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A1 Minerals Limited  
**2010 Annual Report**

ABN 44 100 727 491



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## CORPORATE INFORMATION

**ABN 44 100 727 491**

### **Directors**

Mr Michael Hunt – Chairman (Non Executive)  
Mr Ross Louthean – Director (Non-Executive)  
Mr William Hobba – Technical Director  
Mr Richard Stroud – Director (Non-Executive)  
Mr Albert Longo – Finance Director  
Mr John Williams – Managing Director  
(resigned 9 August 2010)

### **Company Secretary**

Mr Albert Longo

### **Registered and Principal Office**

Suite 34, 25 Walters Drive  
Osborne Park Western Australia 6017  
Telephone: (618) 9244 1400  
Facsimilie: (618) 9244 1600  
Email: info@a1minerals.com.au  
www.a1minerals.com.au

### **Share Register**

Computershare Investor Services Pty Limited  
Level 2, 45 St Georges Terrace  
Perth Western Australia 6000  
Telephone: (618) 9323 2000  
Facsimilie: (618) 9323 2033  
Freecall: 1300 557 010

### **Solicitors**

Hunt & Humphry  
Level 2, 20 Kings Park Road  
West Perth Western Australia 6005

### **Bankers**

Westpac Banking Corporation  
465, Scarborough Beach Road,  
Osborne Park, Western Australia 6017

### **Auditors**

HLB Mann Judd  
Level 4, 130 Stirling Street  
Perth WA 6000

### **Securities Exchange Listings**

ASX Code: AAM



## A tough but rewarding christening

The 2009/10 financial year was a milestone for A1 Minerals – the company moved from being a gold explorer to a producer.

It wasn't an easy transition – in my experience, it never is – but we had particular problems leading to our parting company with the managing director.

The target date for pouring the first gold bar was achieved four months later than the original projection. A key reason for this was the dramatic change that occurred when boom conditions returned late in calendar 2009. Suddenly everybody from geologists and mining engineers to field assistants and cooks were the target of employment agencies. We and our plant construction and mine development contractors experienced disappearing workers lured away by new jobs in the Pilbara mines, new petroleum projects and new companies.

We poured our first gold bar on March 4 and plant commissioning continued for several months. By financial year-end the quality of gold bars was improving and we will reach an important milestone in the near future when our on-site gold room is completed and we can pour gold bars in our own plant.

In the few months of production up to financial year-end, we produced 2,465 ounces of gold and 1,468 oz of silver, worth \$3.378 million. A modest but important start. Since financial year-end, we have regular weekly pours and although still falling short of our target of 575 ounces of gold per week, we are now gradually heading towards it, with an average of around 450 ounces of gold per week (and 400 ounces of silver) being achieved in the month of September

A1 Minerals can look to a profitable 2010/11 year with our 300,000 tonnes per annum mill now operating smoothly under the guidance of Bill Hobba who supervised CPC Engineering's renovation and assembly of the plant last year and who has recently accepted appointment as A1's Technical Director. We have established an on-site laboratory and accommodation and messing facilities for our predominantly fly in, fly out workforce.

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## CHAIRMAN'S REPORT

Because of our focus on getting into production, exploration activity was limited during the financial year but since year end we have undertaken a complete review of both our geological grade control processes and our mine scheduling and performance.

Apart from ironing out all the kinks which a new mining operation provides, this company needs to put a strong focus in the next 12 months on converting some of our substantial 1.2 million ounces-plus resource into reserves in preparation for mining.

The Laverton region has an enormous gold endowment, shown by past production and recent discovery work by other companies in the region and also as demonstrated by our own past exploration.

In the world of 2010, we are in the best business – mining - and the best commodity – gold. There are few pundits who don't see a rosey picture for this precious metal, particularly with the impact of the global financial crisis still being an economic millstone for most developed countries. Many leaders would rather have gold stuffed under their beds than their own country's paper currency.

A good example of the bullish gold mood was given by this year's keynote speaker at the Diggers & Dealers Forum in Kalgoorlie, Niall Ferguson, the feted professor of history and economics at Harvard University.

Professor Ferguson said with China set to take over from America as the world economic powerhouse we may be in the twilight of paper money, and gold was up there as a substitute although there may not be a return to the gold standard of a century or so ago because there could also be other forms of commodity backing, including oil.

On the basis of the professor's comments and the mountain of debt around the world, I can see gold remaining in demand. There is increased backing for gold from central banks around the world.

A1 Minerals has recently restructured its board. Rick Stroud, an experienced mining engineer who assesses mining operations throughout Australia and around the world has become a non executive director.

After we parted company with managing director John Williams, we appointed our chief financial officer Albert Longo as Finance Director and Bill Hobba as Technical Director. I am very grateful to Bill and Albert for assuming the additional responsibilities of running A1 in those difficult circumstances.

I am also grateful to our mining contractor WATPAC for its support over this period. I thank my fellow non-executive director Ross Louthean for his assistance over a trying time.

I look to the current financial year as a period of consolidation as A1 reaches its target of an annualised production of 30,000 ounces of gold. I also look to it as a period of expansion when we drill to prove up our significant gold resources in the Laverton area.

**Michael Hunt**  
Chairman (Non-Executive)



Your directors submit the annual financial report of the consolidated entity consisting of A1 Minerals Limited and the entities it controlled during the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act, the directors report as follows:

### **Directors**

The names of directors who held office during or since the end of the year 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 Hunt BA, LLB (Hons) – Age 63**

Non Executive Chairman (Since 31 October 2003)

#### *Experience*

Mr Hunt is a partner in Hunt & Humphry Project Lawyers in Perth. He is an experienced commercial lawyer and has Australian and international experience in mining law, the development of mining projects and the resolution of native title issues. Mr Hunt has provided advice on mining and petroleum law to local and overseas companies and governments.

Mr Hunt is a Non-Executive Director of Red Back Mining Inc (listed on the Toronto Stock Exchange), which in October 2005 commenced production of gold at its Chirano Project in Ghana, the first new mine in that country for seven years. Mr Hunt was the founding Chairman of Red Back Mining NL (formerly ASX listed) and in that role over a period of 10 years helped take that company from junior Australian explorer to listing on the TSX, subsequent gold production and a merger with Kinross Gold Corporation to form one of the world's top 5 gold companies.

#### **Ross Louthean AAusIMM, FCA – Age 65**

Non-Executive Director (Since 20 February 2009)

#### *Experience*

Mr Louthean is a well known resource sector commentator and observer. He is a journalist and author, and with a particular focus on gold, the mining industry and politics, he has written for and helped develop several national and international publications. His work has been recognised by several medals and awards, the latest being the 2009 Diggers & Dealers Media Award. Mr Louthean has more than 30 years directorial experience with public companies and is currently a Director of an unlisted company developing websites and other media.

Mr Louthean holds no directorships in other listed public companies, and his last position ended two years ago as non executive director of Atom Energy Ltd.

#### **William Hobba – Age 60**

Technical Director (Since 9 August 2010)

Mr Hobba supervised CPC Engineering's renovation and assembly of the Brightstar gold plant for the company. He has recently assumed responsibility for operational matters at the mine site. He has over 40 years experience in gold and nickel mines including 10 years as a consultant in a mine management consultancy and 5 years supplying resources to mill operations.

## DIRECTORS' REPORT

### Directors (continued)

#### Names, qualifications, experience and special responsibilities

##### **Richard Stroud BSc Mining– Age 59**

Non-Executive Director (Since 9 August 2010)

Mr Richard Stroud is a mining engineer with over 35 years worldwide experience in the mining industry. Over the last 10 years, Mr Stroud has been General Manager for a large mining equipment manufacturer; Manager Mining for one of the largest open pits in Australia and Group General Manager Engineering for one of the largest Australian global mining consultancies. Mr Stroud has had exposure to all facets of the mining industry from operations to corporate, most mineral commodities, open pit and underground and consulting to contracting. Mr Stroud's specialist skills are in Operation Optimisation, strategic and project management, mentoring senior mining personnel and peer reviewing studies and projects.

##### **Mr Albert Longo B.Bus, CA – Age 55**

Finance Director (Since 9 August 2010)

#### *Experience*

Mr Longo is a Chartered Accountant with over 30 years experience in accounting and commercial administration predominantly in gold mining companies. He has been involved in a number of start up gold operations including Kanowna Belle and more recently Allied Gold's Simberi mine.

##### **Mr. John Williams B.Sc, MAusIMM – Age 50**

Managing Director (resigned 9 August 2010)

Mr Williams has over 20 years experience as a geologist in Australia and overseas. He was instrumental in the discovery of a number of deposits that include the BrightStar Gold Project, Wendy Gully and the Attilia Deposit in Western Australia. Mr Williams was involved with the mine management of gold mines at Lady Bountiful, Broads Dam and Burbanks. Before joining A1 Minerals, Mr Williams operated as a mining consultant to Australian and Canadian firms. Mr Williams held no directorships in other listed public companies, and has not held such a position in the past three years.

#### **Company Secretary**

Mr Albert Longo B Bus, CA (appointed 24 May 2010)

Mr Longo is a Chartered Accountant with over 30 years experience in accounting and commercial administration predominantly in gold mining companies. He has been involved in a number of start up gold operations including Kanowna Belle and more recently Allied Gold's Simberi mine.

Mr Mark Pitts, B.Bus, CA (Resigned 24 May 2010)

Mr Pitts is a Chartered Accountant with over 25 years experience in statutory reporting and business administration. He is a Partner in the corporate advisory firm Endeavour Corporate. Endeavour offers professional services including company secretarial support; corporate advice; supervision of ASIC and ASX reporting and compliance requirements; and commercial and financial support.

**Interests in the shares and options of the company and related bodies corporate**

The following relevant interests in shares and options of the company or a related body corporate were held by the directors as at the date of this report.

<b>Directors</b>	Number of options over ordinary shares	Number of fully paid ordinary shares
Michael Hunt	4,500,000	2,250,000
Ross Louthean	1,000,000	-
William Hobba	-	11,247,775
Richard Stroud	-	-
Albert Longo	1,000,000	-
John Williams (resigned 9 August 2010)	8,000,000	7,541,966

The following share options of A1 Minerals Limited were granted to directors and to the five most highly remunerated officers of the company during or since the end of the financial year as part of their remuneration:

<b>Directors and officers</b>	Number of options granted	Number of options over ordinary shares
Michael Hunt	2,000,000	-
Ross Louthean	1,000,000	-
John Williams (resigned 9 August 2010)]	7,000,000	-
Albert Longo (Finance Director & Company Secretary)	1,000,000	-

Details of ordinary shares issued by the company during or since the end of the financial year as a result of the exercise of an option are:

<i>Number of shares</i>	<i>Amount paid per share</i>
3,500,000	20 cents
3,500,000	

There are no unpaid amounts on the shares issued.

At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Exercise price	Number of shares
31 December 2010	30 cents	3,000,000
30 November 2011	20 cents	2,000,000
23 February 2012	20 cents	1,800,000
30 November 2012	35 cents	9,500,000
		16,300,000

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# DIRECTORS' REPORT

## Dividends

No dividends have been paid or declared since the start of the financial year and the directors do not recommend the payment of a dividend in respect of the financial year.

## Principal Activities

The principal activities of the entities within the consolidated entity during the year were mineral exploration and gold production.

## Review of operations

The Group has concluded a challenging year where it transitioned from gold explorer to gold producer.

## Brightstar Gold Project

In 2010, CPC Engineering completed the refurbishment and commissioning of A1 Minerals 300 ktpa processing plant – allowing for a couple of months of gold production before the end of the financial year.

The operation has been regularly improving and is now in steady state production targeting 2,500 oz fine gold per month. A1 Minerals appointed WATPAC as mining contractor and together with A1 staff (to manage the camp and operate the plant) form a team of ~60 people onsite.

Government approvals are in place and production in 2011 is expected to continue from the Beta lease with preparation of Alpha for mining underway.

## Exploration

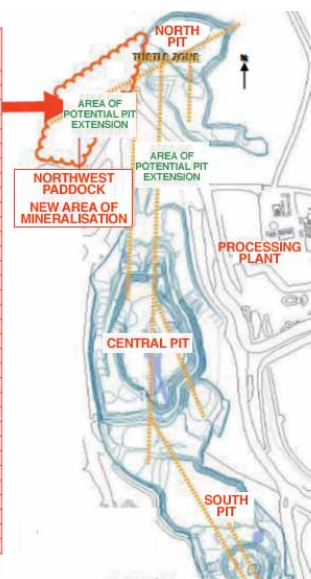
While our main focus has been on getting into production, the Group has maintained a positive exploration programme on the Brightstar leases, primarily on Beta. With extensive drilling on Beta for grade control requirements, A1 has been able to find extensions of gold mineralisation to its initial targets. This has resulted in an additional pit near the plant (turtle zone) which has the potential to significantly increase production from the Beta lease (which is where the plant is located).



Mining at BrightStar Beta

BETA NORTHWEST PADDOCK AREA		
Surface Geochem Sampling		
Highlights		
COORDINATES		GRADE
Easting(m)	Northing(m)	g/t
780	460	7.23
930	550	6.49
890	460	5.17
890	480	3.86
840	520	3.45
860	440	2.71
930	570	2.32
900	580	1.91
900	460	1.76
910	450	1.58
910	580	1.47
910	530	1.45
850	460	1.25
930	580	1.23
830	520	1.23
930	520	1.05
870	470	1.05
930	530	1.02
790	430	1.02
900	590	0.99
800	430	0.85
850	470	0.8
810	490	0.73
820	510	0.71
910	540	0.6
870	540	0.58
880	510	0.56
770	470	0.56
920	540	0.52
890	530	0.51
910	560	0.5

\* assayed for Gold using 40g Fire Assay digest with AAS finish



BrightStar Beta



**JORC Resources & Reserves**

For both strategic and financial reasons, A1 Minerals has made several commercial tenement swaps through the year. The Group has picked up ground closer to the Brightstar plant and has traded some of its lower grade leases as they were considered noncore or uneconomical. These changes have resulted in a decrease to JORC mineral resources estimates but have not changed JORC Probable Ore Reserve Estimates. Based on these reserves, gold production has a mine life of just over 4 years. However, with additional drilling to prove up resources, Brightstar Gold Production is anticipated for many more years.

*Table of Mineral Resources Estimates (Updated 30th June 2010)*

LOCATION	MEASURED			INDICATED			INFERRED			TOTAL		
	Tonnes	g/t	Grams	Tonnes	g/t	Grams	Tonnes	g/t	Grams	Tonnes	g/t	Grams
ALPHA	178,900	3.8	679,820	311,900	2.7	842,130	631,400	4.2	2,651,880	1,122,200	3.7	4,152,140
BETA	68,900	4.0	275,600	628,900	3.9	2,452,710	1,064,900	5.2	5,537,480	1,762,700	4.5	7,932,150
GAMMA							27,600	3.4	93,840	27,600	3.4	93,840
DELTA				4,152,100	2.3	9,549,830	3,403,900	3.8	12,934,820	7,556,000	3.0	22,668,000
EPSILON				1,774,900	1.8	3,194,820	1,163,900	2.3	2,676,970	2,938,800	2.2	6,465,360
<b>TOTAL</b>	<b>247,800</b>	<b>3.9</b>	<b>955,420</b>	<b>6,867,800</b>	<b>2.3</b>	<b>16,039,490</b>	<b>14,302,560</b>	<b>3.8</b>	<b>23,894,990</b>	<b>21,512,621</b>	<b>3.1</b>	<b>41,311,490</b>

All data is rounded and discrepancies in summation may occur.

The Table of Mineral Resources Estimates which is updated to 30 June 2010, takes into account resources which have been diminished only through tenement swaps and sales since April 2009 including the 'Zeta tenement'(287,516oz) and the 'Eta-No Mistake'(36,225oz) tenement. The estimates are based on the statement of Mineral Resources for the Brightstar Gold Project in April 2009.

The information that relates to Mineral Resources for the Brightstar Gold Project is based on A1 Minerals Statement of Mineral Resources for the Brightstar Gold Project (April 2009) which is based on the information compiled by Mr Anthony Ryall who is an independent consulting geologist and a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the JORC Code (2004). Mr Ryall has provided Competent Person sign-off for the quality and representativity of the drill hole data, geological interpretations, resource estimation procedures and results.

*Table of Probable Ore Reserve Estimates (as at April 2009)*

LOCATION	PROBABLE ORE	IN SITU GOLD (Grams)	GOLD RECOVERY (Ounces)
ALPHA	74,205t @ 5.1g/t gold	378,445	11,560
BETA	348,716t @ 4.1g/t gold	1,433,223	43,780
DELTA	470,000t @ 4.0g/t gold	1,880,000	57,428
EPSILON	233,133t @ 4.6g/t gold	1,224,211	37,396
<b>TOTAL</b>	<b>1,159,054t @ 4.2g/t Gold</b>	<b>4,915,879</b>	<b>150,164</b>

All data is rounded and small discrepancies will occur

*PLEASE NOTE: These are probable reserve estimates. Also the Group has recently undergone the transition from explorer to miner and geological as well as metallurgical understanding and databases is subsequently significantly increasing the knowledge and understanding of the deposits which may result in changes to these estimates. Other factors which may change current estimates are changing extraction factors and techniques; metallurgical factors; ore reconciliations through the plant as well as changing economic conditions. Depletion of ore reserves through mining during 2010 has not been taken into account. The information that relates to Ore Reserve Estimates for the Brightstar Gold Project is based on information compiled by Mr John Williams who was an employee of A1 Minerals Limited and is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the type of deposit and mining methods under consideration and to the activity undertaken to qualify as a Competent Person as defined in the JORC Code (2004).*

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## DIRECTORS' REPORT

### *Operating results for the year*

The net loss after income tax attributable to members of the Group for the financial year to 30 June 2010 amounted to \$5,900,505 (2009: \$4,282,979).

Exploration expenditure across all projects for the Group during the year was \$1,761,384 (2009: \$1,566,590)

### *Review of financial conditions*

At the end of the financial year, the Group had \$439,303 (2009: \$2,576,318) in cash and on deposit. Carried forward exploration expenditure was \$11,594,986 (2009: \$11,987,599).

During the year the Group issued 74,351,581 ordinary shares to raise \$13,089,929 before issue costs and issued 2,941,620 shares in consideration for the purchase of the camp, purchase of a mining lease and mining services rendered. As a result, issued capital increased from 119,566,861 in 2009 to 196,860,062 ordinary shares at the end of 2010.

### **Significant changes in the state of affairs**

The Group has made the transition from a mineral exploration Group to a gold production Group.

### **Significant events after balance date**

On 9 August 2010, the Managing Director tendered his resignation from the Group and Albert Longo was appointed as Finance Director, William Hobba appointed Technical Director and Richard Stroud appointed as non-executive director.

On the 9 August 2010 the consolidated entity raised \$685,585 by way of a Share Purchase Plan resulting in an issue of 3,808,363 ordinary shares at 18 cents each.

### **Likely developments and expected results**

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Therefore, this information has not been presented in this report.

### **Environmental legislation**

The Group's operations are subject to significant environmental regulation under the law of the Commonwealth and State. The Directors of the Group monitor compliance with environmental regulations. The Directors are not aware of any significant breaches during the period covered by this Report.

### **Indemnification and insurance of Directors and Officers**

The Group has agreed to indemnify all the directors of the company for any liabilities to another person (other than the Company or related body corporate) that may arise from their position as directors of the Group and its controlled entities, except where the liability arises out of conduct involving a lack of good faith.

During the financial year the Group paid a premium in respect of a contract insuring the directors and officers of the Group and its controlled entities against any liability incurred in the course of their duties to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**Remuneration report**

This report outlines the remuneration arrangements in place for the key management personnel of A1 Minerals Limited (the "company") for the financial year ended 30 June 2010. The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

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

*Key Management Personnel*

**(i) Directors**

Michael Hunt (Chairman)  
 Ross Louthean  
 John Williams (Resigned 9 August 2010)

**(ii) Executives**

Albert Longo (Company Secretary) (Appointed 24 May 2010)  
 Allan Downham (General Manager) (Appointed 9 April 2010 and resigned 9 July 2010)  
 Anthony Wallace (Mine Manager) (Appointed 8 March 2010 and resigned 23 June 2010)  
 Mark Pitts (Company Secretary) (Resigned 24 May 2010)

*Remuneration philosophy*

The performance of the Group depends upon the quality of the directors and executives. The philosophy of the Group in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration.

*Remuneration committee*

The Remuneration Committee of the Board of Directors of the company is responsible for determining and reviewing compensation arrangements for the directors, the CEO and the executive team.

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of directors and executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

*Remuneration structure*

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

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## DIRECTORS' REPORT

### Remuneration report (continued)

#### *Non-executive director remuneration*

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

The ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. The latest determination was at the Annual General Meeting held on 30 November 2009 when shareholders approved an aggregate remuneration of \$58,870 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the company. An additional fee is also paid for each Board committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub committees.

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

#### *Senior manager and executive director remuneration*

Remuneration is reviewed annually by the Remuneration Committee. The process consists of a review of relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. The Committee has access to external, independent advice where necessary.

Senior managers are given the opportunity to receive remuneration in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

The remuneration of the 5 most highly remunerated Group and company executives is detailed in Table 2.

**Remuneration report (continued)****Remuneration of directors and named executives****Table 1: Directors' remuneration for the year ended 30 June 2010**

		Short-term employee benefits		Post-employment benefits	Equity		Performance Related %
		Salary & Fees \$	Other \$	Super-annuation	Share options \$	Total \$	
Michael Hunt	2010	22,940	-	2,066	356,000	381,006	93.4%
	2009	22,935	-	2,064	75,099	100,098	75.0%
Ross Louthean	2010	33,864	-	-	178,000	211,864	84.0%
	2009	7,500	-	-	-	7,500	-
John Williams (resigned 9 August 2010)	2010	300,000	10,848	27,000	1,202,500	1,540,348	78.1%
	2009	300,000	10,778	27,000	75,099	412,877	18.2%

**Table 2: Remuneration of the 5 named executives who received the highest remuneration for the year ended 30 June 2010**

		Short-term employee benefits		Post-employment benefits	Equity		Performance Related %
		Salary & Fees \$		Super-annuation	Share options \$	Total \$	
Albert Longo Finance Director & Company Secretary (Appointed 6 April 2010)	2010	41,763		3,760	-	45,523	-
	2009	-		-	-	-	-
Alan Downham Executive (Appointed 9 April 2010 & resigned 9 July 10)	2010	52,129		4,694	-	56,823	-
	2009	-		-	-	-	-
Anthony Wallace Executive (Appointed 8 March 2010 & resigned 23 June 10)	2010	73,336		6,603	-	79,939	-
	2009	-		-	-	-	-
Mark Pitts Secretary (Resigned 24 May 2010)	2010	60,000		-	-	60,000	-
	2009	60,000		-	-	60,000	-

**Table 3: Option plans in existence during the financial year**

Option series	Grant date	Expiry date	Fair value at grant date \$	Vesting date
SERIES 1 - 9,500,000	22 December 2009	30 November 2012	1,421,200	30 November 2012
SERIES 2 - 500,000	27 July 2009	30 November 2011	55,500	30 November 2011
SERIES 3 - 2,300,000	23 February 2009	23 February 2012	313,260	23 February 2012
SERIES 4 - 1,500,000	28 November 2008	30 November 2011	30,900	30 November 2011
SERIES 5 - 3,000,000	21 December 2008	31 December 2010	90,000	31 December 2010

# DIRECTORS' REPORT

## Remuneration report (continued)

**Table 4: Share-based compensation to directors and executives during the current financial year**

Name	No. granted	Date granted	FV per option at grant date \$	No. vested	% of grant vested	% of grant forfeited	% compensation for year consisting of options	Expiry date
Michael Hunt (Chairman)	2,000,000	22/12/2009	356,000	-	-	-	93.7%	30/11/2012
Ross Louthean (Director)	500,000	24/07/2009	89,000	-	-	-	42.0%	30/11/2011
	500,000	22/12/2009	89,000	-	-	-	42.0%	30/11/2012
John Williams (Director) (resigned 9/08/2010)	7,000,000	22/12/2009	1,202,500	-	-	-	78.1%	30/11/2012

**Table 5: Options issued as compensation exercised during the year by directors and executives**

Name	No. options exercised	No. shares issued	Amount paid
Michael Hunt (Chairman)	1,000,000	1,000,000	\$ 200,000
Ross Louthean (Director)	-	-	-
John Williams (Director) (Resigned 9 August 2010)	2,500,000	2,500,000	\$ 500,000

No amounts were unpaid on the exercise of options during the year by directors and executives.

**Table 6: Options granted, exercised or lapsed during the year to directors and executives**

Name	Value of options granted at the grant date \$	Value of options exercised at the exercise date \$	Value of options lapsed at the date of lapse \$
Michael Hunt (Chairman)	356,000	30,040	30,885
Ross Louthean (Director)	178,000	-	-
John Williams (Director) (Resigned 9 August 2010)	1,202,500	75,099	144,130

### Directors' Meetings

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

	Directors' Meetings
<b>Number of meetings held:</b>	5
<b>Number of meetings attended:</b>	
Mr M Hunt	5
Mr R Louthean	5
Mr J Williams	5

**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 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 Independence and Non-Audit Services**

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the audit of the annual report. This Independence Declaration is set out on page 16 and forms part of this directors' report for the year ended 30 June 2010.

**Non-Audit Services**

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 22 to the financial statements. 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 of the opinion that the services do not compromise the auditor's independence as all non-audit services have been reviewed to ensure that they do not impact the integrity and objectivity of the auditor and none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board.

Signed in accordance with a resolution of the directors.



Albert Longo  
Finance Director

24 September 2010

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## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of A1 Minerals Limited is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council ('CGC') published guidelines as well as its corporate governance principles and recommendations.

The CGC's published guidelines are as follows:

- Principle 1.** Lay solid foundations for management and oversight
- Principle 2.** Structure the board to add value
- Principle 3.** Promote ethical and responsible decision making
- Principle 4.** Safeguard integrity in financial reporting
- Principle 5.** Make timely and balanced disclosure
- Principle 6.** Respect the rights of shareholders
- Principle 7.** Recognise and manage risk
- Principle 8.** Remunerate fairly and responsibly

A1 Minerals Limited's corporate governance practices were in place throughout the year ended 30 June 2010 and were fully compliant with the Council's best practice recommendations.

### Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of A1 Minerals Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgment.

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

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of A1 Minerals Limited are considered to be independent:

<b>Name</b>	<b>Position</b>
Mr Michael Hunt	Chairman, Non-Executive
Mr R Louthean	Non-Executive Director
Mr R Stroud	Non-Executive Director

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

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

<b>Name</b>	<b>Term in Office</b>	<b>Name</b>	<b>Term in Office</b>
Mr Michael Hunt	7 years	Mr W Hobba	2 months
Mr R Louthean	1.5 years	Mr R Stroud	2 months
Mr A Longo	2 Months		



### **Risk**

The identification and effective management of risk is viewed as an essential part of the company's approach to creating long-term shareholder value.

In recognition of this, the Board determines the company's risk profile and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. In doing so, the Board has taken the view that it is crucial for all Board members to be a part of this process and as such has not established a separate risk management committee.

The Board oversees an annual assessment of the effectiveness of risk management and internal compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management, including responsibility for the day to day design and implementation of the company's risk management and internal control system. Management report to the Board on the company's key risks and the extent to which it believes these risks are being adequately managed.

### **Performance**

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators.

### **Remuneration**

The remuneration report is set out in the following manner:

- Policies used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share based compensation

### **Remuneration Policy**

The Board of Directors is responsible for remuneration policies and the packages applicable to the Directors of the Company. Whilst the Board remuneration policy is to ensure that packages offered properly reflect a person's duties and responsibilities and that remuneration is competitive and attracts, retains, and motivates people of the highest quality, the Board has consciously been focused on conserving the Company's funds to ensure the maximum amount is spent on exploration and mine development, and this is reflected in the modest level of Director fees.

The policy of the Group is to offer competitive salary packages which provide incentive to Directors and executives and are designed to reward and motivate. Non Executive Directors receive fees agreed on an annual basis by the Board, within total Non-Executive remuneration limits voted upon by shareholders at the Annual General Meetings. Share options which were issued to Non-Executive Directors in the reporting period as part remuneration were subject to shareholder approval.

At the date of this report, the Company had not entered into any packages with Directors or senior executives which include performance based components.

## AUDITOR'S INDEPENDENCE DECLARATION



Accountants | Business and Financial Advisers

### Auditor's Independence Declaration

As lead auditor for the audit of the financial report of A1 Minerals Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of A1 Minerals Limited.

A handwritten signature in black ink, appearing to read 'Norman G. Neill'.

Perth, Western Australia  
24 September 2010

**N G NEILL**  
Partner, HLB Mann Judd

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Liability limited by a scheme approved under Professional Standards Legislation  
HLB Mann Judd (WA Partnership) is a member of International, a world-wide organisation of accounting firms and business advisers

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Consolidated	
		2010 \$	2009 \$
Revenue	2(a)	2,769,155	199,062
Other income / (loss)	2(b)	(241,770)	-
Cost of sales	2(c)	(4,477,915)	-
Employee benefits expense	2(d)	(1,731,843)	(658,158)
Depreciation and amortisation expense	2(e)	(410,707)	(76,434)
Finance costs	2(f)	(71,113)	(6,345)
Other expenses	2(g)	(1,736,312)	(3,741,104)
<b>Loss before income tax benefit</b>	2	<b>(5,900,505)</b>	<b>(4,282,979)</b>
Income tax benefit	3	-	-
<b>Loss after tax from continuing operations</b>		<b>(5,900,505)</b>	<b>(4,282,979)</b>
<b>Net loss for the year</b>		<b>(5,900,505)</b>	<b>(4,282,979)</b>
<b>Other comprehensive income for the year, net of tax</b>		-	-
<b>Total comprehensive loss for the year</b>		<b>(5,900,505)</b>	<b>(4,282,979)</b>
Basic loss per share (cents per share)	5	<b>(3.50)</b>	<b>(3.99)</b>

The accompanying notes form part of these financial statements

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STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2010

	Notes	Consolidated	
		2010 \$	2009 \$
<b>Current Assets</b>			
Cash and cash equivalents	6	439,303	2,576,318
Trade and other receivables	7	775,836	187,054
Inventories	8	51,496	-
<b>Total Current Assets</b>		<b>1,266,635</b>	<b>2,763,372</b>
<b>Non-Current Assets</b>			
Other financial assets	7	293,598	244,512
Property, plant and equipment	9	22,321,572	2,914,516
Deferred exploration expenditure	10	11,594,986	11,987,599
<b>Total Non-Current Assets</b>		<b>34,210,156</b>	<b>15,146,627</b>
<b>Total Assets</b>		<b>35,476,791</b>	<b>17,909,999</b>
<b>Current Liabilities</b>			
Trade and other payables	11	6,734,743	973,112
Borrowings	12	418,091	32,089
Provisions	13	161,662	28,058
<b>Total Current Liabilities</b>		<b>7,314,496</b>	<b>1,033,259</b>
<b>Non-Current Liabilities</b>			
Borrowings	12	1,178,220	49,126
Provisions	13	676,816	-
<b>Total Non-Current Liabilities</b>		<b>1,855,036</b>	<b>49,126</b>
<b>Total Liabilities</b>		<b>9,169,532</b>	<b>1,082,385</b>
<b>Net Assets</b>		<b>26,307,259</b>	<b>16,827,614</b>
<b>Equity</b>			
issued capital	14	34,487,042	20,838,735
Reserves	15	3,386,797	1,654,954
Accumulated losses	15	(11,566,580)	(5,666,075)
<b>Total Equity</b>		<b>26,307,259</b>	<b>16,827,614</b>

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2010

Notes	Consolidated	
	2010 \$	2009 \$
	Inflows/(Outflows)	
<b>Cash flows from operating activities</b>		
	2,312,078	-
	(2,686,909)	(758,188)
	98,361	195,889
	(71,113)	(6,345)
6(iii)	(347,583)	(568,644)
<b>Cash flows from investing activities</b>		
	1,815,925	-
	(15,755,681)	(2,685,962)
	(13,939,756)	(2,685,962)
<b>Cash flows from financing activities</b>		
	12,634,713	882,000
	(324,107)	-
	(160,282)	(33,585)
	12,150,324	848,415
	(2,137,015)	(2,406,191)
	2,576,318	4,982,509
	439,303	2,576,318

The accompanying notes form part of these financial statements

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

Consolidated	Note	Issued Capital	Accumulated Losses	Reserves	Total
		\$	\$	\$	\$
<b>Balance as at 1 July 2008</b>		19,056,735	(1,512,412)	921,545	18,465,868
Profit for the year	15	-	(4,282,979)	-	(4,282,979)
<b>Total comprehensive loss for the year</b>		-	(4,289,979)	-	(4,282,979)
Shares issued during the year	14	1,782,000	-	-	1,782,000
Recognition of share-based payments	15	-	-	862,725	862,725
Transfer on cancellation of options	15	-	129,316	(129,316)	-
<b>Balance at 30 June 2009</b>		<b>20,838,735</b>	<b>(5,666,075)</b>	<b>1,654,954</b>	<b>16,827,614</b>
<b>Balance as at 1 July 2009</b>		20,838,735	(5,666,075)	1,654,954	16,827,614
Profit for the year	15	-	(5,900,505)	-	(5,900,505)
<b>Total comprehensive loss for the year</b>		-	(5,900,505)	-	(5,900,505)
Shares issued during the year	14	13,648,307	-	-	13,648,307
Recognition of share-based payments	15	-	-	1,731,843	1,731,843
<b>Balance at 30 June 2010</b>		<b>34,487,042</b>	<b>(11,566,580)</b>	<b>3,386,797</b>	<b>26,307,259</b>

The accompanying notes form part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

A1 Minerals Limited ('the Company') is a listed public company domiciled in Australia. The consolidated financial report of the Company for the financial year ended 30 June 2010 comprises the Company and its subsidiaries (together referred to as the 'Group'). The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report.

#### (a) Basis of Preparation

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

The financial report has also been prepared on a historical cost basis, unless otherwise stated. Cost is based on the fair values of the consideration given in exchange for assets. The entity's principal activities were exploration for gold and mining and processing of gold.

The financial report is presented in Australian dollars.

The group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

#### (b) Statement of Compliance

The financial report was authorised for issue on 24 September 2010.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

In the year ended 30 June 2010, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2010. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Principles of Consolidation

The consolidated financial statements comprise the separate financial statements of A1 Minerals Limited ("Company") and its subsidiaries as at 30 June each year (the "Group").

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

#### (d) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements in accordance with AASB requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised; if it affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### *Share-based payment transactions:*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a Black and Scholes model, using the assumptions detailed in Note 16.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black and Scholes formula taking into account the terms and conditions upon which the instruments were granted, as discussed in Note 16.



**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Critical accounting judgements and key sources of estimation uncertainty (continued)**

*Exploration and evaluation costs carried forward*

The recoverability of the carrying amount of exploration and evaluation costs carried forward has been reviewed by the directors. In conducting the review, the recoverable amount has been assessed by reference to the higher of "fair value less costs to sell" and "value in use". In determining value in use, future cash flows are based on:

- Estimates of ore reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- Estimated production and sales levels;
- Estimate future commodity prices;
- Future costs of production;
- Future capital expenditure; and/or
- Future exchange rates

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

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that sufficient future tax profits will be available to utilise those temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits over the next two years together with future tax planning strategies.

*Recoverability of long-lived assets*

Certain assumptions are required to be made in order to assess the recoverability of long-lived assets. Key assumptions include the future price of gold, future cash flows, an estimated discount rate and estimates of recoverable gold ounces. In addition, cash flows are projected over the life of mine, which is based on estimates of recoverable gold ounces. Estimates of recoverable gold ounces in themselves are dependent on various assumptions, in addition to those described above, including gold cut-off grades. Changes in these estimates could materially impact on recoverable gold ounces, and could therefore affect estimates of future cash flows used in the assessment of recoverable amount, estimates of the life of mine and depreciation and amortisation.

*Determination of ore reserves and mineral resources and remaining mine life*

The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons (as defined in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as revised December 2004 (the JORC code). Reserves and resources, if applicable, determined in this way are taken into account in the calculation of depreciation, amortisation, impairment, deferred mining costs, rehabilitation and environmental expenditure.

In estimating the remaining life of the mine for the purpose of amortisation and depreciation calculations, due regard is given, not only to the amount of remaining recoverable gold ounces, but also to limitations which could arise from the potential for changes in technology, demand, product substitution and other issues which are inherently difficult to estimate over a lengthy time frame.

Where a change in estimated recoverable gold ounces is made, depreciation and amortisation is accounted for prospectively.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(d) Critical accounting judgements and key sources of estimation uncertainty (continued)**

The determination of ore reserves, mineral resources and remaining mine life affects the carrying value of a number of the Consolidated Entity's assets and liabilities including deferred mining costs and the provision for rehabilitation.

*Provision for restoration and rehabilitation obligations*

Certain assumptions are required to be made in determining the amount expected to be incurred to settle its obligations in relation to restoration and rehabilitation of the mine site. Key assumptions include the amount and timing of future cash flow estimates. A 10% increase to cost assumptions will result in a \$63,225 increase in the liability.

*Unit-of-production method of depreciation*

The Group applies the unit-of-production method for depreciation of its mine specific assets which results in a depreciation or amortisation of its mine specific assets which results in a depreciation or amortisation charge proportional to the depletion remaining life of production. Each item's economic life, which is assessed annually, has due regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which it is located. These calculations require the use of estimates and assumptions.

**(e) Going Concern**

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's and consolidated entity's assets and the discharge of their liabilities in the normal course of business.

The company has a deficiency of working capital of \$6,047,861 at year end. The Board considers that the Company is a going concern and recognises that additional funding may be required to ensure that the Company can continue to fund its and the consolidated entity's operations and further develop their mineral exploration and evaluation assets during the twelve month period from the date of this financial report. The Board's internal cash flow projections indicate that the Company will continue to be a going concern, primarily as a result of cash positive operations. Additionally the Board has the support of a number of stock brokers in the event that further capital may be required and has already undertaken mining and geological reviews to support any future capital raisings as announced to the share market on 9 August 2010.

As disclosed in Note 21, the Company's share purchase plan raised \$685,505 in August 2010. Accordingly, the Directors believe that subject to the continued cash flow positive operations and/or prevailing equity market conditions, the Company will obtain sufficient funding to enable it and the consolidated entities to continue as going concerns and that it is appropriate to adopt that basis of accounting in the preparation of the financial report. Should the company be unable to obtain sufficient funding as outlined above, there is significant uncertainty whether or not the entity will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(f) Revenue Recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*(i) Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

*(ii) Interest income*

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

**(g) Income Tax**

The income tax expense or benefit for the period is the tax payable on the current period'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 difference 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 associates 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.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance date.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(g) Income Tax (continued)**

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

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

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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

**(h) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

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

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

**(i) Financing Costs**

Net financing costs comprise interest payable on borrowings calculated using the effective interest method. Borrowing costs are expensed as incurred and included in net financing costs.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(j) Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the general policy on borrowing costs - refer Note 1(j).

Finance lease assets are depreciated on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**(k) Cash and cash equivalents**

Cash comprises cash at bank and on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(l) Trade and other receivables**

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method, less any allowance for impairment. Trade receivables are generally due for settlement within periods ranging from 10 days to 30 days.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

**(m) Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – purchase cost on a first-in, first-out basis; and

Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(n) Property, plant and equipment**

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

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

Office furniture and equipment	5 – 8 years
Plant and equipment	3 - 5 years
Motor vehicles	4 - 5 years
Mine property and plant	Life of mine, calculated on resource units.

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

*(i) Impairment*

The carrying values of plant and equipment are reviewed for impairment at each balance date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income in the cost of sales line item. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

*(ii) Derecognition and disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(o) Investments and other Financial Assets**

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

*(i) Financial Assets at Fair Value through Profit and Loss*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

*(ii) Held-to-maturity Investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

*(iii) Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*(iv) Available-for-sale Investments*

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(o) Investments and other Financial Assets (continued)**

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

**(p) Exploration and evaluation**

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
  - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - b) exploration and evaluation activities in the area of interest have not at the balance date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

**(q) Mine Development expenditure**

Mine development costs represent the accumulation of all exploration, evaluation and development expenditure incurred in respect of areas of interest in which a decision to mine has been made. Plant construction and commissioning costs are included as mine development costs once the commissioning phase has been completed.

When further development expenditure is incurred in respect of mine property after the commencement of production, such expenditure is carried forward as part of Mine Development Costs only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.



**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(q) Mine Development expenditure (continued)**

Amortisation is provided on a unit of production basis which results in a write off of the cost proportional to the depletion of the proven and probable mineral reserves.

The net carrying value of each area of interest is reviewed regularly and to the extent to which this value exceeds its recoverable amount, the excess is fully provided against or written off in the financial year in which this is determined

**(r) Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the assets' recoverable amount. An assets' recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the assets' value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each balance date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the assets' revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(s) Trade and other payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

**(t) Interest-bearing loans and borrowings**

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method and the redemption amount is recognised in profit or loss over the period of the borrowings. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(u) Provisions – Employee benefits**

*(i) Wages, Salaries, Annual Leave and Sick Leave*

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

*(ii) Long Service Leave*

The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee of departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, to the estimated future cash outflows.

**(v) Share-based payment transactions**

*(i) Equity settled transactions:*

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black and Scholes model, further details of which are given in Note 16.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of A1 Minerals Limited (market conditions), if applicable.

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

The cumulative expense recognised for equity-settled transactions at each balance date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(v) Share-based payment transactions (continued)**

*(i) Equity settled transactions: (continued)*

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

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

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

**(w) Share 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.

**(x) Earnings per share**

Basic earnings per share ('EPS') is calculated as net profit or loss attributable to members of the Company for the reporting period, after excluding any costs for servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the Company, adjusted for any bonus element.

Diluted earnings is calculated by dividing the basic EPS earnings, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary share and the effect on revenues and expenses of conversion, by the weighted average number of ordinary shares and potential dilutive ordinary shares, adjusted for any bonus element.

**(y) Provision for restoration and rehabilitation**

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the balance date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each balance date.

The initial estimate of the restoration and rehabilitation provision is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 2: REVENUE AND EXPENSES**

	Consolidated	
	2010 \$	2009 \$
<b>(a) Revenue</b>		
Sale of gold and by-product	2,656,509	-
Bank interest receivable	107,003	197,901
Other income	5,643	1,161
	<u>2,769,155</u>	<u>199,062</u>
<b>(b) Other income / (loss)</b>		
Sale of tenements	1,815,925	-
Less: Cost of tenements	(2,057,695)	-
	<u>(241,770)</u>	<u>-</u>
<b>(c) Cost of sales</b>		
Employee expenses	242,948	-
Stores and other consumables	336,987	-
Fuel, power and water	500,556	-
Amortisation of waste material	813,207	-
Mining, processing and refining	2,584,217	-
	<u>4,477,915</u>	<u>-</u>
<b>(d) Employee benefits expense</b>		
Share based payments	1,731,843	658,158
	<u>1,731,843</u>	<u>658,158</u>
<b>(e) Depreciation of non current assets</b>		
Gold plant and mine development	212,734	-
Plant and equipment	41,907	-
Motor vehicles	68,720	46,783
Site equipment	67,144	13,527
Office equipment	20,202	16,124
	<u>410,707</u>	<u>76,434</u>
<b>(f) Finance charges</b>		
Finance charges payable under finance leases and hire purchase contracts	71,113	6,345
	<u>71,113</u>	<u>6,345</u>
<b>(g) Other expenses</b>		
Employee expense	981,366	512,460
Less: allocated to exploration	(558,125)	(356,799)
	423,241	155,661
Exploration costs expensed and written off	105,906	2,947,923
Consulting	95,093	74,859
Corporate	292,031	190,211
Administration	820,041	372,450
	<u>1,736,312</u>	<u>3,741,104</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 3: INCOME TAX**

	Consolidated	
	2010 \$	2009 \$
<b>(a) Income tax recognised in statement of income</b>		
Accounting loss before tax from continuing operations	(5,900,505)	(4,282,979)
Income tax benefit calculated at 30%	(1,770,152)	(1,284,894)
Non-deductible expenses:	523,739	197,447
Exploration costs written off	-	877,550
Exploration expenditure capitalised	117,784	-
Mining assets	(1,799,068)	-
Other Deferred Tax Assets and Deferred Tax Liabilities not recognised	2,927,697	209,897
Income tax expense / (benefit) reported in the statement of income	-	-
<b>(b) Unrecognised deferred tax balances</b>		
<b>Deferred tax assets comprise:</b>		
Losses available for offset against future taxable income - revenue	6,874,335	4,078,877
Business related costs	30,569	51,667
Accrued expenses	155,783	10,101
	<b>7,060,687</b>	<b>4,140,645</b>
<b>Deferred tax liabilities comprise:</b>		
Mining assets	(1,799,068)	-
Accrued income	(2,088)	-
Exploration expenditure capitalised	(3,478,496)	(3,596,280)
Prepayments	-	(9,742)
	<b>(5,279,652)</b>	<b>(3,606,022)</b>

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in this tax rate since the previous reporting period.

**NOTE 4: SEGMENT REPORTING**

The group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors in assessing performance and determining the allocation of resources. Reportable segments disclosed are based on aggregating operating segments, where the segments have similar characteristics. The group's sole activity is mineral exploration and resource development wholly within Australia, therefore it has aggregated all operating segments into the one reportable segment being mineral exploration.

The reportable segment is represented by the primary statements forming these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 5: EARNINGS PER SHARE**

	Consolidated	
	2010	2009
	Cents per share	Cents per share
<i>Basic earnings per share:</i>		
Total basic earnings per share	(3.50)	(3.99)
<i>Basic earnings per share</i>		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:		
	\$	\$
Earnings	(5,900,505)	(4,282,979)
Weighted average number of ordinary shares for the purposes of basic earnings per share	168,783,895	107,385,012

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 6: CASH AND CASH EQUIVALENTS**

Consolidated

	2010 \$	2009 \$
Cash at bank and on hand	(25,610)	69,991
Short-term deposits	464,913	2,506,327
	<u>439,303</u>	<u>2,576,318</u>

Cash at bank 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 Group, and earn interest at the respective short-term deposit rates.

At 30 June 2010, the Group did not have any undrawn committed borrowing facilities.

**(i) Reconciliation to Cash Flow Statement:**

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprise cash on hand and at bank and investments in money market instruments, net of outstanding bank overdrafts.

Cash and cash equivalents as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:

Cash and cash equivalents	439,303	2,576,318
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**(ii) Cash balances not available for use**

Non current bank deposits held for issuance of unconditional performance bonds issued to the Minister responsible for the Mining Act 1978 for granting licences:

Naroo Bond	61,000	61,000
Bond issued for exploration licence No. L38/100	25,000	25,000
Bond issued for exploration licence No. M38/302	16,155	15,512
Bond issued for exploration licence No. M38/9	123,000	123,000
Bond issued for licence on open pit mining & treatment plant	67,040	-
Total non current deposits not available for use shown in Security and environmental bonds refer to Note 7	<u>292,195</u>	<u>224,512</u>

**(iii) Reconciliation of profit for the year to net cash flows from operating activities**

Profit / (loss) for the year	(5,900,505)	(4,282,979)
Amortisation	813,207	-
Depreciation	410,707	76,434
Loss on sale of tenements	241,770	-
Equity settled share based payment	1,731,843	658,158
Exploration expenses written off	105,906	2,947,923
(Increase)/decrease in assets		
Current receivables	(487,740)	(7,013)
Current inventories	(51,496)	-
Increase/(decrease) in liabilities		
Current payables	2,610,556	38,833
Current provisions	133,604	-
Non-current provisions	44,565	-
Net cash from operating activities	<u>(347,583)</u>	<u>(568,644)</u>

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 7: TRADE AND OTHER RECEIVABLES**

**CURRENT**

	Consolidated	
	2010	2009
	\$	\$
Trade receivables	350,074	-
GST recoverable	284,461	154,597
Other receivables	141,301	32,457
	<u>775,836</u>	<u>187,054</u>

(i) the average credit period on sales of goods and rendering of services is 5 days. GST input credit is recoverable from the Australian Taxation Office within 30 days of month end.

At present, sales of gold and silver are contracted to the Perth Mint at spot pricing; hence credit scoring was not required. Other receivables represent prepaid insurance and advances against purchases.

(ii) For details of the terms and conditions of related party receivables refer to Note 19.

	\$	\$
<u>Aging of past due but not impaired</u>		
30 – 60 days	350,074	-

**NON CURRENT**

	Consolidated	
	2010	2009
	\$	\$
Security and environmental bonds	292,195	224,512
Other loans	1,403	20,000
	<u>293,598</u>	<u>244,512</u>

**NOTE 8: INVENTORIES**

	Consolidated	
	2010	2009
	\$	\$
Raw materials – at cost	51,496	-



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 9: PROPERTY, PLANT AND EQUIPMENT**

	Office furniture and equipment \$	Plant and equipment \$	Consolidated Motor vehicles \$	Mine property and plant \$	Total \$
<b>Year ended 30 June 2010</b>					
At 1 July 2009, net of accumulated depreciation and impairment	20,540	29,952	63,804	2,800,220	2,914,516
Additions	32,121	610,770	267,672	19,720,407	20,630,970
Disposals	-	-	-	-	-
Depreciation charge for the year	(20,202)	(109,051)	(68,717)	(1,025,944)	(1,223,914)
At 30 June 2010, net of accumulated depreciation and impairment	32,459	531,671	262,759	21,494,683	22,321,572
<b>At 1 July 2009</b>					
Cost or fair value	109,271	69,656	207,925	2,800,220	3,187,072
Accumulated depreciation and impairment	(88,731)	(39,704)	(144,121)	-	(272,556)
Net carrying amount	20,540	29,952	63,804	2,800,220	2,914,516
<b>At 30 June 2010</b>					
Cost or fair value	141,392	680,426	475,597	22,520,627	23,818,042
Accumulated depreciation and impairment	(108,933)	(148,755)	(212,838)	(1,025,944)	(1,496,470)
Net carrying amount	32,459	531,671	262,759	21,494,683	22,321,572

The useful life of the assets was estimated as follows for both 2009 and 2010:

Office furniture and equipment	5 to 8 years
Plant and equipment	3 to 5 years
Motor vehicles	4 to 5 years
Mine property and plant	Life of mine, calculated on resource units

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2010 is \$1,659,437 (2009: \$63,804). Additions during the year include \$1,717,244 (2009: \$10,499) of plant and equipment held under finance leases and hire purchase contracts.

Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 10: DEFERRED EXPLORATION EXPENDITURE**

	Consolidated	
	2010 \$	2009 \$
Costs carried forward in respect of:		
<b>Exploration and evaluation phase – at cost</b>		
Balance at beginning of year	11,987,599	13,346,175
Sale of tenements	(2,049,367)	-
Expenditure incurred	1,761,384	1,566,590
	11,699,616	14,912,765
Expenditure written off	(104,630)	(2,925,166)
	<u>11,594,986</u>	<u>11,987,599</u>

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

**NOTE 11: TRADE AND OTHER PAYABLES (CURRENT)**

	Consolidated	
	2010 \$	2009 \$
Trade payables (i)	5,913,064	889,562
Accrued liabilities	821,679	83,550
	<u>6,734,743</u>	<u>973,112</u>

(i) Trade payables are non-interest bearing and are normally settled on 30-day terms and with special arrangements entered into with major suppliers for settlement within 60 days.

**NOTE 12: BORROWINGS**

	Consolidated	
	2010 \$	2009 \$
<b>Current</b>		
<i>Loans carried at amortised cost</i>		
Obligations under finance leases and hire purchase contracts (refer Note 18)	418,091	32,089
	<u>418,091</u>	<u>32,089</u>
<b>Non-Current</b>		
<i>Loans carried at amortised cost</i>		
Obligations under finance leases and hire purchase contracts (refer Note 18)	1,178,220	49,126
	<u>1,178,220</u>	<u>49,126</u>

At the balance date, with the exception of the above drawn down facilities, the company had no other loan facilities available. The finance leases and hire purchase contracts bear a charge on the specific plant and machinery financed. The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 June 2010 is \$1,659,437 (2009: \$63,804).

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 13: PROVISIONS**

	Consolidated		Total \$
	Rehabilitation	Employee benefits	
<b>Consolidated</b>			
At 1 July 2009	-	28,058	28,058
Arising during the year	632,251	191,170	823,421
Utilised	-	(13,001)	(13,001)
	<u>632,251</u>	<u>206,227</u>	<u>838,478</u>
At 30 June 2010			
Current 2010	-	161,662	161,662
Non-current 2010	632,251	44,565	676,816

Employee provisions for annual leave and sick leave are based on 20 days and 10 days per annum respectively, and calculated on individual employee base rate per day plus superannuation. Employee provision for long service leave has been pro-rated for the current period of service and based on the assumption that employees would complete 7 years of unbroken service to qualify the statutory pro-rating entitlement of 8.667 weeks for 10 years.

**NOTE 14: ISSUED CAPITAL**

	Consolidated	
	2010 \$	2009 \$
196,860,062 Ordinary shares issued and fully paid	<u>34,487,042</u>	<u>20,838,735</u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Consolidated 2010		Consolidated 2009	
	No.	\$	No.	\$
<i>Movement in ordinary shares on issue</i>				
Balance at beginning of financial year	119,566,861	20,838,735	101,041,861	19,056,735
Issued as part consideration for gold processing plant	-	-	7,500,000	900,000
Issued for cash on placement	-	-	11,025,000	882,000
Issued for cash on share placement	41,208,946	7,950,636	-	-
Issued for cash share purchase plan	22,667,635	2,946,793	-	-
Issued in consideration for exploration asset, mining camp and mining consultancy services	2,941,620	882,486	-	-
Issued for cash on exercise of employee options	10,475,000	2,192,500	-	-
Share issue costs		(324,108)	-	-
Balance at end of financial year	<u>196,860,062</u>	<u>34,487,042</u>	<u>119,566,861</u>	<u>20,838,735</u>

*Share options*

The company has four share based payment option schemes under which options to subscribe for the company's shares have been granted to certain executives and other employees Note 16.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 15: ACCUMULATED LOSSES AND RESERVES**

*Accumulated losses*

Movements in accumulated losses were as follows:

	Consolidated	
	2010	2009
	\$	\$
Balance at beginning of financial year	(5,666,075)	(1,512,412)
Transfer on cancellation of option	-	129,316
Net profit / (loss) for the year	(5,900,505)	(4,282,979)
Dividends	-	-
Balance at end of financial year	<u>(11,566,580)</u>	<u>(5,666,075)</u>

*Option reserve*

Movements in option reserve was as follows:

	Consolidated	
	2010	2009
	\$	\$
Balance at beginning of financial year	1,654,954	921,545
Share based payments	1,731,843	862,725
Transfer on cancellation of options	-	(129,316)
Balance at end of financial year	<u>3,386,797</u>	<u>1,654,954</u>

**Nature and purpose of reserves**

*Option reserve*

This option reserve represents the fair value of options, estimated by option valuation models, issued as consideration for services to employees or consultants as remuneration, or to third parties for the acquisition of assets, goods or services.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 16: SHARE BASED PAYMENT PLANS**

**General Employee Share Loan Plan**

The company does not have a General Employee Share Loan Plan.

The expense recognised in the statement of income in relation to share-based payments is disclosed in NOTE 2(d).

The following share-based payment arrangements were in place during the current and prior periods:

**Current – 2010**

	Number	Grant date	Expiry date	Exercise price \$	Fair value at grant date \$
Options issued to directors	3,000,000	21/12/2008	31/12/2010	\$0.30	90,900
Options issued to directors	1,500,000	28/11/2008	30/11/2011	\$0.20	30,900
Options issued to employees	2,300,000	23/02/2009	23/02/2012	\$0.20	313,260
Options issued to a director	500,000	27/07/2009	30/11/2011	\$0.20	45,564
Options issued to directors	9,500,000	22/12/2009	30/11/2012	\$0.35	1,686,274

**Prior period – 2009**

Options issued to directors	9,500,000		31/12/2009	\$0.35	736,444
Options issued to employees	700,000		30/06/2010	\$0.30	28,630
Options issued part consideration for acquisition of gold plant	5,000,000	10/09/2008	31/05/2010	\$0.20	204,500
Options issued to employees	1,150,000	21/12/2008	31/12/2009	\$0.30	99,820
Options issued to directors	3,000,000	21/12/2008	31/12/2010	\$0.30	90,900
Options issued to directors	5,500,000	28/11/2008	30/11/2011	\$0.20	113,300
Options issued to employees	2,800,000	23/02/2009	23/02/2012	\$0.20	381,360

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 16: SHARE BASED PAYMENT PLANS (continued)**

The following table illustrates the number (No.) and weighted average exercise prices of and movements in share options issued during the year:

	2010 No.	2010 Weighted average exercise price	2009 No.	2009 Weighted average exercise price
Outstanding at the beginning of the year	27,650,000	\$0.27	29,535,345	\$0.29
Granted during the year	10,000,000	\$0.35	17,800,000	\$0.23
Forfeited during the year	-	-	-	-
Exercised during the year	(10,475,000)	\$0.21	-	-
Expired during the year	(10,375,000)	\$0.35	(19,685,345)	\$0.27
Outstanding at the end of the year	16,800,000	\$0.30	27,650,000	\$0.27
Exercisable at the end of the year	17,400,000	\$0.30	27,650,000	\$0.27

The outstanding balance as at 30 June 2010 is represented by:

- 3,000,000 options over ordinary shares with an exercise price of \$0.30 each, exercisable upon meeting the above conditions and until 31 December 2010;
- 2,000,000 options over ordinary shares with an exercise price of \$0.20 each, exercisable upon meeting the above conditions and until 30 November 2011];
- 2,300,000 options over ordinary shares with a weighted average exercise price of \$0.20 each, exercisable upon meeting the above conditions and until 23 February 2012; and
- 9,500,000 options over ordinary shares with an exercise price of \$0.35 each, exercisable upon meeting the above conditions and until 30 November 2012].

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is 1.85 years (2009: 1.30 years).

The range of exercise prices for options outstanding at the end of the year was \$0.20 - \$0.35 (2009:\$ \$0.20 - \$0.35).

The weighted average fair value of options granted during the year was \$1,476,700 (2009: \$862,360).

The fair value of the equity-settled share options granted under both the option and the loan plans is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 16: SHARE BASED PAYMENT PLANS (continued)**

The following table lists the inputs to the model used for the years ended 30 June 2009 and 30 June 2010:

	Series 1 22 Dec 09	Series 2 24 Jul 09	Series 3 23 Feb 09	Series 4 28 Nov 08	Series 5 28 Nov 08	Series 6 10 Sep 08
<i>Dividend yield (%)</i>	0%	0%	0%	0%	0%	0%
Expected volatility (%)	97%	120%	135%	100%	100%	70%
Risk-free interest rate (%)	4.78%	4.28%	3.25%	4.50%	4.50%	5.69%
Expected life of option (years)	2.9	2.3	3.0	3.0	3.0	1.7
Exercise price (cents)	35c	20c	20c	40c	20c	20c
Grant date share price (cents)	30c	15c	18c	7c	7c	11c

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

**NOTE 17: FINANCIAL INSTRUMENTS**

**(a) Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2009.

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

None of the Group's entities are subject to externally imposed capital requirements.

Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax, dividends and general administrative outgoings.

Gearing levels are reviewed by the Board on a regular basis in line with its target gearing ratio, the cost of capital and the risks associated with each class of capital.

**(b) Categories of financial instruments**

**Financial assets**

	Consolidated	
	2010 \$	2009 \$
Loans and receivables	1,069,434	431,566
Cash and cash equivalents	439,303	2,576,318

**Financial liabilities**

Trade and other payables	6,361,923	973,112
Borrowings	1,596,311	81,215
Other financial liabilities	206,227	28,058

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 17: FINANCIAL INSTRUMENTS (continued)**

**(c) Market risk**

The Group's activities expose it primarily to the financial risks of changes in commodity prices.

**(d) Foreign currency risk management**

The Group does not have any exposure to foreign currency risk, other than its impact on the economy and commodity price generally.

**(e) Credit risk management**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses publicly available financial information and its own trading record to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained

**(f) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the board of directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the company's and the Group's expected maturity for its non-derivative financial liabilities. These have been drawn up based on undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 17: FINANCIAL INSTRUMENTS (continued)**

**(f) Liquidity risk management (continued)**

Consolidated

	Less than 1 month \$	1 – 3 Months \$	3 months – 1 year \$	1 – 5 years \$	5+ years \$
<b>2010</b>					
Non-interest bearing	3,068,471	3,666,272	-	-	-
Finance lease liabilities	32,939	65,928	319,223	1,178,220	-
	<b>3,101,410</b>	<b>3,732,200</b>	<b>319,223</b>	<b>1,178,220</b>	<b>-</b>
<b>2009</b>					
Non-interest bearing	973,112	-	-	-	-
Finance lease liabilities	2,277	4,611	25,201	49,126	-
	<b>975,389</b>	<b>4,611</b>	<b>25,201</b>	<b>49,126</b>	<b>-</b>

**(g) Commodity price risk**

The Group has exposure to gold price fluctuations due to gold sales being un-hedged. A 10% change (+/-) to the price of gold would have changed the current year result by \$276,916. There would also have been a corresponding change in equity.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 18: COMMITMENTS AND CONTINGENCIES**

**Operating lease commitments – Group as lessee**

The Group has not entered into commercial leases at the balance date.

**Finance lease and hire purchase commitments - Group as lessee**

The Group has finance leases and hire purchase contracts for various items of plant and machinery. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entity that holds the lease.

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

Consolidated	2010		2009	
	Minimum lease payments \$	Present value of lease payments \$	Minimum lease payments \$	Present value of lease payments \$
Within one year	546,777	509,093	36,216	34,286
After one year but not more than five years	1,329,424	1,151,679	56,328	49,289
Total minimum lease payments	1,876,201	1,660,772	92,544	83,575
Less amounts representing finance charges	(279,890)	(255,133)	(11,329)	(10,444)
Present value of minimum lease payments	1,596,311	1,405,639	81,215	73,131

Parent	2010		2009	
	Minimum lease payments \$	Present value of lease payments \$	Minimum lease payments \$	Present value of lease payments \$
Within one year	546,777	509,093	36,216	34,286
After one year but not more than five years	1,329,424	1,151,679	56,328	49,289
Total minimum lease payments	1,876,201	1,660,772	92,544	83,575
Less amounts representing finance charges	(279,890)	(255,133)	(11,329)	(10,444)
Present value of minimum lease payments	1,596,311	1,405,639	81,215	73,131

**Capital commitments**

At 30 June 2010 the Group had no commitment (2009: \$1,622,462 principally relating to orders placed and contracts entered into for the development and construction of the gold processing plant).

Commitments contracted for at balance date but not recognised as liabilities are as follows:

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
<i>Property, plant and equipment</i>				
Within one year	-	1,622,462	-	1,622,462
After one year but not more than five years	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 18: COMMITMENTS AND CONTINGENCIES (continued)**

**Other expenditure commitments**

Orders unexecuted for procurement of non capital related goods and services.

Commitments contracted for at balance date but not recognised as liabilities are as follows:

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
Within one year	96,194	-	96,194	-
After one year but not more than five years	-	-	-	-

**Remuneration Commitments**

Relates to the service agreement with the Managing Director expiring on 23 October 2010, under which he is entitled to a payment equivalent to 6 months salary in the event that the Company terminates the agreement.

Commitment contracted for at balance date but not recognised as a liability.

	Consolidated		Parent	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Within one year	150,000	150,000	150,000	150,000
After one year but not more than five years	-	-	-	-

**NOTE 19: RELATED PARTY DISCLOSURE**

The consolidated financial statements include the financial statements of A1 Minerals Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest		Investment (\$)	
		2010	2009	2010	2009
Desertex Resources Limited	Australia	100%	100%	770,000	770,000
Less: Impairment				(770,000)	(770,000)
				-	-
Desertex Exploration Pty Ltd	Australia	100%	100%	1,546,004	1,546,004

A1 Minerals Limited is the ultimate Australian parent entity and ultimate parent of the Group.

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 19: RELATED PARTY DISCLOSURE (continued)**

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

<i>Related party</i>		Income from Related Parties \$'000	Expenditure Related Parties \$'000	Amounts Owed by Related parties \$'000	Amounts Owed to Related parties \$'000
<b>Consolidated</b>					
Loan to controlled entity	2010	-	-	2,471,238	-
	2009	-	-	2,471,238	-

*Entity with significant influence over the Group*

A1 Minerals Limited owns 100% of the ordinary shares in Desertex Exploration Pty Ltd (2009: 100%).

*Terms and conditions of transactions with related parties*

There are no Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding balances at year-end are unsecured and interest free.

**NOTE 20: PARENT ENTITY DISCLOSURES**

**Financial position**

	30 June 2010 \$	30 June 2009 \$
<b>Assets</b>		
Current assets	1,266,635	2,763,372
Non-current assets	34,330,270	15,279,570
Total assets	<u>35,596,905</u>	<u>18,042,942</u>
<b>Liabilities</b>		
Current liabilities	7,314,503	1,046,095
Non-current liabilities	1,855,036	49,126
Total liabilities	<u>9,169,539</u>	<u>1,095,221</u>
<b>Equity</b>		
Issued capital	34,487,042	20,838,735
Accumulated losses	(11,446,473)	(5,545,968)
Reserves	3,386,797	1,654,954
Total equity	<u>26,427,366</u>	<u>16,947,721</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 20: PARENT ENTITY DISCLOSURES (continued)**

**Financial performance**

	Year ended 30 June 2010 \$	Year ended 30 June 2009 \$
Loss for the year	(5,900,505)	(4,163,966)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(5,900,505)</u>	<u>(4,163,966)</u>

**Contingent liabilities of the parent entity**

	30 June 2010 \$	30 June 2009 \$
Purchase orders raised and unexecuted	<u>96,194</u>	<u>1,622,462</u>

For details on commitments, see Note 18.

**Commitments for the acquisition of property, plant and equipment by the parent entity**

	30 June 2010 \$	30 June 2009 \$
<b>Plant and equipment</b>		
Not longer than 1 year	<u>-</u>	<u>1,622,462</u>

**NOTE 21: EVENTS AFTER THE BALANCE DATE**

The Managing Director tendered his resignation from office effective from 9 August 2010. In accordance with the contract of employment, termination benefits will be paid. The Chief Financial Officer has been appointed Finance Director and a Technical Director and a Non-Executive Director appointed to the Board.

A Share Purchase Plan was issued on 8 July 2010 for existing shareholders to subscribe \$15,000 each at 18 cents per share with the closing date being 9 August 2010. A total of 3,808,363 ordinary shares have been allotted raising a total of \$685,505 and the shares on issue being 200,668,425.

**NOTE 22: AUDITOR'S REMUNERATION**

The auditor of A1 Minerals Limited is HLB Mann Judd.

	Consolidated		Parent	
	2010 \$	2009 \$	2010 \$	2009 \$
<i>Amounts received or due and receivable by HLB Mann Judd for:</i>				
An audit or review of the financial report of the entity and any other entity in the Group	19,950	21,400	19,950	21,400
- tax compliance	5,000	-	5,000	-
	<u>24,950</u>	<u>21,400</u>	<u>24,950</u>	<u>21,400</u>
<i>Amounts received or due and receivable by non HLB Mann Judd audit firms</i>				
- other non audit services	5,920	9,800	5,920	9,800

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 23: DIRECTORS AND EXECUTIVES DISCLOSURES**

**(a) Details of Key Management Personnel**

*(i) Directors*

Michael Hunt	Chairman (non-executive)
John Williams	Managing Director
Ross Louthean	Director (non-executive)

*(ii) Executives*

Mark Pitts	Company Secretary
Albert Longo	Chief Financial Officer & Company Secretary

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

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

	Balance at beginning of period	Granted as remuneration	Options exercised	Net change Other #	Balance at end of period	Vested as at end of period	
						Exercisable	Not Exercisable
<b>30 June 2010</b>							
<b>Directors</b>							
John Williams	10,500,000	7,000,000	(2,500,000)	(7,000,000)	8,000,000	8,000,000	-
Michael W Hunt	5,000,000	2,000,000	(1,000,000)	(1,500,000)	4,500,000	4,500,000	-
Ross Louthean	-	1,000,000	-	-	1,000,000	1,000,000	-
<b>Executives</b>							
Tim Hronsky	1,000,000	-	-	-	1,000,000	1,000,000	-
Mark Pitts	500,000	-	-	-	500,000	-	-
Albert Longo	-	1,000,000	-	-	1,000,000	1,000,000	-
<b>Total</b>	<b>17,000,000</b>	<b>11,000,000</b>	<b>(3,500,000)</b>	<b>(8,500,000)</b>	<b>16,000,000</b>	<b>15,500,000</b>	<b>-</b>

# Includes forfeitures

	Balance at beginning of period	Granted as remuneration	Options exercised	Net change Other #	Balance at end of period	Vested as at end of period	
						Exercisable	Not Exercisable
<b>30 June 2009</b>							
<b>Directors</b>							
Michael W Hunt	2,500,000	2,500,000	-	-	5,000,000	5,000,000	5,000,000
John Williams	8,000,000	2,500,000	-	-	10,500,000	10,500,000	10,500,000
Tim Hronsky	1,000,000	5,000,000	-	(5,000,000)	1,000,000	1,000,000	1,000,000
Ross Louthean	-	-	-	-	-	-	-
<b>Executives</b>							
Mark Pitts	500,000	-	-	-	500,000	500,000	500,000
<b>Total</b>	<b>12,000,000</b>	<b>10,000,000</b>	<b>-</b>	<b>(5,000,000)</b>	<b>17,000,000</b>	<b>17,000,000</b>	<b>17,000,000</b>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

**NOTE 23: DIRECTORS AND EXECUTIVES DISCLOSURES (continued)**

**(c) Shareholdings of Key Management Personnel (Consolidated)**

*Ordinary shares held in A1 Minerals Limited (number)*

	Balance at beginning of period	Granted as remunerat-ion	On Exercise of Options	Net Change Other	Balance at end of period
<b>30 June 2010</b>					
<b>Directors</b>					
Michael Hunt	-	-	1,000,000	1,250,000	2,250,000
John Williams	6,426,666	-	2,500,000	4,875,300	13,801,966
Ross Louthean	-	-	-	-	-
	6,426,666		3,500,000	6,125,300	16,051,966

*Ordinary shares held in A1 Minerals Limited (number)*

	Balance at beginning of period	Granted as remuneration	On Exercise of Options	Net Change Other	Balance at end of period
<b>30 June 2009</b>					
<b>Directors</b>					
Michael Hunt	-	-	-	-	-
John Williams	6,416,666	-	-	10,000	6,426,666
Timothy Hronksy	-	-	-	-	-
Ross Louthean	-	-	-	-	-
	6,416,666	-	-	10,000	6,426,666

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

**(d) Other transactions and balances with Key Management Personnel**

Some Directors and executives hold positions within other entities which cause them to have control or exert significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company during the reporting period. In each instance normal commercial terms and conditions applied. Terms and conditions were no more favourable than those available, or which might reasonably be expected to be available, for a similar transaction to unrelated parties on an arm's length basis.

The aggregate amounts recognised during the year relating to Directors and executives and their personally related entities, totalled an expense of \$152,742 (2009: \$110,074). Details of these transactions are set out in the following table

<b>30 June 2009</b>	<b>Transaction</b>	<b>2010</b>	<b>2009</b>
<b>Directors</b>			
Michael Hunt	Legal fees	82,611	51,698
Ross Louthean	Media work	650	-
<b>Executives</b>			
Mark Pitts	Accounting services	69,262	14,983

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## DIRECTORS' DECLARATION

1. In the opinion of the directors of A1 Minerals Limited (the 'Company'):
  - a. the accompanying financial statements, notes and the additional disclosures of the consolidated entity are in accordance with the Corporations Act 2001 including:
    - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year then ended; and
    - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
  - b. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
  - c. the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2010.

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



**Albert Longo**

Finance Director

Dated this 24 day of September, 2010





Accountants | Business and Financial Advisers

**To the members of**

**A1 MINERALS LIMITED:**

**Report on the Financial Report**

We have audited the accompanying financial report of A1 Minerals 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 year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 17 to 54.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

*Auditor's Responsibility*

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

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

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

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

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# INDEPENDENT AUDITOR'S REPORT

## *Independence*

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

## *Auditor's Opinion*

In our opinion:

- (a) the financial report of A1 Minerals Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1(a).

## *Continuation as a Going Concern*

Without qualification to the opinion expressed above, we draw attention to Note 1(e) to the financial statements which indicates that the ability of the consolidated entity to continue as a going concern and, therefore, meet its debts and commitments as and when they fall due is dependent upon the continued cash flow positive operations or the raising of additional funds. Should the consolidated entity be unable to complete these objectives there is significant uncertainty whether the consolidated entity will continue as a going concern and, therefore, whether it will realise its assets, and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 9 to 12 of the directors' report for the year 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.

## *Auditor's Opinion*

In our opinion the Remuneration Report of A1 Minerals Limited for the year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.



**HLB MANN JUDD**  
**Chartered Accountants**



**N G NEILL**  
**Partner**

**Perth, Western Australia**  
**24 September 2010**

## ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited and not disclosed elsewhere in this report is set out below

### Shareholdings at 15th October 2010

Range	Number of Holders	Securities Held
1 - 1,000	126	15,961
1,001 - 5,000	409	1,333,882
5,001 - 10,000	511	4,349,175
10,001 - 100,000	1,568	56,771,780
100,001 - 9,999,999,999	332	138,197,627
	<b>2,946</b>	<b>200,668,425</b>

There are 421 shareholders holding unmarketable parcels represented by 791,676 shares

### TOP 20 LARGEST SHAREHOLDERS

Shareholder	Shares Held	% of Issued Capital
MS SANDRA WHEELER	11,247,775	5.61
MR JOHN DENNIS WILLIAMS	7,541,966	3.76
WAPIMALA PTY LIMITED	4,340,385	2.16
MR MICHAEL JOHN COLTON	3,070,882	1.53
MR MURRAY JAMES HULL + MRS KATHLEEN VERONICA HULL	2,873,993	1.43
MR JOHN SWAIN	2,714,913	1.35
JP MORGAN NOMINEES AUSTRALIA LIMITED	2,448,063	1.22
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,261,581	1.13
MESUTA PTY LTD	2,251,557	1.12
AMWELL PTY LTD	2,250,000	1.12
ARCHEM TRADING NZ LIMITED	2,146,154	1.07
MRS DINAH SUSAN DUDNEY	2,000,000	1.00
FORTY TRADERS LIMITED	1,610,663	0.80
MR SHANE GORDON BROWN + MS JAYNE MAY ROLINSON	1,578,947	0.79
GWALIA PROPERTIES PTY LTD	1,441,620	0.72
KTEHF PTY LTD	1,440,789	0.72
CLUNE HIRE PTY LTD	1,400,000	0.70
KADAVEL PTY LTD	1,300,000	0.65
CITICORP NOMINEES PTY LIMITED	1,244,433	0.62
MR EVERITT GEORGE BROWN	1,165,000	0.58
	<b>56,328,721</b>	<b>28.07</b>

### VOTING RIGHTS

One vote for each ordinary share held in accordance with the Company's Memorandum and Articles of Association

### SUBSTANTIAL SHAREHOLDERS

Name	Shares Held	% of Issued Capital
Sandra Wheeler	11,247,775	5.61

### UNQUOTED ORDINARY SECURITIES

At the end of the financial year there were no ordinary fully paid shares subject to restriction agreements

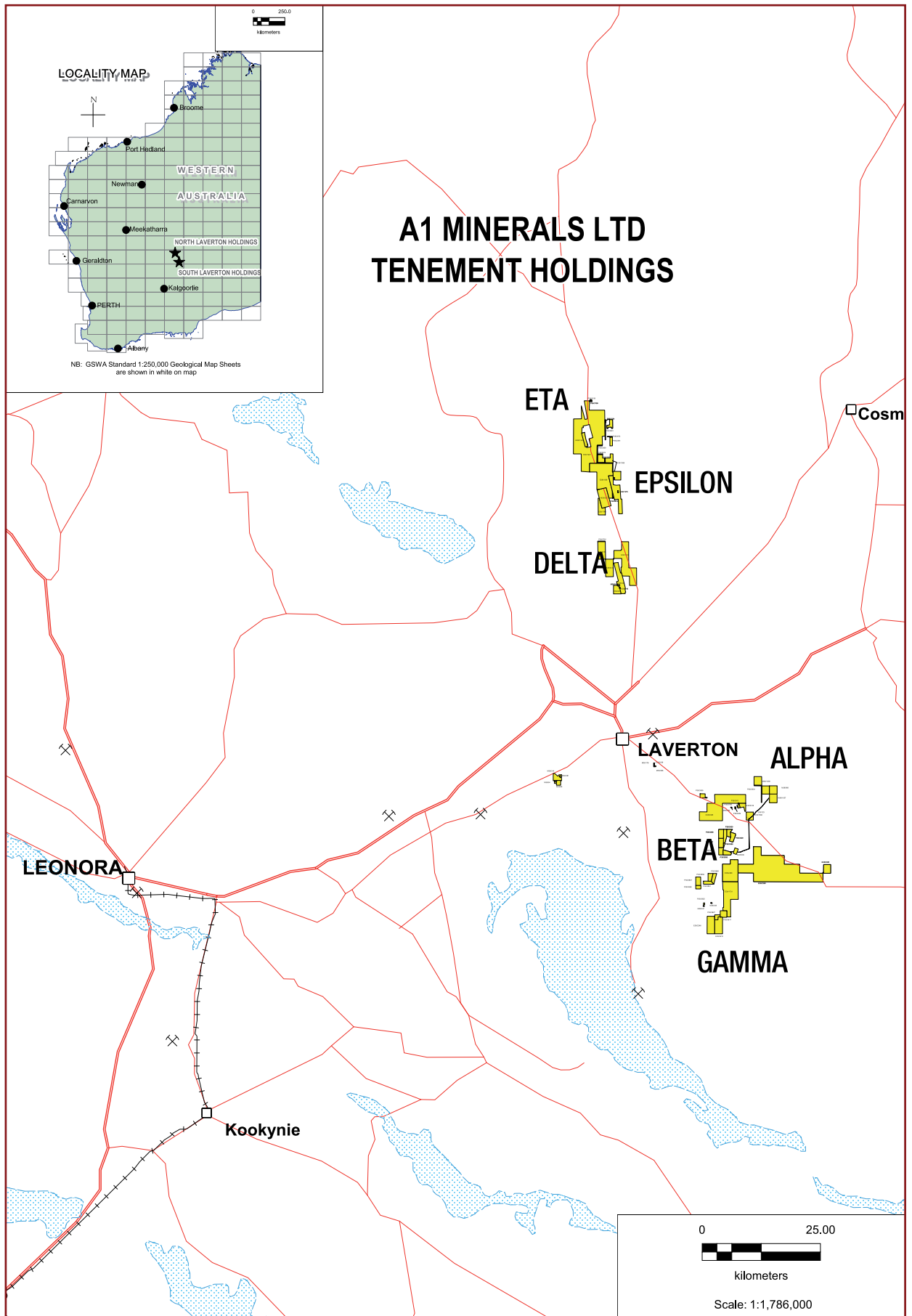
## TENEMENT SCHEDULE

	<b>Lease</b>	<b>Status</b>	<b>Project</b>	<b>Lease Manager</b>	<b>Total Shares</b>
<b>APPLICATIONS</b>					
<b>NORTH LAVERTON</b>					
	L38/154	Application	Cork Tree Well	A1 Minerals Ltd	100
<b>APPLICATIONS</b>					
<b>SOUTH LAVERTON</b>					
	E38/2247	Application	Burtville	A1 Minerals Ltd	100
	E38/2360	Application	Burtville	A1 Minerals Ltd	100
	E38/2385	Application	Burtville	A1 Minerals Ltd	100
	E38/2411	Application	Burtville	A1 Minerals Ltd	100
	L38/167	Application	Burtville	A1 Minerals Ltd	100
	L38/168	Application	Burtville	A1 Minerals Ltd	100
	L38/169	Application	Burtville	A1 Minerals Ltd	100
	L38/175	Application	Burtville	A1 Minerals Ltd	100
	P38/3875	Application	Burtville	A1 Minerals Ltd	100
	P38/3889	Application	Burtville	A1 Minerals Ltd	100
	P38/3905	Application	Burtville	A1 Minerals Ltd	100
	P38/3911	Application	Burtville	A1 Minerals Ltd	100
<b>GRANTED TENEMENTS</b>					
<b>NORTH LAVERTON</b>					
	M38/339	Granted	Ben Hur	A1 Minerals Ltd	100
	E38/2233	Granted	Brightstar Delta	A1 Minerals Ltd	100
	E38/1936	Granted	Brightstar North	A1 Minerals Ltd	100
	E38/1937	Granted	Brightstar North	A1 Minerals Ltd	100
	E38/2134	Granted	Brightstar North	A1 Minerals Ltd	100
	E38/2135	Granted	Brightstar North	A1 Minerals Ltd	100
	E38/2234	Granted	Brightstar North	A1 Minerals Ltd	100
	E38/2332	Granted	Brightstar North	A1 Minerals Ltd	100
	M38/1241	Granted	Brightstar North	A1 Minerals Ltd	100
	M38/346	Granted	Brightstar North	A1 Minerals Ltd	100
	M38/917	Granted	Brightstar North	A1 Minerals Ltd	100
	M38/918	Granted	Brightstar North	A1 Minerals Ltd	100
	P38/3781	Granted	Brightstar North	A1 Minerals Ltd	100
	E38/1618	Granted	Cork Tree Well	A1 Minerals Ltd	100
	E38/1368	Granted	King of Creation	A1 Minerals Ltd	100
	M38/160	Granted	King of Creation	A1 Minerals Ltd	100
	P38/3159	Granted	No Mistake	A1 Minerals Ltd	100
	P38/3799	Granted	No Mistake	A1 Minerals Ltd	100
	P38/3800	Granted	No Mistake	A1 Minerals Ltd	100
	P38/3801	Granted	No Mistake	A1 Minerals Ltd	100
<b>SOUTH LAVERTON</b>					
	M38/1056	Granted	Brightstar	A1 Minerals Ltd	100
	M38/1057	Granted	Brightstar	A1 Minerals Ltd	100
	M38/1058	Granted	Brightstar	A1 Minerals Ltd	100
	M38/241	Granted	Brightstar	A1 Minerals Ltd	100
	M38/549	Granted	Brightstar	A1 Minerals Ltd	100
	M38/9	Granted	Brightstar	A1 Minerals Ltd	100
	M38/968	Granted	Brightstar	A1 Minerals Ltd	100

## TENEMENT SCHEDULE

	<b>Lease</b>	<b>Status</b>	<b>Project</b>	<b>Lease Manager</b>	<b>Total Shares</b>
<b>SOUTH LAVERTON</b>	M38/984	Granted	Brightstar	A1 Minerals Ltd	100
	P38/3825	Granted	Brightstar	A1 Minerals Ltd	100
	P38/3834	Granted	Brightstar	A1 Minerals Ltd	100
	P38/3855	Granted	Brightstar	A1 Minerals Ltd	100
	P38/3856	Granted	Brightstar	A1 Minerals Ltd	100
	E38/1690	Granted	Burtville	A1 Minerals Ltd	100
	E38/1731	Granted	Burtville	A1 Minerals Ltd	100
	E38/1958	Granted	Burtville	A1 Minerals Ltd	100
	E38/2246	Granted	Burtville	A1 Minerals Ltd	100
	E38/2316	Granted	Burtville	A1 Minerals Ltd	100
	E38/2361	Granted	Burtville	A1 Minerals Ltd	100
	E38/2364	Granted	Burtville	A1 Minerals Ltd	100
	E38/2365	Granted	Burtville	A1 Minerals Ltd	100
	L38/123	Granted	Burtville	A1 Minerals Ltd	100
	L38/171	Granted	Burtville	A1 Minerals Ltd	100
	P38/3768	Granted	Burtville	A1 Minerals Ltd	100
	P38/3817	Granted	Burtville	A1 Minerals Ltd	100
	P38/3827	Granted	Burtville	A1 Minerals Ltd	100
	P38/3829	Granted	Burtville	A1 Minerals Ltd	100
	P38/3830	Granted	Burtville	A1 Minerals Ltd	100
	P38/3831	Granted	Burtville	A1 Minerals Ltd	100
	P38/3854	Granted	Burtville	A1 Minerals Ltd	100
	P38/3857	Granted	Burtville	A1 Minerals Ltd	100
	P38/3858	Granted	Burtville	A1 Minerals Ltd	100
	P38/3859	Granted	Burtville	A1 Minerals Ltd	100
	P38/3860	Granted	Burtville	A1 Minerals Ltd	100
	P38/3861	Granted	Burtville	A1 Minerals Ltd	100
	P38/3871	Granted	Burtville	A1 Minerals Ltd	100
	P38/3872	Granted	Burtville	A1 Minerals Ltd	100
	P38/3873	Granted	Burtville	A1 Minerals Ltd	100
	P38/3874	Granted	Burtville	A1 Minerals Ltd	100
	P38/3888	Granted	Burtville	A1 Minerals Ltd	100
	L38/100	Granted	Burtville	A1 Minerals Ltd	100
	E38/1748	Granted	Camel Hump	A1 Minerals Ltd	100
	P38/3826	Granted	Hammer Hill	A1 Minerals Ltd	100
<b>SOUTH LAVERTON - GAILS FIND</b>	M38/178	Granted	Gails Find	A1 Minerals Ltd	100
	M38/298	Granted	Gails Find	A1 Minerals Ltd	100
	P38/3236	Granted	Gails Find	A1 Minerals Ltd	100
<b>SOUTH LAVERTON - HAWKS NEST GROUP</b>	M38/314	Granted	Hawkes Nest	A1 Minerals Ltd	100
	M38/381	Granted	Hawkes Nest	A1 Minerals Ltd	100
	M38/94	Granted	Hawkes Nest	A1 Minerals Ltd	100
	M38/95	Granted	Hawkes Nest	A1 Minerals Ltd	100

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## Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Shareholders will be held at Rendezvous Observation City Hotel, Scarborough on Tuesday 30<sup>th</sup> November 2010 at 3.00 pm

### AGENDA

#### Ordinary Business

##### ANNUAL REPORT

To receive and consider the Directors' Report, the Financial Statements, the Directors' Declaration and the Independent Audit Report for the year ending 30 June, 2010.

To consider and if though fit to pass, the following resolutions as ordinary resolutions:

##### **Resolution 1. REMUNERATION REPORT**

"That for the purposes of section 250R(2) of the Corporations Act the Remuneration Report as set out in the Company's Annual Report for the year ended 30 June 2010 is adopted."

*Note: The vote on this resolution is advisory only and does not bind the Directors of the Company*

##### **Resolution 2. ELECTION OF DIRECTOR – MR WILLIAM HOBBA**

"That, Mr William Hobba, who was appointed to the Board since the last Annual General Meeting of the Company retires in accordance with the Company's Constitution, and being eligible, offers himself for re-election."

##### **Resolution 3. ELECTION OF DIRECTOR – MR RICHARD STROUD**

"That, Mr Richard Stroud, who was appointed to the Board since the last Annual General Meeting of the Company retires in accordance with the Company's Constitution, and being eligible, offers himself for re-election."

##### **Resolution 4. ELECTION OF DIRECTOR – MR ALBERT LONGO**

"That, Mr Albert Longo, who was appointed to the Board since the last Annual General Meeting of the Company retires in accordance with the Company's Constitution, and being eligible, offers himself for re-election."



**Resolution 5. APPROVAL OF PREVIOUS SHARE ISSUE**

“That for the purposes of ASX Listing Rule 7.4 and for all other purposes, approval is given to the prior allotment and issue of 3,808,363 ordinary fully paid Shares as set out in the Explanatory Statement.”

**Voting Exclusion Statement:**

*The Company will disregard any votes cast on Resolution 5 by any person who participated in the issue or any associate of that person. The Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form; or it is cast by the person chairing the meeting as a proxy for the person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.*

**Resolution 6. APPROVAL OF THE GRANT OF OPTIONS TO DIRECTOR ROSS LOUTHEAN**

“That for the purposes of ASX Listing Rule 10.11 and Section 208 of the Corporations Act 2001 and for all other purposes, approval is given for the allotment and issue of a total of 500,000 Options to Director Ross Louthean or his nominee in accordance with the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”

**Voting Exclusion Statement:**

*The Company will disregard any votes cast on Resolution 6 by Ross Louthean or any associate of Ross Louthean. The Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form; or it is cast by the person chairing the meeting as a proxy for the person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.*

**Resolution 7. APPROVAL OF THE GRANT OF OPTIONS TO DIRECTOR RICK STROUD**

“That for the purposes of ASX Listing Rule 10.11 and Section 208 of the Corporations Act 2001 and for all other purposes, approval is given for the allotment and issue of a total of 500,000 Options to Director Rick Stroud or his nominee in accordance with the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”

**Voting Exclusion Statement:**

*The Company will disregard any votes cast on Resolution 7 by Rick Stroud or any associate of Rick Stroud. The Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form; or it is cast by the person chairing the meeting as a proxy for the person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.*

**Resolution 8. APPROVAL OF THE GRANT OF OPTIONS TO DIRECTOR ALBERT LONGO**

“That for the purposes of ASX Listing Rule 10.11 and Section 208 of the Corporations Act 2001 and for all other purposes, approval is given for the allotment and issue of a total of 500,000 Options to Director Albert Longo or his nominee in accordance with the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”

**Voting Exclusion Statement:**

*The Company will disregard any votes cast on Resolution 8 by Albert Longo or any associate of Albert Longo. The Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form; or it is cast by the person chairing the meeting as a proxy for the person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.*

**Resolution 9. APPROVAL OF THE GRANT OF OPTIONS TO DIRECTOR BILL HOBBA**

“That for the purposes of ASX Listing Rule 10.11 and Section 208 of the Corporations Act 2001 and for all other purposes, approval is given for the allotment and issue of a total of 500,000 Options to Director Bill Hobba or his nominee in accordance with the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”

**Voting Exclusion Statement:**

*The Company will disregard any votes cast on Resolution 9 by Bill Hobba or any associate of Bill Hobba. The Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form; or it is cast by the person chairing the meeting as a proxy for the person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.*

**Resolution 10. APPROVAL OF THE GRANT OF OPTIONS TO DIRECTOR MICHAEL HUNT**

“That for the purposes of ASX Listing Rule 10.11 and Section 208 of the Corporations Act 2001 and for all other purposes, approval is given for the allotment and issue of a total of 500,000 Options to Director Michael Hunt or his nominee in accordance with the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”

**Voting Exclusion Statement:**

*The Company will disregard any votes cast on Resolution 10 by Michael Hunt or any associate of Michael Hunt. The Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form; or it is cast by the person chairing the meeting as a proxy for the person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.*

**Resolution 11. APPROVAL OF THE GRANT OF REPLACEMENT OPTIONS TO DIRECTOR WILLIAM HOBBA**

“That for the purposes of ASX Listing Rule 10.11 and Section 208 of the Corporations Act 2001 and for all other purposes, approval is given for the allotment and issue of a total of 5,000,000 Options to Director William Hobba in accordance with the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”

**Voting Exclusion Statement:**

*The Company will disregard any votes cast on Resolution 11 by William Hobba or any associate of William Hobba. The Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form; or it is cast by the person chairing the meeting as a proxy for the person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.*

**Resolution 12. APPROVAL OF THE GRANT OF REPLACEMENT OPTIONS TO DIRECTOR MICHAEL HUNT**

“That for the purposes of ASX Listing Rule 10.11 and Section 208 of the Corporations Act 2001 and for all other purposes, approval is given for the allotment and issue of a total of 1,000,000 Options to Director Michael Hunt in accordance with the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”

**Voting Exclusion Statement:**

*The Company will disregard any votes cast on Resolution 12 by Michael Hunt or any associate of Michael Hunt. The Company will not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions of the proxy form; or it is cast by the person chairing the meeting as a proxy for the person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.*

## General Notes

### Voting Exclusion Statement

The Company will disregard any votes cast on the resolutions by the following person(s) and any associate of that person(s).

However, the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### Explanatory Statement

The Explanatory Statement to Shareholders attached to this Notice of General Meeting is hereby incorporated into and forms part of this Notice of General Meeting.

### Voting Entitlement

The Directors have determined in accordance with Regulation 7.11.37 of the Corporations Regulation that, for the purposes of attending and voting at the meeting, Shares will be taken to be held by the registered holders at 3:00pm on Sunday 28th November 2010.

### Proxy

A member entitled to attend to vote at the meeting is entitled to appoint a proxy to attend and to vote instead of the member. The proxy need not be a member of A1 Minerals Limited. Proxy Forms must be lodged at the principal office of A1 Minerals Limited at Suite 34, 25 Walters Drive, Osborne Park, Western Australia, 6017 or by facsimile (61 8 9244 1600) **no later than 48 hours** before the time of the meeting. A Proxy Form accompanies this Notice of Meeting.

### Voting by Proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) hand to the Company at Suite 34, 25 Walters Drive, Osborne Park WA 6017 or Computershare Investor Services Pty Limited at Level 2, 45 St Georges Terrace, Perth, Western Australia; or
- (b) post to A1 Minerals Limited, Suite 34, 25 Walters Drive, Osborne Park WA 6017 or post to Computershare Investor Services Pty Limited, GPO Box 242 Melbourne Victoria 3001 Australia; or
- (c) facsimile to A1 Minerals Limited on (+61 8) 92441600 or to Computershare Investor Services Pty Limited on 1800 783 447 or +61 3 9473 2555; or
- (d) For Intermediary Online Subscribers only (custodians) please visit [www.intermediaryonline.com](http://www.intermediaryonline.com) to submit your voting intentions

so that it is received not later than 3.00pm (WST) on 28 November 2010.

**Proxy Forms received later than this time will be invalid.**

Dated this

**By order of the Board of Directors**



**Albert Longo**  
Company Secretary

# Explanatory Statement

## Resolution 1

### REMUNERATION REPORT

The Corporations Act 2001 has expanded the disclosure requirements of companies whose shares are quoted on the ASX by requiring that the Directors of the company include a remuneration report in the Company's annual report. Section 250R(2) of the Corporations Act also requires that the Directors put a resolution to Shareholders each year that the remuneration report be adopted.

The Remuneration Report is set out in the Company's Annual Report. The Annual Report is also available on the Company's website at [www.a1minerals.com.au](http://www.a1minerals.com.au)

The Remuneration Report:

- outlines the Board's policy for determining the nature and amount of remuneration of Directors, the company secretary and senior managers of the Company;
- discusses the relationship between the Board's remuneration policy and the Company's performance;
- details and explains any performance condition applicable to the remuneration of a Director, secretary or senior manager,
- details the remuneration (including options) of each Director of the Company for the year; and
- summarises the terms of any contract under which any Director or the Company secretary is engaged, including the period of notice required to terminate the contract and any termination payments provided for under the contract.

The vote on the resolution is advisory only and does not bind the Directors or the Company. Nor does it affect the remuneration paid or payable to the Company's Directors or the Company secretary. The Company will not be required to alter any arrangements in the Remuneration Report should the resolution not be passed. However, the Board will take the outcome of the resolution into account when considering future remuneration policy.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

## Resolution 2

### ELECTION OF DIRECTOR – MR WILLIAM HOBBA

Mr William Hobba retires from office in accordance with the constitution and being eligible offers himself for re-election.

Mr Hobba supervised CPC Engineering's renovation and assembly of the Brightstar gold plant for the Company. He has recently assumed responsibility for operational matters at the mine site. He has over 40 years experience in gold and nickel mines including 10 years as a consultant in a mine management consultancy and 5 years supplying resources to mill operations.

The Directors recommend that the shareholders vote **in favour** of the appointment of Mr Hobba

### Resolution 3

#### ELECTION OF DIRECTOR – MR RICHARD STROUD

Mr Richard Stroud retires from office in accordance with the constitution and being eligible offers himself for re-election.

Mr Richard Stroud is a mining engineer with over 35 years worldwide experience in the mining industry. Over the last 10 years, Mr Stroud has been General Manager for a large mining equipment manufacturer; Manager of Mining for one of the largest open pits in Australia and Group General Manager Engineering for one of the largest Australian global mining consultancies. Mr Stroud has had exposure to all facets of the mining industry from operations to corporate, most mineral commodities, open pit and underground and consulting to contracting. Mr Stroud's specialist skills are in Operation Optimisation, strategic and project management, mentoring senior mining personnel and peer reviewing studies and projects.

The Directors recommend that the shareholders vote **in favour** of the appointment of Mr Stroud.

### Resolution 4

#### ELECTION OF DIRECTOR – MR ALBERT LONGO

Mr Albert Longo retires from office in accordance with the constitution and being eligible offers himself for re-election.

Mr Longo is a Chartered Accountant with over 30 years experience in accounting and commercial administration predominantly in gold mining companies. He has been involved in a number of start up gold operations including Kanowna Belle and more recently Allied Gold's Simberi mine.

The Directors recommend that the shareholders vote **in favour** of the appointment of Mr Longo.

### Resolution 5

#### APPROVAL OF PREVIOUS ISSUE OF SHARES

##### Background

Resolution 5 seeks the Shareholder approval for the ratification of 3,808,363 Shares issues by the Company prior to the date of the General Meeting under the Share Purchase Plan.

##### Listing Rule 7.4

ASX Listing Rule 7.1 provides that (subject to certain exceptions, none of which is relevant here) approval of Shareholders is required for an issue of securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of the shares on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 provides that where a company subsequently approves an issue of securities, the issue will be treated as having been made with approval for the purposes of Listing Rule 7.1, thereby replenishing that company's 15% capacity and enabling it to issue further securities up to that limit.

Resolution 5 proposes the ratification and approval of the allotment and issue of the Shares for the purposes of satisfying the requirements of ASX Listing Rule 7.4.

## ADDITIONAL INFORMATION FOR RESOLUTION 5

The information required to be provided to shareholders to satisfy ASX Listing Rule 7.4 is specified in ASX Listing Rule 7.5.

In compliance with the information requirements of ASX Listing Rule 7.5, Shareholders are advised of the following particulars in relation to the allotment and issue:

- a. Date of Allotment and issue of the Shares: 13<sup>th</sup> August 2010
- b. Number of Shares allotted and issued: 3,808,363;
- c. Price at which Shares were allotted and issued: \$0.18;
- d. The allottees of the securities were those shareholders who subscribed for Shares under the Share Purchase Plan
- e. The securities issued were ordinary fully paid shares which rank pari-passau with the existing ordinary shares of the Company;
- f. No Shares are to be issued to related parties of the Company; and
- g. The issue was made to raise funds for the capital development of Brightstar Gold Project and additional working capital.

The Director's believe that the approval of the issue of these Shares is beneficial for the Company and recommend Shareholders vote in favour of this resolution 5.

### Effect of Issue on Company

Prior to the Share Purchase Plan closing and the Shares under that plan being issued the Company had on issue 196,860,062 Shares and \$0.320m in cash reserves. Following the issue of the Shares under the Share Purchase Plan the issued Share capital of the Company increased to 200,668,425 Shares and the cash position of the Company increased to \$1.040m.

### Resolutions 6 to 10 inclusive

### APPROVAL OF THE GRANT OF OPTIONS TO DIRECTORS

Resolutions 6 to 10 inclusive seek Shareholder approval to allow the Company to issue the following Options to Directors, or their nominee:

Michael Hunt	750,000
Ross Louthean	500,000
William Hobba	750,000
Richard Stroud	500,000
Albert Longo	500,000

The Options are not subject to a vesting period.

Listing Rule 10.11 provides that a Company must not issue equity securities (including options) to a related party of the company, such as a director, without the Company obtaining its shareholders approval. If shareholder approval is given under Listing Rule 10.11, Listing Rule 7.2, exception 14 provides that approval is not required under Listing Rule 7.1.

The granting of the Options as contemplated by Resolutions 6 to 10 inclusive also constitutes the providing of a financial benefit to a related party. Section 208 of the Corporations Act prohibits a company from giving a financial benefit, other than in certain defined circumstances, to a related party without prior Shareholder approval.

A "related party" for the purposes of the Corporations Act is defined widely. It includes a director of a public company and specified members of the director's family. It also includes an entity over which a director maintains control.

The granting of options to the Directors constitutes a financial benefit to a related party of the Company within the meaning of the Corporations Act.

In accordance with Section 219 of the Corporations Act and the notice requirements in Listing Rule 10.13, the following information is provided to Shareholders to allow them to assess the proposed resolution.

**(a) The related party to whom the proposed resolution would permit the financial benefit to be given.**

The Options will be granted to Mr Michael Hunt, Mr Ross Louthean, Mr William Hobba, Mr Richard Stroud and Mr Albert Longo or their nominee.

**(b) Nature of the Financial Benefit**

The proposed financial benefit to be given is the grant of 750,000 Options to each of Mr Michael Hunt and Mr William Hobba and 500,000 Options to each of Mr Louthean, Mr Stroud and Mr Longo.

The Options will have an expiry date of 29 November 2013 and will be issued in accordance with the terms and conditions set out in the Appendix to this Explanatory Statement.

The Directors of the Company consider the indicative theoretical value attributable to the Options at a valuation date of 18<sup>th</sup> October, 2010 to be as follows, notwithstanding that the Options will not be issued until after 29<sup>th</sup> November, 2010, being the date of the Annual General Meeting of the Shareholders of the Company but will be issued within 1 month of the date of the meeting.

Number of Options	Exercise Price	Expiry	Theoretical Value (each)
3,000,000	\$0.20	29 November, 2013	11.40 cents

The Black and Scholes option valuation methodology was used as a basis for the calculations using the following assumptions:

The share price of a Share as at the valuation date of 18<sup>th</sup> October, 2010 was \$0.125.

The risk free interest rate used was 4.50% (based on the 3 year Reserve Bank Treasury bond rate as at 16<sup>th</sup> October, 2010).

A volatility factor of 208% was used to value the Options as determined using the daily closing share prices for the last 12 months.

The Black and Scholes option pricing model assumes that the options the subject of the valuation can be sold on a secondary market. The terms and conditions of the proposed Options state that the Options shall not be listed for official quotation on ASX. In addition, the Options are not transferable. Accordingly, in determining the indicative value of the Options the Directors have

applied a 30% discount to the theoretical value of attributed to the Black and Scholes option pricing model.

Based on the above assumptions, the value of the 5,750,000 Options using the indicative values is as follows:

Theoretical Value per Option (cents)	Discount (%)	Indicative value per Option (cents)	Number of Options issues	Total value(\$)
11.40	30	7.98	3,000,000	239400

**(c) Directors Recommendation**

The Directors other than the Director to whom (or to whose nominee) the relevant Options are to be issued recommend each of resolutions 6 to 10 inclusive. The Director to whom (or to whose nominee) the relevant Options are to be issued declines to make a recommendation because he has a material personal interest in the outcome of the relevant resolution, on the basis that he (or his nominee) will be granted Options should the resolution be passed. Therefore, he is not in a position to recommend either for or against the proposed resolution.

**(d) Directors Interest**

Each of the Directors has a personal interest in the outcome of one of resolutions 6 to 10.

**(e) Other information reasonably required by Shareholders to make a vote on the resolution**

The Options proposed for Mr Hunt, Mr Louthean, Mr Hobba, Mr Stroud and Mr Longo form part of the Company's long term incentive policy for Directors and are to be granted in addition to the total fixed remuneration set out below. They in part recognise the very low level of Director fees paid by the Company in an effort to direct the majority of funds into exploration or development of its assets.

The Options are not subject to a vesting period. The exercise price of the Options was determined to provide ongoing incentive to increase Shareholder value over time and the exercise price of \$0.20 reflects this.

Exercise of the Options is allowable immediately after issue but only likely to occur if there is sustained upward movement in the Company's Share price.

The number of Options to be issued to Directors, has been determined as being appropriate to provide an incentive to enhance the future value of the Shares for the benefit of all Shareholders, and also an appropriate way to retain the Directors' professional services at reasonable market rates.

The number of Options has also been determined having regard to less tangible issues such as alignment of interests to the Company.

The terms and conditions of the Options are set out in the Appendix to the Explanatory Statement. The Options shall be granted free to Directors (or their nominee) and if exercised, the Company's issued Share capital will increase by 3,000,000 Shares to a total issued capital of 203,668,425 Shares (assuming no other outstanding options are exercised).

***The exercise of the Options will provide the Company with additional working capital of \$600,000, and will represent approximately 1.47% of the total issued capital of the Company on a fully diluted basis.***



Any funds raised from the exercise of Options will be applied to working capital of the Company.

As at 21 October 2010 the issued capital of the Company comprised the following:

200,668,425 Shares.

3,000,000 Unlisted options exercisable at 30 cents each expiring 31 December 2010  
6,000,000 Unlisted options exercisable at 20 cents each expiring 30 November, 2011  
2,800,000 Unlisted options exercisable at 20 cents each expiring 23 February, 2012

The following table sets out the Directors' current entitlement to Shares and options in the Company.

<b>Director</b>	<b>Number of Shares</b>	<b>Number of Options</b>
Michael Hunt	2,250,000	5,000,000
Ross Louthean	-	1,000,000

Details of the nature and amount of each major element of the emoluments of the Directors as detailed in the 2010 Annual Report is as follows:

<b>Director</b>	<b>Base Emolument (\$)</b>	<b>Superannuation Contributions (\$)</b>	<b>Other Benefits (\$)</b>	<b>Value of Options (\$)</b>	<b>Total (\$)</b>
Michael Hunt	22,940	2,066		356,000	381,006
John Williams	300,000	27,000	10,848	1,202,500	1,540,348
Ross Louthean	33,864	-	-	178,000	211,864

The market price of the Shares during the term of the Options will ordinarily determine whether or not the option holder exercises the Option.

If the market price of the Company's Shares is in excess of the exercise price of the option it is likely that the options will be exercised. A benefit would accrue on the exercise of the options by the payment on the amount determined under this notice and the sale of the ordinary shares for an amount in excess of these amounts.

In the last 12 months, the lowest price for ordinary fully paid shares in the company trading on ASX was 10.5 cents which occurred on 13<sup>th</sup> August 2010. The highest price was 42 cents which occurred on 3<sup>rd</sup> December 2009. On 18th October 2010 the closing price was 12.5 cents

All Shares issued pursuant to the exercise of Options under Resolutions 6 to 10 will rank pari passu with the existing ordinary shares on issue.

There is no other information known to the Directors that is reasonably required by Shareholders to make a decision whether or not it is in the Company's interest to pass Resolutions 6 to 10 inclusive.

## Resolutions 11 and 12

### APPROVAL OF THE GRANT OF OPTIONS TO DIRECTORS MICHAEL HUNT AND WILLIAM HOBBA

Resolutions 11 and 12 seek Shareholder approval to allow the Company to issue the following Options to Directors, or their nominee:

Michael Hunt	1,000,000
William Hobba	5,000,000

The Options are not subject to a vesting period.

Listing Rule 10.11 provides that a Company must not issue equity securities (including options) to a related party of the company, such as a director, without the Company obtaining its shareholders approval. If shareholder approval is given under Listing Rule 10.11, Listing Rule 7.2, exception 14 provides that approval is not required under Listing Rule 7.1.

The granting of the Options as contemplated by Resolutions 11 and 12 also constitutes the providing of a financial benefit to a related party. Section 208 of the Corporations Act prohibits a company from giving a financial benefit, other than in certain defined circumstances, to a related party without prior Shareholder approval.

A “related party” for the purposes of the Corporations Act is defined widely. It includes a director of a public company and specified members of the director’s family. It also includes an entity over which a director maintains control.

The granting of options to the Directors constitutes a financial benefit to a related party of the Company within the meaning of the Corporations Act.

In accordance with Section 219 of the Corporations Act and the notice requirements in Listing Rule 10.13, the following information is provided to Shareholders to allow them to assess the proposed resolution.

**(a) The related party to whom the proposed resolution would permit the financial benefit to be given.**

The Options will be granted to Mr Michael Hunt and Mr William Hobba or their nominee.

**(b) Nature of the Financial Benefit**

The proposed financial benefit to be given is the grant of 1,000,000 Options to Mr Hunt and 5,000,000 Options to Mr Hobba.

The Options will have an expiry date of 30 November 2011 and will be issued in accordance with the terms and conditions set out in the Appendix to this Explanatory Statement.

The Directors of the Company consider the indicative theoretical value attributable to the Options at a valuation date of 18<sup>th</sup> October, 2010 to be as follows, notwithstanding that the Options will not be issued until after 29<sup>th</sup> November, 2010, being the date of the Annual General Meeting of the Shareholders of the Company but will be issued within 1 month of the date of the meeting.

Number of Options	Exercise Price	Expiry	Theoretical Value (each)
6,000,000	\$0.20	30 November, 2011	11.40 cents

The Black and Scholes option valuation methodology was used as a basis for the calculations using the following assumptions:

The share price of a Share as at the valuation date of 18<sup>th</sup> October, 2010 was \$0.125.

The risk free interest rate used was 4.50% (based on the 3 year Reserve Bank Treasury bond rate as at 16<sup>th</sup> October, 2010).

A volatility factor of 208% was used to value the Options as determined using the daily closing share prices for the last 12 months.

The Black and Scholes option pricing model assumes that the options the subject of the valuation can be sold on a secondary market. The terms and conditions of the proposed Options state that the Options shall not be listed for official quotation on ASX. In addition, the Options are not transferable. Accordingly, in determining the indicative value of the Options the Directors have applied a 30% discount to the theoretical value of attributed to the Black and Scholes option pricing model.

Based on the above assumptions, the value of the 6,000,000 Options using the indicative values is as follows:

Theoretical Value per Option (cents)	Discount (%)	Indicative value per Option (cents)	Number of Options issues	Total value(\$)
11.40	30	7.98	6,000,000	478,800

**(c) Directors Recommendation**

The Directors other than the Director to whom (or to whose nominee) the relevant Options are to be issued recommend each of resolutions 11 and 12. The Director to whom (or to whose nominee) the relevant Options are to be issued declines to make a recommendation because he has a material personal interest in the outcome of the relevant resolution, on the basis that he (or his nominee) will be granted Options should the resolution be passed. Therefore, he is not in a position to recommend either for or against the proposed resolution

**(d) Directors Interest**

Mr Hunt has a personal interest in the outcome of resolution 11 and Mr Hobba has a personal interest in the outcome of resolution 12.

**(e) Other information reasonably required by Shareholders to make a vote on the resolution**

The Options proposed for Mr Hunt and Mr Hobba are being offered in replacement for existing options held by them in February 2010 which, at the request of the Company's directors, they exercised in order to provide more equity for the Company.

They are being offered at the same exercise price (20 cents) and the same expiry date (30 November 2011) as the options which they exercised.

The Options are not subject to a vesting period.

Exercise of the Options is allowable immediately after issue but only likely to occur if there is sustained upward movement in the Company's Share price.

The terms and conditions of the Options are set out in the Appendix to the Explanatory Statement. The Options shall be granted free to Directors (or their nominee) and if exercised, the Company's issued Share capital will increase by 6,000,000 Shares to a total issued capital of 209,668,425 Shares (assuming no other outstanding options are exercised).

***The exercise of the Options will provide the Company with additional working capital of \$1,200,000, and will represent approximately 2.87% of the total issued capital of the Company on a fully diluted basis.***

Any funds raised from the exercise of Options will be applied to working capital of the Company.

As at 21 October 2010 the issued capital of the Company comprised the following:

200,668,425 Shares.

3,000,000 Unlisted options exercisable at 30 cents each expiring 31 December 2010  
 6,000,000 Unlisted options exercisable at 20 cents each expiring 30 November, 2011  
 2,800,000 Unlisted options exercisable at 20 cents each expiring 23 February, 2012

The following table sets out the Directors' current entitlement to Shares and options in the Company.

Director	Number of Shares	Number of Options
Michael Hunt	2,250,000	5,000,000
Ross Louthean	-	1,000,000

Details of the nature and amount of each major element of the emoluments of the Directors as detailed in the 2010 Annual Report is as follows:

Director	Base Emolument (\$)	Superannuation Contributions (\$)	Other Benefits (\$)	Value of Options (\$)	Total (\$)
Michael Hunt	22,940	2,066		356,000	381,006
John Williams	300,000	27,000	10,848	1,202,500	1,540,348
Ross Louthean	33,864	-	-	178,000	211,864

The market price of the Shares during the term of the Options will ordinarily determine whether or not the option holder exercises the Option.

If the market price of the Company's Shares is in excess of the exercise price of the option it is likely that the options will be exercised. A benefit would accrue on the exercise of the options by the payment on the amount determined under this notice and the sale of the ordinary shares for an amount in excess of these amounts.

In the last 12 months, the lowest price for ordinary fully paid shares in the company trading on ASX was 10.5 cents which occurred on 13<sup>th</sup> August 2010. The highest price was 42 cents which occurred on 3<sup>rd</sup> December 2009. On 18th October 2010 the closing price was 12.5 cents.

All Shares issued pursuant to the exercise of Options under Resolutions 11 and 12 will rank pari passu with the existing ordinary shares on issue.

There is no other information known to the Directors that is reasonably required by Shareholders to make a decision whether or not it is in the Company's interest to pass Resolutions 11 and 12 .

## GLOSSARY

**ASX** means Australian Securities Exchange Limited

**Board** means the board of Directors as constituted from time to time.

**Directors** means Michael Hunt, Ross Louthean, William Hobba, Albert Longo and Richard Stroud.

**Explanatory Statement** means the explanatory statement that forms part of this Notice of Meeting.

**Option** means an unlisted option to acquire a Share and subject to the terms and conditions set out at Appendix A to the Explanatory Memorandum.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of Shares.

**Share Purchase Plan** means the share purchase plan for shareholders of the Company announced to ASX on 9 July 2010 and completed on 13 August 2010.

## APPENDIX A

### OPTIONS TO BE ISSUED TO DIRECTORS

#### Terms and conditions –

- (a) Each Option shall be issued free for no consideration.
- (b) Each Option entitles the holder to subscribe for one (1) Share upon payment for the exercise price.
- (c) The Options will lapse at 5.00pm Western Standard Time three (3) years from the date of issue.
- (d) The Options will not be listed for official quotation on the ASX.
- (e) The Options shall not be transferred or assigned by an Option Holder except that the Option Holder may at any time transfer all or any of the Options to a spouse, family trust, or to a proprietary limited company, all of the issued Shares in which are beneficially owned by the Option Holder.
- (f) There are no participating rights or entitlements inherent in these Options and holders of the Options will not be entitled to Participate in new issues of capital which may be offered to Shareholders during the currency of the Options.  
However, Option Holders have the right to exercise their Options prior to the date of determining entitlements to any capital issues to the then existing shareholders of the Company made during the currency of the Options, and will be granted a period of at least seven (7) business days before books closing date to exercise the Options.
- (g) In the event of any re-organisation (including reconstruction, consolidation, subdivision, reduction or return) of the issued capital of the Company, the Options will be re-organised as required by the Listing Rules, but in all other respects the terms of exercise will remain unchanged.
- (h) The Options shall be exercisable by the delivery to the registered office of the Company of a notice in writing stating the intention of the Option Holder to exercise all or a specified number of Options held by them accompanied by an Option Certificate and a cheque made payable to the Company for the subscription monies for the Shares. An exercise of only some Options shall not affect the rights to the Option Holder to the balance of the Options held by him.
- (i) The Company shall allot the resultant Shares and deliver a statement of holdings on the holder's identification number within five (5) business days of the exercise of the Options.
- (j) Shares allotted pursuant to an exercise of Options shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.
- (k) The Company shall within five (5) business days make an application to have those Shares allotted pursuant to an exercise of Options listed for official quotation by the Australian Stock Exchange Limited.
- (l) The Options will lapse if the grantee's engagement with the Company ceases under any circumstance unless otherwise agreed by the Board.

