# Laconia Resources Limited

**ABN 29 137 984 297**

## Annual Financial Report

for the period ended 30 June 2010

# Corporate Information

ABN 29 137 984 297

## Directors
Michael Sharwood (Non Executive Chairman)
Ian Stuart (Managing Director)
Matthew Howison (Non Executive Director)

## Company Secretary
Graeme Smith

## Registered Office
23 Altona Street
WEST PERTH WA 6005

## Principal Place of Business
Level 3, 46 Ord Street
WEST PERTH WA 6005
Telephone: +61 8 9486 1599
Facsimile: +61 8 9486 7899

## Postal Address
PO Box 1151
WEST PERTH WA 6872

## Solicitors
Williams & Hughes
1st Floor, 25 Richardson St
WEST PERTH WA 6005

## Share Register
Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

## Auditors
Rothsay Chartered Accountants
96 Parry Street
PERTH WA 6000

## Internet Address
www.laconia.com.au

## Stock Exchange Listing
Laconia Resources Limited shares are listed on the Australian Securities Exchange (ASX code: LCR).

# Contents

# Directors' Report

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

## DIRECTORS

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

### Names, qualifications, experience and special responsibilities

**Michael Sharwood**, BSc (Hons), MA (Non Executive Chairman, appointed 29 June 2009, member of the Audit Committee)

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

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

**Ian Stuart**, (Managing Director, appointed 29 June 2009)

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

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

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

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

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

## COMPANY SECRETARY

**Graeme Smith**, BEc, MBA, MComLaw, FCPA, FCIS, MAusIMM (Appointed 29 June 2009, member of the Audit Committee)

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

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

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

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

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

## PRINCIPAL ACTIVITIES

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

## DIVIDENDS

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

# Directors' Report continued

## OPERATING AND FINANCIAL REVIEW

### Finance Review

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

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

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

### Operating Results for the Period

Summarised operating results are as follows:

| | 2010 | |
|---|---|---|
| | Revenues<br>$ | Results<br>$ |
| Revenues and loss from ordinary activities before income tax expense | 137,143 | (1,326,697) |

### Shareholder Returns

| | 2010 |
|---|---|
| Basic loss per share (cents) | **(2.4)** |

### Risk Management

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

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

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

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

## SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

## ENVIRONMENTAL REGULATION AND PERFORMANCE

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

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

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

# Directors' Report continued

## REMUNERATION REPORT

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

### Principles used to determine the nature and amount of remuneration

***Remuneration Policy***

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

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

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

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

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

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

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

***Performance based remuneration***

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

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

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

### Details of remuneration

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

The key management personnel of Laconia Resources Limited include the directors and company secretary as per page 3 above.

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

***Key management personnel and other executives of Laconia Resources Limited***

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

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

# Directors' Report continued

### Service agreements

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

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

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

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

### Share-based compensation

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

## DIRECTORS' MEETINGS

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

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

**Notes**

A – Number of meetings attended.

B – Number of meetings held during the time the director held office during the period.

## SHARES UNDER OPTION

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

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

The balance is comprised of the following:

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

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

## INSURANCE OF DIRECTORS AND OFFICERS

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

(a) a wilful breach of duty; or

(b) a contravention of sections 182 or 183 of the *Corporations Act 2001*,

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

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

# Directors' Report continued

## NON-AUDIT SERVICES

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

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

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

| | 2010<br>$ |
|---|---|
| Investigating Accountants Report for the IPO prospectus | 8,000 |

## PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

Signed in accordance with a resolution of the directors.

**Ian Stuart**

Managing Director

Perth, 29 September 2010

ROTHSAY

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

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

Dear Sirs

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

i) no contraventions of the auditor independence requirements of the Act in relation to the audit of the 30 June 2010 financial statements; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graham Swan (Lead auditor)

Rothsay Chartered Accountants

Dated 29th September 2010

# Corporate Governance Statement

***The Board of Directors***

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

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

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

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

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

***Role of the Board***

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

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

***Appointments to Other Boards***

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

***Independent Professional Advice***

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

***Continuous Review of Corporate Governance***

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

***ASX Principles of Good Corporate Governance***

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

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

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

# Corporate Governance Statement continued

| | ASX Principle | Status | Reference/comment |
|---|---|---|---|
| **Principle 1:** | **Lay solid foundations for management and oversight** | | |
| 1.1 | Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions | **A** | Matters reserved for the Board are included on the Company website in the Corporate Governance Section. |
| 1.2 | Companies should disclose the process for evaluating the performance of senior executives | **N/A** | At the time of adoption of the Corporate Governance Principles and Recommendations the company only employed one executive being the Managing Director. The Managing Director is effectively under a constant process of performance evaluation as measured by the Company's market capitalisation/share price at a point in time compared to previous periods or points in time. No other process is currently adopted for evaluating the performance of senior executives however, the Board concurs with the full implementation of this Principle and will review appropriate ways of compliance as and when further senior executives are engaged. |
| 1.3 | Companies should provide the information indicated in the Guide to reporting on Principle 1 | **A** | Matters reserved for the Board can be viewed on the Company website. |
| **Principle 2:** | **Structure the board to add value** | | |
| 2.1 | A majority of the board should be independent directors | **N/A** | Given the Company's background, the nature and size of its business and the current stage of its development the board compromises three directors, two of whom are non-executive (including the independent Chairman). The board believes that this is both appropriate and acceptable at this stage of the Company's development. |
| 2.2 | The chair should be an independent director | **A** | |
| 2.3 | The roles of chair and chief executive officer should not be exercised by the same individual | **A** | The position of Chairman and Managing Director are held by separate persons. |
| 2.4 | The board should establish a nomination committee | **A** | The full Board is the Nomination Committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for screening and appointing new Directors. In view of the size and resources available to the Company it is not considered that a separate Nomination Committee would add any substance to this process. |
| 2.5 | Companies should disclose the process for evaluating the performance of the board, its committees and individual directors | **N/A** | Given the size and nature of the Company a formal process for performance evaluation has not been developed. |
| 2.6 | Companies should provide the information indicated in the Guide to reporting on Principle 2 | **A (in part)** | The skills and experience of the Directors are set out in the Company's Annual Report and on the website. |
| **Principle 3:** | **Promote ethical and responsible decision-making** | | |
| 3.1 | Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity | **A** | The Company has established a Code of Conduct which can be viewed on its website. |

*A = Adopted*
*N/A = Not adopted*

# Corporate Governance Statement continued

| | ASX Principle | Status | Reference/comment |
|---|---|---|---|
| | • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders<br>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices | | |
| 3.2 | Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy | **A** | The Company has formulated a securities trading policy, which can be viewed on its website. |
| 3.3 | Companies should provide the information indicated in the Guide to reporting on Principle 3 | **A** | |
| **Principle 4:** | **Safeguard integrity in financial reporting** | | |
| 4.1 | The board should establish an audit committee | **A** | |
| 4.2 | The audit committee should be structured so that it: | | |
| | • consists only of non-executive directors | **A** | |
| | • consists of a majority of independent directors | **N/A** | The Company only has one independent director. |
| | • is chaired by an independent chair, who is not chair of the board | **N/A** | Mr Howison, a non-independent director, is chair of the Audit Committee. |
| | • has at least three members | **A** | |
| 4.3 | The audit committee should have a formal charter | **A** | |
| 4.4 | Companies should provide the information indicated in the Guide to reporting on Principle 4 | **A** | |
| **Principle 5:** | **Make timely and balanced disclosure** | | |
| 5.1 | Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies | **A** | Directors must obtain the approval of the Chairman of the Board and notify the Company Secretary before they buy or sell shares in the Company, and it is subject to Board veto. Directors must provide the information required by the Company to ensure Compliance with Listing Rule 3.19A. |
| 5.2 | Companies should provide the information indicated in the Guide to reporting on Principle 5 | **A** | The Board receives monthly reports on the status of the Company's activities and any new proposed activities. Disclosure is reviewed as a routine agenda item at each Board Meeting. |

*A = Adopted*
*N/A = Not adopted*

# Corporate Governance Statement continued

| | ASX Principle | Status | Reference/comment |
|---|---|---|---|
| **Principle 6:** | **Respect the rights of shareholders** | | |
| 6.1 | Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy | **A** | In line with adherence to continuous disclosure requirements of the ASX all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual report, Quarterly Reports, the Company Website and the distributions of specific releases covering major transactions and events. |
| 6.2 | Companies should provide the information indicated in the Guide to reporting on Principle 6 | **A** | The Company has formulated a Communication Policy which is included in its Corporate Governance Statement on the Company Website. |
| **Principle 7:** | **Recognise and manage risk** | | |
| 7.1 | Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies | **A** | The Company has formulated a Risk Management Charter which is included in its Corporate Governance Statement on the Company Website. |
| 7.2 | The board should require management to design and implement the risk management and internal control system to manage the company’s material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company’s management of its material business risks | **A** | |
| 7.3 | The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks | **A** | Assurances received from CEO and CFO (or equivalent) each year. |
| 7.4 | Companies should provide the information indicated in the Guide to reporting on Principle 7 | **A** | |
| **Principle 8:** | **Remunerate fairly and responsibly** | | |
| 8.1 | The board should establish a remuneration committee | **A** | |
| 8.2 | Companies should clearly distinguish the structure of non-executive directors’ remuneration from that of executive directors and senior executives | **A** | |
| 8.3 | Companies should provide the information indicated in the Guide to reporting on Principle 8 | **A** | Refer to the Annual Report and the Corporate Governance section of the Company’s website. |

*A = Adopted*
*N/A = Not adopted*

# Statement of Comprehensive Income

| PERIOD ENDED 30 JUNE 2010 | Notes | The Company 2010 $ |
|---|---|---|
| REVENUE | 4 | **137,143** |
| | | |
| EXPENDITURE | | |
| Depreciation expense | | **(5,070)** |
| Employee benefits expense | | **(236,547)** |
| Exploration expenses | | **(892,105)** |
| Administration expenses | | **(330,118)** |
| | | |
| LOSS BEFORE INCOME TAX | | **(1,326,697)** |
| | | |
| INCOME TAX BENEFIT / (EXPENSE) | 6 | **-** |
| | | |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF LACONIA RESOURCES LIMITED | | **(1,326,697)** |
| | | |
| Basic and diluted loss per share for loss attributable to the ordinary equity holders of the Company (cents per share) | 21 | **(2.4)** |

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

# Statement of Financial Position

| AT 30 JUNE 2010 | Notes | The Company 2010 $ |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and cash equivalents | 7 | **3,982,140** |
| Trade and other receivables | 8 | **13,160** |
| TOTAL CURRENT ASSETS | | **3,995,300** |
| NON-CURRENT ASSETS | | |
| Plant and equipment | 9 | **30,235** |
| Mining properties | 10 | **2,900,000** |
| TOTAL NON-CURRENT ASSETS | | **2,930,235** |
| TOTAL ASSETS | | **6,925,535** |
| CURRENT LIABILITIES | | |
| Trade and other payables | 11 | **64,993** |
| TOTAL CURRENT LIABILITIES | | **64,993** |
| TOTAL LIABILITIES | | **64,993** |
| NET ASSETS | | **6,860,542** |
| EQUITY | | |
| Issued capital | 12 | **7,993,139** |
| Reserves | 13(a) | **194,100** |
| Accumulated losses | 13(b) | **(1,326,697)** |
| TOTAL EQUITY | | **6,860,542** |

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

# Statement of Changes in Equity

| PERIOD ENDED 30 JUNE 2010<br>The Company | Notes | Contributed Equity<br>$ | Share-based Payments Reserve<br>$ | Accumulated Losses<br>$ | Total<br>$ |
|---|---|---|---|---|---|
| BALANCE AT INCORPORATION | | - | - | - | - |
| Loss for the year | 13(b) | - | - | (1,326,697) | (1,326,697) |
| TOTAL COMPREHENSIVE LOSS | | - | - | (1,326,697) | (1,326,697) |
| TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS | | | | | |
| Shares issued during the period | 12 | 8,785,152 | - | - | 8,785,152 |
| Transaction costs | 12 | (792,013) | - | - | (792,013) |
| Options issued to suppliers | 22 | - | 194,100 | - | 194,100 |
| BALANCE AT 30 JUNE 2010 | | 7,993,139 | 194,100 | (1,326,697) | 6,860,542 |

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

# Statement of Cash Flows

| PERIOD ENDED 30 JUNE 2010 | Notes | The Company 2010 $ |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Payments to suppliers and employees | | **(523,910)** |
| Expenditure on mining interests | | **(1,370,966)** |
| Interest received | | **137,082** |
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | 20 | **(1,757,794)** |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for plant and equipment | | **(35,305)** |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | | **(35,305)** |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issues of ordinary shares | | **6,373,152** |
| Payments of share issue costs | | **(597,913)** |
| NET CASH INFLOW FROM FINANCING ACTIVITIES | | **5,775,239** |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | **3,982,140** |
| Cash and cash equivalents at incorporation | | **-** |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 7 | **3,982,140** |

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

# Notes to the Financial Statements

## 30 JUNE 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**(a) Basis of preparation**

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

*Compliance with IFRS*

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

*Historical cost convention*

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

**(b) Segment reporting**

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

**(c) Revenue recognition**

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

**(d) Income tax**

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

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

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

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

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

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

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

# Notes to the Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**(e) Leases**

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

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

**(f) Impairment of assets**

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

**(g) Cash and cash equivalents**

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

**(h) Investments and other financial assets**

***Classification***

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

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

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

*(ii) Loans and receivables*

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

*(iii) Held-to-maturity investments*

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

*(iv) Available-for-sale financial assets*

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

# Notes to the Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

***Financial assets - reclassification***

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

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

***Recognition and derecognition***

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

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

***Subsequent measurement***

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

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

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

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

***Impairment***

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

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

**(i) Plant and equipment**

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

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

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

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

# Notes to the Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is Company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

**(j) Exploration and evaluation costs**

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

**(k) Trade and other payables**

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

**(l) Issued capital**

Ordinary shares are classified as equity.

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

**(m) Earnings per share**

*(i) Basic earnings per share*

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

*(ii) Diluted earnings per share*

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

**(n) Goods and Services Tax (GST)**

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

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

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

**(o) New accounting standards and interpretations**

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

# Notes to the Financial Statements continued

## 30 JUNE 2010

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Company's accounting for its financial assets. The standard is not applicable until1 January 2013 but is available for early adoption. The Company is yet to assess its full impact. The Company has not yet decided when to adopt AASB 9.

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

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

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

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

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

**(p) Critical accounting judgements, estimates and assumptions**

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

**(q) Accounting period**

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

### 2. FINANCIAL RISK MANAGEMENT

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

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

**(a) Market risk**

*(i) Foreign exchange risk*

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

*(ii) Price risk*

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

# Notes to the Financial Statements continued

## 30 JUNE 2010

### 2. FINANCIAL RISK MANAGEMENT (cont'd)

*(iii) Interest rate risk*

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

*Sensitivity analysis*

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

**(b) Credit risk**

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

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

**(c) Liquidity risk**

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

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

**(d) Fair value estimation**

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

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

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

### 3. SEGMENT INFORMATION

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

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

| | The Company<br>2010<br>$ |
|---|---|
| **Exploration segment** | |
| Segment revenue | - |
| Reconciliation of segment revenue to total revenue before tax: | |
| Interest revenue | **137,143** |
| **Total revenue** | **137,143** |

# Notes to the Financial Statements continued

30 JUNE 2010

| | The Company 2010 $ |
|---|---|
| **3. SEGMENT INFORMATION (cont'd)** | |
| Segment results | **(892,105)** |
| Reconciliation of segment result to net loss before tax: | |
| Other coporate and administration | **(434,592)** |
| **Net loss before tax** | **(1,326,697)** |
| Segment operating assets | **2,913,099** |
| Reconciliation of segment operating assets to total assets: | |
| Other coporate and administration assets | **4,012,436** |
| **Total assets** | **6,925,535** |
| **4. REVENUE** | |
| **From continuing operations** | |
| *Other revenue* | |
| Interest | **137,143** |
| **5. EXPENSES** | |
| **Loss before income tax includes the following specific expenses:** | |
| Defined contribution superannuation expense | **8,442** |
| **6. INCOME TAX** | |
| **(a) Income tax expense** | |
| Current tax | **-** |
| Deferred tax | **-** |
| | **-** |
| **(b) Numerical reconciliation of income tax expense to prima facie tax payable** | |
| Loss from continuing operations before income tax expense | **(1,326,697)** |
| Prima facie tax benefit at the Australian tax rate of 30% | **(398,009)** |
| Movements in unrecognised temporary differences | **(35,875)** |
| Tax effect of current period tax losses for which no deferred tax asset has been recognised | **433,884** |
| Income tax expense | **-** |
| **(c) Unrecognised temporary differences** | |
| **Deferred Tax Assets (at 30%)** | |
| *On Income Tax Account* | |
| Capital raising costs | **143,499** |
| Carry forward tax losses | **433,884** |
| | **577,383** |
| **Deferred Tax Liabilities (at 30%)** | **-** |

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

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

# Notes to the Financial Statements continued

30 JUNE 2010

| | The Company 2010 $ |
|---|---|
| **7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS** | |
| Cash at bank and in hand | **210,199** |
| Short-term deposits | **3,771,941** |
| Cash and cash equivalents as shown in the statement of financial position and the statement of cash flows | **3,982,140** |

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

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

## 8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

| | |
|---|---|
| Sundry receivables | **13,160** |

## 9. NON-CURRENT ASSETS - PLANT AND EQUIPMENT

| | |
|---|---|
| **Plant and equipment** | |
| Cost | **35,305** |
| Accumulated depreciation | **(5,070)** |
| Net book amount | **30,235** |
| **Plant and equipment** | |
| Opening net book amount | **-** |
| Additions | **35,305** |
| Depreciation charge | **(5,070)** |
| Closing net book amount | **30,235** |

## 10. NON-CURRENT ASSETS – MINING PROPERTIES

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

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

## 11. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

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

## 12. ISSUED CAPITAL

**(a) Share capital**

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

# Notes to the Financial Statements continued

30 JUNE 2010

| | 2010 Number of shares | $ |
|---|---|---|
| **12. ISSUED CAPITAL (cont'd)** | | |
| **(b) Movements in ordinary share capital** | | |
| Beginning of the financial period | - | - |
| Issued during the period: | | |
| – Issued at incorporation | **10** | **2** |
| – Issued to Promoters | **11,500,000** | **1,150** |
| – Issued to seed investors | **3,720,000** | **372,000** |
| – Issued as consideration for tenement acquisition | **24,000,000** | **2,400,000** |
| – Issued at IPO for 20 cents per share | **30,000,000** | **6,000,000** |
| – Issued as consideration for tenement management services | **50,000** | **12,000** |
| Less: Transaction costs | **-** | **(792,013)** |
| End of the financial period | **69,270,010** | **7,993,139** |

**(c) Movements in options on issue**

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

**(d) Ordinary shares**

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

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

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

**(e) Capital risk management**

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

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

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

# Notes to the Financial Statements continued

30 JUNE 2010

| | The Company 2010 $ |
|---|---|
| **13. RESERVES AND ACCUMULATED LOSSES** | |
| **(a) Reserves** | |
| *Share-based payments reserve* | |
| Balance at beginning of financial period | - |
| Option expense | **194,100** |
| Balance at end of financial period | **194,100** |
| | |
| **(b) Accumulated losses** | |
| Balance at beginning of financial period | - |
| Net loss for the period | **(1,326,697)** |
| Balance at end of financial period | **(1,326,697)** |

**(c) Nature and purpose of reserves**

*Share-based payments reserve*

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

## 14. DIVIDENDS

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

## 15. KEY MANAGEMENT PERSONNEL DISCLOSURES

| **(a) Key management personnel compensation** | |
|---|---|
| Short-term benefits | **286,341** |
| Post employment benefits | **5,264** |
| Other long-term benefits | - |
| Termination benefits | - |
| Share-based payments | - |
| | **291,605** |

Detailed remuneration disclosures are provided in the remuneration report on pages 5 and 6.

**(b) Equity instrument disclosures relating to key management personnel**

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

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

*(ii) Option holdings*

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

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

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

# Notes to the Financial Statements continued

## 30 JUNE 2010

### 15. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

*(iii) Share holdings*

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

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

**(c) Loans to key management personnel**

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

**(d) Other transactions with key management personnel**

**Services**

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

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

### 16. REMUNERATION OF AUDITORS

| | The Company 2010 $ |
|---|---|
| During the period the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms: | |
| **(a) Audit services** | |
| Rothsay Chartered Accountants – audit and review of financial reports | **26,000** |
| Total remuneration for audit services | **26,000** |
| **(b) Non-audit services** | |
| Rothsay Chartered Accountants – independent accountants report | **8,000** |
| Total remuneration for other services | **8,000** |

### 17. CONTINGENCIES

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

# Notes to the Financial Statements continued

30 JUNE 2010

| | The Company 2010 $ |
|---|---|

## 18. COMMITMENTS

**(a) Exploration commitments**

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

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

**(b) Lease commitments: Company as lessee**

*Operating leases (non-cancellable):*

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

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

**(c) Remuneration commitments**

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in the remuneration report on page 6 that are not recognised as liabilities and are not included in the key management personnel compensation.

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

## 19. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

**Tenement acquisition agreement**

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

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

## 20. STATEMENT OF CASH FLOWS

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

# Notes to the Financial Statements continued

30 JUNE 2010

| | The Company 2010 $ |
|---|---|
| **21. LOSS PER SHARE** | |
| **(a) Reconciliation of earnings used in calculating loss per share** | |
| Loss attributable to the owners of the Company used in calculating basic and diluted loss per share | **(1,326,697)** |

| | Number of shares 2010 |
|---|---|
| **(b) Weighted average number of shares used as the denominator** | |
| Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share | **55,112,517** |

**(c) Information on the classification of options**

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

## 22. SHARE-BASED PAYMENTS

**(a) Options issued to suppliers**

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

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

Set out below are summaries of the options granted:

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

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

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

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

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

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

# Notes to the Financial Statements continued

30 JUNE 2010

| | The Company 2010 $ |
|---|---|

22. SHARE-BASED PAYMENTS (cont'd)

**(b) Shares issued to suppliers**

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

**(c) Expenses arising from share-based payment transactions**

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

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

# Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 13 to 30 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Company's financial position as at 30 June 2010 and of it's performance for the financial period ended on that date;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

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

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

**Ian Stuart**
Managing Director
Perth, 29 September 2010

ROTHSAY

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**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LACONIA RESOURCES LIMITED**

**Report on the financial report**

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

**Directors Responsibility for the Financial Report**

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

**Auditor's Responsibility**

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

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

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

**Independence**

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

**Audit opinion**

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

a) (i) giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the period ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

b) the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board

**Report on the remuneration report**

We have audited the remuneration report included in the directors' report for the period ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Audit opinion**

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

Rothsay

Rothsay

GR Swan

Graham Swan
Partner

Dated 29th September 2010

# ASX Additional Information

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

**(a) Distribution of equity securities**

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

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

**(b) Twenty largest shareholders**

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

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

**(c) Substantial shareholders**

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

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

# ASX Additional Information

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

**(e) Schedule of interests in mining tenements**

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

* Mineral rights held by Laconia Resources Ltd (80%) and Pandell Pty Ltd (20%). Manganese and iron ore rights held by Shaw River Resources (70%) and Pandell Pty Ltd (30%).

** Mineral rights held by Laconia Resources Ltd (100%). Manganese and iron ore rights held by Shaw River Resources (70%) and Pandell Pty Ltd (30%).