CLASSIC MINERALS LIMITED

ACN: 119 484 016

ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2010

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CORPORATE DIRECTORY

NON-EXECUTIVE CHAIRMAN

Kevin Robertson

DIRECTORS

Angelo Ikonomou
Gary Lyons
Stanislaw Procak

COMPANY SECRETARIES

Angelo Ikonomou
Kent Hunter

A.B.N.

77 119 484 016

PRINCIPAL OFFICE

Unit 2, 42 Terrace Road
EAST PERTH WA 6004

REGISTERED OFFICE

C/- Allen & Co
Unit 2, 42 Terrace Road
EAST PERTH WA 6004

AUDITORS

Stantons International
Level 1, 1 Havelock Street
WEST PERTH WA 6005

The directors of Classic Minerals Limited submit herewith the financial report for the financial year ended 30 June 2010.

Non-executive Chairman

Kevin Robertson	(appointed 1 September 2010)

Directors

The names of directors in office at any time during or since the end of the financial year are:

Angelo Ikonomou	(appointed 21 June 2010)
Gary Lyons	(appointed 1 September 2010)
Stanislaw Procak	(appointed 17 July 2007, resigned 11 September 2009, reappointed 3 September 2010)
Theodorus Elswyk	(appointed 1 May 2007, resigned 6 September 2010)
Raymore Millard	(appointed 21 June 2010, resigned 3 September 2010)
John Doutch	(appointed 1 May 2006, resigned 17 July 2007, reappointed 11 September 2009, resigned 21 June 2010)
Malcolm Doutch	(appointed 1 May 2006, resigned 17 July 2007, reappointed 11 September 2009, resigned 21 June 2010)
Vicki Morton	(appointed 22 April 2008, resigned 11 September 2009)

Company Secretaries

The names of secretaries in office at any time during or since the end of the financial year are:

Angelo Ikonomou	(appointed 21 June 2010)
Kent Hunter	(appointed 14 September 2010)
Stanislaw Procak	(appointed 22 April 2008, resigned 11 September 2009)
John Wallace Doutch	(appointed 11 September 2009, resigned 21 June 2010)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Current Directors' qualifications and experience

Angelo Ikonomou

Qualifications and Experience	Mr. Ikonomou has a professional career spanning over 25 years with significant involvement in the financial and equities markets as well as international business development. He has implemented many management solutions within the banking, retail automotive and insurance industries, with a focus on managing, operational efficiency, cost reductions, consolidation and continuous improvement of operational infrastructure. He comes with strong corporate governance and management skills and global markets strategic knowledge. His senior management positions have included CBA, ONC, PHOENIX ORBIT Sdn Bhd, he has also facilitated the provision of strategic planning consultancy services to the private sector.
Shareholdings	Nil

Kevin Robertson (Non-Executive Chairman)

Qualifications and Experience	Mr. Robertson entered the mining industry in 1972 and has been actively involved, mostly at senior level, in various mining operations throughout Tasmania and Western Australia, including positions of Open Pit Supervisor for the Savage River Iron Ore Mining Operation in Tasmania and as Mine Manager for a gold mining operation in Coolgardie, Western Australia. Mr.Robertson is also Managing Director of Fairstar Resources, ASX (FAS).
Shareholdings	Nil

Gary Lyons

Qualifications and Experience	Mr. Lyons is a successful Perth businessman with many business interests, including the Heiniger Group being his main company where he is a Director. He is also Chairman of Stallion Station, a large equine breeding venture based in Victoria. He has an interest as well as been Non-Executive Director of Biological Wool harvesting Holdings. He was also appointed as Non-Executive Director of Golden West Resources in May 2010.
Shareholdings	Nil

Stanislaw Procak

Qualifications and Experience	Mr. Procak is an experienced manager with over 35 years of mining experience particularly in Western Australia. His specific area of experience comprises the co-coordinating of the complete set-up for mining projects from grass roots. This includes staffing, operating budgets, financial management, mining techniques and methods, and staff motivation to attain significant project milestones including throughput and grades. Immediately prior to joining Classic Minerals Limited Mr. Procak was General Manager Operations with Mawson West Ltd. . Mr. Procak's experience includes employment in senior positions at Telfer Gold Mine, Big Bell Gold Mine, Golden Grove Polymetalic Mine and Kambalda Nickel Operations.
Shareholdings	Nil

Principal activities
The principal activity of Classic Minerals Limited during the financial year was exploring iron ore.

Operating results
The loss of the Company for the year ended 30 June 2010 amounted to $183,121.

Dividends
No dividends were paid or declared for payment since the incorporation of the Company.

Review of operations
The company was engaged in acquiring tenements, conducting aeromagnetic surveys, conducting geological assessment of other tenements as well as sourcing and gathering information on prospective new tenements. The company also conducted drilling activities and geological assessment as well as preparing Independent Geological Reports for the purposes of IPO.

Significant changes in state of affairs
There were no significant changes in the state of affairs of the Company during the year ended 30 June 2010.

After reporting date events
Subsequent to year end a total amount of $668,000 in seed capital has been received.

There are no other matters or circumstances that have arisen since 30 June 2010 that have or may significantly affect the operations, results, or state of affairs of the Company in future financials years

Future developments
The Company will continue to explore its exploration areas and look to establish its exploration interest in prospective fields.

Environmental regulation
The Company is aware of its environmental obligations and acts to ensure its environmental commitments are met. The directors are not aware of any significant breaches during the year.

Details of Remuneration for Year Ended 30 June 2010

The remuneration for each key management personnel of the Company during the year was as follows:

	SHORT-TERM BENEFITS			POST EMPLOYMENT		SHARE-BASED PAYMENT		TOTAL	REPRE-SENTED BY OPTIONS
	Salary	Other	Non-Monetary	Superann-uation	Retirement Benefits	Equity	Options	$	%
Directors									
Theodorus Elswyk									
2010	-	-	-	-	-	-	-	-	-
2009	-	5,945	-	-	-	-	-	5,945	-
John Doutch									
2010	-	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-	-
Vicki Morton									
2010	-	-	-	-	-	-	-	-	-
2009	65,000	1,597	-	5,850	-	-	-	72,447	-
Stanley Procak (i)									
2010	-	-	-	-	-	-	-	-	-
2009	-	70,267	-	-	-	-	-	70,267	-
Harold Paiker									
2010	-	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-	-
Malcolm Doutch									
2010	-	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-	-
Angelo Ikonomou (i)									
2010	-	8,000	-	-	-	-	-	8,000	-
2009	-	-	-	-	-	-	-	-	-
Constantino Markopoulos (ii)									
2010	-	-	-	-	-	-	-	-	-
2009	-	6,107	-	-	-	-	-	6,107	-
Total Remuneration Key Management Personnel									
2010	-	8,000	-	-	-	-	-	8,000	-
2009	65,000	83,916	-	5,850	-	-	-	154,766	-

i) In 2010, an aggregate amount of $8,000 (2009:nil) was paid, or was due and payable to Mr Ikonomou for consulting services.
ii) In 2009, an aggregate amount of $6,107 was paid, or was due and payable to Mr Markopoulos for consulting services.

Meetings of directors

There were no meetings of Directors held during the year or to the date of this report.

Options Reserve

There is no option reserve as at 30 June 2010.

Non-Audit Services

No non-audit services have been provided by the auditor or a related practice of the auditor during the year.

Auditor's independence declaration
The auditor's independence declaration for the year ended 30 June 2010 has been received, forms part of the Director's Report, and can be found on page 7.

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

Angelo Ikonomou

Angelo Ikonomou

Dated this 10 day of November 2010.

DIRECTORS DECLARATION
FOR THE YEAR ENDED 30 JUNE 2010

It is the opinion of the directors of Classic Minerals Limited (the "Company");

1. the financial statements and notes are in accordance with the Corporations Act 2001 and:

    a. comply with Australian Accounting Standards and the Corporations Regulations 2001; and
    b. give a true and fair view of the financial position of the Company as at 30 June 2010 and of the performance as represented by the results of its operations and its cashflows for the year ended on that date;

2. 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.

3. the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2.

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

Angelo Ikonomou
Director

Dated this 10 day of November 2010.

Level 1, 1 Havelock St
West Perth WA 6005
Australia
PO Box 1908
West Perth WA 6872
Australia

t: +61 8 9481 3188
f: +61 8 9321 1204

w: www.stantons.com.au
e: info@stantons.com.au

Stantons International Audit and Consulting Pty Ltd
(ABN 84 144 581 519) trading as

Stantons International

Chartered Accountants and Consultants

10 November 2010

Board of Directors
Classic Minerals Limited
Unit 2,42 Terrace Road
East Perth
PERTH WA 6004

Dear Directors

RE: CLASSIC MINERALS LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Classic Minerals Limited.

As Audit Director for the audit of the financial statements of Classic Minerals Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely
STANTONS INTERNATIONAL
(Authorised Audit Company)

John Van Dieren
Director

Level 1, 1 Havelock St
West Perth WA 6005
Australia
PO Box 1908
West Perth WA 6872
Australia

t: +61 8 9481 3188
f: +61 8 9321 1204

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QUALIFIED INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CLASSIC MINERALS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Classic Minerals Limited, 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 cashflows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the Financial Report

The directors of the Company 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 designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the entity, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

Basis for Qualified Opinion

An adverse opinion was issued on the 30 June 2009 financial report due to matters disclosed in the note below.

Due to funding difficulties and the resignation of the previous directors of the company, the Company did not complete the preparation of the 30 June 2009 financial statements until October 2010. During the course of the audit the current directors were unable to locate all the books and records of the Company. Whilst the books and records have been reconstructed to the maximum extent possible we were unable to satisfy ourselves as to the completeness of the general ledger and relevant disclosures within the financial report for the year ended 30 June 2009. Our opinion on the financial report for the current year's financial report is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

Qualified Auditor's Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves on the income, expenses, results and assets and liabilities of the above named entities as referred to in the qualification paragraph above:

(a) the financial report of Classic Minerals Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2010 and of their 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.

(b) the financial report of the Company also complies with International Financial Reporting Standards as disclosed in note 2.

Emphasis on Matter of Going Concern and Carrying Value of Assets and Liabilities

Without qualification to the audit opinion expressed above, attention is drawn to the following matters:

As referred to in note 2 to the financial statements, the financial statements have been prepared on a going concern basis. At 30 June 2010 the Company had negative working capital of $1,952,418 and had incurred losses for the year of $183,121. Accumulated losses at 30 June 2010 for the Company were $1,914,961.

The ability of the Company to continue as a going concern and to meet planned and committed expenditure requirements is subject to the Company raising further equity and/or loan capital and commencing to trade profitability through its existing businesses and proposed business activities. In our opinion there is uncertainty as to when or whether these objectives will be met.

In the event that the Company are not successful in returning to profitable operations and/or raising further equity and loan funds, the Company may not be able to continue as going concerns and the realisable value of the Company's assets may be significantly less than their current carrying values.

STANTONS INTERNATIONAL
(An Authorised Audit Company)

Stantons International

J P Van Dieren
Director

West Perth, Western Australia
10 November 2010

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	*30 June 2010* $	*30 June 2009* $
Revenues from continuing operations	3	-	35,260
Employee benefits and consultants expense		(62,635)	(193,812)
Legal expenses & professional fees		(63,170)	(45,770)
Depreciation and amortisation expense	9	(12,802)	(29,108)
Exploration expenses		(16,905)	(7,755)
Travel expenses		(365)	-
Occupancy expenses		(4,371)	(43,854)
Administration expenses	4	(22,873)	(252,532)
Loss before income tax expense		(183,121)	(537,571)
Income tax benefit	5	-	-
Loss for the year		(183,121)	(537,571)
Other Comprehensive Income		-	-
Income tax on other comprehensive Income		-	-
Total Other Comprehensive Income		-	-
Total Comprehensive loss for year		(183,121)	(537,571)
Loss for the year			
Attributable to members of Classic Minerals Limited		(183,121)	(537,571)
Attributable to non-controlling interest		-	-
		(183,121)	(537,571)
Total Comprehensive loss for year			
Attributable to members of Classic Minerals Limited		(183,121)	(537,571)
Attributable to non-controlling interest		-	-
		(183,121)	(537,571)
Basic earnings per share (cents per share)	6	(61,040)	(179,190)
Diluted earnings per share (cents per share)	6	(61,040)	(179,190)

The accompanying notes form part of this financial report.

CLASSIC MINERALS LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	30 June 2010 $	30 June 2009 $
CURRENT ASSETS			
Cash and cash equivalents	7	5	498
Trade and other receivables	8	102,298	91,380
TOTAL CURRENT ASSETS		102,303	91,878
NON-CURRENT ASSETS			
Property, plant and equipment	9	42,108	54,910
Other assets	10	2,000	2,000
TOTAL NON-CURRENT ASSETS		44,108	56,910
TOTAL ASSETS		146,411	148,788
CURRENT LIABILITIES			
Trade and other payables	11	180,498	103,186
Borrowings	12	1,874,223	1,755,752
TOTAL CURRENT LIABILITIES		2,054,721	1,858,938
NON-CURRENT LIABILITIES			
Borrowings	12	6,650	21,689
TOTAL NON-CURRENT LIABILITIES		6,650	21,689
TOTAL LIABILITIES		2,061,371	1,880,627
NET ASSETS		(1,914,960)	(1,731,839)
EQUITY			
Issued capital	13	1	1
Accumulated losses	14	(1,914,961)	(1,731,840)
TOTAL EQUITY		(1,914,960)	(1,731,839)

The accompanying notes form part of this financial report.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

	Ordinary Shares $	*Accumulated Losses* $	*Total Equity* $
Balance at 1 July 2008	1	(1,194,269)	(1,194,268)
Loss for the year	-	(537,571)	(537,571)
Other Comprehensive Income	-	-	-
Total Comprehensive Income	-	(537,571)	(537,571)
Balance at 30 June 2009	1	(1,731,840)	(1,731,839)

	Ordinary Shares $	*Accumulated Losses* $	*Total Equity* $
Balance at 30 June 2009	1	(1,731,840)	(1,731,839)
Loss for the year	-	(183,121)	(183,121)
Other Comprehensive Income	-	-	-
Total Comprehensive Income	-	(183,121)	(183,121)
Balance at 30 June 2010	1	(1,914,961)	(1,914,960)

The accompanying notes form part of this financial report.

CLASSIC MINERALS LIMITED

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		(103,925)	(242,263)
Interest received		-	260
Other income		-	4,531
Net cash inflows/(outflows) from operating activities	18(a)	(103,925)	(237,472)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment of options agreement		-	(2,000)
Net cash inflows/(outflows) from investing activities		-	(2,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans received		117,256	129,703
Repayment of interest bearing borrowings		(13,824)	(19,033)
Net cash inflows/(outflows) from financing activities		103,432	110,670
Net increase/(decrease) in cash held		(493)	(128,802)
Cash and cash equivalents at the beginning of the year		498	129,300
Cash and cash equivalents at the end of the year	18(b)	5	498

The accompanying notes form part of this financial report.

1. **Corporate Information**

The financial report of Classic Minerals Limited (the Company) for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 10 November 2010.

The nature of the operations and principal activities of the Company is exploration for iron ore.

2. **Summary of Significant Accounting Policies**

The financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, and Australian Accounting Standards.

Basis of preparation

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

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. 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 and 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 selected non-current assets, financial assets and financial liabilities.

(a) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(b) **Employee benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

(c) **Financial assets**

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets

Shares and options held by the company are classified as being available-for-sale and are stated at fair value less impairment. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the year.

2. **Summary of Significant Accounting Policies (continued)**

Financial assets at fair value through profit or loss
The Company classifies certain shares as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss.

Loans and receivables
Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

(d) **Financial instruments issued by the company**

Debt and equity instruments
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments
Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(e) **Goods and services tax**
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST;

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(f) **Impairment of assets**
At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

2. **Summary of Significant Accounting Policies (continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Income tax

Current tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(h) Operating cycle

The operating cycle of the entity coincides with the annual reporting cycle.

(i) Payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

2. **Summary of Significant Accounting Policies (continued)**

(j) Presentation currency

The entity operates entirely within Australia and the presentation currency is Australian dollars.

(k) Plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the Company commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	***Depreciation Rate***
Motor vehicles	11.25% - 37.5%
Office equipment	7.5% - 100%

(l) Exploration and Evaluation Expenditure

Identifiable exploration assets acquired are recognised as assets at their cost of acquisition.

Subsequent exploration and evaluation costs related to an area of interest are written off as incurred except they may be carried forward as an item in the statement of financial position where the rights of tenure of an area are current and one of the following conditions is met:

- the costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- exploration and/or evaluation activities in the area of interest have not at the reporting 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 in relation to, the area of interest are continuing.

Acquired exploration assets are not written down below acquisition cost until such time as the acquisition cost is not expected to be recovered through use or sale.

(m) Provisions

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

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 cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(n) Revenue recognition

Interest revenue

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

2. **Summary of Significant Accounting Policies (continued)**

(o) **Equity based compensation**
The Company expenses equity based compensation such as share and option issues after ascribing a fair value to the shares and/or options issued. If options vest at date of grant, the expense is taken up at date of grant and a corresponding Option Reserve is credited.

(p) **Issued capital**
Issued capital is recognised at the fair value of the consideration received by the Company. Any transaction costs on the issue of shares are recognised directly in equity as a reduction of the share proceeds received.

(q) **Leases**
Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that it transferred to the company, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

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

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

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

Diluted earnings per share is calculated as net profit 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 have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year 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.

(s) **Going Concern**
At 30 June 2010, the Company had net liabilities of $1,914,960, and had incurred a net loss of $183,121 for the year then ended, with a cash and cash equivalents balance of $5 and a net current liability position of $1,952,418. In the absence of the future capital raising, current cash resources are not expected to be sufficient to meet forecast outgoings for a period of at least 12 months from the date of this report.

These conditions indicate a material uncertainty that may cast significant doubt about the entity's ability to continue as going concerns.

Based on possible debt/equity funding, the directors are satisfied that, the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

2. Summary of Significant Accounting Policies (continued)

Should the Company be unable to continue as going concerns, they may be required to realise their assets and extinguish their liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the entity and the parent be unable to continue as a going concern.
The Directors acknowledge that the Company will need to adopt further strategies to ensure that funding is maintained. This includes, but is not limited to further costs reduction strategies, further debt/capital funding seeking, and seeking other prospective projects.

(t) Critical accounting judgments, estimates and assumptions
The preparation of financial statements in conformity with AIFRS required the use of certain critical estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Exploration and evaluation costs
Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current.

These costs are carried forward in respect of an area that has not at statement of financial position date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

(u) Adoption of New and Revised Accounting Standards

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Company 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, 138, 139, 1023 & 1038 and Interpretations 10 & 121 (applicable for annual reporting periods commencing on or alter 1 January 2013).

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Company 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;
    a. the objective of the entity's business model for managing the financial assets; and
    b. the characteristics of the contractual cash flows.

2. **Summary of Significant Accounting Policies (continued)**

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

  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. These amendments will not affect the Company.

- 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. These amendments will not affect the Company.

- AASB 2009-8; Amendments to Australian Accounting Standards - Company 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 Company.

- 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 Company.

- 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 Company.

- 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).

  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 Company.

- 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 Company.

2. Summary of Significant Accounting Policies (continued)

- 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. This standard will not impact the Company.

- 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 Company.

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

NOTE 3: REVENUE FROM CONTINUING OPERATIONS

	30 June 2010 $	30 June 2009 $
Interest revenue	-	260
Other revenue	-	35,000
Total Revenue	-	35,260

NOTE 4: LOSS BEFORE INCOME TAX

	30 June 2010 $	30 June 2009 $
The loss before income tax has been arrived at after charging the following expenses:		
Hire purchase charges	2,477	18,398
Motor vehicle expenses	854	15,034
Telephone expenses	2,773	5,465
Repairs and maintenance	-	1,591
Other administration expenses	16,769	19,476
	22,873	59,964

NOTE 5: INCOME TAX

	30 June 2010 $	30 June 2009 $
(a) Recognised in the Statement of Comprehensive Income		
Current tax expense		
Current year	-	-
	-	-
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Tax losses not recognised	-	-
	-	-
Total income tax expense in the statement of comprehensive income	-	-
Attributable to:		
Continuing operations	-	-
Discontinuing operations	-	-
(b) Numerical reconciliation between tax expense and pre tax net profit		
Loss before tax	(183,121)	(537,571)
Income tax benefit calculated at 30%	(54,936)	(161,271)
Tax effect of:		
- Non-deductible expenses	10,500	399
- Tax effect of current year revenue losses for which no deferred tax asset has been recognised	44,436	160,872
Income tax expense	-	-
Income tax expense on pre-tax net profit	-	-
(c) Unrecognised deferred tax balances		
The following deferred tax assets (at 30%) have not been brought to account:		
Unrecognised deferred tax asset – tax losses	563,340	518,904
Net deferred tax assets	563,340	518,904

The net deferred tax assets not brought into account will only be of a benefit to the Company if future assessable income is derived of a nature and amount sufficient to enable the benefits to be realised, the conditions for deductibility imposed by the tax legislation continue to be complied with and the Company are able to meet the continuity of ownership and/or continuity of business tests

NOTE 6: EARNINGS PER SHARE		30 June 2010 $	30 June 2009 $
a.	Loss for the year	(183,121)	(537,571)
	Loss attributable to ordinary shareholders	(183,121)	(537,571)
b.	Weighted average number of ordinary shares for the purpose of basic earnings per share	3	3
	Weighted average number of ordinary shares at 30 June	3	3

Potential ordinary shares are not considered dilutive as their conversion does not show an inferior view of the earnings performance of the Company. Accordingly diluted earnings per share are the same as earnings per share.

Earnings per share – cents	(61,040)	(179,190)
Dilutive earnings per share – cents	(61,040)	(179,190)

NOTE 7: CASH AND CASH EQUIVALENTS	30 June 2010 $	30 June 2009 $
Cash at bank	5	498
	5	498

NOTE 8: TRADE AND OTHER RECEIVABLES	30 June 2010 $	30 June 2009 $
CURRENT		
Other receivables	102,298	91,380
	102,298	91,380

NOTE 9: PLANT AND EQUIPMENT	30 June 2010 $	30 June 2009 $
Motor vehicles		
Opening balance	83,350	234,157
Acquisitions	-	-
Disposals	-	(150,807)
Closing balance	83,350	83,350
Office equipment		
Opening balance	38,642	38,642
Acquisitions	-	-
Disposals	-	-
Closing balance	38,642	38,642
Accumulated Depreciation		
Motor vehicles		
Opening balance	36,154	39,629
Depreciation charge for year	8,813	20,606
Impairment losses	-	-
Disposals	-	(24,081)
Closing balance	44,967	36,154
Office equipment		
Opening balance	30,928	22,426
Depreciation charge for year	3,989	8,502
Impairment losses	-	-
Disposals	-	-
Closing balance	34,917	30,928

NOTE 9: PLANT AND EQUIPMENT (continued)

	30 June 2010 $	30 June 2009 $
Carrying Amount		
Motor vehicles		
At 1 July	47,196	194,528
At 30 June	38,383	47,196
Office equipment		
At 1 July	7,714	16,216
At 30 June	3,725	7,714
Total	42,108	54,910

Note:
The assets recoverable amounts are based on fair value less costs to sell.

NOTE 10: OTHER ASSETS

	30 June 2010 $	30 June 2009 $
Non - Current		
Option agreement	2,000	2,000
	2,000	2,000

The Company has been granted an option to purchase 90% equity in all minerals in a tenement owned by Golden West Resources. The option period is 3 years and the exercise price is $80,000.

NOTE 11: TRADE AND OTHER PAYABLES

	30 June 2010 $	30 June 2009 $
Trade and other payables	180,498	103,186
	180,498	103,186

NOTE 12: BORROWINGS

	30 June 2010 $	30 June 2009 $
Current		
Hire purchase contract (i)	15,037	13,822
Loans from directors	1,002,186	884,930
Other loans (ii)	857,000	857,000
	1,874,223	1,755,752
Non-Current		
Hire purchase contract (i)	6,650	21,689
	6,650	21,689

(i) The hire purchase contract is secured against motor vehicles.
(ii) Other loans relate to seed capital funding received that will be converted to share capital subsequent to year end.

NOTE 13: ISSUED CAPITAL

	30 June 2010 $	30 June 2009 $
Ordinary shares		
At the beginning of the reporting year	1	1
Transaction costs relating to share issues	-	-
At the end of the reporting year	1	1

	Number	Number
At the beginning of the reporting year	3	3
At the end of the reporting year	3	3

NOTE 13: ISSUED CAPITAL (continued)

(a) Ordinary shares participate in dividends and the proceeds on winding up in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTE 14: ACCUMULATED LOSSES	*30 June 2010* *$*	*30 June 2009* *$*
Balance at the beginning of the year	(1,731,840)	(1,194,269)
Loss for the year	(183,121)	(537,571)
Accumulated losses at the end of the financial year	(1,914,961)	(1,731,840)

NOTE 15: EXPENDITURE COMMITMENTS	*30 June 2010* *$*	*30 June 2009* *$*
(a) Exploration Expenditure Commitments		
Payable		
not later than 1 year	203,600	24,192
Later than 1 year but not later than 5 years	568,263	48,384
Later than 5 years	-	8,064
	771,863	80,640

(b) Finance lease commitments – Company as lessee

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	30 June 2010 $	*30 June 2009* $
Within one year	16,298	16,298
After one year but not more than five years	6,792	23,090
Total minimum lease repayments	23,090	39,388
Less amounts representing finance charges	(1,403)	(3,877)
Present value of minimum lease payments	21,687	35,511
Included in the financial statements as:		
Current interest-bearing liabilities	15,037	13,822
Non current interest-bearing liabilities	6,650	21,689
Total included in interest-bearing liabilities	21,687	35,511

(c) Capital Expenditure Commitments
There were no capital expenditure commitments at 30 June 2010.

(d) Remuneration Commitments
There were no remuneration commitments at 30 June 2010.

NOTE 16: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company has been granted an option to purchase 90% equity in all minerals in a tenement owned by Golden West Resources. The option period is 3 years and the exercise price is $80,000. The Company will pay a minimum of $200,000 on exploration during the option period at a burn rate of its own choosing, but sufficient to maintain the tenement in a good standing. The Company can withdraw from the agreement at any time during the option period at which time their interest in the tenement and their commitment to pay the minimum expenditure of $200,000 ceases.

NOTE 17: SEGMENT REPORTING

The Company operates predominantly in the mineral exploration industry in Australia. For management purposes, the Company is organised into one main operating segment which involves the exploration of minerals in Australia. All of the Company's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company's as one segment. The financial results from this segment are equivalent to the financial statements of the Company's as a whole.

NOTE 18: STATEMENT OF CASH FLOWS

	30 June 2010 $	*30 June 2009* $
a. Reconciliation of the net loss after income tax to net cash flows from operating activities		
Net loss for the year	(183,121)	(537,571)
Non-cash Items		
Depreciation and amortisation	12,802	29,108
Other	-	192,568
Changes in assets and liabilities		
(Increase)/decrease in debtors/receivables	(10,918)	(5,428)
Increase/(decrease) in trade creditors and accruals	77,312	82,851
(Increase)/decrease in other assets	-	1,000
Increase/(decrease) in provisions	-	-
Cash outflows from operations	(103,925)	(237,472)

b. Reconciliation of cash and equivalents		
Cash and equivalents comprise		
- cash at bank and in hand	5	498
Total cash and cash equivalents	5	498

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

Short term deposits are made for varying years of between one day and three months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

NOTE 19: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of key management personnel

(i) Directors
Theodorus Elswyk
Angelo Ikonomou
Stanislaw Procak
(ii) Other KMP
John Doutch
Vicki Morton
Harold Paiker
Malcolm Doutch
Constantino Markopoulos

NOTE 19: KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

	30 June 2010 $	*30 June 2009* $
(b) Compensation of key management personnel by category		
Short-term employee benefits	8,000	148,916
Post employment benefits	-	5,850
Share-based payment	-	-
	8,000	154,765

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Company's key management personnel for the year ended 30 June 2010.

(c) Number of shares held by key management personnel during the year

	Balance 1 July 2009	*Received as remuneration*	*Net Change Other*	*Balance 30 June 2010*
Theodorus Elswyk	-	-	-	-
Stanislaw Procak	-	-	-	-
Angelo Ikonomou	-	-	-	-
John Doutch	1	-	-	1
Vicki Morton	-	-	-	-
Harold Paiker	-	-	-	-
Malcolm Doutch	1	-	-	1
Constantino Markopoulos	-	-	-	-
	2	-	-	2

(d) Loans to key management personnel or their related parties
During the year there were amounts totalling $117,256 that were loaned to the Company by Directors.

(e) Other transactions and balances with key management personnel
Details of services provided by directors and amounts owed/owing by directors are disclosed under the related party note 20.

NOTE 20: RELATED PARTY TRANSACTIONS

Transactions with Directors, Director Related Entities and other Related Entities are:

- In 2009, an aggregate amount of $48,268 was paid, or was due and payable to Mr Procak for consulting services.
- In 2010, an aggregate amount of $8,000 (2009:nil) was paid, or was due and payable to Mr Ikonomou for consulting services.
- In 2009, an aggregate amount of $6,107 was paid, or was due and payable to MPV Pty Ltd, a company controlled by Mr Markopoulos for consulting services..
- In 2010 an amount of $4,000 was paid to Fairstar Resources Limited, a company for which Mr Robertson and Mr Lyon are directors, for rental expenses.
- In 2008, the Company was granted an option to purchase 90% equity in all minerals in a tenement owned by Golden West Resources, a company for which Mr Lyon is a director. The Company will pay a minimum of $200,000 on exploration during the option period (3 years) at a burn rate of its own choosing, but sufficient to maintain the tenement in a good standing. Refer to note 16.

NOTE 21: FINANCIAL RISK MANAGEMENT AND POLICIES

The Company's activities expose it to a variety of financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. The Company does not use derivative financial instruments, however the Company uses different methods to measure different types of risk to which it is exposed.

Risk management is carried out by the Board of Directors with assistance from suitably qualified external advisors. The Board provides written principles for overall risk management and further policies will evolve commensurate with the evolution and growth of the Company.

The carrying value of the Company's and the Company's financial instruments are as follows:

	30 June 2010	*30 June 2009*
	$	*$*
Financial assets		
Cash and cash equivalents	5	498
Trade and other receivables	102,298	91,380
	102,303	91,878
Financial liabilities		
Trade and other payables	180,498	103,186
Borrowings	1,880,873	1,777,441
	2,061,371	1,880,627

The Company's principal financial instruments comprise cash and short-term deposits. The Company does not have any borrowings, other than loans from shareholders and Directors to provide working capital until the company could raise further equity.

The main purpose of these financial instruments is to fund the Company's operations.

It is, and has been throughout the year under review, the Company's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Company are cash flow (interest rate risk, liquidity risk and credit risk). The Board reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Market risk

(i) *Foreign exchange risk*
Although the Company operates internationally all material financial assets are denominated in the respective entity's functional currency. Therefore its exposure to foreign exchange risk arising from currency exposures is limited.

(ii) *Cash flow and interest rate risk*
The Company's only interest rate risk arises from cash and cash equivalents held. Term deposits and current accounts held with variable interest rates expose the Company to cash flow interest rate risk. The Company does not consider this to be material and have therefore not undertaken any further analysis of risk exposure.

NOTE 21: FINANCIAL RISK MANAGEMENT AND POLICIES (continued)

(b) Credit risk

Credit risk is managed by the Board and arises from cash and cash equivalents as well as credit exposure including outstanding receivables and committed transactions.

All cash balances held at banks are held at internationally recognised institutions.

For the Company, the majority of receivables are short term tax receivables.

The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised at the start of Note 21. The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about default rates.

Financial assets that are neither past due and not impaired are as follows:-

	30 June 2010 $	*30 June 2009* $
Cash and cash equivalents		
AA S&P rating	5	498

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash balances and access to equity funding.

The Company's exposure to the risk of changes in market interest rates relate primarily to cash assets and floating interest rates. The Company does not have significant interest-bearing assets and is not materially exposed to changes in market interest rates.

The directors monitor the cash-burn rate of the Company on an on-going basis against budget and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

As at reporting date, the Company is aware of their low cash reserves however the Company has no access to credit standby facilities or arrangements for further funding or borrowings in place.

The financial liabilities the Company had at reporting date were trade payables incurred in the normal course of the business as well as borrowings from the directors. These were non interest bearing.

The following table sets out the carrying amount, by maturity, of the financial liabilities:

Year ended 30 June 2010	<1 year	1 - 5 Years	Over 5 Years	Total contractual cashflows	Weighted average effective interest rate %
Financial Liabilities:					
Hire purchase liabilities	15,037	6,650	-	21,687	8.46
Borrowings	1,859,186	-	-	1,859,186	-
	1,874,223	6,650	-	1,880,873	

Year ended 30 June 2009	<1 year	1 - 5 Years	Over 5 Years	Total contractual cashflows	Weighted average effective interest rate %
Financial Liabilities:					
Hire purchase liabilities	13,822	21,689	-	35,511	8.46
Borrowings	1,741,930	-	-	1,741,930	-
	1,755,752	21,689	-	1,777,441	

NOTE 21: FINANCIAL RISK MANAGEMENT AND POLICIES (continued)

(d) Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

The fair value of long term borrowings is not materially different from their carrying value.

The entity's principle financial instruments consist of cash and deposits with banks, accounts receivable, trade payables and loans payable. The main purpose of these non-derivative financial instruments is to finance the entity's operations.

(e) Capital risk

The Company determines capital to be the equity as shown in the statement of financial position plus net debt (being total borrowings less cash and cash equivalents).

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

During 2010, the Company's strategy, which was unchanged from 2009, was to keep borrowings to a minimum. The company's equity management is determined by funds required to undertake its development activities and meet its corporate and other costs.

NOTE 22: SUBSEQUENT EVENTS

Subsequent to year end a total amount of $668,000 in seed capital has been received.

There are no other matters or circumstances that have arisen since 30 June 2010 that have or may significantly affect the operations, results, or state of affairs of the Company in future financials years

NOTE 23: COMPANY DETAILS

The registered office and principle place of business of the Company is Unit 2, 42 Terrace Road, East Perth, Western Australia 6004.