

EMMERSON RESOURCES LIMITED

ABN 53 117 086 745

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011

Corporate Information

Directors

Andrew McIlwain
(Non-executive Chairman)
Robert Bills
(Managing Director and Chief Executive Officer)
Timothy Kestell
(Non-executive Director)
Simon Andrew
(Non-executive Director)
Peter Reeve
(Non-executive Director)

Share Registry

Computershare Investor Services Pty Limited
Level 2,
45 St Georges Terrace,
Perth 6000

GPO Box D182
Perth 6840

Emmerson Resources Limited shares are listed on
the Australian Securities Exchange (ASX), code
ERM

Company Secretary

Shane Volk

Bank

National Australia Bank
Level 1, 1238 Hay St
West Perth

Solicitors to the Company

Steinepreis Paganin
Lawyers and Consultants
Level 4, Next Building
16 Milligan Street
PERTH WA 6000

Ward Keller
Lawyers
Level 7, NT House
22 Mitchell Street
DARWIN NT 0801

Principal Place of Business and Registered Office

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West Leederville WA 6007

Telephone: (08) 9381 7838
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Internet: www.emmersonresources.com.au

Auditors

Ernst & Young

The Ernst & Young Building,
11 Mounts Bay Road,
Perth WA 6000

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Directors' Report

Your directors submit their report for the year ended 30 June, 2011

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

Names, Qualifications, experience and special responsibilities:

Mr. Andrew McIlwain B.Eng (Mining) Non-executive Chairman

Andrew McIlwain joined the Company on 1 February, 2007, appointed as the first Chairman of the board of directors. He is a qualified mining engineer and has held technical, senior management and executive roles within Mt. Isa Mines Limited, Central Norseman Gold Corporation, WMC Resources Limited and Lafayette Mining Limited. During the past three years Mr. McIlwain has served as a director of the following publicly listed companies:

- ◆ Verus Investments Limited * (Appointed Chairman May, 2008)
- ◆ Tusker Gold Limited (Appointed Non-executive Chairman November, 2009; Resigned May, 2010)
- ◆ Windy Knob Resources (now Aspire Mining Limited, appointed Non-executive Director April, 2008; Resigned June, 2009)

* denotes current directorship

Mr. Robert Bills B.Sc, M.Sc Managing Director and Chief Executive Officer

Rob Bills joined the Company on 10 September, 2007; he is a geologist and holds a Bachelor of Science Degree from Monash University and a Master of Science Degree from James Cook University. Prior to joining Emmerson Resources Mr. Bills had a 25 year career with Western Mining Corporation, then BHP Billiton where he held the position of global commodity specialist. During the last three years Mr. Bills has not served as a director of any other publicly listed company.

Mr. Tim Kestell B. Comm Non-executive Director

Tim Kestell formed Emmerson Resources on 10 November, 2005 and was the Managing Director of the Company until the appointment of Mr. Bills in September, 2007. Presently Mr. Kestell is the Chairman of the Company's Audit and Risk Management Committee. During the past three years Mr. Kestell has served as a director of the following publicly listed companies:

- ◆ Blue Capital Limited * (Appointed Non-executive Director March, 2009)
- ◆ Indago Resources Limited * (Appointed Non-executive Director August, 2009)
- ◆ Tusker Gold Limited (Appointed Non-executive Director November, 2009; Resigned May, 2010)
- ◆ New Opportunity Limited (Non-executive Director July, 2006 to January, 2009)

* denotes current directorship

Directors' report (continued)

Mr. Simon Andrew B.Sc (Honours)

Non-executive Director

Simon Andrew joined as a non-executive director on 21 July, 2006 and also serves as a member of the Company's Audit and Risk Management Committee. Residing in Singapore, Mr. Andrew has significant experience in the Australian and Asian financial markets including extensive experience in corporate financing transactions. In the past 3 years Mr. Andrew has not served as a director of any publicly listed company.

Mr. Peter Reeve B. Sc (Metallurgy)

Non-executive Director

Peter Reeve joined as a non-executive director on 24 April, 2009. Mr. Reeve holds a Bachelor of Science (Metallurgy) from RMIT University and has been involved in the Australian resources industry for approximately 25 years. His industry experience includes positions with Rio Tinto, Shell-Billiton and Normet Consulting, a metallurgical consulting firm, before joining Goldman Sachs/JBWere in Investment Management and Corporate Finance roles relating to the Australian resource industry. In 2001, Peter joined Newcrest Mining Limited, as part of the Executive Committee responsible for corporate development and market related aspects for the group, a position that he occupied until 2006. During the past three years Mr. Reeve has served as a director of the following publicly listed companies:

- ◆ Ivanhoe Australia Limited* (Appointed Chief Executive Officer and Managing Director in February, 2007)
- ◆ Exco Resources Limited* (Appointed Non-executive Director in May, 2008)

* denotes current directorship

Interests in the shares and options of the Company and related bodies corporate

Director	Number of Ordinary Shares	Number of Options over Ordinary Shares
Andrew McIlwain	840,668	2,500,000
Rob Bills	2,301,600	10,000,000
Tim Kestell	8,536,030	1,500,000
Simon Andrew	6,136,029	1,500,000
Peter Reeve	209,950	1,500,000

Company Secretary

Mr. Shane Volk B.Bus (Accounting); ACIS

Shane Volk joined the Company as Chief Financial Officer in March, 2007 and was appointed Company Secretary on 1 July, 2007. Mr Volk holds a Bachelor of Business degree, a graduate diploma in Corporate Governance and has over 20 years mining and exploration industry experience including employment with BHP Billiton and Placer Dome (since acquired by Barrick Limited).

Directors' report (continued)

Principal activities

The principal activities during the year of the entities within Emmerson Resources Limited and the entities it controlled ("Emmerson Resources", "the Company" or "the Group") has been mineral exploration in the Tennant Creek mineral field.

Operating and financial review

Background

Emmerson Resources was incorporated as a private company in November, 2005 by T. Kestell, who is currently a non-executive director. In July, 2006 the Company acquired a suite of exploration and mining tenements covering some 2,700 kms² of the Tennant Creek Mineral Field, the 300,000 tonne per annum Warrego gold plant (located approximately 50km to the northwest of the Tennant Creek) and associated exploration and support infrastructure in the township of Tennant Creek, Northern Territory, Australia.

The Company converted to a Public Company on 25 October, 2007 and in December, 2007 completed an Initial Public Offering (IPO) of its shares, successfully raising \$20,000,000. Shares of the Company listed on the Australian Securities Exchange (ASX) on 17 December, 2007; ASX code: ERM.

In August 2009 the Company executed the Tennant Creek Mineral Field Exploration Joint Venture Agreement with Ivanhoe Australia Limited (Ivanhoe). This landmark agreement secured the necessary funding for an aggressive exploration program by the Company and took effect 16 April, 2009. Key terms of the agreement include:

- **\$18,000,000 Farm-In:** Ivanhoe must sole fund minimum expenditure of \$18,000,000 over three years to earn a 51% interest in the majority of the mineral tenements held by Emmerson. Emmerson have been appointed by Ivanhoe to perform exploration during the Farm-In period and have been doing so since 16 April, 2009;
- **\$10,000,000 Joint Venture sole fund by Ivanhoe:** Upon attainment of the Farm-In, Ivanhoe must continue to sole fund the Joint Venture expenditure for the initial \$10,000,000 over a maximum 5 year period to retain its 51% Joint Venture interest, otherwise Ivanhoe's Joint Venture interest reverts to 49% and Emmerson's to 51%;
- **Warrego gold plant ownership:** Remains with Emmerson;
- **Tier 2 projects** (i.e. those with less than a 250,000 gold equivalent ounce resource) will be retained 100% by Emmerson, i.e. they are excluded from the Joint Venture;
- **Sole-Risk Sole-Fund projects**, whereby Emmerson can sole fund exploration projects within the Joint Venture area with the approval of the Joint Venture Committee (or the Exploration Committee during Farm-In) and retain 100% of the project, Ivanhoe hold "back-in rights" over each sole-risk sole-fund project by paying a multiple of the total Emmerson exploration spend; and
- **A 70% interest in individual projects** may be earned by Ivanhoe if they sole fund expenditure commencing at 500,000 gold equivalent resource ounces to define a minimum 1,000,000 gold equivalent ounce resource.

Ivanhoe is a shareholder of the Company with 22,610,000 shares (approximately 10% of total issued shares).

Directors' report (continued)

Operating and financial review (continued)

Current year

Emmerson has pursued a threefold exploration strategy consisting of:

1. Exploration for a new generation of tier 1 (as defined in our Ivanhoe Farm-in and Joint Venture) gold-copper deposits, most recently utilising the HeliTEM geophysical technology to screen prospective, large, undercover targets;
2. Exploration for extensions to known mineralisation and/or smaller gold-copper deposits (defined as tier 2). These include an untested target immediately above the historic Warrego deposit (the largest deposit in the Tennant Creek Mineral Field) and multiple near-mine targets at Gecko, Golden Forty and other smaller greenfields targets such as Analytic and Nebbiolo; and
3. Re-evaluation of residual mineral resources. Phase 1 of this study includes a review of the existing resources utilising updated metal and mining costs; the work has been outsourced to a reputable external consultancy. Remnant resources being reassessed in the study include unmined copper and/or gold resources at Gecko, Warrego, Chariot, Golden Forty, Orlando and TC8.

Ivanhoe Farm-In (Tier 1 targets)

Ivanhoe Australia Limited continued to fund the majority of the exploration activities during the year in accordance with the Tennant Creek Mineral Field Joint Venture Agreement.

As at 30 June, 2011 Ivanhoe had funded \$16,803,666 of the \$18.0 million initial Farm-In required for them to earn a 51% interest in the majority of the mineral tenements held by the Company. Once the \$18.0 million Farm-In is achieved and the Joint Venture formed (51% Ivanhoe, 49% Emmerson), Ivanhoe is required to sole fund the initial \$10.0 million of Joint Venture expenditure to retain their 51% Joint Venture interest.

During the first six months of this reporting period (to 31 December, 2010) exploration activity focussed on continuing to drill test the highly ranked greenfields exploration prospects identified from the gravity and magnetic surveys conducted in prior field seasons. During this period 9 greenfields targets were tested (38 holes in total) with 6,949 metres of diamond drilling (DDH) supported by 2,545 metres of reverse circulation drilled pre-collars (RCP) and 4,251 metres of dedicated reverse circulation drilling (RC). Also, as a precursor to the DDH and RC target testing described above, a reverse air blast drilling (RAB) program was conducted in September and October 2010 over 10 prospects with 13,517 metres of this type of drilling completed.

Despite many of the DDH and RC drill holes intersecting the targeted magnetite and/or hematite ironstones (the hosts to mineralisation in the Tennant Creek mineral field), mineralisation was either absent or insufficient in each case to justify further drilling and the managing director's report contains a more comprehensive review of the years exploration activities and actual drilling results.

Ivanhoe remain committed to the Farm-In and Joint Venture, illustrated by the funding of the 2,227 line kilometre helicopter borne time domain electromagnetic survey (HeliTEM) during February and March 2011 at a cost of \$ 426,486 (excluding geophysical interpretation). The survey utilised the world most powerful airborne survey equipment and was conducted over 5 "blocks" (tenement area's) which were Gecko/Orlando, White Devil, Chariot line, Golden 40/Peko and Bishops Creek.

Directors' report (continued)

Operating and financial review (continued)

Ivanhoe Farm-In (Tier 1 targets) (continued)

Final survey results are still being processed and interpreted at the date of this report but early results are encouraging for the identification of under cover anomalies which will require drill testing.

The tables below contain a summary of drill testing funded by Ivanhoe as part of the \$18.0 million Farm-In during the year:

Summary of 2010/11 Drilling funded by Ivanhoe Australia Limited

Diamond & Reverse Circulation drilling	Diamond Drilling (with RC pre-collar where applicable)				RC Drilling	
Project Area & Prospect		Drilling Metres		Total drilling (metres)		Total drilling (metres)
	Holes	RC pre-collar	DDH “tail”		Holes	
Northern Project Area						
Rising Star	2	196	310	506		
Voltan	1	101	445	546		
Southern Project Area						
West Gibbet	4	264	795	1,059	1	354
Pinnacles North					1	159
Tinto	3	371	1,318	1,689	1	210
Western Project Area						
Ella	4	689	1,787	2,476		
Coltrane	3		1,243	1,243	2	798
Armstrong	1	95	336	431		
Smokey	2	408	553	961	3	618
Cannon Ball	1	420	163	583	1	186
Duke					6	1,320
Navarro					2	606
TOTALS	21	2,544	6,950	9,494	17	4,251

RAB drilling

Project Area & Prospect	Holes	Mtrs	Project Area & Prospect	Holes	Mtrs
Western Project Area			Southern Project Area		
Armstrong	53	2,418	Trinity 1	16	697
Smokey	61	2,443	Trinity 6	5	244
Cannon Ball	70	3,322	Trinity 14	12	561
Duke	17	716			
Navarro	12	556			
Monk	20	972			
Parker	39	1,588			
TOTALS				305	13,517

Directors' report (continued)

Operating and financial review (continued)

Emmerson sole-risk sole-fund and area's outside of the Farm-In and Joint Venture area (Tier 2 targets)

During the second half of the year, Emmerson drill tested five prospects identified from earlier gravity and/or magnetic surveys; four prospects (Golden 40, Golden Kangaroo, Analytic 1 and Nebbiolo) on a sole-risk sole-fund basis with the fifth (Warrego fault splay) outside the area subject to the Ivanhoe Farm-In. In total 16 holes were drilled for 3,715 metres.

Whilst some higher grade intercepts were returned from the Warrego fault splay drilling, results were not encouraging enough to warrant further funding. Exploration at Golden 40 is ongoing at the date of this report with results from the Analytic and Golden Kangaroo prospects not encouraging.

A summary of Emmerson funded drill testing is provided in the tables below, with a more detailed discussion contained in the managing directors report:

Summary of 2010/11 Drilling funded by Emmerson Resources

Diamond & Reverse Circulation drilling	Diamond Drilling (with RC pre-collar where applicable)				RC Drilling	
Project Area & Prospect		Drilling Metres		Total drilling (metres)		Total drilling (metres)
	Holes	RC pre-collar	DDH “tail”		Holes	
Southern Project Area						
Analytic 1	1		251	251		
Nebbiolo					2	456
Eastern Project Area						
Golden 40	1	216	219	435	1	222
Golden Kangaroo					4	542
Western Project Area						
Warrego Fault Splay	3	363	366	729	6	1,080
TOTALS	5	579	836	1,415	13	2,300

In situ resource review

Phase 1 of the review of existing resources evaluated the Gecko, Warrego, Chariot, Golden 40, Orlando and TC8 areas. All historical information including resource reports, drilling, wireframes, QA/QC protocols and historic underground workings were reassessed by an independent external consulting group. At the end of the financial year both the Gecko and Orlando area's had passed the Phase 1 evaluation and had advanced to Phase 2 (Scoping Study).

Safety

Emmerson Resources continues our commitment to the highest standards of workplace safety and safety compliance. Throughout the year our employee's have built on the outcomes from the 2010 safety systems review, this has resulted in several new initiatives including the formation of a Health and Safety Committee, the instigation of a regular safety award to recognise employees who demonstrate an outstanding pro-active approach to workplace safety and regular safety topic presentations with follow-up on-line questionnaires.

Directors' report (continued)

The continued dedication to safety by our employee's and contractors enables your directors to report that as at 30 June, 2011 we had recorded 617 days (approx. 130,000 man hours) without a Lost Time Injury (LTI) and that 10 October, 2011 will mark the two year anniversary without a lost time injury. This is a fabulous achievement and testament to a pro-active work place culture which has embedded the core values of Emmerson Resources.

Community

During the year the Company continued to provide support to various sporting and charitable organisations about Tennant Creek such as Little Athletics, Tennant Creek Racing Club, Cattleman's Association, Tennant Creek Show and Kelly's Ranch. Several of our Tennant Creek employees continued their voluntary involvement in local organisations such as the Tennant Creek Bush Fire Brigade, St. John Ambulance NT and the NT Fire and Rescue service. The Tennant Creek Employee Social Club provided financial contributions to the Christchurch earthquake and Japanese Tsunami relief funds.

The Company's partnership with the Clontarf Foundation and their academy at Barkly College continues to prosper. During the year we saw a total of nine Clontarf lad's participate in our after school work program with two of the young men spending time out in the field during their school vacation to experience what it was like to actually work as a field assistant directly involved in supporting our drilling activities. A highlight during the year was a visit to Tennant Creek in November, 2010 by the founder and Chief Executive Officer of the Clontarf Academy Mr. Gerard Neesham OAM. As well as speaking at Barkly College we were fortunate to have Gerard address a "business at sunset" function following the Company Annual General Meeting in Tennant Creek. Emmerson hosted the function in conjunction with the NT Chamber of Commerce at the Battery Hill mining centre and those who attended were impressed by the turn-out of the Clontarf lads and Gerard's insightful talk about the aims and achievements of the Clontarf Foundation in Tennant Creek and throughout Australia.

Warrego Gold Plant

The Warrego gold plant (300,000 tpa capacity) remains in fair condition with regular inspections of the site being undertaken.

Rehabilitation

The Company continued to monitor the opportunity for the cash neutral rehabilitation of the old Warrego mine site via the engagement of the services of a scrap metal merchant. As in 2009/10, scrap metal prices did not recover significantly during 2010/11 for the commencement of the planned stages 2 and 3 of the rehabilitation program; we remain hopeful that the program can recommence in the 2011/12 year.

The abandoned Warrego mine and town sites are sites that were included in the purchase by the Company of the ex-Centralian Minerals Limited (formerly Giant Reef Mining Limited) assets. Under the terms and conditions of the Standstill Deed that the Group is a party to (details on page 13), there is no obligation to undertake any rehabilitation. However Stage 1 Warrego town rehabilitation was performed by a scrap metal merchant in the 2008/09 financial year and provided a cost effective means for the Company to begin remediating this historical legacy. This arrangement resulted in a noticeable improvement and the Company continues to discuss the next phase of rehabilitation, should the opportunity arise.

Directors' report (continued)

Operating and financial review (continued)

Operating Results for the year

The net loss of the consolidated entity from continuing operations for the financial year ended 30 June, 2011 was \$1,686,802 (2010: \$2,005,096). An impairment charge of \$328,636 against capitalised exploration and evaluation expenditure was recorded at 30 June, 2011. The charge relates to mineral tenements for which the company either no longer holds title or tenements where no future exploration and evaluation expenditure is planned. A reconciliation of total underlying profit for the period is:

	2011	2010
	\$	\$
Net Loss after income tax	1,358,166	2,005,096
Impairment – exploration and evaluation	328,636	-
Totally underlying loss	1,686,802	2,005,096

Shareholder Returns

The share price of the company traded in a range of between \$0.10 and \$0.20 during the financial year, finishing the year (30 June 2011) at \$0.12 (2010: \$0.17). The depreciation of the share price is disappointing considering the exploration progress achieved during the year and the discovery potential that remains in the mineral field. However, exploration success is not guaranteed, nor is the profitable future exploitation of any mineral deposit discovered.

	2011	2010	2009	2008
Basic loss per share (cents)	0.75	0.89	0.82	1.23
<u>Share Price (\$)</u>				
High	0.20	0.44	0.23	0.30
Low	0.10	0.15	0.04	0.16
30 June closing price	0.12	0.17	0.15	0.15

Dividends

No dividends have been paid or were declared or recommended by the directors during the period.

Review of financial condition

Liquidity and Capital Resources

At year end the Company held cash of \$9,405,131. This comprised term deposits of \$9,305,172 and cash at bank of \$99,958. In addition \$1,618,000 is held on term deposit with the ANZ Bank to support Bank Guarantees of the same value lodged with the NT Government as guarantees to undertake environmental rehabilitation obligations associated with both current exploration activities and prior mining and ore processing activities.

At 30 June, 2011 Ivanhoe Australia Limited had incurred a total of \$16,803,666 of the \$18,000,000, 3 year Farm-In Earning Obligation (2010: \$10,913,906).

Directors' report (continued)

Operating and financial review (continued)

Assets and capital structure

	2011	2010
	\$	\$
Debts:		
Trade and other payables	1,213,941	1,227,162
Interest bearing loans & borrowings	3,932	6,716
Cash and short-term deposits	(9,405,131)	(10,881,993)
Net Debt	(8,187,258)	(9,648,115)
Total Equity	27,246,995	28,824,838
Total Capital Employed	19,059,737	19,176,723

Liquidity and Capital Resources

The company did not issue any shares during the year.

Profile of debts

The profile of the Groups debt finance is as follows:

	2011	2010
	\$	\$
Current		
Obligations under finance leases	3,102	2,783
Non-current		
Obligations under finance leases	830	3,933
	3,932	6,716

The Groups debt is for the finance lease of a photo-copier, the lease debt is scheduled to be fully repaid in September, 2012.

Capital expenditure

Cash used for capital expenditure during the year remained at modest levels being \$160,062(2010: \$429,360) with the majority of expenditure for purchases of replacement computer hardware and computer software. At reporting date there are no capital expenditure commitments.

Treasury policy

The Chief Financial Officer is responsible for managing the Group's cash, the vast majority of which is placed on term deposit with the balance in current account. The Group's cash position is closely monitored by the board, which in 2009 resolved that the Group's cash is to be invested only with the top four Australian banks.

Directors' report (continued)

Operating and financial review (continued)

Risk Management

The Group takes a proactive approach to risk management. The board is responsible for ensuring that risks and also opportunities are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the board.

The board has established an audit and risk management committee, chaired by Mr. Kestell. The committee is convened on an as required basis to work with management in assessing risks and opportunities for the Group. The committee reports to the board as a whole the outcomes of its work, the board examines the outcomes of the committee's work making any recommendations or additional information requests, as required.

In addition to the audit and risk management committee, the board has in place a number of mechanisms to ensure that management's objectives and activities are aligned with the identified risks, these include the following:

- Board approval of a strategic plan, which encompasses the Group's vision, mission and strategy statements, designed to meet stakeholders needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets, including the establishments and monitoring of Key Performance Indicators of both a financial and non-financial nature.
- The establishment of committees to report on specific business risks, including for example such matters as occupational health and safety.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the Company other than those referred to elsewhere in this report or the financial statements or notes thereto.

Significant events after balance date

No matters or circumstances have arisen since the end of the financial period which significantly affects the operations of the economic entity.

Likely developments and expected results

Based on the approved 2011 calendar year exploration budget, by 31 December, 2011 it is anticipated that Ivanhoe Australia Limited will have spent approximately \$17,593,388 of the required \$18,000,000 Earn In Obligation pursuant to the Tennant Creek Mineral Field Joint Venture. Upon attaining the \$18,000,000 Earn in Obligation (which is anticipated at some time during the 2012 calendar year) Ivanhoe Australia Limited will earn a 51% interest in the majority of the Group's exploration and mining tenements and a Joint Venture will be formed between Ivanhoe Australia Limited and the Group for the continued exploration and evaluation of the Group's tenements that are subject to the Joint Venture. Under the terms of the Joint Venture, Ivanhoe Australia Limited must sole fund the initial \$10,000,000 of Joint Venture expenditure over a maximum 5 year period with a minimum annual spend of \$2,000,000 from the Joint Venture commencement date to retain its 51% Joint Venture interest, failure to do this will result in the Ivanhoe Australia Limited's Joint Venture interest reverting to 49% and the Group's interest to 51%.

At the date of this report there are no other likely developments to be reported.

Directors' report (continued)

Operating and financial review (continued)

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the period.

Environmental Issues

The Company is aware of its environmental and rehabilitation obligations and acts to ensure that its environmental commitments are met.

1. Santexco Pty Ltd (Santexco), a wholly owned subsidiary of the Company, entered into a Rehabilitation Agreement (dated 6 November, 2001) with the Northern Territory (NT) Government, whereby Santexco is obliged to perform rehabilitation obligations to the value of \$750,000 pa. for 6 years (a total obligation of \$4,500,000) on various mineral tenements, or pay the difference between the actual rehabilitation performed per year on the tenements and \$750,000 into a deposit account held by the NT Government at each of the 6 anniversary dates of the agreement. To date Santexco has performed actual rehabilitation obligations of \$333,041 and lodged a bank guarantee to the value of \$416,958 with the NT Government. There are 5 anniversary dates for the agreement outstanding.
2. The Group is party to a binding agreement with the NT Government (Department of Regional Development, Primary Industry, Fisheries and Mines) dated 31 July, 2006 whereby the NT Government has agreed that the rehabilitation obligations described in the Rehabilitation Agreement are suspended (on "standstill") until 45 days of cumulative commercial production from the Group's tenements.

Given the permanent standstill arrangement in place with the NT Government and that any recommencement of commercial production is at the complete discretion of the Group, there is currently no requirement for the Group to perform any rehabilitation obligations on any tenements, except to the extent that the rehabilitation relates to the exploration activities of the Group since August, 2006.

Directors' report (continued)

Operating and financial review (continued)

Share options

Unissued shares

As at the date of this report there were 24,000,000 unissued ordinary shares under options. Details are:

Expiry Date	Exercise Price	Number of Options
31 July, 2012	\$0.25	5,500,000
24 November, 2012	\$0.50	7,000,000
13 December, 2012	\$0.25	5,000,000
13 December, 2012	\$0.30	5,000,000
11 March, 2013	\$0.25	500,000
5 years from the date on which the 20 day Volume Weighted Average Price (VWAP) of the Company's shares (as traded on the ASX) is equal to or more than 1.5 times the VWAP calculated for the first 20 days trading of the Company's shares on the ASX (which was \$0.236).	\$0.25	1,000,000

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any other body corporate.

Shares issues as a result of the exercise of options

During the financial year no shares were issued due to the exercise of options. No options have been exercised in the period between 30 June, 2011 and the date of this report.

Performance Rights

As at the date of this report there were 1,450,000 unissued ordinary shares subject to performance rights (1,550,000 at the reporting date). Details are:

Expiry Date	Exercise Price	Number of Rights
24 November, 2014	Nil	700,000
31 August, 2015	Nil	750,000

Shares issues as a result of the exercise of performance rights

No shares were issued during the financial year because of the exercise of performance rights.

Directors' report (continued)

Indemnification and insurance of directors and officers

During the financial year ended 30 June, 2011, the Emmerson Resources has paid premiums in respect of an insurance policy insuring all of the directors and officers of Emmerson Resources Limited and Emmerson Resources Limited, against any losses (including legal fees, compensation orders and investigation costs) which the director, officer or Emmerson Resources is liable to pay resulting from a claim, defence costs and other awards of damages (including any court order to pay compensation for damage resulting from a contravention of any statute of legislative provision and punitive and exemplary damages), awards of costs or settlements (including claimant's legal costs and expenses), pre- and post- judgement interest on a covered judgement or award, fines and pecuniary penalties and the multiplied portion of multiple damages. The contract of insurance is in place with insurer American Home Assurance Company (trading as AIG Australia). The policy provides for an indemnity limit of \$5,000,000 aggregate during the claim period which expired on 31 July, 2011 and was replaced by a similar policy, expiring on 31 July, 2012. The premium paid for the policy expiring 31 July, 2011 was \$7,000; this premium amount was retained for the replacement policy.

Director's board and committee meetings

The number of meeting of directors (including meeting of committees of directors held during the year and the number of meetings attended by each director) was as follows:

Meetings held during year	Full Board		Audit Committee	
	3		1 ^A	
Meetings attended:	<u>Eligible</u>	<u>Attended</u>	<u>Eligible</u>	<u>Attended</u>
Andrew McIlwain (Chairman)	3	3	-	-
Rob Bills	3	3	-	-
Tim Kestell (Chairman of audit committee)	3	3	1	1 ^A
Simon Andrew	3	2	1	-
Peter Reeve	3	3	-	-

^A The charter of the Audit and Risk Management Committee stipulates a minimum of two committee members in attendance for a validly constituted meeting. For the year subject to this report, Mr. Kestell met with the Group's auditors (Ernst & Young) and dealt with all other committee items, subsequently reporting to the board to its satisfaction.

Non-audit services

There were no non-audit services provided by the Groups auditor, Ernst & Young during the period of this report.

Auditors independence declaration

The Directors have received an independence declaration from the Group's auditors which is attached on page 33 and forms part of this report.

Directors' report (continued)

Remuneration report (audited)

This Remuneration Report for the year ended 30 June 2011 outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* (the *Act*) and its regulations. This information has been audited as required by section 308(3C) of the *Act*.

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Company and the Group receiving the highest remuneration, however as the Company and Group have only three executives, only these are included in this report.

For the purposes of this report the term 'executive' encompasses the Managing Director and Chief Executive Officer, the Chief Financial Officer and Company Secretary, the Principal Geologist and the Exploration Manager – Tennant Creek.

The remuneration report is presented under the following sections:

1. Individual key management personnel disclosures
2. Remuneration at a glance
3. Board oversight of remuneration
4. Non-executive director remuneration arrangements
5. Executive remuneration arrangements
6. Company performance and the link to remuneration
7. Executive contractual arrangements
8. Equity instruments disclosures

1. Individual key management personnel disclosures

Details of key management personnel including the top three remunerated executives in the Company and the Group are set out below:

Key management personnel

(i) Directors

Andrew McIlwain	Chairman (Non-executive)
Robert Bills	Managing Director and Chief Executive Officer
Tim Kestell	Director (Non-executive)
Simon Andrew	Director (Non-executive)
Peter Reeve	Director (Non-executive)

(ii) Executives

Shane Volk	Chief Financial Officer and Company Secretary
Grant Osborne	Principal Geologist
Steve Russell	Exploration Manager – Tennant Creek

There has been no change to the composition of Directors, the position of Chief Executive Officer or to other key management personnel during the period after reporting date and before the date the financial report was authorised for issue.

Directors' report (continued)

Remuneration report (audited) (continued)

2. Remuneration at a glance

Executive Remuneration

Emmerson Resources Limited's remuneration strategy is designed to attract, motivate and retain employees and non-executive directors by identifying and rewarding high performers and recognise the contribution of each employee to the exploration success and growth of the Group.

The remuneration policy is to bench-mark total remuneration for individual employee's and directors against peer-group organisations to ensure a competitive offering.

There have been no material changes to the short-term incentive bonus plan for the 2011 financial year. For the performance period covered by this report (January 2010 to December 2010) 50% of the short-term incentive payment is based on the increase in the market capitalisation of the Company based on a 20 day moving average of market capitalisation from 1 January to 31 December, 30% is based on "discovery success" and 20% is based on the attainment of individual key performance indicators. In recognition of the performance of the company and the executive during the year a total of \$10,500 was earned by the Company KMPs during the 2011 financial year.

Long-term incentive awards consisting of share purchase options which vest based on the attainment of service mile-stones were awarded to Mr. Bills and Mr. Volk when they joined the company in 2007 prior to the company converting to a public company and subsequent listing on the Australian Securities Exchange. All of the options awarded to Mr. Bills and Mr. Volk have vested, none of the options have been exercised.

Long-term incentive awards consisting of share purchase options which vest based on the attainment of service mile-stones were awarded to Mr. Russell when he joined the company just prior to ASX listing in December, 2007. All of the options have vested, none of the options have been exercised.

At the 2009 Annual General Meeting of the Company shareholders approved a Performance Rights Plan. The objectives of this long-term incentive scheme are to provide the Company with a remuneration mechanism, through share ownership, to motivate, retain and reward the performance of employees (including directors). Mr. Osborne and Mr. Russell have been awarded performance rights under this scheme, the rights vest based on pre-determined periods of service. None of the rights awarded under this scheme have yet vested.

Directors' report (continued)

Remuneration report (audited) (continued)

During the reporting period the board, after assessing market conditions and salary movements determined the following adjustments to executive annual fixed remuneration:

Executive	Revised fixed annual remuneration	Prior fixed annual remuneration	Effective date
Managing Director & Chief Executive Officer	no change	\$350,000	n/a
Chief Financial Officer & Company Secretary	no change	\$200,000	n/a
Principal Geologist	\$200,000	\$168,000	1 April, 2011
Exploration Manager – Tennant Creek	\$170,000	\$168,000	1 April, 2011

Complete details of executive remuneration for the year ended 30 June, 2011 is set out in Table 1 of this report.

3. Board oversight of remuneration

Remuneration Committee

The Company does not have a Remuneration Committee hence the full board is responsible for determining the remuneration arrangements for all members of the board and executives.

The board assesses the appropriateness of the nature and amount of remuneration of the non-executive directors and executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team. In determining the level and composition of executive remuneration, the board takes advice from external consultants to bench mark remuneration against the external market.

Remuneration approval process

The board approves the remuneration arrangements of the Chief Executive Officer, executives and all awards made under the long term incentive plans. The board also sets the aggregate remuneration of non-executive directors which is then subject to shareholders approval.

The board also approves, having regard to the recommendations made by the Chief Executive Officer and Managing Director, all payments awarded to executives and employees under the Company's short term incentive plan.

Remuneration strategy

Emmerson Resources Limited's remuneration strategy is designed to attract, motivate and retain employees and non-executive directors by identifying and rewarding high performers and recognising the contribution of each employee to the success of the Group.

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

Directors' report (continued)

Remuneration report (audited) (continued)

Remuneration strategy (continued)

To this end, key objectives of the Company's reward framework are to ensure that remuneration practices:

- Are aligned to the Company's business strategy;
- Offer competitive remuneration benchmarked against the external market;
- Provide strong linkage between individual and Company performance and rewards; and
- Align the interests of executives with shareholders.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

4. Non-executive Director Remuneration arrangements

Remuneration Policy

The Board seeks to set aggregate remuneration at a level that provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholder and the fee structure is reviewed annually against fees paid to non-executive directors of comparable companies. The Board considers advice from external sources (for example remuneration surveys) when undertaking the annual review process.

The Company's constitution and the Australian Securities Exchange (ASX) listing rules specify that the non-executive director fee pool shall be determined from time to time by shareholders in general meeting. The latest determination by shareholders was at the 2009 annual general meeting (AGM) held on 25 November, 2009 when shareholders approved an aggregate fee pool of \$250,000 per year.

The board will not seek any increase for the non-executive director pool at the 2011 AGM.

Structure

Each non-executive director receives an annual fee \$36,000 for being a director of the Company and the Chairman of the Board receives an annual fee of \$75,000. Director fees are paid quarterly in arrears; the Company also pays the compulsory 9% superannuation guarantee in addition to the base fees.

The remuneration of the non-executive directors for the year ended 30 June, 2011 and 30 June, 2010 is detailed in Table 1 of this report.

Directors' report (continued)

Remuneration report (audited) (continued)

4. Non-executive Director Remuneration arrangements (continued)

Variable remuneration – long term incentive (LTI)

LTI awards are made periodically to non-executive directors subject to the approval of shareholders as is required by ASX listing rule 10.14 in order to reward directors in a manner that aligns remuneration with the creation of shareholder wealth and provides a marked linked incentive as part of their respective roles as non-executive directors and for the future performance by each of them in their respective roles.

LTI – share options

Structure

LTI share options are made under the Company Incentive Option Scheme at the determination of the Board, subject to shareholder approval. Each option entitles the holder to one fully paid ordinary share of the Company and the number of options issued is determined by the Board for approval by shareholders. Options are typically awarded to non-executive directors with an exercise price at a significant premium to the prevailing Company share price at the time of issue, consequently there are no vesting and performance conditions attached to the options, with the recipient typically having a three year period to exercise the options before lapse. The Board feels that the expiry date and exercise price of options currently on issue to the directors is sufficient to align the goals of the directors and executives with that of the shareholders to maximise shareholder wealth.

Termination and change of control provisions

Where a non-executive director ceases their directorship prior to the exercise of their options, the options must be exercised within 60 days or else they are forfeited unless the board applies its discretion to allow exercise more than 60 days post cessation of directorship in appropriate circumstances.

LTI's awards for the 2011 financial year

There were no options granted in the 2011 financial year.

Hedging of equity awards

The Company prohibits directors from entering into arrangements to protect the value of unvested LTI awards. The prohibition includes entering into contracts to hedge their exposure to options awarded as part of their remuneration package.

Adherence to this policy is monitored on an annual basis and involves each director signing an annual declaration of compliance with the hedging policy.

Margin Loans

In relation to margin loans, it is the Company's policy that where there is (or the director or executive reasonably believes there will be) an unmet margin call, an event of default or another similar occurrence, the director or executive must immediately disclose to the company secretary and/or chief financial officer the necessary information so the Company can comply with its continuous disclosure obligations under the ASX Listing Rules.

Directors' report (continued)

Remuneration report (audited) (continued)

5. Executive remuneration arrangements

Remuneration levels and mix

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and aligned with market practice.

The remuneration policy is to bench-mark total remuneration for executives against peer-group organisations to ensure a competitive offering; bench-marking is conducted annually.

All Key Management Personnel's cash remuneration mix comprises 80% fixed remuneration and 20% short term incentive. The Managing Director and Chief Executive Officer, the Chief Financial Officer and Company Secretary and the Exploration Manager Tennant Creek are also participants in the Company's Incentive Option Scheme and the Principal Geologist and the Exploration Manager Tennant Creek are participants in the Company's Performance Rights Plan as detailed below.

Structure

In the 2011 financial year, the executive remuneration framework consisted of the following components:

- Fixed remuneration;
- Short Term Incentive; and
- Long Term Incentive

The table below illustrates the structure of the Company's executive remuneration arrangements:

Remuneration component	Vehicle	Purpose	Link to performance
Fixed Remuneration	▪ Represented by total employment cost (TEC) ▪ Comprises base salary, superannuation contributions and other benefits	▪ Set with reference to role, market and experience ▪ Executives receive their fixed remuneration as cash and are not given the opportunity to receive their fixed remuneration on other fringe benefits form such as vehicles.	▪ No link to performance
Short Term Incentive component	▪ Paid in cash	▪ Rewards executives for their contribution to achievement of Company outcomes, as well as key performance indicators (KPI's)	▪ 20 day moving average Company market capitalisation is a key metric. ▪ Linked to other internal measure such as discovery success.
Long Term Incentive component	▪ Awards are made in the form of share purchase options, or share purchase rights	▪ Rewards executives for their contribution to the creation of shareholder value over the longer term	▪ Vesting of awards is dependent on continuity of employment with the Company.

Directors' report (continued)

Remuneration report (audited) (continued)

5. Executive remuneration arrangements (continued)

Structure (continued)

Fixed Remuneration

Executive contracts of employment do not include any guaranteed base pay increases. TEC is reviewed annually by the Board. The process consists of a review of Company and individual performance, relevant comparative remuneration internally and externally and, where appropriate, external information independent of the board.

The fixed components of executives' remuneration are detailed in Table 1 of this report.

Variable remuneration – short term incentive (STI)

The Company operates an annual STI program this is available to all executives and awards a cash bonus subject to the attainment of clearly defined Company, business and individual measures.

The total potential STI available to individual executives is set at a level so as to provide sufficient incentive to executives to achieve their targets and such that the cost to the Company is reasonable in the circumstances.

Actual STI payments awarded to each executive depend on the extent to which specific targets set at the beginning of the calendar year are met. The targets consist of a number of key performance indicators (KPI's) covering both financial and non-financial, corporate and individual measures of performance

Performance measures	Proportion of STI award measure applies to
Financial measure ▪ Market capitalisation of the Company, measured on a 20 day moving average	50%
Non-financial measures ▪ Discovery success ▪ Individual key project delivery ▪ Leadership/team contribution	50%

The measures were chosen as they represent the key drivers for the short term success of the business and provide a framework for delivering long-term value.

The aggregate of the annual STI payments available for executives across the Company is subject to the approval of the Board. On an annual basis, after consideration of performance against KPI's, the Board, in line with their responsibilities, determine the amount if any, of the short-term incentive to be paid to each executive and in the case of all executives except the Managing Director and Chief Executive Officer, the Board gives due consideration to the recommendations of the Managing Director and Chief Executive Officer in this regard. This process usually occurs within three months after the end of each calendar year. Payments made are delivered as a cash bonus and were paid in the last quarter of the current reporting period.

Directors' report (continued)

Remuneration report (audited) (continued)

5. Executive remuneration arrangements (continued)

STI awards for the 2010 calendar year, paid in May 2011

For the 2010 calendar year, 5% of the maximum STI cash bonuses of \$221,500 available to executives vested and was paid and is detailed in Table 1 of this report, the balance of the available STI cash bonuses was forfeited.

The Board will consider the STI payments for the 2011 calendar year in February, 2012. The maximum STI cash bonus available to executives for the 2011 calendar year is \$230,000. None of this amount has been accrued in the 2011 financial year because based on year to date market capitalisation movements and discovery achievements to the end of the 2011 financial year, no STI would be payable. Any STI actually paid for the 2011 calendar year will be reported in the financial year ended 30 June, 2012. The minimum amount of the STI cash bonus for the 2011 calendar year assuming no executives meet their respective KPI's, there is no discovery success and a 50% or more decline in the market capitalisation of the Company based on a 20 day moving average will be nil.

There was no alteration to the STI bonus plan for the year.

Variable remuneration – long term incentive (LTI)

LTI awards are made periodically to executives in order to align remuneration with the creation of shareholder value over the long-term.

LTI – share options

Structure

LTI share options are made under the Company's Incentive Option Scheme at the determination of the Board. Each option entitles the holder to one fully paid ordinary share of the Company and the number of options issued is determined by the Board. Options are typically awarded to executives at the commencement of their employment with the Company, the options vest after two years, there are no performance measures attached to vesting, the exercise price of the options is set at a premium to the market price of the shares at the date of grant and the options have a term of five years with the executive able to exercise the options up to three years after vesting before the options lapse. The Board feels that the expiry date and exercise price of options currently on issue to the executives is sufficient to align the goals of the executives with that of the shareholders to maximise shareholder wealth.

Termination and change of control provisions

Where a participant ceases employment prior to the vesting of their award, the options must be exercised within 60 days or else they are forfeited unless the board applies its discretion to allow exercise more than 60 days post cessation of employment in appropriate circumstances.

In the event of a change of control of the Group, the vesting date will generally be brought forward to the date of the change of control and awards will vest, subject to ultimate board discretion.

LTI's for the 2011 financial year

There were no share options awarded during the financial year ended 30 June, 2011.

Directors' report (continued)

Remuneration report (audited) (continued)

5. Executive remuneration arrangements (continued)

LTI – share options (continued)

Hedging of equity awards

The Company prohibits executives from entering into arrangements to protect the value of unvested LTI awards. The prohibition includes entering into contracts to hedge their exposure to options awarded as part of their remuneration package.

Adherence to this policy is monitored on an annual basis and involves each KMP signing an annual declaration of compliance with the hedging policy.

LTI – share purchase rights

Structure

LTI share purchase rights are made under the Company Performance Rights Plan (approved by shareholders at the Company annual general meeting held on 25 November, 2009) at the determination of the Board. Each share purchase right entitles the holder to one fully paid ordinary share of the Company and the number of rights issued is determined by the board. Rights may be awarded to executives on an annual basis with vesting conditions set by the board. The share purchase rights issued during the 2011 financial year vest as follows, 50% two years from issue date, 25% three years from issue date and 25% four years from issue date and there are no performance measures attached to vesting, the rights are issued primarily as a retention initiative. The exercise price of each right is Nil and the rights have a term of five years with the executive able to exercise the rights up to five years after issue before the rights lapse.

Termination and change of control provisions

Where a participant ceases employment prior to the vesting of their award, the rights must be exercised within 60 days or else they are forfeited unless the board applies its discretion to allow exercise more than 60 days post cessation of employment in appropriate circumstances.

In the event of a change of control of the Group, the vesting date will generally be brought forward to the date of the change of control and awards will vest, subject to ultimate board discretion.

LTI's for the 2011 financial year

Share purchase rights were granted to Mr. Grant Osborne and Mr. Steve Russell under the Performance Rights Plan during the financial year ended 30 June, 2011. Details in respect of the award are provided in Table 3.

Hedging of equity awards

The Company prohibits executives from entering into arrangements to protect the value of unvested LTI awards. The prohibition includes entering into contracts to hedge their exposure to rights awarded as part of their remuneration package.

Adherence to this policy is monitored on an annual basis and involves each KMP signing an annual declaration of compliance with the hedging policy.

Directors' report (continued)

Remuneration report (audited) (continued)

5. Executive remuneration arrangements (continued)

Margin Loans

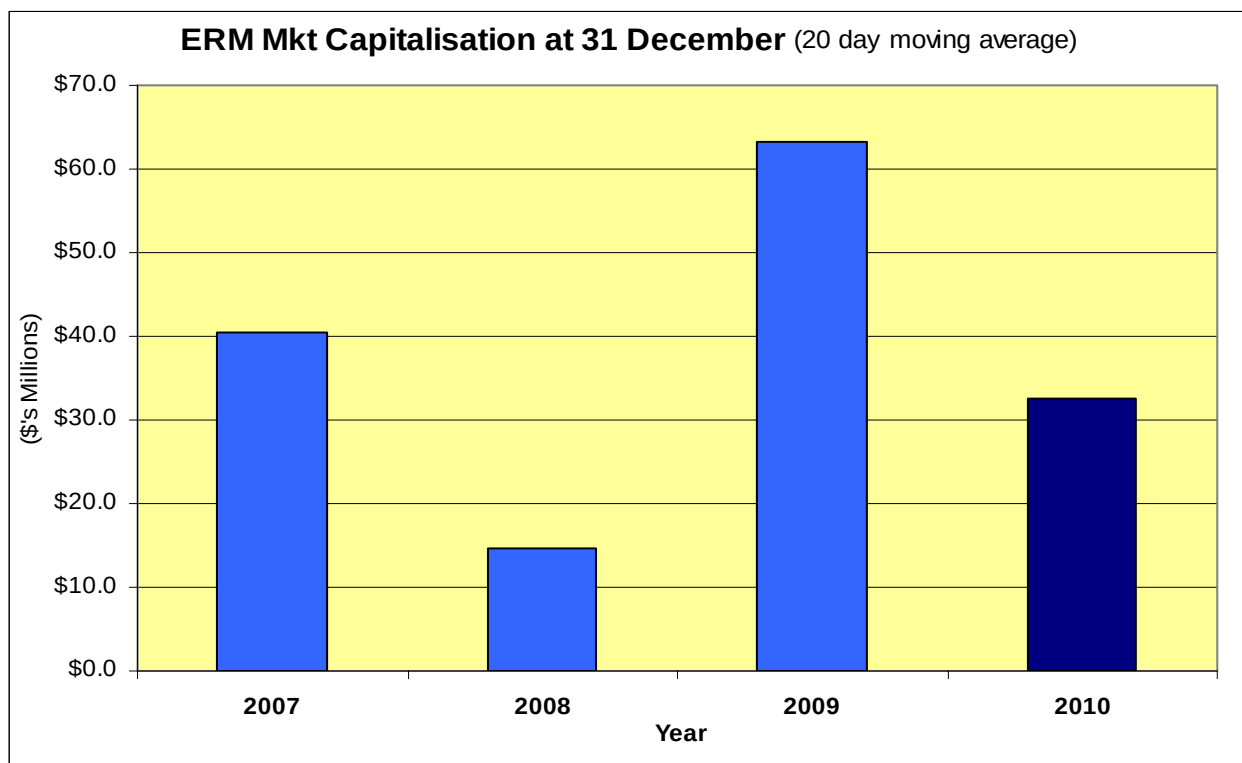
In relation to margin loans, it is the Company's policy that where there is (or the director or executive reasonably believes there will be) an unmet margin call, an event of default or another similar occurrence, the director or executive must immediately disclose to the company secretary and/or chief financial officer the necessary information so the Company can comply with its continuous disclosure obligations under the ASX Listing Rules.

6. Company performance and the link to remuneration

Company performance and its link to short term incentives

The primary performance measure driving STI payment outcomes is the market capitalisation of the Company measured on a 20 day moving average, calendar year to calendar year.

The following table outlines the movement in the market capitalisation of the Company at the end of each calendar year since listing on the ASX in 2007.



The future market capitalisation of the Company will be determined by multiple factors, including actual discovery success, commodity prices, investor sentiment in relation to the resources sector in general and junior exploration companies, so at the date of this report the Board is unable to ascertain the amount of STI's that the executives will be entitled to receive for the 2011 calendar year.

Directors' report (continued)

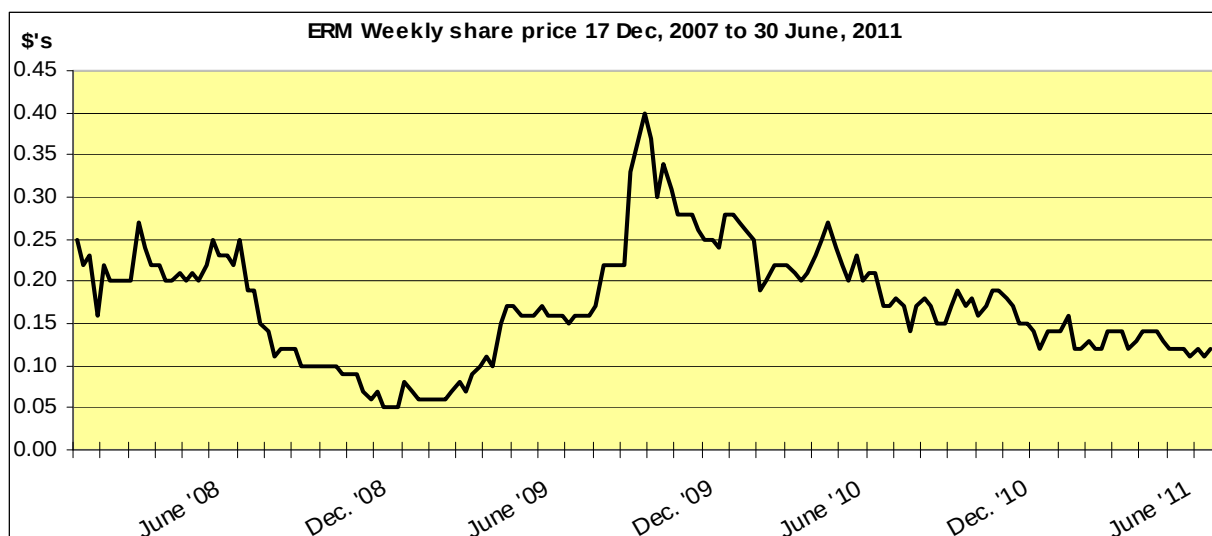
Remuneration report (audited) (continued)

6. Company performance and the link to remuneration (continued)

Company performance and its link to long-term incentives

The performance measure which drives LTI value is the Company's share price. The graph below shows the Company share price since listing on the ASX and using the Initial Public Offering price of Company shares (\$0.20) as the base for calculation, as at 30 June, 2011 total shareholder return since ASX listing was negative 40% (2010: negative 15%).

Graph 1: ERM Share price performance 17 December, 2007 to 30 June, 2011



The Group's losses for the financial years since incorporation are 2007: (\$1,109,344), 2008: (\$1,966,627), 2009: (\$1,699,978), 2010: (2,005,096) and 2011: (1,686,802). These losses are consistent with the Group's principal activity of mineral exploration whereby the Group's primary source of revenue is interest income from cash deposits.

The Group aims to initially create shareholder wealth via the discovery of mineral deposits through exploration. Exploration success is not guaranteed, nor is the profitable future exploitation of any mineral deposit discovered, and there are various other risks associated with the principal activities of the Group as detailed in Section 9 of the Group's prospectus which was lodged with ASIC 7 November, 2007. Since listing its shares on the ASX the Group has pursued a disciplined and technologically innovative approach to mineral exploration, which it believes is the most appropriate approach to mineral exploration in its area of operation.

7. Executive contractual arrangements

Remuneration arrangements for KMP are formalised in employment agreements. Details of the contracts are provided below.

Directors' report (continued)

Remuneration report (audited) (continued)

7. Executive contractual arrangements (continued)

Managing Director and Chief Executive Officer

The Managing Director and Chief Executive Officer, Mr. Rob Bills is employed under a rolling contract.

Under the term of the present contract:

- Mr. Bills receives fixed remuneration of \$350,000 per annum.
- Mr. Bills maximum STI opportunity is 25% of fixed remuneration (\$87,500) of which a maximum of 25% is for the attainment of individual KPI's set and reviewed annually by the board.
- Mr. Bills is eligible to participate in the Company's Incentive Option Scheme and the Company's Employee Rights Plan on terms determined by the board, subject to receiving any required or appropriate shareholder approval.

Mr. Bill's termination provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Employer initiated termination	12 months	12 months	Unvested Awards forfeited or paid pro-rate at board discretion	Unvested awards forfeited subject to board discretion
Termination for serious misconduct	None	None	Unvested awards forfeited	Unvested awards forfeited
Employee initiated termination	3 months	3 months	Pro-rated for time and performance	Board discretion

Other KMP

All other KMP have rolling contracts

Mr. Volk's termination provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Employer initiated termination	3 months	3 months	Unvested awards forfeited	Unvested awards forfeited subject to board discretion
Termination for serious misconduct	None	None	Unvested awards forfeited.	Unvested awards forfeited
Employee initiated termination	2 months	2 months	Pro-rated for time and performance	Board discretion

Directors' report (continued)

Remuneration report (audited) (continued)

7. Executive contractual arrangements (continued)

Mr. Osborne's termination provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Employer initiated termination	1 Calendar Month	1 Calendar Month	Unvested awards forfeited	Unvested awards forfeited subject to board discretion
Termination for serious misconduct	None	None	Unvested awards forfeited.	Unvested awards forfeited
Employee initiated termination	1 Calendar Month	1 Calendar Month	Pro-rated for time and performance	Board discretion

Mr. Russell's termination provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Employer initiated termination	4 weeks	4 weeks	Unvested awards forfeited	Unvested awards forfeited subject to board discretion
Termination for serious misconduct	None	None	Unvested awards forfeited.	Unvested awards forfeited
Employee initiated termination	4 weeks	4 weeks	Pro-rated for time and performance	Board discretion

In addition to the above terms, in the case of Mr. Russell the Company must relocate him and his family from Tennant Creek NT to Geraldton WA, except if termination was effected by the Company for reasons of misconduct or material breach of contract.

Payments applicable to outgoing executives

During the financial year ended 30 June, 2011 there were no outgoing executives.

Directors' Report

Remuneration report (audited) (continued)

Remuneration of key management personnel and the five highest paid executives of the Company and the Group

Table 1 Remuneration for the year ended 30 June, 2011

	Short Term Benefits				Post Employment		Long Term Benefits		Share Based Payments		Termination Payments	Total	Performance Related
	Salary & Fees \$	Cash Bonus \$	Non-Monetary Benefit \$	Other \$	Super-annuation \$	Retirement Benefit \$	Cash incentive \$	Long Service Leave \$	Options \$	Rights \$	\$	\$	%
Non-executive Director													
A. McIlwain	75,000 ¹	-	-	-	-	-	-	-	-	-	-	75,000	-
T. Kestell	36,000	-	-	-	3,240	-	-	-	-	-	-	39,240	-
S. Andrew	36,000	-	-	-	3,240	-	-	-	-	-	-	39,240	-
P. Reeve	36,000	-	-	-	3,240	-	-	-	-	-	-	39,240	-
Total non-executive directors	183,000	-	-	-	9,720	-	-	-	-	-	-	192,720	
Executive Director													
R. Bills	308,340	-	4,814	2,220	69,417 ²	-	-	-	-	-	-	384,791	-
Executives													
S. Volk	200,003	-	-	-	18,000	-	-	-	9,961	-	-	227,964	-
S. Russell	170,867	2,100	41,279	-	15,339	-	-	-	-	22,365	-	251,950	1
G. Osborne	133,535	8,400	745	-	52,574 ³	-	-	-	-	22,365	-	217,619	4
Total executive KMP	812,745	10,500	46,838	2,220	155,330	-	-	-	9,961	44,730	-	1,082,324	
Totals	995,745	10,500	46,838	2,220	165,050	-	-	-	9,961	44,730	-	1,275,044	

¹ During the 2011 financial year, Mr. McIlwain's services were provided by Andrew McIlwain & Associates Pty Ltd, a company of which Mr. McIlwain is a shareholder and beneficiary.

² Mr. Bills salary sacrificed \$41,667 of his base fixed salary to superannuation during the year ended 30 June, 2011.

³ Mr. Osborne salary sacrificed \$39,800 of his base fixed salary to superannuation during the year ended 30 June, 2011.

Directors' report (continued)

Remuneration report (audited) (continued)

Remuneration of key management personnel and the five highest paid executives of the Company and the Group

Table 2 Remuneration for the year ended 30 June, 2010

	Short Term Benefits				Post Employment		Long Term Benefits		Share Based Payments		Termination Payments	Total	Performance Related
	Salary & Fees	Cash Bonus	Non-Monetary Benefit	Other	Super-annuation	Retirement Benefit	Cash incentive	Long Service Leave	Options	Rights			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-executive Director													
A. McIlwain	70,883	-	-	-	6,375	-	-	-	270,580	-	-	347,838	-
T. Kestell	34,167	-	-	-	3,075	-	-	-	158,643	-	-	195,885	-
S. Andrew	34,167	-	-	-	3,075	-	-	-	158,643	-	-	195,885	-
P. Reeve	34,167	-	-	-	3,075	-	-	-	158,643	-	-	195,885	-
Total non-executive directors	173,384	-	-	-	15,600	-	-	-	746,509	-	-	935,493	
Executive Directors													
R. Bills	287,507	39,600	4,684	2,220	79,440 ¹	-	-	-	80,419	-	-	493,870	8
Executives													
S. Volk	240,006	30,700	-	-	34,364 ²	-	-	-	38,046	-	-	343,116	9
S. Russell	164,294	19,100	41,685	-	16,299	-	-	-	16,576	9,326	-	267,280	7
G. Osborne	103,721	6,800	-	-	39,135 ³	-	-	-	-	9,326	-	158,982	4
Total executive KMP	795,528	96,200	46,369	2,220	169,238	-	-	-	135,041	18,652	-	1,263,248	
Totals	968,912	96,200	46,369	2,220	184,838	-	-	-	881,550	18,652	-	2,198,741	

¹ Mr. Bills salary sacrificed \$50,000 of his base fixed salary to superannuation during the year ended 30 June, 2010.

² Mr. Volk salary sacrificed \$10,000 of his cash bonus to superannuation during the year ended 30 June, 2010.

³ Mr. Osborne salary sacrificed \$29,800 of his based fixed salary to superannuation during the year ended 30 June, 2010.

Directors' report (continued)

Remuneration report (audited) (continued)

8. Equity instruments disclosures

Table 3: Rights awarded and vested during the year (Consolidated)

30 June, 2011	Rights Awarded	Award date	Fair Value per option at award date	Exercise Price	Expiry Date	First Exercise Date	Last Exercise Date	Vested	
			(\$) (note 24)	(\$) (note 24)				No.	%
Key Management Personnel									
S. Russell	150,000	01.09.2010	0.14	0.00	31.08.2015	01.09.2012	01.09.2015	-	-
G. Osborne	150,000	01.09.2010	0.14	0.00	31.08.2015	01.09.2012	01.09.2015	-	-
TOTAL	300,000							-	-

Directors' Report

Remuneration report (audited) (continued)

8. Equity instruments disclosures (continued)

Table 4: Value of rights awarded, exercised and lapsed during the year (Consolidated) ^^

30 June, 2011	Value of rights granted during the year (\$)	Value of rights exercised during the year (\$)	Value of rights lapsed during the year (\$)	Remuneration consisting of rights for the year %
S. Russell	22,365	-	-	8.88
G. Osborne	22,365	-	-	10.28

^ For details on the valuation of the rights, including models and assumptions used, please refer to note 24

There were no alterations to the terms and conditions of rights awarded as remuneration since their award date.

End of remuneration report.

This report has been made in accordance with a resolution of the Board of Directors pursuant to s.298 (2) of the Corporations Act 2001.

Signed



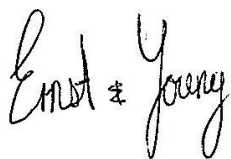
Andrew McIlwain

Chairman

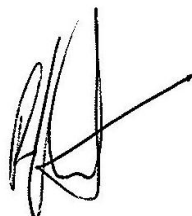
Perth: 29 September, 2011

Auditor's Independence Declaration to the Directors of Emmerson Resources Limited

In relation to our audit of the financial report of Emmerson Resources Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A stylized, handwritten signature of the Ernst & Young firm, written in black ink.

Ernst & Young

A stylized, handwritten signature of R J Curtin, written in black ink.

R J Curtin
Partner
Perth
29 September 2011

Corporate Governance Statement

The Board of Directors of Emmerson Resources Limited is responsible for the corporate governance of the group. The Board guides and monitors the business and affairs of Emmerson Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board aims to comply with the 2nd Edition Corporate Governance Principles and Recommendation of the ASX Corporate Governance Council (released in August, 2007) to the extent that the Board believes the recommendations are practical and applicable to the Company. Where the Company has not complied with a particular recommendation an explanation as to why not is made.

The table below summarises the Company's compliance with the 2nd Edition recommendations which the Company adopted effective 26 May, 2008.

Summary of the compliance by the Company with the ASX Corporate Governance Council 2nd Edition recommendations:

Recommendation		Comply Yes/No	Explanation or reference
1.1	Companies should establish the function reserved to the board and those delegated to senior executives and disclose those functions.	Yes	A clear distinction is made in section 2 of Company's Board Charter.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Refer to detailed explanation of Principle 1.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	Refer to detailed explanation of Principle 1.
2.1	A majority of the board should be independent directors.	No	Mr. McIlwain is the only Independent Director.
2.2	The chair should be an independent director.	Yes	Mr. McIlwain is the Chair.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	Mr. Bills is the Chief Executive Officer: Mr. McIlwain is the Chair.
2.4	The board should establish a nomination committee.	No	Refer to detailed explanation of Principle 2.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Refer to detailed explanation of Principle 2.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes	Refer to detailed explanation of Principle 2.

Corporate Governance Statement (continued)

3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: - the practices necessary to maintain confidence in the company's integrity - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	Available on the Company web site, as explained in the detailed explanation of Principle 3.
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	Available on the Company web site, as explained in the detailed explanation of Principle 3.
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	Refer to detailed explanation of Principle 3.
4.1	The board should establish an audit committee.	Yes	Refer to detailed explanation of Principle 4.
4.2	The audit committee should be structured so that it: - consists only of Non-executive Directors - consists of a majority of independent directors - is chaired by an independent chair, who is not chair of the board - has at least three members.	Yes No No No	An explanation as to non compliance with these recommendations is provided in the detailed explanation of Principle 4.
4.3	The audit committee should have a formal charter.	Yes	Available on the Company web site.
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	Refer to detailed explanation of Principle 4
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Refer to detailed explanation of Principle 5

Corporate Governance Statement (continued)

5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	Refer to detailed explanation of Principle 5.
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	Available on the Company web site.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	Refer to detailed explanation of Principle 6.
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	Available on the Company web site.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	Refer to detailed explanation of Principle 7.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	Refer to detailed explanation of Principle 7.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	Refer to detailed explanation of Principle 7.
8.1	The board should establish a remuneration committee.	No	Refer to detailed explanation of Principle 8.
8.2	Companies should clearly distinguish the structure of Non-executive Directors' remuneration from that of executive directors and senior executives.	Yes	Refer to detailed explanation of Principle 8.
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	Refer to detailed explanation of Principle 8.

Corporate Governance Statement (continued)

Emmerson Resources Limited Corporate Governance practices have evolved during the year and were all in place since listing on the ASX. A copy of all of the Company's Corporate Governance policies are available on the Company's website: www.emmersonresources.com.au

Principle 1 - Lay solid foundations for management and oversight

The board is ultimately responsible for all matters relating to the running of the Company, however the board's role is to govern the Company rather than manage it; the operation and day to day management of the Company is delegated by the board to the Managing Director and Chief Executive Officer (MD and CEO) and the executive management team.

The board ensures that the executive management team is appropriately qualified and experienced to discharge their responsibilities and the board has in place procedures to assess the performance of the MD and CEO and all other members of the executive; specifically the board provides regular feedback to executive management on their performance during the year and conducts a formal annual review of the performance of the Chief Executive Officer. During the Financial year ended 30 June, 2011 the board conducted a formal review of the performance of the Chief Executive Officer against Key Performance Indicators and Critical Tasks and the Chief Executive Officer conducted a similar review of the Chief Financial Officer and Company Secretary.

A copy of the Company's board Charter is available on the Company's web site and contained within this charter is a statement of matters reserved for the board. Also available on the Company's web site is the Company's Delegation of Authority policy which further details matters that specifically require the approval of the board and those matters reserved for management.

Whilst at all times the board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist sub-committees are able to focus on a particular responsibility and provide informed feedback to the board. To this end the board has established the following sub-committee:

- Audit and Risk Management Committee

The role and responsibilities of this committee is discussed in Principle 4 of this Corporate Governance Statement.

Principle 2 - Structure the board to add value

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors Report. Directors of Emmerson Resources Limited are considered to be independent if they are free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered independent judgment.

In the context of director independence, 'materiality' is considered from both the Group and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors that point to the actual ability of the director in question to shape the direction of the Group.

Corporate Governance Statement (continued)

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of Emmerson Resources Limited are considered to be independent:

Name	Position
Mr. Andrew McIlwain	Chairman, Non-executive Director

The majority of the Directors of the Company are not independent at this time because the board is of the view that shareholders interests are best served by the serving Directors intimate knowledge of the evolution of the Company; the board is also of the view that the current Directors possess a suite of skills and experience appropriate for the Company at this time. Regardless of individual Director independence, the board expects that each Director will bring their independent views and judgment to bear on board decisions at all times.

There are procedures in place, agreed by the board, to enable directors in furtherance of their duties to seek independent professional advice at the Company's expense.

The term of office held by each director in office at the date of this report is as follows:

Name	Term in Office
Mr. Andrew McIlwain	4 years and 7 months
Mr. Tim Kestell	5 years and 10 months
Mr. Simon Andrew	5 years and 2 months
Mr. Rob Bills	4 years
Mr. Peter Reeve	2 year and 5 months

The composition of the board comprises a variety of skills and experience across the financial and commercial, exploration and resource industries. Due to the size of the board and the nature of its business, it has not been deemed necessary to institute a formal documented performance review program of individual board members.

During the financial year ended 30 June, 2011 the Chairman has conducted a more informal review process whereby he has discussed with individual directors their attitude, performance and approach to a variety of key performance areas including:

- Attendance at scheduled board and committee meetings.
- Behavior and contribution at meetings.
- Interaction with peers.
- Engagement with management.
- Timeliness of attending to tasks.

Whilst it is not intended that this list appears demeaning or draconian, it is considered that these basic tenets form the basis of a functional working board. Each individual board member has acknowledged their individual responsibilities towards the company's future.

As and when deemed necessary, a more formalised board performance review process, including the establishment of Key Performance Criteria, will be put in place. It is not envisaged that this would be required until the company's activities, as well as those of the board, have expanded.

At this time the board has not formed a nomination committee as it is the view of the board that the functions and responsibilities that would normally be the dealt with by this committee can be adequately addressed by the board in its entirety as specific agenda items at scheduled board

Corporate Governance Statement (continued)

meetings. When deemed appropriate (e.g. board performance review), the board engages independent consultants to assist it in fulfilling such functions.

Principle 3 – Promote ethical and responsible decision-making

The Company has established a code of conduct in accordance with Australian Standard 8002-2003 'Organisational Code of Conduct'. The code provides a framework for decisions and actions in relation to ethical conduct, fair dealing and a duty of care for those engaged by the Company. The code applies to all directors, officers and employees of the Company and all consultants and contractors are made aware of the expectations contained within the code.

The Company has established a policy concerning trading Company securities which applies to Company directors, executives, employees and consultants and a copy of the policy is available on the Company's web site.

Principle 4 – Safeguard integrity of financial reporting

The board has established an Audit and Risk Management Committee which operates under a charter approved by the board. It is the board's responsibility to ensure that an effective internal control framework exists and that proper oversight of material business risks exists within the Company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information as well as non-financial considerations such as the integrity of exploration data and information, the processes for the identification and management of business risks and the benchmarking of operational key performance indicators. The board has delegated responsibility for establishing and maintaining a framework of internal control, ethical standards and risk management to the Audit and Risk Management Committee.

The Committee has also provided the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports and the independence of the Company's external auditors. All members of the Audit and Risk Management Committee are non-executive directors. A copy of the Audit and Risk Management Committee charter is available on the Company's web site; this charter contains details of the procedure for the selection and appointment of the external auditor.

The members of the Audit and Risk Management Committee during the year were;

Name	Position
Mr. Tim Kestell	Chairman
Mr. Simon Andrew	Member

For details on the number of meeting of the Audit and Risk Management Committee held during the year and the attendees at those meetings, refer to the Directors Meeting section within the Directors Report.

The Audit and Risk Management Committee is chaired by Mr. Tim Kestell and although Mr. Kestell is not an independent director, the board is of the opinion that he possesses the necessary skills and experience required to chair this committee. The committee currently comprises only two members at this point in time and the board is satisfied that the size of the committee is not detrimental to the discharge of its functions and responsibilities.

Corporate Governance Statement (continued)

The majority of the Audit and Risk Management Committee does not consist of independent directors however the board is of the view that the absence of independence of Audit and Risk Management Committee members is not inhibiting the effectiveness of the committee in the discharge of its functions and responsibilities.

Principle 5 - Make timely and balanced disclosure

The Company has in place mechanisms designed to ensure compliance with the ASX Listing Rule disclosure requirements, and is committed to ensuring that:

- all investors have equal and timely access to material information concerning the Company – including its financial position, performance, ownership and governance; and
- company announcements are factual and are presented in a clear and balanced way.

Principal 6 - Respect the rights of shareholders

The Company has in place a policy for shareholder communications, a copy of which is available on the Company's web site. The underpinning principal of this policy is that all news or items that are deemed material or price sensitive are released immediately to the ASX.

All announcements made by the Company to the ASX are placed on the Company's web site; the Company endeavors to place copies of newsworthy independent press coverage about the Company in its web site and other current relevant information that may be of interest to shareholders.

Principal 7 - Recognise and manage risk

The board determined the Company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The board has established an Audit and Risk Management Committee (refer to Principal 4) to aid it in the discharge of this responsibility.

The Company's process of risk management and internal compliance and control includes:

- establishing the Company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- continuously identifying and measuring risks that might impact upon the achievement of the Company's goals and objective, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identifies risks and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of and continuously improving the effectiveness of risk management systems and internal compliance and controls, including an annual assessment of the effectiveness of risk management and internal compliance and control.

To this end, comprehensive practices are in place that are directed towards achieving the following objectives:

- effective and efficient use of Company resources;
- compliance with all applicable laws and regulations; and
- preparation of reliable published financial and geological information.

Corporate Governance Statement (continued)

The Company has adopted a Risk Management policy, a copy of which is available on the Company's web site.

The board (via the Audit and Risk Management Committee) oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Audit and Risk Management Committee to assess risk management and associated internal compliance and control procedures and report back on the efficiency and effectiveness of risk management.

The Audit and Risk Management Committee has received a report from management on the risk management and internal control systems of the Company, including an opinion as to whether the Company's material business risks are being managed effectively.

The Chief Executive Officer and the Chief Financial Officer have provided a written statement to the board that:

- their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the board; and
- that the Company's risk management and internal compliance and control system is operating effectively in all material respects.

Principal 8 – Remunerate fairly and responsibly

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team and the remuneration of directors and key executives fairly and appropriately with reference to prevailing employment market conditions is a key component of attaining this objective.

The board is responsible for determining and reviewing compensation arrangements for the directors themselves, the Managing Director and Chief Executive Officer and the executive team.

The remuneration of non-executive directors consists of directors' fees (fixed remuneration) and share purchase options (variable remuneration). Non-executive directors do not receive retirement benefits.

During 2011 director fees were maintained at the same level as the prior year. There was no award of share purchase options during the year. Directors were last issued share purchase options in 2009 when shareholders approved the award of 7,000,000 share purchase options with an exercise price of \$0.50; these options vested immediately and will expire on 24 November, 2012. None of the options have been exercised.

At this time the board has not formed a remuneration committee as it is the view of the board that the functions and responsibilities that would normally be the dealt with by this committee can be adequately addressed by the full board as specific agenda items at scheduled board meetings. When deemed appropriate the board engages independent consultants to assist it in fulfilling such functions.

The Company does not have a scheme to provide retirement benefits to non-executive directors.

Consolidated statement of financial position

As at 30 June 2011

		Consolidated Group	
	Note	2011	2010
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	6	9,405,131	10,881,993
Receivables	7	176,067	1,722,687
Other current assets	8	19,665	25,273
Other financial assets	11	1,618,000	1,471,000
Total current assets		11,218,863	14,100,953
Non-current assets			
Property, plant and equipment	9	6,139,722	6,318,798
Exploration and evaluation	10	11,283,518	9,767,380
Total non-current assets		17,423,240	16,086,178
TOTAL ASSETS		28,642,103	30,187,131
LIABILITIES			
Current liabilities			
Trade and other payables	12	1,213,941	1,227,162
Provisions	13	177,235	128,415
Interest bearing liabilities	14	3,102	2,783
Total current liabilities		1,394,278	1,358,360
Non-current liabilities			
Interest bearing liabilities	14	830	3,933
Total non-current liabilities		830	3,933
TOTAL LIABILITIES		1,395,108	1,362,293
NET ASSETS		27,246,995	28,824,838
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	15	33,151,621	33,151,621
Accumulated losses	16	(8,565,716)	(6,878,914)
Reserves	17	2,661,090	2,552,131
TOTAL EQUITY		27,246,995	28,824,838

The above statement of financial position should be read in conjunction with the accompanying notes

Consolidated statement of comprehensive income

For the year ended 30 June 2011

	Note	Consolidated Group	
		2011 \$	2010 \$
Interest		691,270	614,372
Management Fee – Exploration Services		237,190	389,581
Revenue		928,460	1,003,953
Depreciation and impairment expense		(465,546)	(155,150)
Corporate and legal expenses		(457,095)	(471,193)
Employee benefits		(1,130,162)	(1,984,513)
Finance costs		(20,214)	(16,619)
Occupancy expense		(93,670)	(81,355)
Insurance		(121,711)	(114,738)
General and administration expenses		(330,358)	(231,232)
Loss on sale of assets		(9,062)	-
Loss before income tax		(1,699,358)	(2,050,847)
Income tax (expense)/benefit	20(a)	12,556	45,751
Loss after income tax		(1,686,802)	(2,005,096)
Other comprehensive income		-	-
Total comprehensive loss for the period attributable to Owners of the parent		(1,686,802)	(2,005,096)
<i>Loss per share for loss attributable to the ordinary equity holder of the parent:</i>			
Basic loss per share – cents per share	5	(0.75)	(0.89)
Diluted loss per share- cents per share	5	(0.75)	(0.89)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2011

Consolidated	Ordinary shares (\$)	Share-based payments reserve (\$)	Accumulated losses (\$)	Total (\$)
At 1 July 2009	33,109,621	1,596,335	(4,873,818)	29,832,138
Loss for the period	-	-	(2,005,096)	(2,005,096)
Total comprehensive income(loss)	-	-	(2,005,096)	(2,005,096)
Contributions of equity, net of transaction costs	42,000	-	-	42,000
Share-based payments	-	955,796	-	955,796
At 30 June 2010	33,151,621	2,552,131	(6,878,914)	28,824,838
At 1 July 2010	33,151,621	2,552,131	(6,878,914)	28,824,838
Loss for the period	-	-	(1,686,802)	(1,686,802)
Total comprehensive income(loss)	-	-	(1,686,802)	(1,686,802)
Shares issued, net of transaction costs	-	-	-	-
Share-based payments	-	108,959	-	108,959
At 30 June 2011	33,151,621	2,661,090	(8,565,716)	27,246,995

The above Statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the year ended 30 June 2011

	Note	Consolidated Group	
		2011	2010
		\$	\$
Cash flows from operating activities			
Management fee received		292,883	372,367
Reimbursement of costs from Ivanhoe		6,950,890	8,771,138
Payments to suppliers and employees		(7,515,610)	(10,710,844)
Interest received		672,967	1,004,139
Interest paid		(596)	(882)
Insurance proceeds		-	-
Net cash flows from/(used in) operating activities	18(a)	400,534	(564,082)
Cash flows from investing activities			
Payments for property, plant and equipment		(106,062)	(429,360)
Payments for exploration		(1,627,642)	-
Payments for security deposits		(147,000)	(670,000)
Proceeds from sales of equipment		6,091	-
Net cash flows from/(used in) investing activities		(1,874,613)	(1,099,360)
Cash flows from financing activities			
Proceeds from issue of shares		-	42,000
Share issue costs		-	-
Payment of finance lease liabilities		(2,783)	(2,497)
Net cash flows from/(used in) financing activities		(2,783)	39,503
Net increase/(decrease) in cash and cash equivalents		(1,476,862)	(1,623,939)
Cash and cash equivalents at beginning of period		10,881,993	12,505,932
Cash and cash equivalents at end of period	6	9,405,131	10,881,993

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements

For the year ended 30 June 2011

1. Corporate Information

The financial report of Emmerson Resources Limited (the Company) for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 26 September, 2011.

Emmerson Resources Limited (the Parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principle activities of the group are described in the directors' report.

2. Summary of significant accounting policies

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Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars with all values rounded to the nearest dollar, unless otherwise stated.

(a) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Notes to the financial statements (continued)

For the year ended 30 June 2011

2. Summary of significant accounting policies (continued)

(b) New Accounting Standards and Interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

The Group has adopted new and amended Australian Accounting Standards and AASB interpretations as of 1 July, 2010 which had no impact.

(ii) Accounting Standards and Interpretations issued but not yet effective.

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June, 2011, outlined in the table below:

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	1 July 2013
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]	► These amendments arise from the issuance of AASB 9 Financial Instruments that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 Financial Instruments: Recognition and Measurement. ► This Standard shall be applied when AASB 9 is applied.	1 January 2013	1 July 2013

Notes to the financial statements (continued)

For the year ended 30 June 2011

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	1 July 2011
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and Interpretation 112 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.	1 January 2013	1 July 2013
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and Interpretation 113 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	1 January 2013	1 July 2013

Notes to the financial statements (continued)

For the year ended 30 June 2011

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance under Australian Accounting Standards for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value under Australian Accounting Standards when fair value is required or permitted by Australian Accounting Standards. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	1 July 2013
AASB 2011-7	Amendments to Australian Accounting Standards arising from the Fair Value Measurement Standard	Consequential amendments to existing Australian Accounting Standards as a result of the adoption of AASB 13 Fair Value Measurement.	1 January 2013	1 July 2013
AASB 2011-9	Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	The main change resulting from the amendments relates to the Statement of Comprehensive Income and the requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not remove the option to present profit or loss and other comprehensive income in two statements. The amendments do not change the option to present items of OCI either before tax or net of tax. However, if the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified to profit or loss and those that will not be reclassified) must be shown separately.	1 July 2012	1 July 2012

Notes to the financial statements (continued)

For the year ended 30 June 2011

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities Public sector entities other than the Australian Government and State, Territory and Local Governments	1 July 2013	1 July 2013
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits	1 July 2011	1 July 2011
AASB 2010-2 ***	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard makes amendments to many Australian Accounting Standards, reducing the disclosure requirements for Tier 2 entities, identified in accordance with AASB 1053, preparing general purpose financial statements.	1 July 2013	
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	1 July 2011

Notes to the financial statements (continued)

For the year ended 30 June 2011

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	1 July 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	1 July 2011
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, & 1038 and interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2013	1 July 2013
AASB 2011-1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132, AASB 134, Interpretation 2, Interpretation 112, Interpretation 113]	This Standard amends many Australian Accounting Standards, removing the disclosures which have been relocated to AASB 1054.	1 July 2011	1 July 2011

Notes to the financial statements (continued)

For the year ended 30 June 2011

AABS 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and Interpretation 112 Consolidation – Special Purpose Entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. This is likely to lead to more entities being consolidated into the group.	1 January 2013	
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 Interests in Joint Ventures and Interpretation 113 Jointly- controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	1 January 2013	
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	
AASB 2011-2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence project – Reduced disclosure regime [AASB 101, AASB 1054]	This Standard makes amendments to the application of the revised disclosures to Tier 2 entities, that are applying AASB 1053.	1 July 2013	

The impact of the adoption of these new and revised standards and interpretations has not been determined by the Company.

Notes to the financial statements (continued)

For the year ended 30 June 2011

2. Summary of significant accounting policies (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Emmerson Resources Limited and its subsidiaries (as outlined in Note 26) as at and for the period ended 30 June each year (the Group).

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

If the group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill and liabilities of the subsidiary).
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Derecognises the fair value of the consideration received.
- Derecognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit and loss

(d) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segments and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

Notes to the financial statements (continued)

For the year ended 30 June 2011

2. Summary of significant accounting policies (continued)

(e) Cash and cash equivalents – refer note 6

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included with interest-bearing loans and borrowings in current liabilities on the statement of financial position.

(f) Receivables – refer note 7

Current receivables, which generally have 30-60 day terms, are recognised initially at fair value, with an allowance made for impairment as deemed appropriate.

Collectability of all receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(g) Property, plant and equipment – refer note 9

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairments losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Land and buildings are stated at historical cost less accumulated depreciation, other than freehold land, and any accumulated impairments losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

Class of fixed asset	Depreciation period
Land	not depreciated
Buildings	20 years
Plant and equipment	3 - 15 years
Furniture & fixtures	5 - 10 years
Motor vehicles	5 - 10 years
Office equipment	3 - 10 years
Software	3 - 5 years
Mill and processing plant	Life of Mine

The assets residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Notes to the financial statements (continued)

For the year ended 30 June 2011

2. Summary of significant accounting policies (continued)

(h) Leases – refer note 14

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangements conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over their lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocation lease payments between rental expense and reduction of the liability.

(i) Impairment of assets

Non-financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable.

Emmerson Resources Limited conducts an annual internal review of asset values, which is used as a source of information to assess for any indications of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indications of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(j) Trade and other payables – refer note 12

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

Notes to the financial statements (continued)

For the year ended 30 June 2011

2. Summary of significant accounting policies (continued)

(k) Provisions and Employee benefits – refer note 13

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

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave due to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts due to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(l) Share-based payment transactions – refer note 24

Equity settled transactions

The Group provides benefits to its employees (including Key Management Personnel) in the form of share based payments, whereby, at the discretion of the Board, employees are from time to time issued with share purchase options as part of their total remuneration package (equity settled transactions) and/or render services in exchange for rights over shares (equity-settled transactions).

There are currently two plans in place to provide these benefits:

- Incentive Option Scheme (IOS), which provides benefits to directors, senior executives and employees; and
- Performance Rights Plan (PRP), which provides benefits to senior executives and employees.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, further details of which are given in Note 24. In valuing equity-settled transactions, no account is taken of any vesting conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

Notes to the financial statements (continued)

For the year ended 30 June 2011

2. Summary of significant accounting policies (continued)

(l) Share-based payment transactions – refer note 24 (continued)

At each subsequent reporting date until vesting the cumulative charge to the statement of comprehensive income is the product of:

- (a) The grant date fair value of the award.
- (b) The current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met.
- (c) The expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market conditions or non-vesting condition is considered to vest irrespective of whether or not that market condition or non-vesting is fulfilled, provided that all other conditions are satisfied.

If a non-vesting condition is within the control of the Group, Company or the employee, the failure to satisfy the condition is treated as a cancellation. If a non-vesting condition within the control of neither the Group, Company nor employee is not satisfied during the vesting period, any expense of the award not previously recognised is recognised over the remaining vesting period, unless the award is forfeited.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the awards is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earning per share (see note 5).

(m) Contributed equity – refer note 15

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the financial statements (continued)

For the year ended 30 June 2011

2. Summary of significant accounting policies (continued)

(n) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rendering of exploration services

Reimbursement incurred on behalf of Ivanhoe Australia Limited pursuant to the Tennant Creek Mineral Field Exploration Joint Venture is recognised by reference to the works completed at the reporting date and the corresponding service fee payable to the Group for the completed services.

(ii) Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(o) Income tax and other taxes – refer note 20

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or for an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interest in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interest in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxation profit will be available against which the temporary difference can be utilised.

Notes to the financial statements (continued)

For the year ended 30 June 2011

2. Summary of significant accounting policies (continued)

(o) Income tax and other taxes – refer note 20 (continued)

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities related to the same taxable entity and the same taxation authority.

Tax consolidation legislation

Emmerson Resources Limited and its wholly-owned subsidiaries implemented the tax consolidation legislation as of 1 July, 2007.

In addition to its own current and deferred tax amounts, Emmerson Resources Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Other taxes

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

- when the GST incurred on a purchase of a goods and service is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables, which are stated with the amount of GST included.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Notes to the financial statements (continued)

For the year ended 30 June 2011

2. Summary of significant accounting policies (continued)

(p) Loss per share – refer note 5

Basic loss per share is calculated as net loss attributable to members of the parent, adjusted to exclude any costs of servicing equity divided by the weighted average number of ordinary shares outstanding during the financial period.

Diluted loss per share is calculated as net profit from continuing operations divided by the weighted average number of ordinary shares and dilutive potential ordinary shares taking in to account all unexercised share purchase options on issue and exercisable.

(q) Exploration and evaluation expenditure – refer note 10

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

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

3. Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and short-term deposits. The main purpose of these financial instruments is to fund the Group's operations.

Primary responsibility of the identification and control of financial risks rests with the Company's Audit and Risk Management Committee under the authority of the Board. The Board reviews and agrees policy for managing each of the risks identified below, including setting of limits for credit allowances.

The main risks arising from the Group's financial instruments are credit risk and interest rate risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

a) Interest rate risk

The Group's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The Group does not have a formal policy in place to mitigate such risks.

At balance date, the Group had the following financial assets which are interest bearing:

	Consolidated Group	
	2011	2010
	\$	\$
Financial Assets		
Cash term deposits (variable interest rates)	9,305,173	10,789,615
Cash term deposits backing bank guarantees (variable interest rates)	1,618,000	1,471,000
Cash on call (variable interest rates)	99,958	92,378
Total	11,023,131	12,352,993

Notes to the financial statements (continued)

For the year ended 30 June 2011

3. Financial risk management objectives and policies (continued)

a) Interest rate risk (continued)

Cash term deposits and cash term deposits backing bank guarantees are typically placed on term deposit for periods of between 30 days and 90 days and are therefore exposed to movements in term deposit interest rates.

The following sensitivity analysis is based on the variable interest rate risk exposures in existence at balance date. It is assumed that the balance at the reporting date is representative of the year as a whole.

At 30 June, 2011 with an interest rate movement based on managements expectations, as illustrated in the table below, with all other variables held constant, post tax loss would have been affected as follows:

Post Tax Loss (Higher)/Lower Consolidated Group	
	30 June 2011
	\$
+ 0.5% (50 basis points)	54,616
- 0.5% (50 basis points)	(54,616)
	30 June 2010
	\$
	65,355
	(65,355)

The sensitivity analysis of the Group's exposure to variable interest rate risk at balance date has been determined based on exposures at balance sheet date. A positive number indicates an decrease in loss and equity.

The company constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, and the mix of fixed and variable interest rates and term deposits terms.

b) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure. The Group trades only with recognised, creditworthy third parties, in addition cash term deposits are placed only with Australian banks and where possible spread across several banks.

The concentration of credit risk for cash term deposits due to exposure to one Australian bank – National Australia Bank for \$6,550,000 is considered acceptable as the National Australia Bank is considered a creditworthy bank. The balance of cash term deposits are placed with the ANZ bank and Westpac bank.

The concentration of credit risk in current receivables due to the \$81,481 exposure to one party (Ivanhoe Australia Limited) is managed as Ivanhoe Australia Limited is considered a creditworthy third party.

c) Liquidity Risk

The Group's management of liquidity is aimed at ensuring that net cash flows are sufficient to meet all of its financial commitments and to maintain the capacity to fund the Group's growth and sole fund exploration activities. The Group monitors its forecast cash position on a regular basis.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Leasing obligations and trade payables mainly originate from the financing of assets used in the Group's ongoing operations such as property, plant and equipment and investments in working capital. The Group monitors existing financial assets and liabilities to enable an effective controlling of future risk.

Notes to the financial statements (continued)

For the year ended 30 June 2011

3. Financial risk management objectives and policies (continued)

c) Liquidity Risk (continued)

Maturity analysis of financial assets and liabilities based on contractual maturity

Year ended 30 June 2011	≤ 6 months	6 – 12 months	1 – 5 years	Total
Consolidated				
<i>Financial Assets</i>				
Cash & Cash equivalents	9,405,131	-	-	9,405,131
Other financial assets	1,618,000	-	-	1,618,000
Receivables	176,067	-	-	176,067
	11,199,198	-	-	11,199,198
Consolidated				
<i>Financial Liabilities</i>				
Trade & Other payables	(1,213,941)	-	-	(1,213,941)
Interest bearing loans	(1,689)	(1,689)	(845)	(4,223)
	(1,215,630)	(1,689)	(845)	(1,218,164)
Net Maturity	9,983,568	(1,689)	(845)	9,981,034
Year ended 30 June 2010	≤ 6months	6 – 12 months	1 – 5 years	Total
Consolidated				
<i>Financial Assets</i>				
Cash & Cash equivalents	12,352,993	-	-	12,352,993
Receivables	1,722,687	-	-	1,722,687
	14,075,680	-	-	14,075,680
Consolidated				
<i>Financial Liabilities</i>				
Trade & Other payables	(1,227,162)	-	-	(1,227,162)
Interest bearing loans	(1,392)	(1,391)	(3,933)	(6,716)
	(1,228,554)	(1,391)	(3,933)	(1,233,878)
Net Maturity	12,847,126	(1,391)	(3,933)	12,841,802

d) Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values due to their short term nature whereby all term deposits mature within 90 days from 30 June, 2011. Other financial assets includes \$1,618,000 of cash placed on short term deposit (maturing within 90 days from 30 June, 2011) with ANZ bank in support of Bank Guarantee's to the same value issued in favor of the Northern Territory Government for rehabilitation obligations to be performed by the Company.

Notes to the financial statements (continued)

For the year ended 30 June 2011

4. Significant accounting judgements, estimates and assumptions

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

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related leases itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligation) and changes to commodity prices. The extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be redirected in the period in which this determination is made. An impairment loss of \$328,636 (2010: Nil) was recognised in the current year in respect of exploration expenditure. The impairment loss is directly attributable to mining tenements for which the Group no longer holds title as at 30 June, 2011 and mining tenements where title was still held at 30 June, 2011 but where an assessment was made that no future exploration is planned or budgeted due to a lack of exploration potential.

Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of "value in use" (being the net present value of expected future cash flows of the relevant cash generating unit) and "fair value less cost to sell".

In determining value in use, future cash flows are based on:

- estimates of the quantities of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices; and
- future cash costs of production and capital expenditure.

Notes to the financial statements (continued)

For the year ended 30 June 2011

4. Significant accounting judgements, estimates and assumptions (continued)

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

Share Based Payments

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 using a Black-Scholes model, with the assumptions detailed in Note 25. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

The Group measures the cost of share-based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted (see Note 24).

5. Loss per share

The following reflects the loss used in the basic and diluted loss per share computations

Consolidated Group

2011 2010

(a) Loss used in calculating earnings per share

Loss attributable to ordinary equity holders of the parent	(1,686,802)	(2,005,096)
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(b) Weighted average numbers of shares

Weighted average number of ordinary shares used in calculating basic loss per share:	226,295,213	226,138,501
Weighted average number of ordinary shares used in calculating diluted loss per share:	226,295,213	226,138,501
Basic loss per share – cents per share	(0.75)	(0.89)
Diluted loss per share – cents per share	(0.75)	(0.89)

(c) Information on the classification of securities

(i) Options

Options granted to employers (including KMP) and directors as described in note 24 are considered to be potential ordinary shares but have not been included in the determination of diluted loss per share to the extent they are anti dilutive. As at 30 June 2011, the Company has on issue 24,000,000 options over unissued capital (2010: 58,280,000). 23,000,000 options on issue at 30 June, 2011 have vested and 1,000,000 options on issue are unvested (2010: 57,280,000 vested options, 1,000,000 unvested).

(ii) Rights

Rights granted to employers (including KMP) as described in note 24 are considered to be potential ordinary shares but have not been included in the determination of diluted loss per share to the extent they are dilutive as they are not dilutive. As at 30 June 2011, the Company has on issue 1,550,000 rights over unissued capital (2010: 875,000) and none of the rights on issue at 30 June, 2011 had vested.

Notes to the financial statements (continued)

For the year ended 30 June 2011

6. Current assets – cash and cash equivalents

	Consolidated Group	
	2011	2010
	\$	\$
Cash at bank and on hand	99,959	92,378
Short term deposits	9,305,172	10,789,615
	<u>9,405,131</u>	<u>10,881,993</u>

7. Current assets – receivables

Ivanhoe Australia Ltd (Exploration Services)	81,481	1,586,418
Accrued interest	83,068	64,765
Stamp duty refund	-	20,747
Income Tax Recoverable	-	45,751
Other	11,518	5,006
	<u>176,067</u>	<u>1,722,687</u>

(a) Fair value and credit risk

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

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivable to special purpose entities.

8. Other current assets

Prepaid rent	7,808	7,546
Deposits	11,857	11,857
Other prepayments	-	5,870
	<u>19,665</u>	<u>25,273</u>

Notes to the financial statements (continued)

For the year ended 30 June 2011

9. Non-current assets - property, plant and equipment

(a) Reconciliation of the carrying amounts at the beginning and end of the period

	Consolidated Group	
	2011	2010
	\$	\$
Land and buildings		
At cost	146,215	147,668
Accumulated depreciation	(14,603)	(4,649)
	131,612	143,019
Motor vehicles:		
At cost	370,283	404,620
Accumulated depreciation	(293,560)	(269,689)
	76,723	134,931
Computer Software & Hardware:		
At cost	432,112	378,075
Accumulated depreciation	(269,232)	(182,939)
	162,880	195,136
Plant and equipment:		
At cost	6,158,326	6,150,212
Accumulated depreciation	(422,430)	(341,937)
	5,735,896	5,808,275
Office Equipment, Furniture & Fittings		
At cost	101,658	90,012
Accumulated depreciation	(73,310)	(59,209)
	28,348	30,803
Capital projects in progress	4,263	6,634
Total property, plant and equipment - written down value	6,139,722	6,318,798

Notes to the financial statements (continued)

For the year ended 30 June 2011

9. Non-current assets - property, plant and equipment (continued)

(a) Reconciliation of the carrying amounts at the beginning and end of the period (continued)

Consolidated Group							
	Land & Buildings	Motor vehicles	Software & Hardware	Plant & Equipment	Office Equipment Furniture and Fittings	Capital in progress	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 30 June 2009	1,399	174,935	154,449	5,764,064	35,446	46,809	6,177,102
Transferred to Capital	-	-	-	-	-	(46,809)	(46,809)
Additions	145,633	36,208	128,166	143,432	12,224	6,634	472,297
Disposals	-	-	-	-	-	-	-
Depreciation expense	(4,013)	(76,212)	(87,479)	(99,221)	(16,867)	-	(283,792)
Balance at 30 June 2010	143,019	134,931	195,136	5,808,275	30,803	6,634	6,318,798
Transferred to Capital	-	-	-	-	-	(6,634)	(6,634)
Additions	-	3,663	56,123	10,277	11,646	4,263	85,972
Disposals	(1,453)	(38,000)	(2,086)	(2,164)	(231)	-	(43,934)
Depreciation expense	(9,954)	(23,871)	(86,293)	(80,492)	(13,870)	-	(214,480)
Balance at 30 June 2011	131,612	76,723	162,880	5,735,896	28,348	4,263	6,139,722

(b) Assets pledged as security

Office equipment includes the following amounts where the Group is a lessee under a finance lease:

Consolidated Group	
	2011
	\$
Photocopier:	
At cost	11,800
Accumulated depreciation	(10,024)
	1,776
	2010
	\$
	11,800
	(8,940)
	2,860

(c) Mill and processing plant

The Group's mill and processing plant (the "Warrego Mill") is not being depreciated; depreciation will commence upon the recommencement of use.

10. Non-current assets - exploration and evaluation

Opening net book amount	9,767,380	9,709,001
Additions	1,844,774	58,379
Impairment	(328,636)	
Closing net book amount	11,283,518	9,767,380

The ultimate recoupment of costs carried forward for exploration expenditure is dependent on the successful development and commercial exploitation or sale of the respective mining areas.

Expenditure on mineral exploration tenements is being incurred by Ivanhoe Australia Limited pursuant to the Farm-In and Exploration Joint Venture agreement to meet minimum tenement expenditure requirements. Refer note 22.

Notes to the financial statements (continued)

For the year ended 30 June 2011

11. Non-current assets – other financial assets

	Consolidated Group	
	2011	2010
	\$	\$
Security deposits held by the Northern Territory government on potential rehabilitation obligations attributable to exploration activities	1,618,000	1,471,000
	1,618,000	1,471,000

The security deposits lodged with the Northern Territory government are in the form of Bank Guarantees which are supported, dollar for dollar, by cash placed on short term deposit in an account of the Company with the issuing bank; the ANZ bank.

12. Current liabilities – trade and other payables

Current

Trade payables	648,055	756,485
Accrued expenses	507,070	421,099
Superannuation & Wages	58,816	49,578
	1,213,941	1,227,162

(a) Fair Value

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

13. Current liabilities – provisions

Employee benefits – annual leave	135,779	121,915
Exploration Rehabilitation	41,456	6,500
	177,235	128,415

(a) Nature and timing of provisions

(i) Exploration Rehabilitation

The Group has recognised a provision for the expected rehabilitation of sites subject to exploration during the reporting period and it is anticipated that most of the costs for this rehabilitation will be incurred in the next financial year. Refer note 21.

14. Current and Non-current Interest bearing liabilities

Current

Finance lease liability	3,102	2,783
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Non-Current

Finance lease liability	830	3,933
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This finance lease with Westpac Banking Corporation is for a 5 year term expiring September, 2012. The original amount financed was \$11,800 exclusive of GST and total credit charges payable under the lease are \$3,914.

Notes to the financial statements (continued)

For the year ended 30 June 2011

15. Contributed equity

Consolidated Group

	2011 \$	2010 \$
(a) Issued and fully paid	33,151,621	33,151,621

	<u>2011</u>		<u>2010</u>	
	Number of shares	\$	Number of shares	\$
(b) Movements in shares on issue				
Beginning of the financial year	226,295,213	33,151,621	226,095,213	33,109,621
Issued during the year (i)	-	-	200,000	42,000
Transaction costs on issue	-	-	-	-
End of the financial year	226,295,213	33,151,621	226,295,213	33,151,621

(c) Terms and condition of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and in the event of the winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

(d) Share options

At 30 June, 2011 there were 24,000,000 unissued ordinary shares (2010: 58,280,000) for which options were outstanding (refer to Note 24 for details).

(e) Rights

At 30 June, 2011 there were 1,550,000 unissued ordinary shares (2010: 875,000) for which rights were outstanding (refer to Note 24 for details).

(f) Shares

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potentially ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

Notes to the financial statements (continued)

For the year ended 30 June 2011

15. Contributed equity (continued)

(g) Capital Management

When managing capital, management's concern is to ensure that the entity continues as a going concern as well as maintaining optimal returns from operating activities and available cash reserves which are available to invest.

The Chief Financial Officer and Company Secretary, accountable to the Managing Director and Chief Executive Officer, is responsible for the Group's capital management. Capital management predominantly takes the form of managing of the Company's cash reserves, taking into account forecast operating and capital expenditure requirements of the Group.

During the financial year ending 30 June, 2011 the Board did not pay a dividend (2010: nil) and the Board does not expect to pay a dividend in the foreseeable future.

Management has no current plans to issue further shares on the market.

The company is not subject to any externally imposed capital requirements and has no debt.

16. Accumulated losses

	Consolidated Group	
	2011	2010
	\$	\$
Balance at the beginning of year	(6,878,914)	(4,873,818)
Net loss attributable to members of Emmerson Resources Limited	(1,686,802)	(2,005,096)
Balance at the end of year	(8,565,716)	(6,878,914)

17. Share-based payments

Balance at the beginning of year	2,552,131	1,596,335
Share-based payments	108,959	955,796
Balance at the end of year	2,661,090	2,552,131

The share-based payments reserve is used to record the value of share based payments provided to directors and employees (including KMP) as part of their remuneration. Refer to the Remuneration Report for further details.

Notes to the financial statements (continued)

For the year ended 30 June 2011

18. Cash flow statement reconciliation

	Consolidated Group	
	2011	2010
	\$	\$
(a) Reconciliation of net operating loss after tax to net cash flow from operations		
Loss after income tax	(1,686,802)	(2,005,096)
Non-cash items:		
Depreciation and impairment	465,546	155,150
Share-based payment	108,959	955,796
Changes in assets and liabilities:		
(Increase) / decrease in receivables	1,552,130	32,578
(Increase) / decrease in prepayments	4,071	(20,427)
Increase / (decrease) in payables	(85,691)	287,037
Increase / (decrease) in provisions	42,321	30,880
Net cash (used in)/generated by operating activities	400,534	(564,082)

19. Expenditure commitments

(a) Capital expenditure commitments

Property plant & equipment commitments

Within one year	-	-
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(b) Mineral tenement commitments

- Within one year	1,770,318	1,128,725
- Later than one year but not later than five years	-	-
Aggregate mineral tenement expenditure committed at balance date	1,770,318	1,128,725

(c) Lease expenditure commitments

Operating leases (non-cancellable):

Minimum lease payments

- Within one year	84,407	80,093
- Later than one year but not later than five years	-	58,508
Aggregate operating lease expenditure contracted for at balance date	84,407	138,601

The Group is party to a commercial lease for office premises. The lease expires 1 April 2012 and there is an option to extend the lease term for an additional 3 years, at the date of this report the option has not been exercised.

Finance leases:

Minimum lease payments

- Within one year	3,378	3,379
- After one year but not more than five years	845	4,223

Total minimum lease payments **4,223** **7,602**

Less amounts representing finance charges (292) (887)

Present value of minimum lease payments **3,931** **6,715**

Notes to the financial statements (continued)

For the year ended 30 June 2011

19. Expenditure commitments (continued)

Consolidated Group

	2011 \$	2010 \$
(d) Services commitments		
- Within one year	-	-
- Later than one year but not later than five years	-	-
Aggregate service expenditure contracted for at balance date	-	-

At 30 June, 2011 all contracted drilling and geological services could be cancelled by the Company without incurring liquidated damages and/or material demobilisation costs.

	2011 \$	2010 \$
(e) Remuneration commitments		
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognized as liabilities, payable:		
- Within one year	431,358	428,270
- Later than one year but not later than five years	-	-
Aggregate remuneration commitments at balance date	431,358	428,270

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of directors and executives referred to in the remuneration report of the directors report that are not recognised as liabilities and are not included in the compensation of KMP.

Notes to the financial statements (continued)

For the year ended 30 June 2011

20. Income tax

(a) Income tax expense

	2011	2010
	\$	\$

The major components of income tax expense are:

Income statement

Current income tax expense/(credit)	(12,556)	(45,751)
Deferred tax	-	-
Tax losses not brought to account	-	-
Income tax expense reported in the income statement	-	-

(b) Numerical reconciliation of accounting profit to tax expense

A reconciliation between tax expense and the accounting profit before income tax multiplied by the consolidated entity's applicable income tax rate is as follows:

Accounting loss before income tax	(1,686,802)	(2,050,847)
At the consolidated entity's statutory income tax rate of 30% (2010: 30%)	(407,450)	(615,254)
Share based payments	32,688	286,739
Tax losses and timing differences (recognised)/not recognised	374,762	328,515
Research & Development tax offset received	(12,556)	(45,751)
Income tax benefit reported in the comprehensive income statement	(12,556)	(45,751)

(c) Current income tax

Current tax asset	-	45,751
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Notes to the financial statements (continued)

For the year ended 30 June 2011

20. Income tax (continued)

		Consolidated Group	
		2011	2010
		\$	\$
(d) Deferred income tax			
Balance sheet			
Deferred income tax relates to the following:			
<i>Deferred tax liabilities</i>			
Exploration and evaluation expenditure	(2,698,602)	(2,930,214)	
Others	(24,920)	(19,429)	
Gross deferred tax liabilities	(2,723,522)	(2,949,643)	
Offset deferred tax assets	2,723,522	2,949,643	
Net deferred tax liabilities	-	-	
<i>Deferred tax assets</i>			
Creditors and accruals	17,695	20,478	
Others	-	177,214	
Provisions	53,170	38,525	
Tax Losses	2,652,657	2,713,426	
Gross deferred tax assets	2,723,522	2,949,643	
Offset deferred tax liabilities	(2,723,522)	(2,949,643)	
Net deferred tax assets	-	-	
(e) Tax losses			
Estimated unused tax losses for which no deferred tax asset has been recognised	6,544,573	3,702,090	
Potential tax benefit at 30%	1,963,372	1,110,627	

The benefit of these tax losses will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect realising the benefit.

21. Commitments

The Group has the following commitment:

1. Santexco Pty Ltd (Santexco) a wholly owned subsidiary of the Company entered into a Rehabilitation Agreement (dated 6 November 2001) with the Northern Territory (NT) Government, whereby Santexco is obliged to perform rehabilitation obligations to the value of \$ 750,000 pa. for 6 years (a total obligation of \$4,500,000) on various mineral tenements, or pay the difference between the actual rehabilitation performed per year on the tenements and \$750,000 into a deposit account held by the NT Government each of the 6 anniversary dates of the agreement. To date Santexco has performed actual rehabilitation obligations of \$333,041 and lodged a bank guarantee to the value of \$416,958 with the NT Government. There are 5 anniversary dates for the agreement outstanding.

Notes to the financial statements (continued)

For the year ended 30 June 2011

21. Commitments (continued)

2. The Group is party to a binding agreement with the NT Government (Department of Primary Industry, Fisheries and Mines) dated 31 July 2006 whereby the NT Government has agreed that the rehabilitation obligations described in the Rehabilitation Agreement are suspended (on "standstill") until 45 days of cumulative commercial production from the Group's tenements.

22. Farm-in and joint venture with Ivanhoe Australia Limited

On 15 April, 2009, the Company executed a binding agreement with Ivanhoe Australia Limited (Ivanhoe) for an exploration Farm-In and Joint Venture covering the majority of the Company's extensive tenement holdings in the Tennant Creek Mineral Field. The Exploration and Joint Venture Agreement (the Agreement) was signed on 24 August, 2009.

The Agreement provides for the Company to be appointed as operator and to manage and perform the exploration on behalf of Ivanhoe during the Farm-In period, which is sole funded by Ivanhoe. Key terms contained in the Agreement include:

- o Farm-In period whereby Ivanhoe sole fund a minimum expenditure of \$18,000,000 over three years (the Earn In Obligation) to earn a 51% interest in the majority of the Group's tenements. The Company has been performing the exploration on behalf of Ivanhoe during the Farm-In period, with Ivanhoe paying all costs and an administration fee where applicable (see below);
- o Payment of a 10% management fee by Ivanhoe to the Company for the management of exploration during the Farm-In;
- o Ivanhoe must sole fund the initial \$10,000,000 of Joint Venture expenditure upon completion of the Farm-In, this expenditure to be completed over a maximum 5 year period for Ivanhoe to retain their 51% Joint Venture Interest;
- o Ownership of the Warrego gold plant remains with the Company;
- o Tier 2 Projects (i.e. those with less than a 250,000 gold equivalent ounce resource) will be retained by the Company; and
- o A 70% interest in individual projects may be earned by Ivanhoe if they sole fund expenditure to define a minimum 1,000,000 gold equivalent ounce resource hurdle.

As at 30 June 2011 Ivanhoe had incurred \$16,803,666 of the required \$18,000,000 Earn In Obligation.

Ivanhoe is a shareholder of the Company holding 22,610,000 shares (approximately 10% of total issued shares). The 27,900,000 share purchase options for ordinary shares of the Company issued to Ivanhoe in 2009 expired unexercised on 1 June, 2011, each option had an exercise price of \$0.20.

23. Segment Information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer and his management team in assessing performance and in determining the allocation of resources.

The accounting policies applied for internal reporting purposed are consistent with those applied in the preparation of the financial statements.

During the year ended 30 June 2011 the Group operated in the one operating segment, being gold exploration in Australia.

Notes to the financial statements (continued)

For the year ended 30 June 2011

24. Share based payments

(a) Incentive Option Scheme

The Group has an Incentive Option Scheme (IOS) for the grant of share purchase options to directors, executives, employees and key consultants. The IOS is designed to align participants' interest with those of shareholders; exploration success and a resultant increased valuation of the Company. The scheme also provides a retention incentive for participants.

Relevant terms and conditions of the IOS, include:

- i. the exercise price of the options is set by the board of directors with reference to the prevailing market price of the Company's shares;
- ii. the board sets vesting conditions for the options, all options currently on issue have a vesting date two years from the date of grant;
- iii. typically the granting of share purchase options occurs at the commencement of directorship, employment or consultancy with the Company;
- iv. share purchase options are typically forfeited by the recipient upon departure from the Company if vesting conditions have not been achieved, if vesting conditions have been met then the options must be exercised within 60 days of departure from the Company else the options expire. Under the terms and conditions of the IOS the board has the discretion to vary these forfeiture conditions; and
- v. Upon exercise the options will settle in ordinary shares of Emmerson Resources Limited upon payment by the option holder of the exercise price for each option.

(b) A summary of options granted under the Incentive Option Scheme and their respective vesting conditions are as follows:

PARTICIPANT	Options Granted	Options Vested	Grant Date	Exercise Price \$	First Exercise Date	Last Exercise Date
Executive (KMP)	5,000,000	5,000,000	31.10.2007	0.25	13.12.2010	13.12.2012
Executive (KMP)	5,000,000	5,000,000	31.10.2007	0.30	13.06.2010	13.12.2012
Executive (KMP) and employee	5,500,000	5,500,000	01.08.2007	0.25	01.08.2010	31.07.2012
Executive (KMP)	1,000,000	None	01.08.2007	0.25	note 1 – below	
KMP	500,000	500,000	11.03.2008	0.25	11.03.2011	11.03.2013
Directors	7,000,000	7,000,000	25.11.2010	0.50	25.11.2010	24.11.2012
TOTALS	24,000,000					

Options exercisable at the end of the year: 23,000,000 (2010: 29,580,000)

Note 1

1,000,000 share purchase options issued on 01-08-2007 have the First Exercise Date set at the date which is two years from the date on which the 20 day Volume Weighted Average Price (VWAP) of the Company's shares (as traded on the ASX) is equal to or more than 1.5 times the VWAP calculated for the first 20 days trading of the Company's shares on the ASX (which was \$0.236). The Last Exercise date is three years after the First Exercise Date. At the date of this report this condition has not been met and remains unknown.

(c) Weighted average remaining contractual life

The weighted average remaining contract life for the share options outstanding at 30 June, 2011 is 1 year and 4 months (2010: 2 year and 9 months).

Notes to the financial statements (continued)

For the year ended 30 June 2011

24. Share based payments (continued)

(d) Range of exercise price

The range of exercise prices for options outstanding as at 30 June, 2011 was \$0.25 to \$0.50 (2010: \$0.21 to \$0.50)

(e) Weighted average fair value

No options were granted during the year. The weighted average fair value of options granted during the preceding year was \$0.106.

(f) Option pricing model

The fair value of the options is estimated at the date of grant using a Black Scholes model.

The following table provides the assumptions made on determining the fair value of the options granted during the year ended 30 June, 2010, there were no options granted during the year ended 30 June, 2011:

Options granted during the year ended 30 June, 2011

No options were granted during the year.

Options granted during the year ended 30 June, 2010

Grant date	25.11.2009
Dividend yield (%)	-
Expected volatility %	85%
Risk free interest rate %	3.25%
Expected life of option (years)	3
Exercise Price (\$)	0.50
Share price at grant date (\$)	0.26

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical sector volatility is indicative of further trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

(g) Performance Rights Plan

The Group has a Performance Rights Plan (PRP) for the grant of share purchase rights to executives, employees and key consultants. The PSP was approved by shareholder in general meeting on 25 November, 2009 and is designed to align participants' interest with those of shareholder by increasing the value of the Company's shares, importantly the plan provides a retention incentive for participants.

Notes to the financial statements (continued)

For the year ended 30 June 2011

24. Share based payments (continued)

(g) Performance Rights Plan (continued)

Relevant terms and conditions of the PRP, include:

- i. the exercise price of the rights is set by the board of directors;
- ii. the board sets vesting conditions for the rights, all rights currently issued vest 50% after 2 years, 25% after 3 years with the balance after 4 years;
- iii. typically the granting of share purchase rights occurs annually usually in August or September;
- iv. share purchase rights are typically forfeited by the recipient upon departure from the Company if vesting conditions have not been achieved, if vesting conditions have been met then the rights must be exercised within 60 days of departure from the Company else the rights expire. Under the terms and conditions of the PRP the board has the discretion to vary these forfeiture conditions; and
- v. Upon exercise the rights will settle in ordinary shares of Emmerson Resources Limited upon payment by the right holder of the exercise price, if any, for each right.

(h) A summary of rights granted under the Performance Rights Plan and their respective vesting conditions are as follows:

Rights granted during the year ended 30 June, 2011

PARTICIPANT	Rights Granted	Rights Vested	Grant Date	Exercise Price \$	First Exercise Date	Last Exercise Date
Executive & Key Employees (Note 1)	1,025,000	Nil	01.09.2010	0.00	31.08.2012	31.08.2015
TOTALS	1,025,000					

Note 1

275,000 share purchase rights issued on 01-09-2010 have been forfeited prior to vesting due to the resignation of the recipient during the current reporting period

Rights granted during the year ended 30 June, 2010

PARTICIPANT	Rights Granted	Rights Vested	Grant Date	Exercise Price \$	First Exercise Date	Last Exercise Date
Executive & Key Employees (Note 1)	1,025,000	Nil	25.11.2009	0.00	25.11.2011	24.11.2014
TOTALS	1,025,000					

Note 1

325,000 share purchase rights issued on 25-11-2010 have been forfeited prior to vesting due to the resignation of the recipient during the current reporting period

Rights exercisable at the end of the year: Nil (2010: Nil)

Rights exercised during the year: Nil (2010: Nil)

(i) Weighted average remaining contractual life

The weighted average remaining contract life for the share rights outstanding at 30 June, 2011 is 3 years 10 months (2010: 4 years 5 months).

Notes to the financial statements (continued)

For the year ended 30 June 2011

24. Share based payments (continued)

(j) Range of exercise price

All rights have an exercise price of Nil.

(k) Weighted average fair value

The weighted average fair value of rights granted during the year was \$0.14 (2010: \$0.26)

(l) Rights pricing model

The fair value of the rights is estimated at the date of grant using a Black Scholes model.

The following table give the assumptions made on determining the fair value of the rights granted during the year ended 30 June, 2011.

Rights granted during the year ended 30 June, 2011

Grant date	01.09.2010
Dividend yield (%)	-
Expected volatility %	85%
Risk free interest rate %	4.25%
Expected life of right (years)	5
Exercise Price (\$)	0.00
Share price at grant date (\$)	0.14

Rights granted during the year ended 30 June, 2010

Grant date	25.11.2009
Dividend yield (%)	-
Expected volatility %	85%
Risk free interest rate %	3.25%
Expected life of right (years)	5
Exercise Price (\$)	0.00
Share price at grant date (\$)	0.26

The expected life of the rights is based on historical data and is not necessarily indicative of exercise patterns that may occur.

The expected volatility reflects the assumption that the historical sector volatility is indicative of further trends, which may also not necessarily be the actual outcome. No other features of rights granted were incorporated into the measurement of fair value.

Notes to the financial statements (continued)

For the year ended 30 June 2011

25. Key management personnel

(a) Compensation for Key Management Personnel

	Consolidated	
	2011	2010
	\$	\$
Short-term employment benefits	1,055,303	1,003,179
Post-employment benefits	165,050	145,703
Share based payments	54,691	890,876
TOTALS	1,275,044	2,039,758

(b) Option holdings of Key Management Personnel (Consolidated)

30 June 2011	Balance 1 July 2010	Granted as Remuneration	Options Exercised	Net other change	Balance 30 June, 2011	Vested at 30 June, 2011		
						Total	Exercisable	Not Exercisable
Directors								
A McIlwain	5,500,000	-	-	(3,000,000)	2,500,000	2,500,000	2,500,000	-
R Bills	10,000,000	-	-	-	10,000,000	10,000,000	10,000,000	-
T Kestell	1,500,000	-	-	-	1,500,000	1,500,000	1,500,000	-
S Andrew	1,500,000	-	-	-	1,500,000	1,500,000	1,500,000	-
P Reeve	1,500,000	-	-	-	1,500,000	1,500,000	1,500,000	-
Executives								
S Volk	6,000,000	-	-	-	6,000,000	5,000,000	5,000,000	-
S Russell	500,000	-	-	-	500,000	500,000	500,000	-
	26,500,000	-	-	(3,000,000)	23,500,000	22,500,000	22,500,000	-

30 June 2010	Balance 1 July 2009	Granted as Remuneration	Options Exercised	Net other change	Balance 30 June, 2010	Vested at 30 June, 2010		
						Total	Exercisable	Not Exercisable
Directors								
A McIlwain	3,000,000	2,500,000	-	-	5,500,000	5,500,000	5,500,000	-
R Bills	10,000,000	-	-	-	10,000,000	10,000,000	10,000,000	-
T Kestell	-	1,500,000	-	-	1,500,000	1,500,000	1,500,000	-
S Andrew	-	1,500,000	-	-	1,500,000	1,500,000	1,500,000	-
P Reeve ^	-	1,500,000	-	-	1,500,000	1,500,000	1,500,000	-
Executives								
S Volk	6,000,000	-	-	-	6,000,000	5,000,000	5,000,000	-
S Russell	500,000	-	-	-	500,000	500,000	500,000	-
	19,500,000	7,000,000	-	-	26,500,000	25,500,000	25,500,000	-

^ Appointed 24 April, 2009

Notes to the financial statements (continued)

For the year ended 30 June 2011

25. Key management personnel (continued)

(c) Rights holdings of Key Management Personnel (Consolidated)

30 June 2011	Balance 1 July 2010	Granted as Remun- eration	Rights Exercised	Net other change	Balance 30 June, 2011	Vested at 30 June, 2011		
						Total	Exerc- isable	Not Exercisable
Executives								
S Russell	150,000	150,000	-	-	300,000	-	-	-
G Osborne	150,000	150,000	-	-	300,000	-	-	-
	300,000	300,000	-	-	600,000	-	-	-

30 June 2010	Balance 1 July 2009	Granted as Remun- eration	Rights Exercised	Net other change	Balance 30 June, 2010	Vested at 30 June, 2010		
						Total	Exerc- isable	Not Exercisable
Executives								
S Russell	-	150,000	-	-	150,000	-	-	-
G Osborne	-	150,000	-	-	150,000	-	-	-
	-	300,000	-	-	300,000	-	-	-

(d) Shareholdings of Key Management Personnel (Consolidated)

Shares held in Emmerson Resources Limited (number)

30 June 2011	Balance 1 July 2010	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2011
Directors					
A McIlwain	840,668	-	-	-	840,668
R Bills	2,301,600	-	-	-	2,301,600
T Kestell	8,536,030	-	-	-	8,536,030
S Andrew	6,136,029	-	-	-	6,136,029
P Reeve	209,950	-	-	-	209,950
Executives					
S Volk	631,250	-	-	-	631,250
S Russell	12,500	-	-	-	12,500
G Osborne	100,000	-	-	-	100,000
	18,768,027	-	-	-	18,768,027

Notes to the financial statements (continued)

For the year ended 30 June 2011

25. Key management personnel (continued)

(d) Shareholdings of Key Management Personnel (Consolidated) (continued)

30 June 2010	Balance 1 July 2009	Granted as Remuneration	Exercise of Options	Net Change Other	Balance 30 June 2010
Directors					
A McIlwain	840,668	-	-	-	840,668
R Bills	2,221,600	-	-	80,000	2,301,600
T Kestell	8,536,030	-	-	-	8,536,030
S Andrew	6,136,029	-	-	-	6,136,029
P Reeve ^	-	-	-	209,950	209,950
Executives					
S Volk	631,250	-	-	-	631,250
S Russell	12,500	-	-	-	12,500
	18,378,077	-	-	289,950	18,668,027

^ Appointed 24 April, 2009

All equity transactions with directors and executives have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arms length.

(e) Other transactions and balances with Key Management Personnel and their related parties

During the 2011 financial year, Mr. McIlwain's services as a director of the company were provided by Andrew McIlwain and Associates Pty Ltd, a company of which Mr. McIlwain is a shareholder and beneficiary. The company has a contract in place with Andrew McIlwain and Associates Pty Ltd for the provision of these services. Accounts totalling \$77,815 were submitted during the year (2010: Nil).

26. Related party disclosure

(a) Subsidiaries

The consolidated financial statements include the financial statements of Emmerson Resources Limited and the subsidiaries listed in the following table.

Name of Entity	Country of Incorporation	Ownership Interest		Investment at Cost	
		2010	2011	2010	2011
Giants Reef Exploration Pty Ltd	Australia	100%	100%	\$8,612,161	\$8,634,875
Santexco Pty Ltd	Australia	100%	100%	-	-
TC8 Pty Ltd	Australia	100%	100%	\$30,475	\$30,475

(b) Ultimate parent

Emmerson Resources Limited is the ultimate parent entity.

(c) Key Management Personnel

Details relating to Key Management Personnel, including remuneration paid, are included in note 25.

Notes to the financial statements (continued)

For the year ended 30 June 2011

26. Related party disclosure (continued)

(d) Transactions with related parties

Employees

Contributions to superannuation funds on behalf of employees for the financial year ended 30 June, 2011 were \$180,179 (2010 \$198,383).

Terms and conditions of transactions with related parties

Outstanding inter-company loan balances at year end are unsecured and are not interest bearing.

27. Auditors remuneration

Auditors remuneration

The auditor of Emmerson Resources Limited is Ernst & Young

<i>Amounts received or due and receivable by Ernst & Young (Australia) for:</i>	Consolidated	
	2011	2010
	\$	\$
An audit or review of the financial report of the entity and any other entity in the consolidated group	49,852	47,020
Other services in relation to the entity and any other entity in the consolidated group	-	-
TOTALS	49,852	47,020

Notes to the financial statements (continued)

For the year ended 30 June 2011

28. Parent Entity Information

	Parent	
	2011 \$	2010 \$
(a) Information relating to Emmerson Resources Limited		
Current assets	9,600,863	12,629,952
Total assets	28,642,103	30,704,869
Current liabilities	(1,394,278)	(1,358,360)
Total liabilities	(1,395,107)	(1,880,032)
Issued capital	(33,151,621)	(33,151,621)
Retained earnings	8,565,716	6,878,913
Share-based payments reserve	(2,661,091)	(2,552,131)
Total shareholders equity	(27,246,996)	(28,284,837)
Loss of the parent entity	(1,580,160)	(2,004,959)
Total comprehensive income of the parent entity	(1,580,160)	(2,004,959)

(b) Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries

Emmerson Resources Limited has not entered into any parent entity guarantees for any of its subsidiaries.

(c) Details of any contingent liabilities of the parent entity

Refer to Note 21.

(d) Details of any contractual commitments by the parent entity for the acquisition of property, plant and equipment

There are no contractual commitments by the parent entity for the acquisition of property, plant and equipment as at reporting date.

(e) Tax consolidation

The Company and its 100% owned controlled entities have formed a tax consolidated group. Members of the Group entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned controlled entities. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its payment obligations. At balance date the possibility of default is remote. The head entity of the tax consolidated group is Emmerson Resources Limited.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Emmerson Resources Limited I state that:

In the opinion of the directors:

- (a) the financial statements, notes and additional disclosures included in the directors' report designated as audited, of the consolidated entity are in accordance with the *Corporations Act* 2001, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date;
 - (ii) complying with Accounting Standards and Corporation Regulations 2001;
 - (iii) the financial statements and notes comply with the International Financial Reporting Standards as disclosed in Note 2; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act* 2001 for the financial year ended 30 June, 2011.

On behalf of the Directors,



A. McIlwain
Director & Chairman of the Board

Perth: 29 September, 2011

Independent auditor's report to the members of Emmerson Resources Limited

Report on the financial report

We have audited the accompanying financial report of Emmerson Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

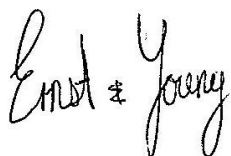
- a. the financial report of Emmerson Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

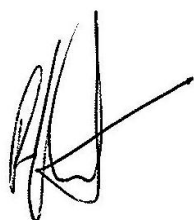
We have audited the Remuneration Report included in pages 16 to 32 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Emmerson Resources Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

A stylized, handwritten signature of the Ernst & Young firm, written in black ink.

Ernst & Young

A stylized, handwritten signature of R J Curtin, written in black ink.

R J Curtin
Partner
Perth
29 September 2011