

LACONIA

Annual Report 2010



Corporate Information

ABN

29 137 984 297

Directors

Michael Sharwood, Non-Executive Chairman

Ian Stuart, Managing Director

Matthew Howison, Non-Executive Director

Company Secretary

Graeme Smith

Registered Office

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Principal Place of Business

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PO Box 1151

WEST PERTH WA 6872

Solicitors

Williams & Hughes

1st Floor, 25 Richardson Street

WEST PERTH WA 6005

Share Register

Security Transfer Registrars Pty Ltd

770 Canning Highway

APPLECROSS WA 6153

Auditors

Rothsay Chartered Accountants

96 Parry Street

PERTH WA 6000

Internet Address

www.laonia.com.au

Stock Exchange Listing

Laonia Resources Limited shares
are listed on the Australian Securities
Exchange (ASX code: LCR).

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“Drilling at the Mooletar project identified a large zone of magnetite mineralisation having the potential to produce a high grade concentrate and low levels of phosphorus and silica.”

MICHAEL SHARWOOD, CHAIRMAN

Chairman's Report

Dear Shareholders,

With a sense of pride and pleasure I submit this first Annual Report of your Company almost exactly twelve months after our listing on the ASX.

In its prospectus issued in September 2009, your Company presented four strategic tenement holdings in areas with gold and base metals potential widely spread across Western Australia. The prospectus raised funds to prioritise and evaluate the Company's projects as well as to identify potential acquisition opportunities. In particular, the prospectus contemplated accelerated drilling programmes at the Gimlet and Mooletar Projects where previous exploration had identified gold mineralisation which the Company believed might develop into an identified mineral resource.

Drilling at the Mooletar project, with follow-up metallurgical test work, identified a large zone of magnetite mineralisation having the potential to produce a high grade concentrate with grades up to 70.4% Fe and low levels of phosphorus and silica. On the basis of these results further field mapping has been commenced and analysis of results in conjunction with the results of metallurgical test work will be utilised to help define an iron ore target.

In the meanwhile, field activities have continued at the Barramine and 701 Mile Projects. Greater focus has been placed this year on Barramine where field work has recently been completed to correlate geology with coincident magnetic and geochemical anomalies and thus define drilling targets.

Additionally, the Board, especially through your Managing Director, Ian Stuart, has been active in seeking and evaluating new projects for the Company. As a result of these activities

a gold project near Kookynie in Western Australia has been added to our portfolio. This process will continue, but with a great degree of discrimination given that your Board recognises the need at a time of uncertain market conditions to balance cash-preservation against the continuation of our core activities.

It is gratifying when perusing your Company's share register to note that, many if not most, of those who participated in the Company's seed-capital raising and subsequent initial public offering, remain Shareholders. We look forward to your continuing support as we consolidate and extend our efforts to build shareholder-value through our chosen field of enterprise.



Michael Sharwood

Chairman



“Laconia is evaluating its exploration properties in a determined, methodical fashion to achieve maximum value from its exploration budget.”

IAN STUART, MANAGING DIRECTOR

Directors Review Of Activities

Laconia’s gold portfolio includes the Mooletar Project near Mount Magnet, the Gimlet Project near Kalgoorlie in the eastern Goldfields and the newly acquired Kookynie project near Leonora, 200km north of Kalgoorlie.

Projects and Exploration Strategy

Laconia Resources Limited (Laconia) has, during the period from admission to the Official List of the ASX to June 30 2010, used its cash that it had at the time of admission in a way consistent with its business objectives. Laconia was incorporated in June 2009 and listed on the ASX on 16 October 2009. Laconia has five projects located in Western Australia prospective for both base metals and gold covering tenements with an approximate area of 885km².

Laconia’s gold portfolio includes the Mooletar Project near Mount Magnet, the Gimlet Project near Kalgoorlie in the Eastern Goldfields and the newly acquired Kookynie project near Leonora, 200km north of Kalgoorlie.

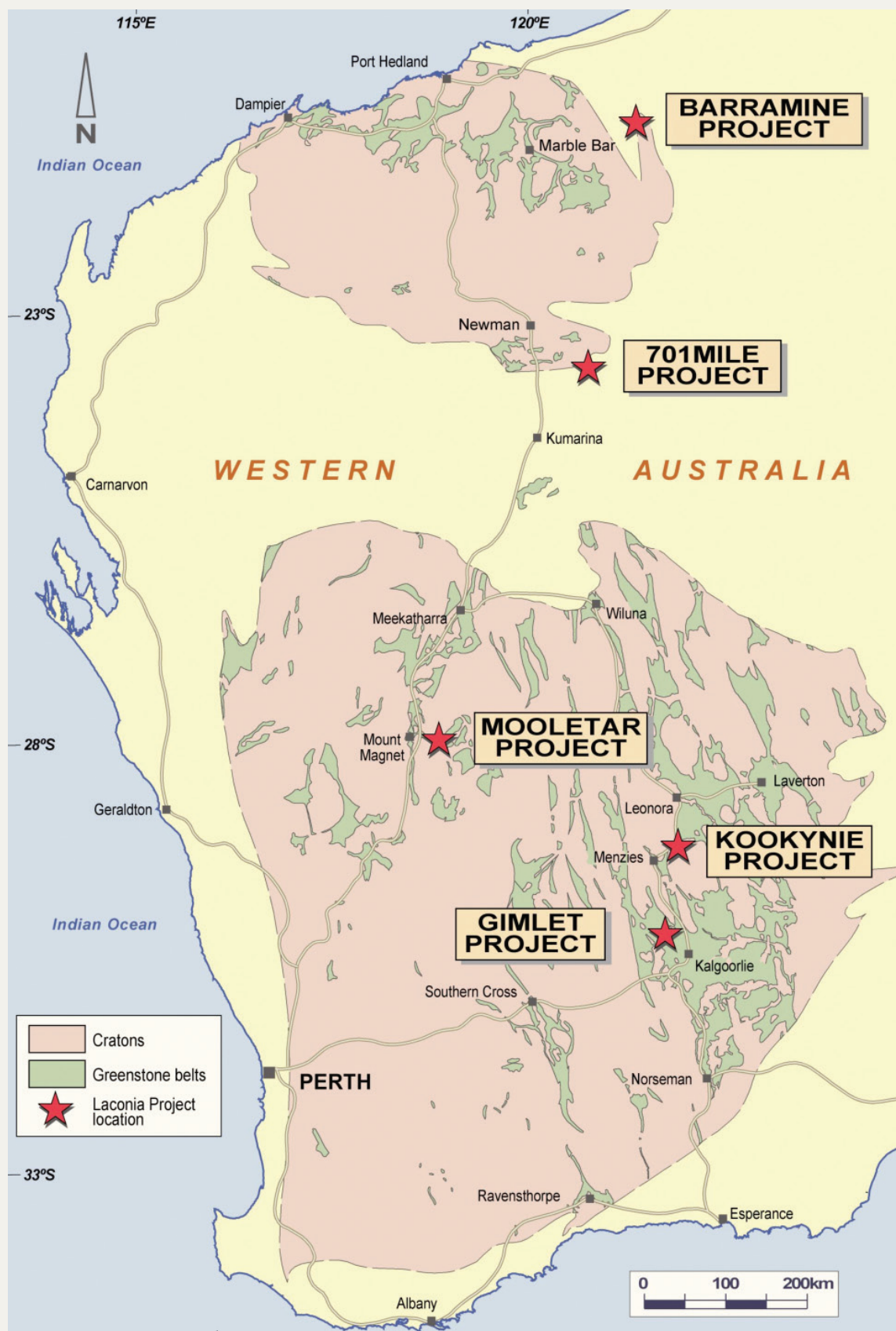
Two projects, Barramine and 701 Mile, are located in the eastern Pilbara and are prospective for base metals and gold. Laconia holds the mineral rights to all minerals except Iron and Manganese.

Laconia is evaluating its exploration properties in a determined, methodical fashion to achieve maximum value from its exploration budget. Laconia is also actively exploring other projects and corporate opportunities that will provide value for shareholders.

Table 1 - Laconia Resources principal exploration projects and target minerals

Project	Target Metals	Ownership
Mooletar	Gold, Magnetite	100%
Gimlet	Gold	80%
Kookynie	Gold	100%
Barramine	Gold and Base metals	100% Laconia – excluding manganese and iron
701 Mile	Base metals	80% Laconia – excluding manganese and iron

Laconia Project Location Map



Overview of Exploration Activities

After listing in October 2009, Laconia immediately commenced a results-focused exploration campaign (in accordance with the exploration program as outlined in the Prospectus). Laconia has completed two drilling programs at the Gimlet Project (a Reverse Circulation (RC) and an Air Core program) and a two phase RC program at the Mooletar Project near Mount Magnet.

Table 2 - Laconia exploration activity by Project 2010

Project	Drilling		Geophysics	Geochemical sampling	Geological mapping	Metallurgical test work
	RC	Air Core				
Gimlet	22 holes for 2,160m	20 holes for 1,594m				
Mooletar	10 holes for 1,180m		Aeromagnetic survey acquired	Rock chip sampling	Geological mapping	Davis Tube recovery test work on 5 holes
Barramine			Aeromagnetic/ Electromagnetic survey acquisition		Geological mapping	Petrology
701 Mile			Satellite photography obtained		Regolith mapping	

Mooletar Project (100% Laconia)

Laconia holds a consolidated ground position at the Mooletar Project comprised of an area of 75km² covering a folded Archaean greenstone belt. The project is situated over the eastern portion of the Mount Magnet greenstone belt and represents an area with little previous exploration proximal to a major gold producing area.

As part of a systematic review of the geology on Laconia leases and detailed geological mapping, Laconia identified potential high-grade iron mineralisation along a 5.2 km long strike length comprised of two thick parallel bands of Banded Iron Formation (BIF) mineralisation separated by a layer of thin BIF/Mafic lithologies.

The mapping result was viewed positively in light of rock chip samples returning values exceeding 40%. Nine samples were sampled indicating surface samples at an average total iron content of 40.06% Fe with LOI (Loss-on Ignition) 1.43%. In light of these results a five hole 680m drill programme was initiated to opportunistically evaluate what potential target resource size and product may exist.

A potential magnetite resource has been identified from field mapping and this reconnaissance drilling. Initial results have been followed up with preliminary metallurgical test work. Further field mapping and analysis of results in conjunction with results of further metallurgical test work will help define an iron target size at the Project, value potential and provide a pathway for further evaluation. This work will continue in a value-focused manner in conjunction with the Company's gold and base metal focus.

The Mooletar Project lies approximately 330km east of Geraldton adjacent to sealed roads and approximately 125km from the proposed Mid-West infrastructure corridor that would access the Oakajee Port infrastructure.

Significant results from this program include:

- 36 metres at 31.5% Fe from 12 metres in MRC019
- 56 metres at 27.8% Fe from 60 metres in MRC020
- 80 metres at 33.8% Fe from 8 metres in MRC021
- 60 metres at 32.5% Fe from 12 metres in MRC022
- 100 metres at 32.9% Fe from 24 metres in MRC023

Iron ore evaluation and metallurgical testwork

Positive results from its initial metallurgical test work at the Mooltar Project have confirmed the potential for the project to produce a high grade magnetite concentrate.

Results from Davis Tube Recovery (DTR) test work have indicated that a high grade magnetite product may be achieved with grades up to 70.4%Fe and low levels of phosphorus and silica.

Initial metallurgical test work was conducted on selected holes to confirm potential to produce high grade magnetite concentrate.

Subsequent to these initial positive results, the Company has initiated further DTR test work to define an optimal grind size and ore characteristics. Field mapping is in progress and analysis of results in conjunction with results of metallurgical test work will be utilised to help define an iron target size at the Project, value potential and provide a pathway for further evaluation.

Table 3 - Mooletar Davis Tube Magnetic DTR Results

Hole ID	From	To	Down Hole Interval (m)	Fe%	SiO2%	Al2O3%	P%	LOI
M_RC020	92	96	4	66.76	6.73	0.24	0.011	-3.11
M_RC020	108	112	4	70.39	2.32	0.02	0.006	-3.32
M_RC021	56	60	4	67.99	5.4	0.09	0.009	-3.12
M_RC021	72	76	4	69.45	3.42	0.05	0.006	-3.29
M_RC022	60	64	4	70.40	2.46	0.05	0.007	-3.26
M_RC022	68	72	4	69.28	3.45	0.10	0.009	-3.26
M_RC023	44	48	4	70.74	2.07	0.05	0.005	-3.35
M_RC023	84	88	4	70.40	2.14	0.02	0.006	-3.26
M_RC023	108	112	4	68.45	4.71	0.14	0.005	-3.21

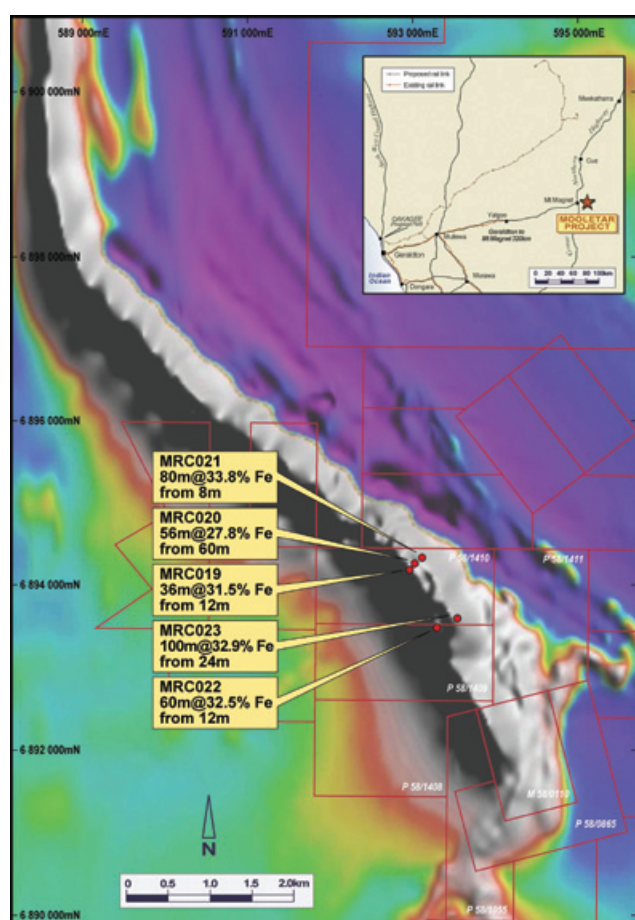


Figure 1 -Mooletar Project: Significant Results from Reverse Circulation Drilling

Gimlet Project (80% Laconia)

The Gimlet Project is located approximately 15km northwest of Kalgoorlie in Western Australia's goldfields, in close proximity to a number of gold deposits.

Laconia's maiden drilling program began in November 2009 with 22 Reverse Circulation holes drilled for an aggregate of 2,160m. The program targeted the southern portion of a 3.5km x 400m gold anomaly referred to as the Eastern Shear. Significant strike length on the Eastern Shear Zone remains untested to the north and a portion of this was the focus of an Air-Core drilling program completed in January 2010.

The drill holes largely intersected tuffs and shales of the Black Flag Beds, as well as porphyry intrusions. The gold occurrences above 0.1 ppm were interpreted to be due to supergene mineralisation and to a lesser extent palaeochannel deposition. Both the Air-Core and the RC drill programs targeted zones on the eastern side of the lease. (Figure 2)

Table 4 - The best of the measured concentrations reported were:

Hole	Easting	Northin	Azimuth	Dip	From	To (m)	Au
LG09RC	6604582	6345230	90	-60	39	40	2.878
LG09RC	6604904	6345230	270	-60	83	84	0.894
LG09RC	6604875	343591	270	-60	50	51	1.22
LG09RC	6604875	343591	270	-60	57	58	1.01
LG09RC	6604811	343718	270	-60	39	40	3.174
LG09RC	6604900	343683	270	-60	38	39	2.029
LG09RC	6604788	343717	270	-60	39	40	1.378

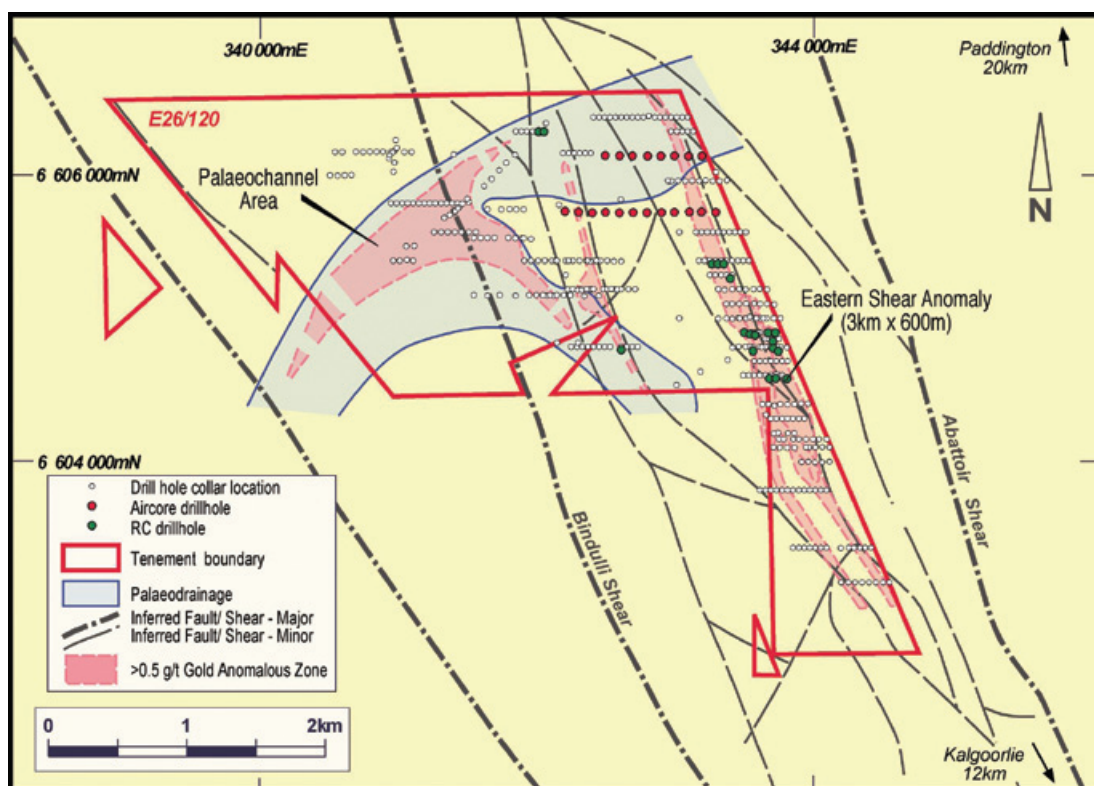


Figure 2 - Gimlet Project Air-Core (red) and Reverse Circulation (green) drill hole locations

Barramine Project (100% Laconia – excluding manganese and iron)

Recently acquired geophysical data and interpretation from the Barramine Project has indicated a number of electromagnetic (EM) Geophysical anomalies. This work has been followed up with field geological mapping and geochemical sampling over these geophysical anomalies.

The results of this work has been assessed and has been used in the design of a systematic geochemical sampling program scheduled for the September quarter 2010. Laconia is targeting volcanic related base metal sulphide horizons within sediments.

The Barramine Project is located in the East Pilbara and its geological position is along strike from known base metal deposits of Barramine, Camel Hump, Ragged Hills and Braeside. Previous exploration has discovered anomalous zinc and copper in highly altered pyritic acid volcanics in a prospective geological environment for base metal mineralisation.

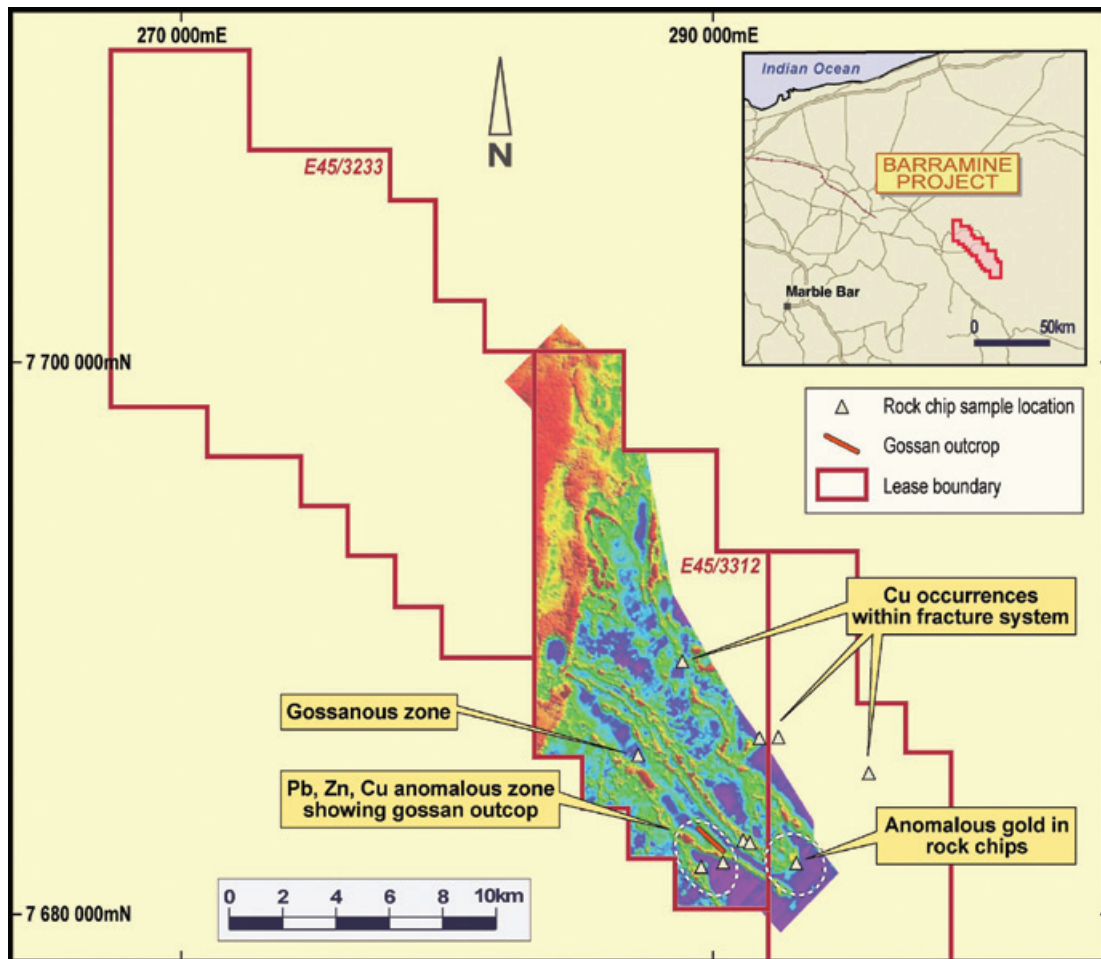


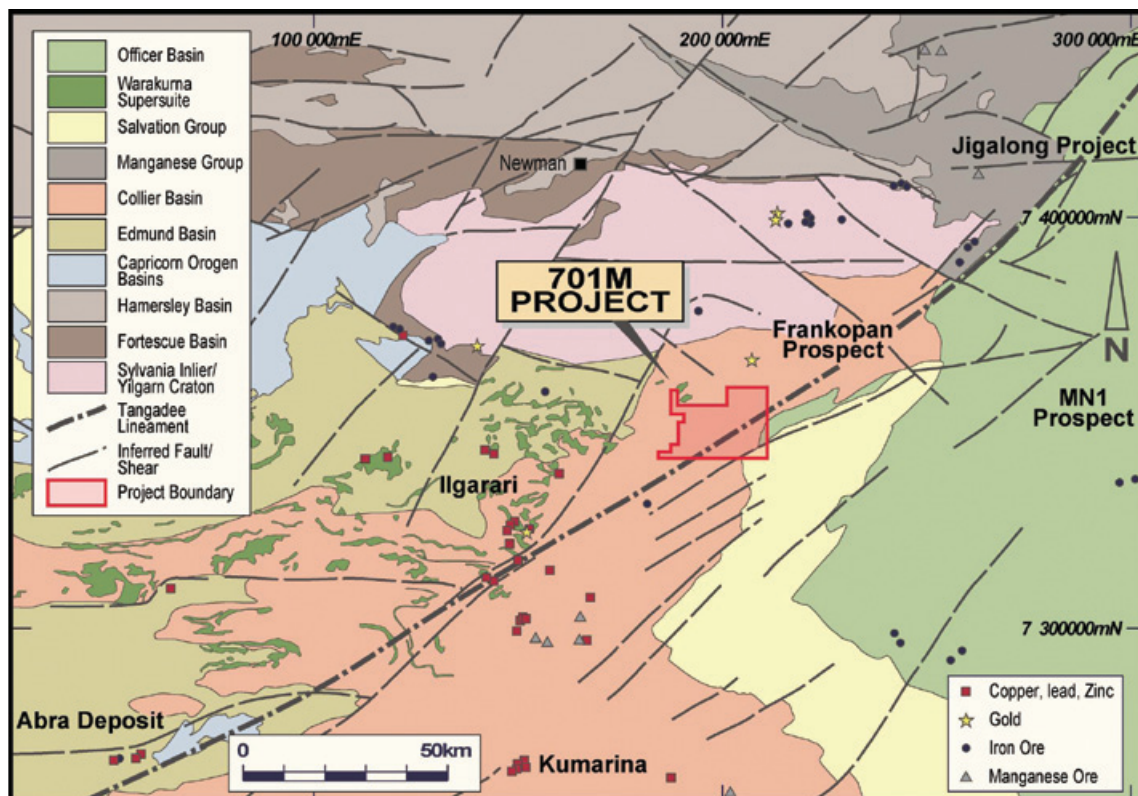
Figure 3 - Barramine Coincident Geochemical and Geophysical Anomalies

701 Mile Project (80% Laconia – excluding manganese and iron)

The 701 Mile Project, covering 305km² of Mesoproterozoic sediments and large mafic sills, is prospective for base metals, gold and manganese mineralisation. The Project lies approximately 50km southeast of Newman (see location map) within the north eastern portion of the Collier Basin (formerly termed the Bangermall Basin) and is transected by a regionally significant structure called the Tangadee Lineament.

The project-scale aeromagnetic image shows a prominent north easterly trending structural grain, with linear magnetic highs seemingly wrapping around mafic intrusion. The magnetic grain is interpreted to be a continuation of the Tangadee Lineament which is a deep seated, long-lived structure that has controlled sedimentation during basin development.

High resolution satellite photography has been obtained over the Project area and a regolith map created. Data review was completed and a geochemical sampling program in conjunction with field geological mapping has been planned.



701 Mile Project Location Map

Kookynie Project (Laconia 100%)

The project is located in the Melita Domain of the Keith-Kilkenny Tectonic Zone within the NNW-trending Archaean Malcom greenstone belt approximately 200km from Kalgoorlie (see location map). The Keith-Kilkenny Tectonic Zone in the vicinity of Kookynie is a triangular shaped area hosting a succession of Archaean mafic-ultramafic igneous and metasedimentary rocks.

The area is host to a number of old workings and includes the Lily Prospect. Some significant intersections have been recorded at the Lily Prospect which highlights the prospectivity for small high-grade deposits. Down-dip and plunge extensions of these intersections represent drill targets for Laconia for its initial proposed drilling program.

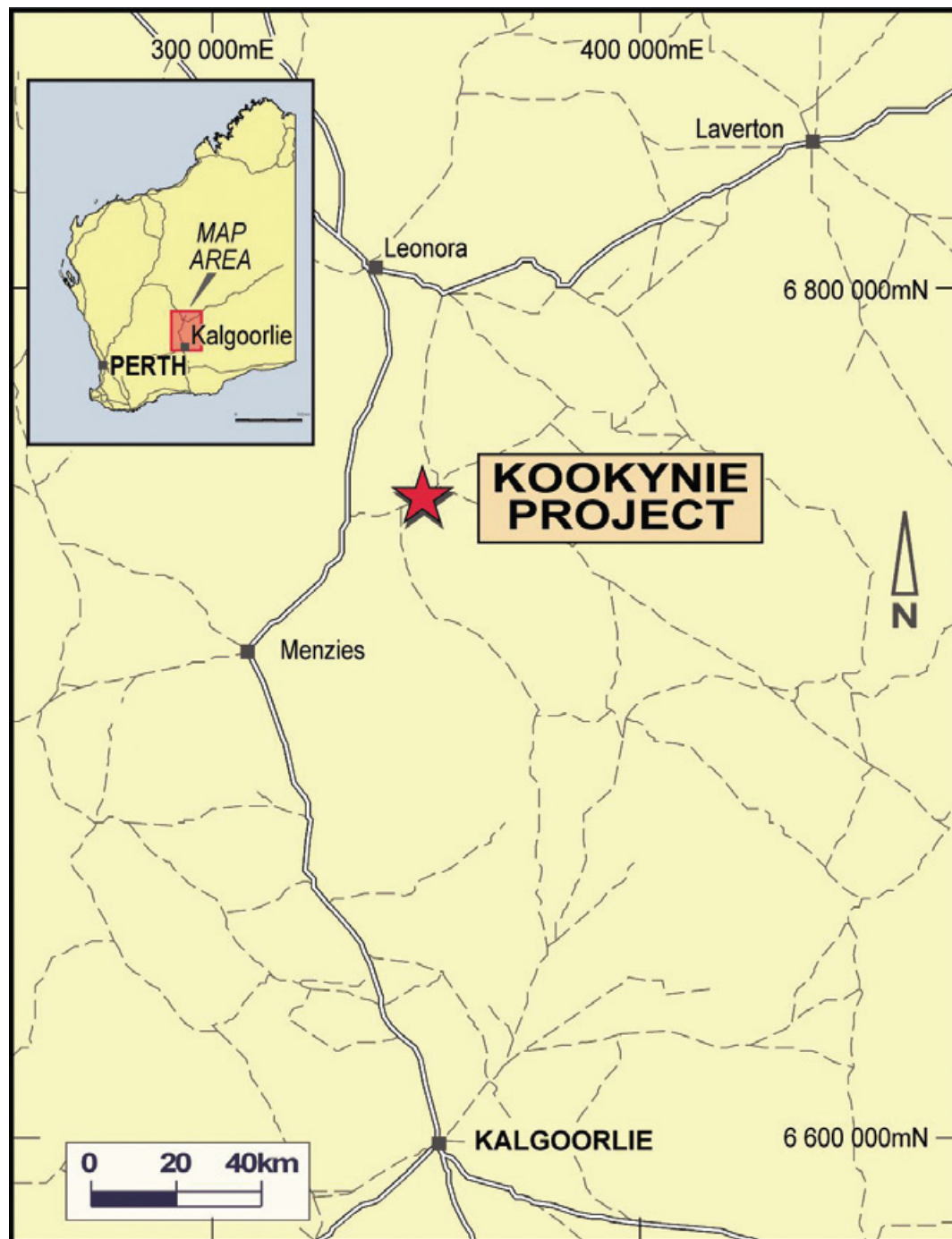
The most recent exploration activity on these tenements was conducted by Kookynie Resources between 1998 and 2000. Only a relatively small amount of previous drilling has been conducted to test the depth potential of this area. Highlights include;

- Three RC holes tested the down plunge extensions of the Lily workings where 1,347oz gold has been historically mined from very high-grade structures averaging 64g/t Au
- Two RC holes under the historic Kathleen workings where 707oz Au was recovered at an average grade of 27 g/t Au. The best results reported were 2m at 1.44g/t AU and 1m at 3.87 g/t Au

Table 5 - Significant results from the Lily Prospect previously reported

Hole	Northing	Easting	From	To	Interval	g/t
RC065	6750145	347997	21	24	3	16.68
RC066	6750171	348012	21	22	1	26.2
RC068	6750190	348044	9	10	1	25.32
RC070	6748798	346152	29	33	4	59.83

The acquisition agreement provides for the payment of \$65,000 plus 750,000 fully paid ordinary shares in Laconia in 2 tranches. If Laconia delineates an indicated resource of 100,000 ounces a further payment of \$100,000 will be made.



Kookynie Project Location Map

Planned exploration activities for the year ending June 30 2011

Mooletar

- Further geological mapping and analysis of metallurgical test work to define iron characteristics
- Geological review field mapping and structural interpretation
- Scoping study to define an iron target size at the Project, value potential and pathway for further evaluation

Kookynie

- Data review and drill target preparation
- RC drilling campaign

Base Metals

Barramine

- Field mapping and geochemical sampling
- Drill target generation from identified EM anomalism

701 Mile

- Geological review and target generation
- Regolith mapping
- Field reconnaissance work, geological mapping and geochemical sampling

Corporate

Acquisition of Kookynie Project

- Agreement to acquire 100% interest in two prospecting licences near Kookynie in the Eastern Goldfields of WA
- The acquisition agreement provides for the payment of \$65,000 plus 750,000 fully paid ordinary shares in Laconia in 2 tranches. If Laconia delineates an indicated resource of 100,000 ounces a further payment of \$100,000 will be made.

Directors' Report

Your directors submit their report for the period ended 30 June 2010.

Directors

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

Names, qualifications, experience and special responsibilities

Michael Sharwood, BSc (Hons), MA

(Non Executive Chairman, appointed 29 June 2009, member of the Audit Committee)

Michael Sharwood practiced as a mineral exploration geologist in Canada and Australia for nearly 10 years before requalifying in New South Wales as a solicitor. In that capacity he practiced corporate and commercial law, particularly for mining and petroleum companies, including Australian companies investing overseas and foreign companies investing in Australia. He worked on transactions in Australia, Canada, the USA, Indonesia and elsewhere. He also had an extensive practice involving mergers and acquisitions and Stock Exchange Listings. He was formerly a partner of Blake Dawson Waldron and for several years was the senior partner in Australia of Andersen Legal. Before finally retiring from practice in December 2005 Mr Sharwood developed an expertise in legal practice risk management and devoted several years to developing, implementing and supervising Risk Management and Quality Assurance procedures in law firms.

Mr Sharwood is a former alternate director of Drillsearch Energy Limited in the last 3 years.

Ian Stuart, BSc (Hons) F Fin

(Managing Director, appointed 29 June 2009)

Ian Stuart has experience in both the finance industry and mining. Mr Stuart holds an Honours degree in Geology and is a Fellow of the Financial Services Institute of Australasia. As a stockbroker, Mr Stuart has worked in the finance industry over the last eight years, most recently with Macquarie Private Wealth. Mr Stuart has extensive experience with capital raisings within the junior resource sector. Prior to this Mr Stuart was a senior geologist with experience throughout Australia and Africa, exploring for both gold and base metals including feasibility studies and project development.

Mr Stuart has not held any former directorships in the last 3 years.

Matthew Howison,

(Non Executive Director, appointed 29 June 2009, Chairman of the Audit Committee)

Matthew Howison is a lawyer and investment banker who has held senior positions at NM Rothschild & Sons (Australia) Limited, Turnbull & Partners, Goldman Sachs Australia and Salomon Smith Barney before establishing the private merchant banking firm Emerald Partners. In these roles he has been involved in advising on mergers and acquisitions and capital raising transactions for major Australian and international corporations and has extensive experience in contested public company takeovers. He has particular expertise in the metals and mining, energy, renewable energy, media and technology industries. He is an active investor in and adviser to a wide range of exploration companies.

Mr Howison is also a director of Raisama Limited. Mr Howison has not held any former directorships in the last 3 years.

Company Secretary

Graeme Smith, BEc, MBA, MComLaw, FCPA, FCIS, MAusIMM

(Appointed 29 June 2009, member of the Audit Committee)

Graeme Smith is a finance professional with over 20 years experience in accounting and company administration. He graduated from Macquarie University with a Bachelor of Economics degree and has since received a Master of Business Administration and a Master of Commercial Law. He is a Fellow of both the Australian Society of Certified Practising Accountants and the Chartered Institute of Secretaries and Administrators.

Mr Smith has held CFO and Company Secretary positions with other Australian mining and mining service companies. Mr Smith is a director of Buxton Resources Limited and Genesis Minerals Limited.

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

As at the date of this report, the interests of the directors in the shares and options of Laconia Resources Limited were:

	Ordinary Shares	Options over Ordinary Shares
Michael Sharwood	1,000,000	-
Ian Stuart	5,180,000	2,500,000
Matthew Howison	2,500,000	1,250,000

Principal Activities

The principal activities of the Company during the period were the acquisition of mining tenements, and the exploration of these tenements with the objective of identifying economic mineral deposits.

Dividends

No dividends were paid or declared during the period. No recommendation for payment of dividends has been made.

Operating And Financial Review

Finance Review

Laconia Resources was registered on the 29th June 2009 and, after a successful \$6M IPO, preceded by a seed capital issue to raise \$372,000, listed on the ASX in October 2009.

During the period total exploration expenditure incurred by the Company amounted to \$892,105. In line with the Company's accounting policies, all exploration expenditure, other than acquisition costs, are written off as they are incurred. Net administration expenditure incurred amounted to \$434,592. This has resulted in an operating loss after income tax for the period ended 30 June 2010 of \$1,326,697.

At 30 June 2010 cash assets available totalled \$3,982,140.

Operating Results for the Period

Summarised operating results are as follows:

2010	Revenues \$	Results \$
Revenues and loss from ordinary activities before income tax expense	137,143	(1,326,697)

Shareholder Returns	2010
Basic loss per share (cents)	(2.4)

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The Company believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses 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.

Significant Changes In The State Of Affairs

Other than as disclosed in this Annual Report, no significant changes in the state of affairs of the Company occurred during the financial period.

Significant Events After The Balance Date

No matters or circumstances, besides those disclosed at note 19, have arisen since the end of the period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial periods.

Likely Developments And Expected Results

The Company expects to maintain the present status and level of operations and hence there are no likely developments in the entity's operations.

Environmental Regulation And Performance

The Company is subject to significant environmental regulation in respect to its exploration activities.

The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the period under review.

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

Remuneration Report

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Laconia Resources Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives. The board of Laconia Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

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

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Options are valued using the Black Scholes methodology.

The board policy is to remunerate non executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non executive directors is subject to approval by shareholders at the Annual General Meeting (currently \$300,000). Fees for non executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee option plan.

Performance based remuneration

The Company currently has no performance based remuneration component built into director and executive remuneration packages.

Company performance, shareholder wealth and directors' and executives' remuneration

No relationship exists between shareholder wealth, director and executive remuneration and Company performance.

Details of remuneration

Details of the remuneration of the directors, the key management personnel (as defined in AASB 124 Related Party Disclosures) and specified executives of Laconia Resources Limited are set out in the following table.

The key management personnel of Laconia Resources Limited include the directors and company secretary as per page 13 above.

Given the size and nature of operations of Laconia Resources Limited, there are no other employees who are required to have their remuneration disclosed in accordance with the Corporations Act 2001.

Key management personnel and other executives of Laconia Resources Limited

2010	Short Term		Post Employment		Share-base Payments	Total
	Salary & Fees	Non Monetary	Superannuation	Retirement Benefits		
	\$	\$	\$	\$	\$	\$
Directors						
Michael Sharwood	35,742	2,618	3,217	-	-	41,577
Ian Stuart	220,000	2,618	-	-	-	222,618
Matthew Howison ⁽¹⁾	22,745	2,618	2,047	-	-	27,410
Other key management personnel						
Graeme Smith	-	-	-	-	-	-
Total key management personnel compensation						
	278,487	7,854	5,264	-	-	291,605

(1) In addition to the above remuneration a total fee of \$125,000 was paid to Emerald Partners Pty Ltd, a company of which Mr Howison is a director and shareholder. Emerald Partners Pty Ltd provided corporate advisory services to the Company during the financial period and the amounts paid were at arms length.

Service agreements

On 17 August 2009 the Company entered into an Executive Service Agreement with Mr Ian Stuart.

Under the Agreement, Mr Ian Stuart is engaged by the Company to provide services to the Company in the capacity of Managing Director and CEO.

Mr Stuart is to be paid an annual salary of \$220,000 (inclusive of superannuation entitlement).

The Agreement was effective from 1 July 2009 and continues until terminated by either Mr Stuart or the Company. Mr Stuart is entitled to a minimum notice period of six months from the Company and the Company is entitled to a minimum notice period of six months from Mr Stuart.

Share-based compensation

There was no share-based compensation issued to key management personnel during the period.

Directors' Meetings

During the period the Company held eight meetings of directors. The attendance of directors at meetings of the board were:

	Directors Meetings	
	A	B
Michael Sharwood	8	8
Ian Stuart	8	8
Matthew Howison	6	8

Notes: A – Number of meetings attended. B – Number of meetings held during the time the director held office during the period.

Shares Under Option

At the date of this report there are 23,500,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the period	-
Movements of share options during the period	
Issued, exercisable at 20 cents, on or before 31 March 2013	3,000,000
Issued, exercisable at 20 cents, on or before 30 September 2014	20,500,000
Total number of options outstanding as at 30 June 2010 and the date of this report	23,500,000

The balance is comprised of the following:

Expiry date	Exercise price (cents)	Number of options
31 March 2013	20	3,000,000
30 September 2014	20	20,500,000
Total number of options outstanding at the date of this report		23,500,000

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

Insurance Of Directors And Officers

During or since the financial period, the Company has paid premiums insuring all the directors of Laconia Resources Limited against costs incurred in defending proceedings for conduct involving:

- (a) a wilful breach of duty; or
- (b) a contravention of sections 182 or 183 of the *Corporations Act 2001*,

as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid is \$7,854.

Non Audit Services

The following non audit services were provided by the entity's auditor, Rothsay Chartered Accountants or associated entities. The directors are satisfied that the provision of non audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Rothsay Chartered Accountants received or are due to receive the following amounts for the provision of non audit services:

	2010 \$
Investigating Accountants Report for the IPO prospectus	8,000

Proceedings On Behalf Of The Company

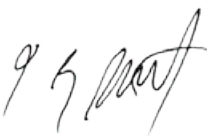
No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those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

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 20.

Signed in accordance with a resolution of the directors.



Ian Stuart

Managing Director

Perth, 29 September 2010



96 Parry Street, Perth WA 6000 P.O. Box 8716, Perth Business Centre WA 6849
Phone (08) 9227 0552 www.rothsay.com.au

The Directors
Laconia Resources Limited
23 Altona Street
West Perth WA 6005

Dear Sirs

In accordance with Section 307C of the Corporations Act 2001 (the "Act") I hereby declare that to the best of my knowledge and belief there have been:

- i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2010 financial statements; and
- ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan (Lead auditor)

Rothsay Chartered Accountants

Dated 29th September 2010



Chartered Accountants

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).

Corporate Governance Statement

The board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

The Board of Directors

The Company's constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any share holding qualification.

As and if the Company's activities increase in size, nature and scope the size of the board will be reviewed periodically, and as circumstances demand. The optimum number of directors required to supervise adequately the Company's constitution will be determined within the limitations imposed by the constitution.

The membership of the board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credibility within the Company's scope of activities, intellectual ability to contribute to board's duties and physical ability to undertake board's duties and responsibilities.

Directors are initially appointed by the full board subject to election by shareholders at the next general meeting. Under the Company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act 2001, the board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

The board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees (other than an Audit Committee) at this time. The board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

Role of the Board

The board's primary role is the protection and enhancement of long term shareholder value.

To fulfil this role, the board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

Independent Professional Advice

The board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

Continuous Review of Corporate Governance

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the Company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mining exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

ASX Principles of Good Corporate Governance

To the extent that they are relevant to the organisation, the Company has adopted the Eight Corporate Governance Principles and Best Practice Recommendations as published by the ASX Corporate Governance Council.

As the company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The following table sets out the company's present position in relation to each of the Principles.

	ASX Principle	Status	Reference/comment
Principle 1: Lay solid foundations for management and oversight			
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	A	Matters reserved for the Board are included on the Company website in the Corporate Governance Section.
1.2	Companies should disclose the process for evaluating the performance of senior executives	N/A	At the time of adoption of the Corporate Governance Principles and Recommendations the company only employed one executive being the Managing Director. The Managing Director is effectively under a constant process of performance evaluation as measured by the Company's market capitalisation/share price at a point in time compared to previous periods or points in time. No other process is currently adopted for evaluating the performance of senior executives however, the Board concurs with the full implementation of this Principle and will review appropriate ways of compliance as and when further senior executives are engaged.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	A	Matters reserved for the Board can be viewed on the Company website.
Principle 2: Structure the board to add value			
2.1	A majority of the board should be independent directors	N/A	Given the Company's background, the nature and size of its business and the current stage of its development the board comprises three directors, two of whom are non-executive (including the independent Chairman). The board believes that this is both appropriate and acceptable at this stage of the Company's development.
2.2	The chair should be an independent director	A	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	A	The position of Chairman and Managing Director are held by separate persons.
2.4	The board should establish a nomination committee	A	The full Board is the Nomination Committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for screening and appointing new Directors. In view of the size and resources available to the Company it is not considered that a separate Nomination Committee would add any substance to this process.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	N/A	Given the size and nature of the Company a formal process for performance evaluation has not been developed.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	A (in part)	The skills and experience of the Directors are set out in the Company's Annual Report and on the website.
Principle 3: Promote ethical and responsible decision making			
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	A	The Company has established a Code of Conduct which can be viewed on its website.

A = Adopted

N/A = Not adopted

	ASX Principle	Status	Reference/comment
	- 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		
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	A	The Company has formulated a securities trading policy, which can be viewed on its website.
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3	A	
Principle 4: Safeguard integrity in financial reporting			
4.1	The board should establish an audit committee	A	
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	A N/A N/A A	The Company only has one independent director. Mr Howison, a non-independent director, is chair of the Audit Committee.
4.3	The audit committee should have a formal charter	A	
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	A	
Principle 5: Make timely and balanced disclosure			
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	A	Directors must obtain the approval of the Chairman of the Board and notify the Company Secretary before they buy or sell shares in the Company, and it is subject to Board veto. Directors must provide the information required by the Company to ensure Compliance with Listing Rule 3.19A.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	A	The Board receives monthly reports on the status of the Company's activities and any new proposed activities. Disclosure is reviewed as a routine agenda item at each Board Meeting.

A = Adopted
N/A = Not adopted

	ASX Principle	Status	Reference/comment
Principle 6: Respect the rights of shareholders			
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	A	In line with adherence to continuous disclosure requirements of the ASX all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual report, Quarterly Reports, the Company Website and the distributions of specific releases covering major transactions and events.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	A	The Company has formulated a Communication Policy which is included in its Corporate Governance Statement on the Company Website.
Principle 7: Recognise and manage risk			
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	A	The Company has formulated a Risk Management Charter which is included in its Corporate Governance Statement on the Company Website.
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	A	
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	A	Assurances received from CEO and CFO (or equivalent) each year.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	A	
Principle 8: Remunerate fairly and responsibly			
8.1	The board should establish a remuneration committee	A	
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	A	
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8	A	Refer to the Annual Report and the Corporate Governance section of the Company's website.

A = Adopted

N/A = Not adopted

Statement Of Comprehensive Income

Period Ended 30 June 2010	Notes	The Company 2010 \$
Revenue	4	137,143
Expenditure		
Depreciation expense		(5,070)
Employee benefits expense		(236,547)
Exploration expenses		(892,105)
Administration expenses		(330,118)
Loss before income tax		(1,326,697)
Income tax benefit / (expense)	6	-
Total Comprehensive Loss for the Period Attributable to Owners of Laconia Resources Limited		(1,326,697)
Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share)	21	(2.4)

The above Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Statement Of Financial Position

At 30 June 2010	Notes	The Company 2010 \$
Current Assets		
Cash and cash equivalents	7	3,982,140
Trade and other receivables	8	13,160
Total Current Assets		<u>3,995,300</u>
Non Current Assets		
Plant and equipment	9	30,235
Mining properties	10	2,900,000
Total Non Current Assets		<u>2,930,235</u>
Total Assets		<u>6,925,535</u>
Current Liabilities		
Trade and other payables	11	64,993
Total Current Liabilities		<u>64,993</u>
Total Liabilities		<u>64,993</u>
Net Assets		<u>6,860,542</u>
Equity		
Issued capital	12	7,993,139
Reserves	13(a)	194,100
Accumulated losses	13(b)	(1,326,697)
Total Equity		<u>6,860,542</u>

The above Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Statement Of Changes In Equity

Period Ended 30 June 2010	Notes	Contributed Equity	Share-based Payments Reserve	Accumulated Losses	Total
The Company		\$	\$	\$	\$
Balance at Incorporation		-	-	-	-
Loss for the year	13(b)	-	-	(1,326,697)	(1,326,697)
Total Comprehensive Loss		-	-	(1,326,697)	(1,326,697)
Transactions with owners in their capacity as owners					
Shares issued during the period	12	8,785,152	-	-	8,785,152
Transaction costs	12	(792,013)	-	-	(792,013)
Options issued to suppliers	22	-	194,100	-	194,100
Balance at 30 June 2010		7,993,139	194,100	(1,326,697)	6,860,542

The above Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Statement Of Cash Flows

Period Ended 30 June 2010	Notes	The Company 2010 \$
Cash Flows from Operating Activities		
Payments to suppliers and employees		(523,910)
Expenditure on mining interests		(1,370,966)
Interest received		137,082
Net Cash Outflow from Operating Activities	20	(1,757,794)
Cash Flows from Investing Activities		
Payments for plant and equipment		(35,305)
Net Cash Outflow from Investing Activities		(35,305)
Cash Flows from Financing Activities		
Proceeds from issues of ordinary shares		6,373,152
Payments of share issue costs		(597,913)
Net Cash Inflow from Financing Activities		5,775,239
Net Increase in Cash and Cash Equivalents		3,982,140
Cash and cash equivalents at incorporation		-
Cash And Cash Equivalents at the End of the Period	7	3,982,140

The above Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Notes To The Financial Statements

30 JUNE 2010

1. Summary Of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These financial statements are for Laconia Resources Limited as an individual entity. The financial statements are presented in the Australian currency. Laconia Resources Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 29 September 2010. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

Compliance with IFRS

The financial statements of Laconia Resources Limited comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

(c) Revenue recognition

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

(d) Income tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Notes To The Financial Statements

30 JUNE 2010

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(e) Leases

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases (note 18). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(f) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which 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 reviewed for possible reversal of the impairment at each reporting date.

(g) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(h) Investments and other financial assets

Classification

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

Notes To The Financial Statements

30 JUNE 2010

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. If the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial assets - reclassification

The Company may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Company has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

Notes To The Financial Statements

30 JUNE 2010

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Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when the Company's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial investments is determined are disclosed in note 2.

Impairment

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

If there is evidence of impairment for any of the Company's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

(i) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 20% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(f)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement

Notes To The Financial Statements

30 JUNE 2010

of comprehensive income. When revalued assets are sold, it is Company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(j) Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through the sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is reviewed at the end of each accounting period and accumulated costs are written off to the extent that they will not be recoverable in the future.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

(l) Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(m) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(o) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Company's assessment of the impact of these new standards and interpretations is set out below. New standards and

Notes To The Financial Statements

30 JUNE 2010

interpretations not mentioned are considered unlikely to impact on the financial reporting of the Company.

*AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]
(effective from 1 February 2010)*

In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for addresses for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The Company will apply the amended standard from 1 July 2010. As the Company has not made any such rights issues, the amendment will not have any effect on the Company's financial statements.

*AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9
(effective from 1 January 2013)*

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect the Company's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Company is yet to assess its full impact. The Company has not yet decided when to adopt AASB 9.

*Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards
(effective from 1 January 2011)*

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Company will apply the amended standard from 1 July 2011. The amendments are not expected to have a significant impact on the financial statements of the Company.

AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the entity issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Company will apply the interpretation from 1 July 2010, with retrospective application required. The Company has not yet determined the potential effect of the interpretation.

None of the other amendments or Interpretations are expected to affect the accounting policies of the Company.

(p) Critical accounting judgements, estimates and assumptions

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

(q) Accounting period

The Company was incorporated as Laconia Resources Pty Ltd on 29 June 2009 and subsequently converted to a public company and changed its name to Laconia Resources Limited on 11 September 2009. This is the first annual reporting period for the Company, being the period from incorporation to 30 June 2010, and as such, there is no comparative information included in these financial statements.

Notes To The Financial Statements

30 JUNE 2010

2. Financial Risk Management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

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

(a) Market risk

(i) Foreign exchange risk

As all operations are currently within Australia the Company is not exposed to foreign exchange risk.

(ii) Price risk

Given the current level of operations the Company is not exposed to price risk.

(iii) Interest rate risk

The Company is exposed to movements in market interest rates on cash and cash equivalents. The Company policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Company \$3,982,140 is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the period depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Company was 3.6%.

Sensitivity analysis

At 30 June 2010, if interest rates had changed by +/- 100 basis points from the weighted average rate for the period with all other variables held constant, post-tax loss for the Company would have been \$38,250 lower/higher as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

The Company has no significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements.

As the Company does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(c) Liquidity risk

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Company. Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Company's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Company are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

Notes To The Financial Statements

30 JUNE 2010

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Company at the balance date are recorded at amounts approximating their carrying amount.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price.

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

3. Segment Information

For management purposes, the Company has identified only one reportable segment being exploration activities undertaken in Australia. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Company's mineral assets in this geographic location.

Segment performance is evaluated based on the operating profit and loss and cash flows and is measured in accordance with the Company's accounting policies.

	The Company
	2010
	\$
Exploration segment	
Segment revenue	-
Reconciliation of segment revenue to total revenue before tax:	
Interest revenue	137,143
Total revenue	137,143
Segment results	(892,105)
Reconciliation of segment result to net loss before tax:	
Other corporate and administration	(434,592)
Net loss before tax	(1,326,697)
Segment operating assets	2,913,099
Reconciliation of segment operating assets to total assets:	
Other corporate and administration assets	4,012,436
Total assets	6,925,535

Notes To The Financial Statements

30 JUNE 2010

The Company

2010

\$

4. Revenue

From continuing operations

Other revenue

Interest

137,143

5. Expenses

Loss before income tax includes the following specific expenses:

Defined contribution superannuation expense

8,442

6. Income Tax

(a) Income tax expense

Current tax

-

Deferred tax

-

-

(b) Numerical reconciliation of income tax expense to prima facie tax payable

Loss from continuing operations before income tax expense

(1,326,697)

Prima facie tax benefit at the Australian tax rate of 30%

(398,009)

Movements in unrecognised temporary differences

(35,875)

Tax effect of current period tax losses for which no deferred tax asset has been recognised

433,884

Income tax expense

-

(c) Unrecognised temporary differences

Deferred Tax Assets (at 30%)

On Income Tax Account

Capital raising costs

143,499

Carry forward tax losses

433,884

577,383

Deferred Tax Liabilities (at 30%)

-

Net deferred tax assets have not been brought to account as it is not probable within the immediate future that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

The Company's ability to use losses in the future is subject to the Company satisfying the relevant tax authority's criteria for using these losses.

Notes To The Financial Statements

30 JUNE 2010

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LACONIA RESOURCES LIMITED 2010 ANNUAL REPORT

The Company

2010

\$

7. Current Assets - Cash And Cash Equivalents

Cash at bank and in hand	210,199
Short-term deposits	3,771,941
Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows	3,982,140

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

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

8. Current Assets - Trade And Other Receivables

Sundry receivables	13,160
--------------------	---------------

9. Non-Current Assets - Plant And Equipment

Plant and Equipment

Cost	35,305
Accumulated depreciation	(5,070)
Net book amount	30,235

Plant and Equipment

Opening net book amount	-
Additions	35,305
Depreciation charge	(5,070)
Closing net book amount	30,235

10. Non-Current Assets - Mining Properties

Tenement acquisition costs carried forward in respect of mining areas of interest	-
Opening net book amount	-
Capitalised tenement acquisition costs	2,900,000
Closing net book amount	2,900,000

The ultimate recoupment of costs carried forward for tenement acquisition is dependent on the successful development and commercial exploitation or sale of the respective mining areas. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production.

11. Current Liabilities - Trade And Other Payables

Trade payables	46,941
Other payables and accruals	18,052
	64,993

Notes To The Financial Statements

30 JUNE 2010

The Company

2010

\$

12. Issued Capital

(a) Share capital

	Notes	Number of shares	2010 \$
Ordinary shares fully paid	12(b), 12(d)	69,270,010	7,993,139
Total issued capital		69,270,010	7,993,139

(b) Movements in ordinary share capital

Beginning of the financial period	-	-
Issued during the period:		
– Issued at incorporation	10	2
– Issued to Promoters	11,500,000	1,150
– Issued to seed investors	3,720,000	372,000
– Issued as consideration for tenement acquisition	24,000,000	2,400,000
– Issued at IPO for 20 cents per share	30,000,000	6,000,000
– Issued as consideration for tenement management services	50,000	12,000
Less: Transaction costs	-	(792,013)
End of the financial period	69,270,010	7,993,139

(c) Movements in options on issue

	Number of options 2010
Beginning of the financial period	-
Issued, exercisable at 20 cents, on or before 31 March 2013	3,000,000
Issued, exercisable at 20 cents, on or before 30 September 2014	20,500,000
End of the financial period	23,500,000

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Notes To The Financial Statements

30 JUNE 2010

12. Issued Capital Continued

(e) Capital risk management

The Company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Company at 30 June 2010 is as follows:

	The Company
	2010
	\$
Cash and cash equivalents	3,982,140
Trade and other receivables	13,160
Trade and other payables	(64,993)
Working capital position	3,930,307

13. Reserves And Accumulated Losses

(a) Reserves

Share-based payments reserve

Balance at beginning of financial period	-
Option expense	194,100
Balance at end of financial period	194,100

(b) Accumulated losses

Balance at beginning of financial period	-
Net loss for the period	(1,326,697)
Balance at end of financial period	(1,326,697)

(c) Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued.

14. Dividends

No dividends were paid during the financial period. No recommendation for payment of dividends has been made.

Notes To The Financial Statements

30 JUNE 2010

The Company

2010

\$

15. Key Management Personnel Disclosures

(a) Key management personnel compensation

Short-term benefits	286,341
Post employment benefits	5,264
Other long-term benefits	-
Termination benefits	-
Share-based payments	-
	291,605

Detailed remuneration disclosures are provided in the remuneration report on pages 16 and 17.

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

There have been no options provided as remuneration to key management personnel.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial period by each director of Laconia Resources Limited and other key management personnel of the Company, including their personally related parties, are set out below:

2010	Balance at start of the period	Granted as compensation	Exercised	Other changes	Balance at end of the period	Vested and exercisable	Unvested
Directors of Laconia Resources Limited							
Michael Sharwood	-	-	-	-	-	-	-
Ian Stuart	-	-	-	2,500,000	2,500,000	2,500,000	-
Matthew Howison	-	-	-	1,250,000	1,250,000	1,250,000	-
Other key management personnel of the Company							
Graeme Smith	-	-	-	-	-	-	-

All vested options are exercisable at the end of the period.

Notes To The Financial Statements

30 JUNE 2010

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LACONIA RESOURCES LIMITED 2010 ANNUAL REPORT

15. Key Management Personnel Disclosures Continued

(iii) Share holdings

The numbers of shares in the Company held during the financial period by each director of Laconia Resources Limited and other key management personnel of the Company, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2010	Balance at start of the period	Received during the period on the exercise of options	Other changes during the period	Balance at end of the period
Directors of Laconia Resources Limited				
Ordinary shares				
Michael Sharwood	-	-	1,000,000	1,000,000
Ian Stuart	-	-	5,180,000	5,180,000
Matthew Howison	-	-	2,500,000	2,500,000
Other key management personnel of the Company				
Ordinary shares				
Graeme Smith	-	-	-	-

(c) Loans to key management personnel

There were no loans to key management personnel during the period.

(d) Other transactions with key management personnel

Services

Eclectricity Pty Ltd, a company of which Mr Stuart is a director and shareholder, provided contract geological services to the Company during the financial period to the value of \$35,788. The amounts paid were on arms length commercial terms.

Emerald Partners Pty Ltd, a company of which Mr Howison is a director and shareholder, provided corporate advisory services to the Company during the financial period for total fees of \$125,000. The amounts paid were on arms length commercial terms.

The Company
2010
\$

16. Remuneration Of Auditors

During the period the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

(a) Audit services

Rothsay Chartered Accountants – audit and review of financial reports	26,000
Total remuneration for audit services	26,000

(b) Non-audit services

Rothsay Chartered Accountants – independent accountants report	8,000
Total remuneration for other services	8,000

Notes To The Financial Statements

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The Company

2010

\$

17. Contingencies

There are no material contingent liabilities or contingent assets of the Company at balance date.

18. Commitments

(a) Exploration commitments

The Company has certain commitments to meet minimum expenditure requirements on the mining exploration assets it has an interest in. Outstanding exploration commitments are as follows:

within one year	478,400
later than one year but not later than five years	1,913,600
	2,392,000

(b) Lease commitments: Company as lessee

Operating leases (non cancellable):

Minimum lease payments

within one year	3,360
later than one year but not later than five years	8,120
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	11,480

The Company has a non-cancellable operating lease for an item of office equipment expiring within four years, with rent payable monthly. The item is subject to a per unit usage charge, but there are no provisions for escalation or renewal within the lease agreement.

(c) Remuneration commitments

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in the remuneration report on page 17 that are not recognised as liabilities and are not included in the key management personnel compensation.

within one year	110,000
later than one year but not later than five years	-
	110,000

19. Events Occurring After The Balance Sheet Date

Tenement acquisition agreement

In July 2010 the Company entered into an agreement to purchase two Prospecting Licenses from Gianni Holdings Pty Ltd ("Gianni") for cash consideration of \$65,000 and the issue of 250,000 ordinary shares in the Company. The agreement also provides for a further issue of 500,000 ordinary shares in the Company to Gianni upon grant of the Prospecting Licenses if this occurs within 2 years of the agreement date.

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

Notes To The Financial Statements

30 JUNE 2010

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LACONIA RESOURCES LIMITED 2010 ANNUAL REPORT

The Company

2010

\$

20. Statement Of Cash Flows

Reconciliation of net loss after income tax to net cash outflow from operating activities

Net loss for the period	(1,326,697)
Non Cash Items	
Depreciation of non current assets	5,070
Tenement acquisition settled by the issue of equity instruments	2,400,000
Services settled by the issue of equity instruments	12,000
Change in operating assets and liabilities	
(Increase) in trade and other receivables	(13,160)
(Increase) in mining properties	(2,900,000)
Increase in trade and other payables	64,993
Net cash outflow from operating activities	(1,757,794)

21. Loss Per Share

(a) Reconciliation of earnings used in calculating loss per share

Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	(1,326,697)
---	--------------------

**Number of
shares
2010**

(b) Weighted average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	55,112,517
--	-------------------

(c) Information on the classification of options

As the Company has made a loss for the period ended 30 June 2010, all options on issue are considered antidilutive and have not been included in the calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

Notes To The Financial Statements

30 JUNE 2010

22. Share-Based Payments

(a) Options issued to suppliers

The Company issued options during the year as part consideration for capital raising services. The options granted have an exercise price of 20 cents and an expiry date of 31 March 2013.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share in the capital of the Company with full dividend and voting rights.

Set out below are summaries of the options granted:

	The Company 2010	
	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the financial period	-	-
Granted	3,000,000	20.0
Forfeited/cancelled	-	-
Exercised	-	-
Expired	-	-
Outstanding at year-end	3,000,000	20.0
Exercisable at year-end	3,000,000	20.0

The weighted average remaining contractual life of share options outstanding at the end of the financial period was 2.75 years, and the exercise price is 20 cents.

The weighted average fair value of the options granted during the year was 6.5 cents. The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2010
Weighted average exercise price (cents)	20.0
Weighted average life of the option (years)	3.0
Weighted average underlying share price (cents)	10.0
Expected share price volatility	127.33%
Weighted average risk free interest rate	4.0%

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

(b) Shares issued to suppliers

During the financial period ended 30 June 2010 50,000 ordinary shares were issued at a deemed cost of \$12,000 as consideration for tenement management services and have been included as part of 'Administration expenses' on the statement of comprehensive income.

(c) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were as follows:

Options issued to suppliers as part of share issue transaction costs	194,100
Shares issued to suppliers as part of administration expenses	12,000
	206,100

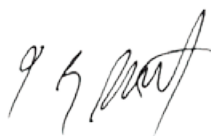
Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 26 to 47 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the financial period ended on that date;
- (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; and
- (c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

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



Ian Stuart

Managing Director

Perth, 29 September 2010



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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LACONIA RESOURCES LIMITED

Report on the financial report

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

Directors Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The Directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of 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 our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to 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 in 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

We are independent of the Company, and have met the independence requirements of Australian professional ethical requirements and the *Corporations Act 2001*.



Chartered Accountants

Liability limited by the Accountants Scheme, approved
under the Professional Standards Act 1994 (NSW).



Audit opinion

In our opinion the financial report of Laconia Resources Limited is in accordance with the *Corporations Act 2001*, including:

- a) (i) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the period ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- b) the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board

Report on the remuneration report

We have audited the remuneration report included in the directors' report for the period ended 30 June 2010. 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.

Audit opinion

In our opinion the remuneration report of Laconia Resources Limited for the period ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.

Rothsay

Graham Swan
Partner

Dated 29th September 2010

ASX Additional Information

Additional information required by Australian Securities Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 24 September 2010.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

			Ordinary shares	
			Number of holders	Number of shares
1	-	1,000	2	45
1,001	-	5,000	28	102,478
5,001	-	10,000	79	768,029
10,001	-	100,000	244	11,623,805
100,001	-	and over	94	57,225,653
			447	69,720,010
The number of shareholders holding less than a marketable parcel of shares are:			22	62,523

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of shares	Percentage of ordinary shares
1	PANDELL PTY LTD	19,000,000	27.25%
2	OAKOVER GOLD LTD	5,000,000	7.17%
3	MR IAN STUART	5,000,000	7.17%
4	LACONIA HOLDINGS PTY LTD	2,500,000	3.59%
5	VEBLEN GROUP PTY LIMITED	2,500,000	3.59%
6	MR MICHAEL SHARWOOD	1,000,000	1.43%
7	MR WAYNE DARYL KING	950,000	1.36%
8	MR PETER WROBEL	834,000	1.20%
9	MR JEFFREY JOHN GREER	815,000	1.17%
10	DR NEIL TANUDISASTRO	750,000	1.08%
11	DWCORPORATE PTY LTD	500,000	0.72%
12	MR GREGORY LEWIS	500,000	0.72%
13	ALAN RAE & ASSOCIATES PTY LTD	450,000	0.65%
14	MR BRUCE ANTHONY ROBERTSHAW	449,638	0.64%
15	MR JOHN WILLIAM PASCALL	400,000	0.57%
16	FISHIN CHIPS PTY LTD	400,000	0.57%
17	TOPSPIN PTY LTD	400,000	0.57%
18	JOHN C ANDERSON PTY LTD	390,000	0.56%
19	CEREBINO PTY LTD	375,000	0.54%
20	MR LACHLAN JAMES GRAHAM	375,000	0.54%
		42,588,638	61.09%

ASX Additional Information

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	Number of Shares
PANDELL PTY LTD	19,000,000
OAKOVER GOLD LTD	5,000,000
MR IAN STUART	5,000,000

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(e) Schedule of interests in mining tenements

Location	Tenement	Percentage held / earning
Western Australia	E52/1531	80 *
Western Australia	E52/2232	80 *
Western Australia	P52/1229-1231	80 *
Western Australia	E45/3233-3234	100 **
Western Australia	E45/3312	100 **
Western Australia	P40/1255-1256 – applications	100
Western Australia	E40/260	100
Western Australia	E45/3763	100
Western Australia	E26/120	80
Western Australia	E58/327	100
Western Australia	M58/110	100
Western Australia	M58/226	100
Western Australia	M58/348-349	100
Western Australia	P58/865	100
Western Australia	P58/1053-1056	100
Western Australia	P58/1129	100
Western Australia	P58/1383-1388	100
Western Australia	P58/1408-1415	100
Western Australia	P58/1476-1485	100

* Mineral rights held by Laconia Resources Ltd (80%) and Pandell Pty Ltd (20%).

Manganese and iron ore rights held by Shaw River Resources (70%) and Pandell Pty Ltd (30%).

** Mineral rights held by Laconia Resources Ltd (100%).

Manganese and iron ore rights held by Shaw River Resources (70%) and Pandell Pty Ltd (30%).

