date of this report the full Board of the Company each year reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee or as at the date of this report the full Board of the Company is also responsible for establishing policies on risk oversight and management.

2.1.4 Risk Management Policies

The Board's Charter clearly establishes that it is responsible for ensuring there is a good sound system for overseeing and managing risk. Due to the size and scale of operations, risk management issues are considered by the Board as a whole. On 28 September 2010 Mr K Hunter (Managing Director) and Ms E Hanrahan (Company Secretary) provided the Board with written assurance that the financial statements are founded on a sound system of risk management and internal compliance. Their statement assured the Board that the risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

2.1.5 External Auditor

The Board's has adopted a policy setting out criteria for the selection and appointment of an external auditor. A copy of this policy is available on the Company's website.

2.2 Remuneration Committee

2.2.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

As the whole Board only consists of three (3) members, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.2.2 Responsibilities

The responsibilities of a Remuneration Committee, or the full Board include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations on any proposed changes and undertaking reviews of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals and reviewing progress in achieving those goals.

2.2.3 Remuneration Policy

Directors' Remuneration was approved by resolution of the Board on 9 March 2007 and reviewed on 22 July 2010. The Board resolved that given the Australian and International economic climate, it was not appropriate to consider amendment to the current remuneration structure. The Board further resolved to address the current remuneration strategy as and when appropriate.

<u>2.2.3.1 Senior Executive Remuneration Policy</u>

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance. During the year there were no Non-Director Executives.

The value of shares and options were they to be granted to senior executives would be calculated using the Black and Scholes method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

2.2.3.2 Non-Executive Director Remuneration Policy

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation.

2.2.4 Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report.

2.3 Nomination Committee

2.3.1 Role

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

As the whole Board only consists of three (3) members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.3.2 Responsibilities

The responsibilities of a Nomination Committee, as performed by the full Board, include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee also oversees management succession plans including the CEO and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Currently the Board as a whole performs this role.

2.3.3 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company's target market. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience.

3. Risk Management

3.1 Risk Management Policies

The Company's risk management strategy policy states that the Board as a whole is responsible for the oversight of the Company's risk management and control framework. The objectives of the Company's risk management strategy are to:

- identify risks to the Company,
- balance risk to reward,
- ensure regulatory compliance is achieved; and
- ensure senior management, the Board and investors understand the risk profile of the Company.

The Board monitors risk through various arrangements including:

- regular board meetings;
- share price monitoring;
- market monitoring; and
- regular review of financial position and operations.

The Company has established a risk register and assessment procedure which is tabled at each board meeting and any change in risk elements are identified and discussed.

In addition, the Board requires that each major transaction proposed to the Board for decision is accompanied by a risk assessment.

The Company's risk management strategy was formally reviewed by the Board on 26 May 2010 and was considered the Company's risk management strategy sound for addressing and managing risk. A copy of the strategy is available on the Company's website.

4. Company Code Of Conduct

The Board adheres to and is responsible for enforcing the Code of Conduct set out in this Corporate Governance Statement.

The Company is committed to:

- applying the company's funds efficiently to provide above average and sustainable return to shareholders through capital appreciation; and
- adopting high standards of occupational health and safety, environmental management and ethics.

The Board through the Managing Director monitors the company's compliance with the Code of Conduct periodically. The Code of Conduct was reviewed by the Board on 29 August 2010 to ensure it reflects the standards of behaviour and practices necessary to maintain confidence in the Company's integrity.

The Code of Conduct applies to all the directors and employees of the Company who must comply with all legal obligations and the company policies.

The Board and the executives are obligated to avoid situations of real or apparent conflict of interest between them as individuals and as Directors or employees of the Company. If a situation where a conflict of interest arises the Managing Director is to be notified; the matter will then be considered and the appropriate steps taken to avoid a repetition.

Any breach of Corporate Governance is to be reported directly to the Managing Director.

Corporate Responsibility

The company complies with all legislative and common law requirements that affect its business, particularly environmental regulations, native title and cultural heritage laws.

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

SCHEDULE OF MINERAL TENEMENTS
AS AT 28 SEPTEMBER 2010

Project	***Tenement***		***Interest held by Red Emperor Resources NL***
Jillewarra	EL51/1091		Nil
Jillewarra	EL51/1114		Nil
Jillewarra	PLA51/2565		Nil

P Prospecting Licence
E Exploration Licence
M Mining Licence