



ABN: 79 140 110 130

And Controlled Entities

ANNUAL REPORT

**For the period 20 October 2009 to
30 June 2010**

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CORPORATE DIRECTORY

DIRECTORS

Brett Smith
Richard Aden
Scott Spencer
Stephen Brockhurst

SECRETARY

Amanda Wilton-Heald

REGISTERED OFFICE

Suite 33, 22 Railway Road
Subiaco WA 6008

PRINCIPAL OFFICE

35 Richardson Street
West Perth WA 6005
Telephone: (08) 9211 1555
Facsimile: (08) 9211 1500

SHARE REGISTRY

Advanced Share Registry Services
150 Stirling Highway
Nedlands WA 6009
Telephone: (08) 9389 8033
Facsimile: (08) 9389 7871

AUDITORS

Bentleys
Level 1, 12 Kings Park Road
West Perth WA 6005

DIRECTORS REPORT

Your Directors present their report on the Consolidated Entity from incorporation to 30 June 2010.

DIRECTORS

The names of the Directors of the Consolidated Entity in office during the financial period and up to the date of this report are:

Brett Smith BSc (Hons), MAUSIMM MAIG – Chairman (Appointed 20 October 2009)

Brett Smith has acquired over 20 years of experience in the mining and exploration industry as a geologist, manager, consultant and director. His industry experience is broad, dominated by exploration and resource definition. He is currently Chairman of Australian junior energy Consolidated Entity, Blackham Resources Limited, Executive Director of uranium explorer Cauldron Energy Limited and a director of Eclipse Uranium Limited.

As a director and consultant to various Australian companies, Brett Smith has played an active role in capital raisings and investor relations. In 2007, Brett Smith was part of the Blackham Resources board that secured AUD\$40 million in standby equity, at the height of the worldwide “sub-prime” financial crisis, from financial investors in Australia, Britain and Russia. In 2008/2009, Brett Smith oversaw and facilitated the merger of two Australian-listed junior exploration companies, Jackson Minerals Limited and Scimitar Resources Limited, to form Cauldron Energy Limited.

Richard Aden A.C.M.A. – Executive Director (Appointed 20 October 2009)

Richard Aden has over 20 years oil and gas experience in a variety of senior executive positions worldwide, having worked for Hardman Resources, Enterprise Oil, Tap Oil, Cairn Energy and most recently Rialto Energy Limited. Richard Aden has extensive experience in operational and corporate finance including treasury and capital management, equity and debt raising and management, financial compliance, project evaluation and commercial screening, mergers & acquisitions, strategic/business planning and government/investor relations.

Scott Spencer B.A. (Hons), B.Phil., M.Litt – Non-Executive Director (Appointed 9 November 2009)

Scott Spencer studied languages, history and politics at the University of Western Australia and St Antony's College, Oxford. He joined the Australian Foreign Service in 1972 and spent nearly 20 years working on international political and economic issues with the Australian Government. He was First Secretary at the Australian Embassy, Moscow, in 1987 – 89 and in 1990 – 93 was Regional Director of the Department of Foreign Affairs and Trade in Western Australia. He then entered the private sector, working on international resources projects. He was a Director of Hardman Resources Limited, resigning from this position on 12 April 2006. Hardman Resources Limited is an ASX/AIM listed petroleum E & P Company which was awarded AIM International Company of the Year in 2004. Scott Spencer is currently a director of Monitor Energy Limited and Blade Petroleum Limited.

Stephen Brockhurst B.Com – Non-Executive Director (Appointed 20 October 2009)

Stephen Brockhurst has 10 years experience in the finance and corporate advisory industry and has been responsible for the preparation of the Due Diligence process and Prospectuses on a number of initial public offers with capital raising in excess of \$100 million. Stephen Brockhurst experience includes corporate and capital structuring, corporate advisory and Company secretarial services, capital raising, ASX and ASIC compliance requirements.

Stephen Brockhurst was a founding Director and Company Secretary of Bannerman Resources Limited from incorporation to July 2007, Blackham Resources Limited from incorporation to December 2008 and Company Secretary of Ironbark Gold Limited to August 2007. Stephen Brockhurst is currently a Director of both Red Emperor Resources NL and Stirling Minerals Limited, and Company Secretary of both Cauldron Energy Limited and Monitor Energy Limited.

Directors were in office from incorporation until the date of this report unless otherwise stated.

DIRECTORS REPORT Continued

COMPANY SECRETARY

The Company Secretary, Amanda Wilton-Heald was appointed on 20 October 2009. Amanda Wilton-Heald is a Chartered Accountant with over 11 years experience within Australia and the UK.

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

Directors	Balance 20/10/09	Incorporation & promoter capital	Options exercised	Net change other	Balance at report date
Brett Smith	-	1,000,000	-	50,000	1,050,000
Richard Aden	-	1,000,000	-	10,000	1,010,000
Scott Spencer	-	1,000,000	-	-	1,000,000
Stephen Brockhurst	-	1,000,001	-	129,621	1,126,622
	-	4,000,001	-	189,621	4,189,622

Net other change represents on market share purchases.

OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

Directors	Balance 20/10/09	Granted as promoter options	Options exercised	Net change other	Balance at report date	Vested during the period	Vested and exercisable	Vested and unexercisable
Brett Smith	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000
Richard Aden	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000
Scott Spencer	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000
Stephen Brockhurst	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000
	-	4,000,000	-	-	4,000,000	4,000,000	-	4,000,000

REMUNERATION POLICY

In determining competitive remuneration rates, the Board seeks independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice should be obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.

Performance Based Remuneration

The Board recognises that Jacka Resources Limited operates in a global environment. To prosper in this environment, we must attract, motivate and retain key executive staff. The principles supporting our remuneration policy are that:

- Reward reflects the competitive global market in which we operate.
- Individual reward is based on performance across a range of indicators that apply to delivering results across the Consolidated Entity.
- Rewards to executives are linked to creating value for shareholders.
- Executives are rewarded for both financial and non-financial performance.
- Remuneration arrangements are equitable and facilitate the deployment of senior management across the Consolidated Entity.

No shares or options or any other remuneration was issued to any Directors or any key management personnel during the period. Services were provided by Mining Corporate Pty Ltd to the value of \$50,000, of which Stephen Brockhurst is a Director.

Market Comparisons

Consistent with attracting and retaining talented executives, the board endorses the use of incentive and bonus payments. The board continues to seek external advice to ensure reasonableness in remuneration scale and structure, and to compare the Consolidated Entity's position with the external market. The impact and high cost of replacing senior employees and the competition for talented executives requires the committee to reward key employees when they deliver consistently high performance.

Board Remuneration

Shareholders approve the maximum aggregate remuneration for non-executive directors. The board determines actual payments to directors and reviews their remuneration annually, based on independent external advice with regard to market practice, relativities, and the duties and accountabilities of directors. A review of directors' remuneration is conducted annually to benchmark overall remuneration including retirement benefits. Directors are entitled to remuneration from the date of ASX listing.

OPERATING RESULTS

Loss after income tax for the financial period was \$3,344.

The net asset position of the Consolidated Entity at 30 June 2010 was \$82,545.

REVIEW OF OPERATIONS

The Company was incorporated on 20 October 2009 and subsequently applied for full listing on the Australian Stock Exchange via an Initial Public Offering on 14 April 2010. The Company raised capital via the IPO totalling \$3,067,500 which was in excess of the minimum capital required as detailed in the prospectus and the Company was admitted to official quotation to the Australian Stock Exchange on 7 July 2010.

In March 2010 the Consolidated Entity entered into a Farmout Agreement to purchase 20% of Rialto Energy's equity in Exploration permit WA-399-P in the Exmouth sub-basin, Western Australia. Further to this, in July 2010 the Joint Venture participants, Rialto Energy and Carnarvon Petroleum completed Farmout Agreements to see Apache Northwest Energy join the Joint Venture as Operator with 60% equity. In return for this equity Apache are to acquire and interpret 3D seismic on the entire WA-399-P block, this would be at no cost to the other JV partners. As part of the transaction to see Apache as Operator Jacka reduced its equity to 15%, but will not contribute to the costs of 3D seismic acquisition and interpretation.

WA-399-P Project Overview

WA-399-P is located on the Northern Offshore Carnarvon Basin and more specifically within a highly prospective sector of Exmouth sub-basin, some 52km north of Exmouth Peninsula and the town of Exmouth in Western Australia. The Exmouth sub-basin is one of Australia's premier oil basins, realizing several commercial discoveries in the last 5 to 10 years. Fields such as the Macedon gas field and the Enfield, Vincent and Laverda oil fields that were discovered in the early 1990's and mid 2000's are producing hydrocarbons or currently under development.

The Exmouth Sub-basin is a proven productive hydrocarbon province that provides permit WA-399-P and the Gazelle prospect with analogs such as nearby Macedon (BHP Billiton) (1.2Tcf), Enfield (Woodside Petroleum) (125Mbbbl), and Stybarrow/Eksdale (BHP Billiton) (60-90Mbbbls). Other companies with nearby discoveries and production include Chevron and Apache Energy. The region remains one of the major exploration and production focuses in the Australian oil and gas sector.

DIRECTORS REPORT Continued

The current lead prospect is called Gazelle and is conceptual in nature with well defined structural/stratigraphic traps that have been mapped with proprietary reprocessed 2D seismic data. The Prospect is a Seismic Technology and Trap-Mapping play. The current owners have re-mapped over 500km of proprietary reprocessed 2D seismic data. This work has identified a robust structural/stratigraphic lead in the prospective Macedon Member sandstones within WA-399-P.

The Macedon Member Sandstones at Gazelle Lead have direct play analogs with recent hydrocarbon discoveries within the region. More specifically, the Gazelle Lead exhibits multiple amplitude supported seismic attributes: depth-consistent flat spot (coincident with depth structural spill and possible oil/gas contacts) and crestal amplitude diming (consistent with local rock property trends).

The permit is subject to a Primary Work program, also referred to as the Minimum Work Program over years 1 to 3 of the permit award, as agreed with the West Australian Department of Mines and Petroleum. Within this timeframe the Joint Venture must complete all works as agreed during licensing round for the block. The work commitments must be completed by the end of the year they are bid, but they can be conducted earlier.

The Secondary Work Program covers years 4 to 6 and is more flexible with ability to relinquish the licence, by notice, at the end of each year.

The agreed work program for WA-399-P is as follows:

Year	Work Program	Minimum Expenditure A\$
1. May 07 to May 08	Reprocessing 2D seismic	\$100,000
2. Suspended	Suspended	\$0
2. May 09 to Nov 10	Seismic Program	\$320,000
3. Nov 10 to May 11	Studies	\$100,000
4. May 11 10 to May 12	Exploration Well	\$6,000,000
5. May 12 to May 13	Exploration Well	\$6,000,000
6. May 13 to May 14	Studies	\$200,000

The Permit is currently in Year 2 (May-2009 to Nov-2010) of the Primary Work Program (as adjusted by DMP on 13 July 2010). The Year 2 obligations include the acquisition of 315km of 2D seismic data or an equivalent quantity of 3D seismic. Following the fulfilment of the Primary Work Program commitments the Joint Venture can elect to either proceed to the secondary work program or relinquish the acreage. Secondary Work Program annual renewals are elective on a year-by-year basis.

PRINCIPAL ACTIVITIES

The principal activities during the period of the Consolidated Entity were oil and gas exploration, in the existing asset WA-399-P as well as the 'New Venture' and 'Business Development' activities undertaken by the Consolidated Entity at period end.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

No significant change in the nature of these activities occurred during the year.

AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years other than the following:

The Consolidated Entity was admitted to official quotation on the Australian Securities Exchange on 7 July 2010.

In July 2010 the Joint Venture participants, Rialto Energy and Carnarvon Petroleum completed Farmout Agreements to see Apache Northwest Energy join the Joint Venture as Operator with 60% equity. In return for this equity Apache are to acquire and interpret 3D seismic on the entire WA-399-P block, this would be at no cost to the other JV partners. As part of the transaction to see Apache as Operator Jacka reduced its equity to 15%, but will not contribute to the costs of 3D seismic acquisition and interpretation.

On 19 August 2010 the Consolidated Entity announced a pro rata non-renounceable entitlements issue prospectus for the issue of up to 13,168,751 new options on the basis of 1 new option for every 2 shares held by shareholders at 5pm (WST) on 30 August 2010 at an issue price of \$0.01 per new option to raise up to \$131,688. Each new option is exercisable at \$0.20 on or before 31 December 2012.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Consolidated Entity.

ENVIRONMENTAL ISSUES

The Consolidated Entity is subject to significant regulation in respect of its exploration activities and the Consolidated Entity is aware of its environmental obligations and ensures that it complies with all regulations when carrying out any exploration work. The Consolidated Entity is not aware of any environmental breaches during the year under review.

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

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid during the period and no recommendation is made as to dividends.

OPTIONS

At the date of this report there were the following unissued ordinary shares for which options were outstanding:

- 5,000,000 options expiring on 31 December 2013, exercisable at 35 cents each.

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

INDEMNIFYING OFFICERS OR AUDITOR

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Consolidated Entity.

DIRECTORS REPORT Continued

PROCEEDINGS ON BEHALF OF COMPANY

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

The Consolidated Entity was not a party to any such proceedings during the year.

MEETINGS OF DIRECTORS

Director	Board Meetings	
	Number Eligible to Attend	Number Attended
Brett Smith	3	3
Richard Aden	3	3
Scott Spencer	3	1
Stephen Brockhurst	3	3

MEETINGS OF DUE DILIGENCE COMMITTEE

Director	Due Diligence Committee Meetings	
	Number Eligible to Attend	Number Attended
Brett Smith	3	3
Richard Aden	3	3
Stephen Brockhurst	3	3

NON-AUDIT SERVICES

During the year, the Company paid \$7,000 to Bentleys for non-audit services, being the Independent Accountants' Report for the IPO Prospectus.

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the period ended 30 June 2010 has been received and is included within the financial statements.

Signed in accordance with a resolution of directors.



Richard Aden
Executive Director
Perth, 3 September 2010

To The Board of Directors

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

This declaration is made in connection with our audit of the financial report of Jacka Resources Limited and Controlled Entities for the year ended 30 June 2010 and in accordance with the provisions of the Corporations Act 2001.

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

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

Yours faithfully



BENTLEYS
Chartered Accountants



CHRIS WATTS CA
Director

DATED at PERTH this 3rd day of September 2010

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010**

	Note	Consolidated 2010
		\$
Interest revenue		7,464
Accounting and audit fees		(5,000)
Incorporation fees		(1,260)
Printing and stationery		(767)
Website		(3,314)
Other expenses		<u>(467)</u>
Loss before income tax benefit		(3,344)
Income tax benefit	2	<u>-</u>
Loss for the period		<u><u>(3,344)</u></u>
Other comprehensive income		
Other comprehensive income (net of income tax)		-
Total comprehensive income for the year		<u><u>(3,344)</u></u>
Basic loss per share (cents)	3	(0.04)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	Consolidated Entity 2010
		\$
ASSETS		
Current Assets		
Cash and cash equivalents	4	3,083,506
Trade and other receivables	5	<u>250,129</u>
Total Current Assets		<u>3,333,635</u>
Non-Current Assets		
Deferred exploration expenditure	6	<u>132,000</u>
Total Non-Current Assets		<u>132,000</u>
Total Assets		<u>3,465,635</u>
LIABILITIES		
Current Liabilities		
Trade and other payables	7	315,590
Liability for application monies	8	<u>3,067,500</u>
Total Current Liabilities		<u>3,383,090</u>
Total Liabilities		<u>3,383,090</u>
Net Assets		<u>82,545</u>
EQUITY		
Issued capital	9	85,889
Accumulated losses		<u>(3,344)</u>
Total Equity		<u>82,545</u>

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010**

Consolidated Entity	Issued Capital \$	Accumulated Losses \$	Total \$
Balance at beginning of period	-	-	-
Shares issued during the period	175,926	-	175,926
Share issue expenses	(90,037)	-	(90,037)
Other comprehensive income:			
Other comprehensive income net of income tax	-	(3,344)	(3,344)
	<hr/>		
Total comprehensive income for the period	-	(3,344)	(3,344)
	<hr/>		
Balance at 30 June 2010	85,889	(3,344)	82,545
	<hr/>		

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

	Note	Consolidated Entity 2010 \$ Inflows/ (Outflows)
Cash flows from operating activities		
Payments to suppliers and employees		(8,231)
Interest received		7,464
Net cash (used in) operating activities	4(i)	<u>(767)</u>
Cash flows from investing activities		
Exploration expenditure		(80,000)
Payment for investment in subsidiary		-
Net cash (used in) investing activities		<u>(80,000)</u>
Cash flows from financing activities		
Proceeds from issue of shares		175,926
Application monies received		3,067,500
Payment of share issue costs		<u>(79,153)</u>
Net cash provided by financing activities		<u>3,164,273</u>
Net increase (decrease) in cash held		3,083,506
Cash at beginning of the financial period		-
Cash and cash equivalents at period end	4	<u><u>3,083,506</u></u>

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

1. Statement of Significant Accounting Policies

This financial report includes the consolidated financial statements and notes of Jacka Resources Limited and controlled entities ('Consolidated Entity').

Jacka Resources Limited is a company limited by shares, incorporated and domiciled in Australia.

Reporting Basis and Conventions

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations and complies with other requirements of the law.

The financial report has been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the *Corporations Act 2001* and the significant accounting policies disclosed below which the directors have determined are appropriate to meet the needs of members.

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

The financial statements have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The material accounting policies that have been adopted in the preparation of this report are as follows:

Accounting Policies

a. Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Jacka Resources Limited at the end of the reporting period. A controlled entity is any entity over which Jacka Resources Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 19 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

1. *Statement of Significant Accounting Policies (Continued)*

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

b. *Business Combinations*

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

1. Statement of Significant Accounting Policies (Continued)

c. Income Tax

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

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

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

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

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

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

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

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

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

d. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated amortisation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued

FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

1. *Statement of Significant Accounting Policies (Continued)*

Depreciation

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Consolidated Entity commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	12.5%

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

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

e. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Consolidated Entity commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as: (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and (iv) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

i. Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued*

FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

1. *Statement of Significant Accounting Policies (Continued)*

ii. *Loans and receivables*

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

i. *Held-to-maturity investments*

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

ii. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

iii. *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

iv. *Fair value*

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

f. *Impairment of Assets*

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

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

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

g. *Derecognition*

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

h. *Exploration Expenditure*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

1. Statement of Significant Accounting Policies (Continued)

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

i. Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

j. Intangibles

Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

k. Employee Benefits

Provision is made for the Consolidated Entity's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

l. Provisions

Provisions are recognised when the Consolidated Entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

m. Cash and Cash Equivalents

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued
FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

1. Statement of Significant Accounting Policies (Continued)

n. Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable

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

o. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

p. Comparative Figures

There are no comparative figures as this is the first set of accounts.

q. Critical Accounting Estimates and Judgments
Key Estimates

Impairment

The Consolidated Entity assesses impairment at each reporting date by evaluation of conditions and events specific to the Consolidated Entity that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

No impairment has been recognised in respect of deferred exploration expenditure at reporting date.

Key Estimate – Taxation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *Continued* FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

1. Statement of Significant Accounting Policies (Continued)

Key Judgment – Environmental Issues

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

Key Judgements

Exploration and Evaluation Expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$132,000.

r. New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Consolidated Entity has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Consolidated Entity follows:

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

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

The changes made to accounting requirements include:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued
FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

1. Statement of Significant Accounting Policies (Continued)

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

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

- AASB 2009-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

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

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued
FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

1. Statement of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

The Annual Report was authorised for issue on 3 September 2010 by the Board of Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued
FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

	Consolidated Entity 2010 \$
2. Income tax	
(a) Income tax expense	
Current tax	-
Deferred tax	-
	<u>-</u>
(b) Reconciliation of income tax expense to prima facie tax payable	
The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:	
Prima facie tax on operating profit at 30%	(1,003)
Add / (Less)	
Tax effect of:	
Non-deductible expenses	1,878
Exploration expenditure incurred	(39,600)
Prepayments	(82)
Incorporation cost deduction	(76)
Share issue cost deduction	(5,402)
Deferred tax assets not brought to account	44,285
Income tax attributable to operating loss	<u>-</u>
The applicable weighted average effective tax rates as follows	Nil%
(c) Deferred tax assets	
Provisions and accruals	1,500
Tax losses	16,409
Share issue cost	21,609
Other	82
	<u>39,600</u>
Set-off of deferred tax liabilities	<u>(39,600)</u>
	<u>-</u>
(d) Deferred tax liabilities	
Exploration expenditure	<u>39,600</u>
	39,600
Set-off of deferred tax assets	<u>(39,600)</u>
	<u>-</u>
(e) Tax losses	
Unused tax losses for which no deferred tax asset has been recognised	<u>92,918</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued
FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

	Consolidated Entity 2010 \$
3. <i>Loss per share</i>	
Loss	(3,344)
	No. 2010

Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	9,263,835
--	-----------

Diluted EPS not disclosed as potential ordinary shares are not dilutive.

	Consolidated Entity 2010 \$
4. <i>Cash and cash equivalents</i>	
Cash at bank	<u>3,083,506</u>

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

(i) Reconciliation of loss for the period to net cash flows used in operating activities:

Loss for the period	(3,344)
Changes in assets and liabilities	
Receivables	(10,636)
Payables	<u>13,211</u>
Net cash flows (used in) operating activities	<u>(767)</u>

5. *Trade and other receivables*

Current	
Prepayments	272
GST receivable	10,364
Capital raising costs on shares due to be issued	<u>239,493</u>
	<u>250,129</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued
FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

Consolidated
Entity
2010
\$

6. *Exploration expenditure*

Costs carried forward in respect of deferred exploration expenditure:

Exploration at cost

Balance at beginning of period	-
Exploration expenditure incurred	132,000
Exploration expenditure written off	-
	<hr/>
Balance at end of period	<u>132,000</u>

The ultimate recoupment of the exploration expenditure carried forward is dependent on the successful development and commercial exploitation and/or sale of the relevant areas of interest, at amounts at least equal to book value.

7. *Trade and other payables*

Current

Trade payables and accruals	
Other corporations	<hr/>
	315,590
	<hr/>
	315,590
	<hr/>

Trade creditors are non-interest bearing and are normally settled on 30 day terms.

8. *Liability for application monies*

Liability for application monies	<hr/>
	3,067,500
	<hr/>
	3,067,500
	<hr/>

Balance represents money received for IPO of which shares had not been issued until 7 July 2010. On 9 July 2010 the balance had been classified to issued capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued
FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

**Consolidated
Entity
2010
\$**

9. Issued capital

(a) Issued and paid up capital

Ordinary shares fully paid of no par value	<u>85,889</u>
--	---------------

Consolidated Entity	
2010	2010
Number	\$

(b) Movement in ordinary shares on issue

Balance at beginning of period	-	-
Issued for cash on 20 October 2009(i)	1	1
Issued for cash on 10 November 2009 (ii)	9,250,000	925
Issued for cash on 9 March 2010 (iii)	1,750,000	175,000
Transaction costs relating to share issues	-	(90,037)
	<u>11,000,001</u>	<u>85,889</u>
Balance at end of period		

(i) On 20 October 2009 the Consolidated Entity issued 1 incorporation share for \$1.00 per share.

(ii) On 10 November 2009 the Consolidated Entity issued 9,250,000 promoter shares for \$0.0001 per share.

(iii) On 9 March 2010 the Consolidated Entity issued 1,750,000 seed shares for \$0.10 per share.

(c) Share options

At the end of the period, the following options over unissued ordinary shares were outstanding:

- 5,000,000 options expiring 31 December 2013 at an exercise price of \$0.35 each.

(d) Terms and conditions of contributed equity

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued
FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

9. Issued capital (Continued)

Management controls the capital of the Consolidated Entity in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Consolidated Entity can fund its operations and continue as a going concern.

The Consolidated Entity's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Consolidated Entity's capital by assessing the Consolidated Entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

The working capital for the year ended 30 June 2010 is as follows:

	Note	Consolidated Entity 2010 \$
Cash and cash equivalents	4	3,083,506
Trade and other receivables	5	<u>250,129</u>
		3,333,635
Less:		
Trade and other payables	7,8	<u>(3,383,090)</u>
Working capital		<u><u>(49,455)</u></u>

The consolidated entity successfully listed on the Australian Securities Exchange on 7 July 2010, raising \$3,067,500. Application money received prior to year end was consequently converted to equity resulting in a net asset position for the consolidated entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued
FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

**Consolidated
Entity
2010
\$**

10. Commitments

Expenditure commitments

There is a rental, compliance and financial advisory contract in place. The contract commences upon ASX listing and has no set period. The fee is \$7,500 per month being \$1,500 per month for office rental and \$6,000 per month for corporate and statutory compliance and financial advisory services provided by Mining Corporate Pty Ltd. The committed expenditure is:

Within one year	90,000
One to five years	-
	<u>90,000</u>

Exploration commitments

Note that the work commitments on licence WA-399-P are split into primary years (1-3) and secondary years (4-6). The joint venture has discretion to enter each secondary year and its subsequent work program or to exit the licence. The well contemplated is in year 4 of the permit. The committed exploration expenditure is:

Within one year	365,000
One to five years	900,000
	<u>1,265,000</u>

11. Contingent liabilities

There are no contingent liabilities as at the date of this report.

12. Auditors' remuneration

Amounts, received or due and receivable by auditors for:

- an audit or review services	5,000
- other services	7,000
	<u>12,000</u>

The Consolidated Entity's auditor provided an independent accountant's report for the purpose of the prospectus for which \$7,700 was charged.

13. Director and executive disclosures

(a) Details of key management personnel

Directors in office during the financial period were:

Executive Director

Richard Aden (Appointed 20 October 2009)

Non-Executive Directors

Brett Smith (Appointed 20 October 2009)

Scott Spencer (Appointed 9 November 2009)

Stephen Brockhurst (Appointed 20 October 2009)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued
FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

13. Director and executive disclosures (Continued)

(b) Compensation of key management personnel

(i) Compensation policy

The remuneration policy of Jacka Resources Limited as it applies to key management personnel is disclosed in the Remuneration Report contained in the Directors' Report.

(ii) Compensation of key management personnel

There was no remuneration for key management personnel during the period. Directors are entitled to remuneration from the date of ASX listing.

(c) Option holdings of key management personnel

Directors	Balance 20/10/09	Granted as promoter options	Options exercised	Net change other	Balance 30/06/10	Vested during the period	Vested and exercisable	Vested and unexercisable
Brett Smith	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000
Richard Aden	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000
Scott Spencer	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000
Stephen Brockhurst	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000
	-	4,000,000	-	-	4,000,000	4,000,000	-	4,000,000

(d) Shareholdings of key management personnel

Directors	Balance 20/10/09	Incorporation & promoter capital	Options exercised	Net change other	Balance 30/06/10
Brett Smith	-	1,000,000	-	45,000	1,045,000
Richard Aden	-	1,000,000	-	10,000	1,010,000
Scott Spencer	-	1,000,000	-	-	1,000,000
Stephen Brockhurst	-	1,000,001	-	-	1,000,001
	-	4,000,001	-	55,000	4,055,001

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Consolidated Entity would have adopted if dealing at arm's length.

(e) Loans with key management personnel

There were no loans to key management personnel or their related entities during the period ended 30 June 2010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued
FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

14. *Share based payments*

There were no share-based payment arrangements during the period ended 30 June 2010.

15. *Related party transactions*

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 13.

(b) Other transactions

There were no other transactions with key management personnel during the period other than the following:

Mining Corporate Pty Ltd, a Consolidated Entity of which Stephen Brockhurst is a director, provided IPO corporate compliance services to the Consolidated Entity during the period. These services totalled \$50,000.

16. *Financial reporting by segments*

During the financial period, the Consolidated Entity operated principally in one business segment (for primary reporting) being exploration, and one geographical segments (for secondary reporting) being Australia.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

Inter-segment transactions

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

Segment assets

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

Segment liabilities

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

Unallocated items

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued
FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

16. Financial reporting by segments (Continued)

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

Exploration

The exploration segment explores for oil and gas. Segment assets including cash paid to joint venture partners for the costs associated with the exploration and are reported in this segment.

(a) Segment performance

30 June 2010

	Exploration	Total
	\$	\$
Segment revenue	-	-
Reconciliation of segment revenue of the Consolidated Entity		
i) Unallocated items		
- Interest Received		7,464
Total Consolidated Entity revenue		<u>7,464</u>
Segment loss	<u>-</u>	<u>-</u>
Reconciliation of segment result to Consolidated Entity net loss		
ii) Unallocated items		
- Other		(3,344)
Net loss from continuing operations		<u>(3,344)</u>

(b) Segment assets

30 June 2010

Segment assets	132,000	132,000
Unallocated assets:		
Cash and cash equivalents		3,083,506
Trade and other receivables		<u>250,129</u>
Total Company assets		<u>3,465,635</u>

(c) Segment liabilities

30 June 2010

Segment liabilities	-	-
Unallocated liabilities:		
Trade and other payables		315,590
Liability for application monies		<u>3,067,500</u>
Total Company liabilities		<u>3,383,090</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued
FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

17. Financial risk management

Overview

The Consolidated Entity has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Consolidated Entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Consolidated Entity through regular reviews of the risks.

Credit risk

Credit risk is the risk of financial loss to the Consolidated Entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Consolidated Entity's receivables from customers and investment securities. Cash is held with the National Australia Bank which holds a AA credit rating.

Trade and other receivables

As the Consolidated Entity has just started operations, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

Exposure to credit risk

The carrying amount of the Consolidated Entity's financial assets represents the maximum credit exposure. The Consolidated Entity's maximum exposure to credit risk at the reporting date was:

	Consolidated Entity 2010 \$
Financial assets at fair value	
Cash	3,083,506
Receivables – other	250,129

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows. On 7 July 2010 the Jacka Resources Limited was admitted to ASX official quotation and the shares were issued for consideration of \$3,067,500. Typically the Consolidated Entity ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued
FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

17. Financial risk management (Continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Consolidated Entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Interest rate risk sensitivity analysis

The sensitivity analyses below have been determined based on those assets and liabilities with an exposure to interest rate risk at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the change in interest rates. At reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the Consolidated Entity's:

- Net profit would increase by \$22,882 and decrease by \$7,954. This is mainly attributable to the Consolidated Entity's exposure to interest rates on its variable rate borrowings.
- Other equity reserves would increase by \$22,882 and decrease by \$7,954 mainly as a result of the changes in the fair value of available-for-sale fixed rate instruments.

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

Consolidated Entity 2010

Financial Instrument	Floating interest rate	Fixed interest rate maturing in:				Total	Weighted average effective interest rate %
		1 year or less	Over 1 to 5 years	More than 5 years	Non- interest Bearing		
	\$	\$	\$	\$	\$	\$	
Financial Assets							
Cash	3,083,506	-	-	-	-	3,083,506	0.48%
Receivables – other	-	-	-	-	250,129	250,129	N/A
Total financial assets	3,083,506	-	-	-	250,129	3,333,635	
Financial Liabilities							
Trade payables and accruals	-	-	-	-	315,590	315,590	N/A
Liability for application monies	-	-	-	-	3,067,500	3,067,500	N/A
Total financial liabilities	-	-	-	-	3,383,090	3,383,090	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued
FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

**Consolidated
Entity
2010
\$**

16. Financial risk management (Continued)

Equity attributable to shareholders of the Consolidated Entity

Total assets	3,465,635
Equity ratio in %	4198%

The equity ratio is distorted as a result of the subsequent issue of IPO shares upon the Company being admitted to official quotation on 7 July 2010.

Average equity

Net loss	(3,344)
Return on equity in %	0%

17. Events subsequent to period end

There are no matters or circumstances that have arisen since 30 June 2010 that have or may significantly affect the operations, results, or state of affairs of the Consolidated Entity in future financial years other than the following:

The Consolidated Entity was admitted to official quotation on the Australian Securities Exchange on 7 July 2010. 15,337,500 shares totalling \$3,067,500 were issued.

In July 2010 the Joint Venture participants, Rialto Energy and Carnarvon Petroleum completed Farmout Agreements to see Apache Northwest Energy join the Joint Venture as Operator with 60% equity. In return for this equity Apache are to acquire and interpret 3D seismic on the entire WA-399-P block, this would be at no cost to the other JV partners. As part of the transaction to see Apache as Operator Jacka reduced its equity to 15%, but will not contribute to the costs of 3D seismic acquisition and interpretation.

On 19 August 2010 the Consolidated Entity announced a pro rata non-renounceable entitlements issue prospectus for the issue of up to 13,168,751 new options on the basis of 1 new option for every 2 shares held by shareholders at 5pm (WST) on 30 August 2010 at an issue price of \$0.01 per new option to raise up to \$131,688. Each new option is exercisable at \$0.20 on or before 31 December 2012.

18. Interests in controlled entities

The consolidated financial statements incorporate the assets, liabilities and the results of the following subsidiary in accordance with the accounting policy described in note 1:

Name	Country of incorporation	Class of share	Equity holding	Investment
Exmouth Energy Pty Ltd	Australia	Ordinary	100%	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Continued
FOR THE PERIOD FROM 20 OCTOBER 2009 TO 30 JUNE 2010

	Company
	2010
	\$
19. Parent entity disclosures	
(a) Financial position	
ASSETS	
Current Assets	
Cash and cash equivalents	3,083,505
Trade and other receivables	250,129
Total Current Assets	<u>3,333,634</u>
Non-Current Assets	
Other financial assets	1
Exploration expenditure	132,000
Total Non-Current Assets	<u>132,001</u>
Total Assets	<u>3,465,635</u>
LIABILITIES	
Current Liabilities	
Trade and other payables	315,590
Liability for application money	3,067,500
Total Current Liabilities	<u>3,383,090</u>
Total Liabilities	<u>3,383,090</u>
Net Assets	<u>82,545</u>
EQUITY	
Issued capital	85,889
Accumulated losses	(3,344)
Total Equity	<u>82,545</u>
(b) Financial performance	
Loss for the period	(3,344)
Other comprehensive income	-
Total comprehensive income	<u>(3,344)</u>

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 9 to 35, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards;
 - b. are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in Note 1 to the financial statements; and
 - c. give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company and consolidated group;

The Chief Executive Officer and Chief Finance Officer have each declared that:

- a. the financial records of the company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
- b. the financial statements and notes for the financial year comply with the Accounting Standards; and
- c. the financial statements and notes for the financial year give a true and fair view;

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

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



Richard Aden
Executive Director

Perth, 3 September 2010

Independent Auditor's Report

To the Members of Jacka Resources Limited

We have audited the accompanying financial report of Jacka Resources Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

**Bentleys Audit
& Corporate (WA) Pty Ltd**
ABN 33 121 222 802

Level 1
12 Kings Park Road
West Perth WA 6005

PO Box 44
West Perth WA 6872

T +61 8 9226 4500
F +61 8 9226 4300

www.bentleys.com.au

Directors Responsibility for the Financial Report

The directors of Jacka Resources Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

In our opinion:

- a. The financial report of Jacka Resources Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company and the Consolidated Entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

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

Auditor's Opinion

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



BENTLEYS
Chartered Accountants



CHRIS WATTS CA
Director

DATED at PERTH this 3rd day of September 2010

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has considered the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Recommendations*.

In line with the above, the Board has set out the way forward for the Company in its implementation of its Principles of Good Corporate Governance and Recommendations. The approach taken by the board was to set a blueprint for the Company to follow as it introduces elements of the governance process. Due to the current size of the Company and the scale of its operations it is neither practical nor economic for the adoption of all of the recommendations approved via the board charter. Where the Company has not adhered to the recommendations it has stated that fact in the annual report however has set out a mandate for future compliance when the size of the Company and the scale of its operations warrants the introduction of those recommendations.

1. Board of Directors

1.1 Role of the Board

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

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

To assist the Board carry its functions, it has developed a Code of Conduct to guide the Directors. A copy of the code is available on the Company's website (jackaresources.com.au).

1.2 Composition of the Board

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

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. There are currently two Non-Executive Directors on the board of the Company who are also independent directors.

An Independent Director:

1. is a Non-Executive Director and;
2. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
3. within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
4. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
5. is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
6. has no material contractual relationship with the Company or other group member other than as a Director of the Company;
7. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
8. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Materiality for the purposes of points 1 to 8 above is determined on the basis of both quantitative and qualitative aspects with regard to the independence of directors. An amount over 5% of the Company's expenditure or 10% of the particular directors annual gross income is considered to be material. A period of more than six years as a director would be considered material when assessing independence.

Mr Brett Smith is a Non-Executive Director and Chairman of the Company and meets the Company's criteria for independence. His experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board and in his position as Chairman.

Mr Scott Spencer is a Non-Executive Director of the Company and meets the Company's criteria for independence. His experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board and in his position as a Non-Executive Director.

Mr Stephen Brockhurst is a Non-Executive Director of the Company and does not meet the Company's criteria for independence. His experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board and in his position as a Non-Executive Director.

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

1.3 Responsibilities of the Board

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

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

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

Full details of the Board's role and responsibilities are contained in the Board Charter. A copy of the charter is available on the Company's website (jackaresources.com.au).

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

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

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

1.4.2 Commitments

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

1.4.3 Confidentiality

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

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules* the Company immediately notifies the ASX of information:

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

A copy of the strategy is available on the Company's website (jackaresources.com.au).

1.4.5 Education and Induction

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

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- a copy of the Board Charter; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, (that limit is currently set at \$2,000), to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

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

1.4.8 Shareholder Communication

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

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

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. A copy of the policy is available on the Company's website (jackaresources.com.au).

1.4.9 Trading in Company Shares

The Company has a Share Trading Policy which states that Directors, members of senior management, certain other employees and their associates likely to be in possession of unpublished price sensitive information may not trade in the Company's securities prior to that unpublished price sensitive information being released to the market via the ASX. A copy of the policy is available on the Company's website (jackaresources.com.au). Unpublished price sensitive information is information regarding the Company, of which the market is not aware, that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

1.4.10 Performance Review / Evaluation

It is the policy of the Board to conduct evaluation of its performance. The objective of this evaluation is to provide corporate governance to the Company. During the financial year an evaluation of the performance of the Board and its members was not formally carried out. To date, there has been no formal process put in place for performance evaluation. However, a general review of the Board and executives occurs on an on-going basis to ensure that structures suitable to the Company's status as a listed entity are in place. A copy of the policy is available on the Company's website (jackaresources.com.au).

1.4.11 Attestations by CEO and CFO

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

1.4.12 Risk Management Policy

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

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

The Board monitors risk through various arrangements including:

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

The Company's risk management strategy was formally reviewed by the Board on 16 February 2010 and was considered a sound strategy for addressing and managing risk. A copy of the strategy is available on the Company's website (jackaresources.com.au).

2. Board Committees

2.1 Audit Committee

The Audit Committee consists of Mr Brett Smith, Mr Stephen Brockhurst and Mr Scott Spencer.

The Committee did not meet formally as the Audit Committee during the financial year however any relevant matters were discussed on an as-required basis from time to time during regular meetings of the Board.

2.2 Remuneration Committee

2.2.1 Role

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

As the whole Board only consists of four (4) members, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues, however any relevant matters were discussed on an as-required basis from time to time during regular meetings of the Board.

2.2.2 Remuneration Policy

2.2.2.1 Non-Executive Director Remuneration Policy

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

2.2.2.2 Executive Director Remuneration

Executive Director remuneration is set by the board with the executive director in question not present.

2.2.3 Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report. A copy of the statement is available on the Company's website (jackaresources.com.au).

2.3 Nomination Committee

2.3.1 Role

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

As the whole Board only consists of four (4) members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues. The full Board carries out the functions of the Nomination Committee. The Board did not meet formally as the Nomination Committee during the financial year however any relevant matters were discussed on an as-required basis from time to time during regular meetings of the Board.

2.3.2 Criteria for selection of Directors

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

- Accounting and financial management; and
- Director-level business experience.

A copy of the procedure is available on the Company's website (jackaresources.com.au).

3. Company Code of Conduct

As part of its commitment to recognising the legitimate interests of stakeholders, the Company has established a Code of Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole. The Company Code of Conduct was adopted by resolution of the Board on 16 February 2010. This Code includes the following:

Responsibilities to Shareholders and the Financial Community Generally

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its financial statements fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

Responsibilities to Clients, Customers and Consumers

The Company has an obligation to use its best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers and is committed to providing clients, customers and consumers with fair value.

Employment Practices

The Company policy is to endeavour to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources. As at the date of this report there are no employees who are not also directors.

Obligations Relative to Fair Trading and Dealing

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers and competitors.

Responsibilities to the Community

As part of the community the Company: is committed to conducting its business in accordance with applicable environmental laws and regulations

Responsibility to the Individual

The Company is committed to keeping private information from employees, clients, customers, consumers and investors confidential and protected from uses other than those for which it was provided.

Conflicts of Interest

Directors and Employees must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

How the Company Complies with Legislation Affecting its Operations

Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

How the Company Monitors and Ensures Compliance with its Code.

The Board of the Company is committed to implementing this Code of Conduct and each individual is accountable for such compliance. Disciplinary measures may be imposed for violating the Code. A copy of the code is available on the Company's website (jackaresources.com.au).

This Corporate Governance Statement sets out Jacka Resources Limited's current compliance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Recommendations (Recommendations). The Recommendations are not mandatory.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

	RECOMMENDATION	COMMENT	REFERENCE
1	<i>Lay solid foundations for management and oversight</i>		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The Company's Corporate Governance Policy includes a Board Charter, which discloses the specific responsibilities of the Board.	1.1, 1.3, Website
1.2	Companies should disclose the process for evaluating the performance of senior executives.	The Board will monitor the performance of senior management, including measuring actual performance against planned performance. The Board has also adopted a policy to assist in evaluating Board performance.	1.4.10, Website
1.3	Companies should provide the information indicated in the <i>Guide to reporting on Principle 1</i> .	The Company has explained any departures (if any) from recommendations 1.1 and 1.2 in the Corporate Governance Statement and Policies.	1.1, 1.3, 1.4.10, Website
2	<i>Structure the board to add value</i>		
2.1	A majority of the board should be independent directors.	<p>Half the Board are independent Directors. There are four Directors on the Board, of which Mr Brett Smith, Mr Scott Spencer are independent. Mr Richard Aden and Mr Stephen Brockhurst is not considered to be independent. Mr Richard Aden is a Directors with sound knowledge of Jacka Resources' projects. This knowledge is considered important in enabling the Company to capitalise on the value of its projects to create shareholder wealth.</p> <p>There remains a departure from the recommendation in relation to a majority of independent directors due to the small scale nature of the Company and its limited financial resources to attract appropriately skilled yet independent directors. The Board is continually reviewing the status of independent directors with a view to engaging further independent directors when financial resources allow.</p>	1.2
2.2	The chair should be an independent director.	The Chairman, Mr Brett Smith, is considered to be independent.	1.2
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	The roles of chair and chief executive officer are not exercised by the same individual.	1.2
2.4	The board should establish a nomination committee.	No formal nomination committee has been adopted by the Company as yet. The Board, as a whole, currently serves as a nomination committee. The Board considers that the Company is not yet of a size that warrants the establishment of a nomination committee.	2.3

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	The Chairman will review the composition of the Board and the performance of each Director to ensure that it continues to have a mix of skills and experience necessary for the conduct of the Company's activities. A new Director will receive an induction appropriate to his or her experience.	1.4.10, 2.3.2, 1.4.5, Website
2.6	Companies should provide the information indicated in the <i>Guide to reporting on Principle 2</i> .	The Company has provided details of each Director, such as their skills, experience and expertise relevant to their position, together with an explanation of any departures (if any) from recommendations 2.1, 2.2, 2.3, 2.4 and 2.5 in the Prospectus dated 12 April 2010 and Corporate Governance Statement and Policies respectively.	1.2, 2.3, 1.4.10, 2.3.2, 1.4.5, 1.4.6, Website
3	<i>Promote ethical and responsible decision-making</i>		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders the responsibility and accountability of individuals for reporting and investigating reports of unethical practices 	The Company's Corporate Governance Policy includes a Code of Conduct for Directors and Key Executives, which provides a framework for decisions and actions in relation to ethical conduct in employment.	3, 1.4.1, 1.4.2, 1.4.3, Website
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.	The Corporate Governance Policy includes a Share Trading Policy that provides comprehensive guidelines on trading in Company securities.	1.4.9, Website
3.3	Companies should provide the information indicated in the <i>Guide to reporting on Principle 3</i> .	The Company has explained any departures (if any) from recommendations 3.1, 3.2 and 3.3 in the Corporate Governance Statement and Policies.	3, 1.4.1, 1.4.2, 1.4.3, 1.4.9, Website
4	<i>Safeguard integrity in financial reporting</i>		
4.1	The board should establish an audit committee.	Stephen Brockhurst Brett Smith Scott Spencer (Chairman)	2.1
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> 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. 	Stephen Brockhurst (Non-Executive Director – Jacka Resources Limited) Brett Smith (Non-Executive Chairman – Jacka Resources Limited) Scott Spencer (Non-Executive Director – Jacka Resources Limited)	2.1

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

4.3	The audit committee should have a formal charter.		2.1
4.4	Companies should provide the information indicated in the <i>Guide to reporting on Principle 4</i> .	The Company will explain any departures (if any) from recommendations 4.1, 4.2 and 4.3 in its future annual reports.	2.1
5	<i>Make timely and balanced disclosure</i>		
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.	The Company has a continuous disclosure program in place designed to ensure the compliance with ASX Listing Rule disclosure and to ensure accountability at a Board level for compliance and factual presentation of the Company's financial position.	1.4.4, Website
5.2	Companies should provide the information indicated in <i>Guide to Reporting on Principle 5</i> .	The Company will provide an explanation of any departures (if any) from recommendation 5.1 in its future annual reports.	1.4.4, Website
6	<i>Respect the rights of shareholders</i>		
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.	The Company's Corporate Governance Policy includes a Shareholder Communications Policy, which aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.	1.4.8, Website
6.2	Companies should provide the information indicated in the <i>Guide to reporting on Principle 6</i> .	The Company has provided an explanation of any departures (if any) from recommendation 6.1 in the Corporate Governance Statement and Policies.	1.4.8, Website
7	<i>Recognise and manage risk</i>		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company's Corporate Governance Policy includes a Risk Management Policy which aims to ensure that material business risks are identified and mitigated.	1.4.12, 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.	The Board requires either the individual performing the role of Chief Executive Officer or the Chief Financial Officer will design and implement risk management and internal control systems and provide a report at the relevant time.	1.4.11, 1.4.12 Website

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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.	The Board will seek this relevant assurance from the individuals performing the role of Chief Executive Officer and the Chief Financial Officer.	1.4.11, 1.4.12 Website
7.4	Companies should provide the information indicated in <i>Guide to Reporting on Principle 7</i> .	The Company has provided an explanation of any departures (if any) from recommendations 7.1, 7.2 and 7.3 in the Corporate Governance Statement and Policies.	1.4.11, 1.4.12 Website
8	<i>Remunerate fairly and responsibly</i>		
8.1	The board should establish a remuneration committee.	No formal remuneration committee has been adopted by the Company as yet. The Board, acting without the affected Director participating in the decision making process, currently serves as a remuneration committee.	2.2.1
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Board will distinguish the structure of non executive Director's remuneration from that of executive Directors and senior executives. Relevantly, the Company's Constitution provides that the remuneration of non-executive Directors will be not be more than the aggregate fixed sum determined by a general meeting. The Board is responsible for determining the remuneration of any Director or senior executives (without the participation of the affected Director).	2.2.2, Website
8.3	Companies should provide the information indicated in the <i>Guide to reporting on Principle 8</i> .	The Company has provided an explanation of any departures (if any) from recommendations 8.1 and 8.2 in the Corporate Governance Statement and Policies.	2.2.1, 2.2.2, Website

ASX ADDITIONAL INFORMATION

Holdings as at 23 August 2010

No. Securities Held	Fully Paid Shares No. Holders	Listed Options No. Holders
1 – 1,000	-	-
1,001 – 5,000	5	-
5,001 – 10,000	193	-
10,001 – 100,000	192	-
> 100,001	39	-
Total no. holders	429	-
No. holders of less than a marketable parcel	-	-
Percentage of the 20 largest holders	51.36	-
Total on issue	26,337,501	-

Substantial shareholders as at 23 August 2010

	No. Shares	
20 Largest holders of securities as at 23 August 2010		
Fully paid ordinary shares	No. Shares	%
1) KOMODO CAPITAL PTY LTD	2,000,000	7.59
2) KOUTA BAY PTY LTD	1,250,000	4.75
3) STEPHEN BROCKHURST <SM BROCKHURST FAMILY A/C>	1,000,001	3.80
4) CHERYL GWYNNE	1,000,000	3.80
5) FELIZ WA PTY LTD <CASERO FAMILY A/C>	1,000,000	3.80
6) JENNIFER LEE ADEN <THE MARZ FAMILY A/C>	1,000,000	3.80
7) AUBREY CONSULTING PTY LTD <THE AUBREY FAMILY A/C>	1,000,000	3.80
8) SHELLEE ANNE ALEXANDERSON + CARINA DALE WHITTINGTON <STCB GARDINER FAMILY A/C>	750,000	2.85
9) JESSICA LOUISE OLDFIELD	500,000	1.90
10) MR ANDREW PAUL DONNELLY	500,000	1.90
11) MR ADRIAN ERNEST COCKS <ILLAWONG INVESTMENTS A/C>	500,000	1.90
12) MR DALE ALBERT MONSON + MRS DAGMAR ERNA MONSON <DALE MONSON S/FUND NO 2 A/C>	500,000	1.90
13) MR DAVID ERNEST OLDFIELD	500,000	1.90
14) LAKE SPRINGS PTY LTD <THE LAKE SPRINGS S/F A/C>	425,000	1.61
15) CAULDRON ENERGY LIMITED	346,258	1.31
16) DEBRA TASKER	250,000	0.95
17) GENCAP INVESTMENTS PTY LTD <THE KMH S/F A/C>	250,000	0.95
18) ROBERT NORTHCOAT <NORTHCOAT FAMILY A/C>	250,000	0.95
19) MERAPI NOMINEES PTY LTD	250,000	0.95
20) WILLOWDALE HOLDINGS PTY LTD	250,000	0.95

ASX ADDITIONAL INFORMATION (CONTINUED)

Unlisted options as at 23 August 2010

Details of unlisted option holders are as follows:

Class of unlisted options	No. Options
Options exercisable at \$0.35 on or before 31 December 2013	5,000,000
Holders of more than 20% of this class	-

Voting rights

The Constitution of the Consolidated Entity makes the following provision for voting at general meetings:
On a show of hands, every ordinary shareholder present in person, or by proxy, attorney or representative has one vote. On a poll, every shareholder present in person, or by proxy, attorney or representative has one vote for any share held by the shareholder.

Restricted securities

There are 10,125,001 restricted securities subject to voluntary escrow on issue.
There are 5,000,000 options exercisable at \$0.20 on or before 31 December 2013 that are restricted options subject to voluntary escrow on issue.