



BLACKHAM
RESOURCES LIMITED

(ABN 18 119 887 606)

Annual Report

For the Year Ended
30 June 2012

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Corporate Directory

DIRECTORS

Brett Smith (Non Executive Chairman)
Bryan Dixon (Managing Director)
Alan Thom (Executive Director)
Greg Miles (Executive Director)

COMPANY SECRETARY

Julie Hill

REGISTERED OFFICE & PRINCIPAL PLACE OF BUSINESS

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West Perth, Western Australia 6005
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Website: www.blackhamresources.com

AUDITORS

RSM Bird Cameron Partners
8 St Georges Terrace
Perth WA 6000

SHARE REGISTRY

Advanced Share Registry
150 Stirling Hwy
Nedlands WA 6009
Tel: (618) 9389 8033
Fax: (618) 9389 7871

STOCK EXCHANGE LISTING

The Company is listed on Australian Securities Exchange Limited
Home Exchange – Perth
ASX Code: BLK

MANAGING DIRECTOR'S REPORT

Over the last year the Blackham Resources Ltd has re-focused its efforts on the Matilda Gold Project. Since the last annual report I am pleased to report the Company has made the following achievements:

Matilda Gold Project, Western Australia

- Completed the acquisition of the 100% owned Matilda Gold Project in November 2011
- Upgraded the gold resources from 310,000oz to 1.4Moz which represents an increase in resources of 350% in the first year since acquisition.
- Completed 5,000m of drilling at the Matilda Mine
- Completed a scoping mine design over the Regent deposit
- Begun a scoping study to recommission the Matilda Mine

The combined Matilda Project estimate has grown to 23Mt at 1.9g/t for 1.4Moz Au (see Table 1). The 3 main mining centres Matilda, Williamson and Regent are all within 10kms of the Matilda Mine old plant site and infrastructure. These 3 mining centres also all within 26kms by existing haul road of the Wiluna Gold Plant. Blackham's revised gold resources at the Matilda Gold Project are summarised below:

Table 1: Matilda Gold Project Resources							
Mining Centre	Indicated Tonnes	g/t Au	Inferred Tonnes	g/t Au	Total Tonnes	g/t Au	Oz. Au
Matilda Mine	1,943,000	1.9	10,295,000	1.7	12,238,000	1.7	683,000
Williamson Mine			6,001,000	1.9	6,001,000	1.9	364,000
Regent	738,000	2.5	3,108,000	2.1	3,846,000	2.2	270,000
Galaxy			884,000	2.7	884,000	2.7	77,000
TOTAL	2,681,000	2.1	20,288,000	1.9	22,969,000	1.9	1,394,000

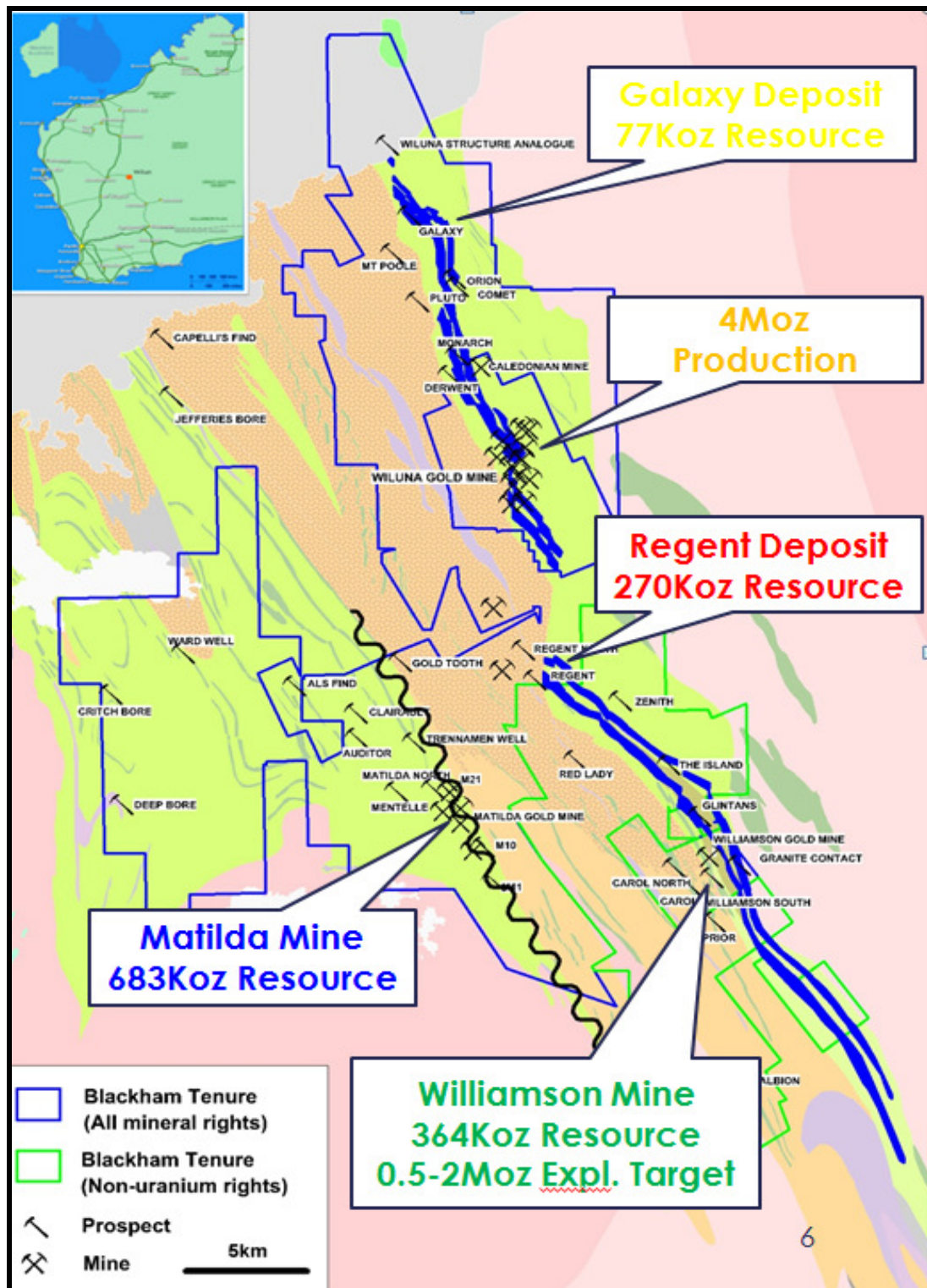
Rounding errors may occur - grades to 2 significant digits in this table.

Table 2: Williamson Mining Centre Exploration Target*							
Deposit	Low Mt	High Mt	Low g/t Au	High g/t Au	Low Oz Au	High Oz Au	
Williamson Deeps	1.76	4.48	4	6	230,000	860,000	
Williamson South	1.26	3.36	4	6	160,000	650,000	
Carroll Prior	1.34	3.60	2	5	90,000	580,000	
Williamson Mining Centre	4.37	11.4	3.3	5.7	480,000	2,090,000	

*The Company's exploration target includes potential quantity and grade and is conceptual in nature. There has been insufficient exploration to define these mineral resources and it is uncertain if further exploration will result in the determination of mineral resources.

The Company plans to complete a scoping study on re-commission the Matilda Mine within a month. Initial mining optimisation work has produced positive results. Historical mining data allows for a preliminary feasibility study to be finished over the Matilda Mine within a short timeframe.

A 3,000 metre infill and extension drilling campaign has commenced at the Matilda Mine with a view to upgrading the size and confidence in the resource.



Coal, Western Australia

- Increased the total Scaddan coal resource to 1 billion tonnes with measured and indicated resources of 570 million tonnes of coal
- completed a Preliminary Processing Study on a coal to liquids plant to produce diesel
- Completed a number of studies of the upgrading of coal for possible export.
- Completed a scoping study for exporting Scaddan coal via the Esperance Port
- The current combined resources equate to approximately 40 years' worth of feedstock based upon a 60,000 barrel per day CTL facility

In November 2012, Blackham finalised a scoping study for the export of coal from its 70% owned Scaddan Coal Project in Western Australia. Engenium, an independent Project Management and Engineering consulting firm, was commissioned by Blackham to complete the scoping study for the export of Scaddan coal through the Esperance Port. The Scaddan Coal Project is located 60km north of the Esperance Port. The Esperance Port is currently planning a 20Mtpa expansion. The State government earlier this year announced \$120 million of State funding to upgrade the Esperance Port Access Corridor and construction work on the upgrade has begun. The project greatly benefits from its close location to existing and accessible infrastructure including road, rail, port, power and township.

Blackham now manages a combined coal resource of 1.4 billion tonnes estimated in accordance with the JORC Code. Blackham's attributable resource is 1.1 billion tonnes of coal.

Table 1 - Summary of Coal Resources

Project	JORC ¹ Resource Category	Total Tonnes (millions)	Blackham Attributable Tonnes (millions)
Scaddan	Measured	80	50
	Indicated	490	340
	Inferred	470	340
Zanthus	Inferred	350	350
Total		1,390	1,080

All figures are rounded to the nearest 10 million tonnes

The Scaddan West coal seam now extends over 35 kilometres in length, is still open to the north and is up to five kilometres wide in places. Thickness in the Scaddan West area varies from up to 19m, thinning rapidly at the edges of the body and around topographic highs. The main seam LGA averages 7.5 metres in thickness and contains 87% of the total coal resource. For more information on the please ASX announcement of 21st June 2011.

Blackham is currently looking for strategic partners to help fund the development of the Scaddan Coal Project whilst it focus on the exploration and development of the Matilda Gold Project.

Yours sincerely

Bryan Dixon
Managing Director

Competent Persons Statement

The information contained in the report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled or reviewed by Mr Greg Miles, who is an employee of the Company. Mr Miles is a Member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Miles has given consent to the inclusion in the report of the matters based on his information in the form and context in which it appears.

DIRECTORS' REPORT

Your directors present their report on the Company and its controlled entities for the year ended 30 June 2012.

1. DIRECTORS

The names of directors in office at any time during or since the end of the year are:

Brett Smith	Non-Executive Chairman
Bryan Dixon	Managing Director
Alan Thom	Executive Director
Greg Miles	Executive Director (Appointed 18 October 2011)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

COMPANY SECRETARY

Julie Hill (appointed 13 September 2011)

Ms Hill has significant experience as a finance professional with experience in the key roles of Company Secretary, Chief Financial Officer and Non-executive Director. Industries of experience include mineral exploration, rail, political advocacy, chartered accounting, and the wine industry.

Ms Hill has considerable experience in the development of the corporate and financial management of companies in Australia and overseas including statutory and taxation requirements, listing requirements and foreign exchange.

Piers Lewis (resigned 13 September 2011)

2. PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was mineral exploration and development.

3. OPERATING RESULTS AND FINANCIAL POSITION

The loss to the group after providing for income tax amounted to \$1,319,969 (2011: \$486,615).

The group's working capital, being current assets less current liabilities, was negative \$1,563,307 as at 30 June 2012.

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

4. DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

5. **REVIEW OF OPERATIONS**

Blackham, a Western Australian resources company, is focused on exploration at the Matilda and Williamson Gold Mines and is also evaluating the development of the Scaddan and Zanthus Coal Projects.

Blackham acquired 100% acquisition the Matilda Gold Project in November 2011 which includes the old Matilda and Williamson Gold Mines in the Wiluna gold belt of Western Australia. The Matilda Gold Project contains 23Mt @ 1.9g/t for 1.4Moz gold. The tenure package covers 40km of strike along the Wiluna Mine sequence which has produced over 4Moz of gold. In addition, the strike of the prospective Coles Shear which hosts the Matilda Deposits has been extended to 10 km. Blackham will have the largest landholding (>600km²) in the Mining Centre and one of Western Australia's major Archaean greenstone belts. Blackham is targeting the resources mostly to be converted to reserves in the near term.

Blackham is evaluating the development of the Scaddan and Zanthus Coal Projects for both coal export and the building of a coal to liquid (CTL) facility. The Scaddan and Zanthus Coal Projects, located near Esperance, Western Australia, contain coal deposits totalling 1.4 billion tonnes with over 10,600 PJ of energy at shallow depth and very low mining costs. The Scaddan Coal Project is surrounded by complimentary infrastructure approximately 60 kilometres north of the town and major port of Esperance and 10 kilometres east of the Esperance to Kalgoorlie highway, gas pipeline and railway line.

6. **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Group during the financial year.

7. **AFTER REPORTING DATE EVENTS**

No Other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

8. **INFORMATION ON DIRECTORS**

Brett Smith	Non-Executive Chairman
Qualifications	BSc Honours in Geology, M.AusIMM, MAIG.
Experience	Mr Smith has been involved in the mining and exploration industry for over 25 years as a geologist, manager and Director of publicly listed companies. Mr Smith is also a Director of ASX companies Corazon Mining Ltd, Cauldron Energy Ltd and Jacka Resources Ltd and has acquired broad industry experience in exploration and development. Brett is a founding Director of Blackham and brings a wealth of experience in all facets of geology, and the search for and development of valuable resource assets.
Equity holdings	Ordinary shares – 200,000 \$0.33 options expiring 30 November 2012 – 250,000 \$0.36 options expiring 30 November 2013 – 250,000 \$0.238 options expiring 29 June 2014 – 100,000 \$0.255 options expiring 29 June 2015 – 100,000

Bryan Dixon	Managing Director
Qualifications	BComm, CA, ACIS
Experience	Mr Dixon has substantial experience in the mining sector and in the management of public and listed companies. Previously, Mr Dixon has been employed by KPMG, Resolute Samantha Limited, Société Générale and Archipelago Resources Plc. Mr Dixon is also a Non-Executive Director of Hodges Resources Limited and Midwinter Resources NL. Mr Dixon is a Chartered Accountant and brings additional project development, project acquisition, financing and corporate skills to the Group.
Equity holdings	Ordinary Shares – 1,215,000 \$1.00 options expiring 2 April 2013 – 500,000 \$0.333 options expiring 30 November 2012 – 500,000 \$0.361 options expiring 30 November 2013 – 500,000 \$0.238 options expiring 29 June 2014 – 400,000 \$0.255 options expiring 29 June 2015 – 400,000
Alan Thom	Executive Director
Qualifications	BEng(Hons), GDipAppFin, FFin, MAusIMM.
Experience	Mr Thom has extensive experience as a senior manager and executive working in Australia, United Kingdom, Africa and Bangladesh. Before joining Blackham Mr Thom was chief operating officer and executive director of Brinkley Mining Plc a London based company listed on the Alternative Investment Market. Alan was also the Business Development Manager for Asia Energy PLC and was instrumental in developing the definitive feasibility study and financing documentation with Barclays Capital as advisors. Mr Thom was a mining consultant for Golder Associates and previously held statutory mine management positions for Newmont in both underground and open pit operations.
Equity holdings	\$1.00 options expiring 11 October 2012 – 500,000 \$0.33 options expiring 30 November 2012 – 500,000 \$0.36 options expiring 30 November 2013 – 500,000 \$0.238 options expiring 29 June 2014 – 100,000 \$0.255 options expiring 29 June 2015 – 100,000
Greg Miles	Executive Director (Appointed 18 October 2011)
Qualifications	BSc, GDip Geology
Experience	Mr Miles has more than 18 years' experience in mineral exploration and development in numerous commodities and mineral provinces. Mr Miles has broad technical expertise as both a geologist and exploration manager directing a small but dynamic team. Mr Miles professional highlights include the discovery and development of the 40 Mt Mount Caudan Iron Ore Deposit and the exploration and development of gold resources at Plutonic, Darlot, Big Bell and West Kalgoorlie.
Equity Holdings	Ordinary Shares – 304,500 \$0.266 options expiring 29 November 2013 – 500,000 \$0.285 options expiring 29 November 2014 – 500,000

Directorships of other listed companies

Directorships of other listed companies held by directors in the three years immediately before the end of the financial year are as follows:

<i>Name</i>	<i>Company</i>	<i>Period of directorship</i>
Bryan Dixon	Hodges Resources Ltd	August 2005 to present
	Midwinter Resources NL	December 2010 to present
Brett Smith	Cauldron Energy Ltd	June 2009 to present
	Corazon Mining Ltd	July 2010 to present
	Jackson Minerals Ltd	May 2006 to November 2009
	Jacka Resources Ltd	October 2009 to present
	Eclipse Uranium Ltd	March 2010 to October 2011
Greg Miles	Cove Resources Ltd	January 2011 to present
	Cassini Resources Ltd	October 2011 to present

9. MEETINGS OF DIRECTORS

The number of directors' meetings held during the financial year, each director held office during the financial year and the number of meetings attended by each director is:

Director	Directors Meetings	
	Number Eligible to Attend	Meetings Attended
Bryan Dixon	25	25
Brett Smith	25	25
Alan Thom	25	25
Greg Miles	11	11

The Group does not have a formally constituted audit, nomination or remuneration committee as the board considers that for the Group's size and type of operation these functions are most efficiently and effectively handled directly by the Board.

10. FUTURE DEVELOPMENTS

The Group is focused on exploration and development at the recently acquired Matilda and Williamson Gold Mines in the Wiluna gold belt of Western Australia and continues to advance the exploration and development of the Scaddan and Zanthus coal projects.

11. ENVIRONMENTAL ISSUES

The Group's exploration activities are subject to the 1978 (WA) Mining Act. The Group has a policy of complying with or exceeding its environmental performance obligations. The Board believes that the Group has adequate systems in place for the management of its environmental requirements. The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The Directors of the Group are not aware of any breach of environmental legislation for the financial year under review.

The Directors of the Group have reviewed the requirements under the National Greenhouse Regulation ("NGER"). The Group's emissions are not currently at a level requiring reporting under NGER.

12. REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director of Blackham Resources Limited.

Remuneration Policy

The remuneration policy of Blackham Resources Limited has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The Board of Blackham Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the high calibre directors to run and manage the company, as well as create goal congruence between directors and shareholders.

The board's policy for determining the nature and amount of remuneration for board members is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior staff members, was developed and approved by the Board.

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

All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and fringe benefits.

The Group is an exploration and development entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions, within the same industry. The majority of the Board have acquired shares in the Company and have retained these securities which assist in aligning their objectives with overall shareholder value.

Shares and options may also be issued to Board members to provide a mechanism to participate in the future development of the Group and an incentive for their future involvement with and commitment to the Group.

Options and performance incentives will be issued in the event that the entity moves from an exploration entity to a producing entity, and key performance indicators such as profits and growth can be used as measurements for assessing Board performance.

The executive directors and executives receive superannuation contributions of 9% and do not receive any other retirement benefits.

All remuneration paid to directors is valued at the cost to the Group and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board in consultation with independent advisors determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Group.

However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Group.

Group Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Directors and executives are encouraged to buy shares in the Group. In addition Directors and executives may be issued shares and/or options to encourage the alignment of personal and shareholder interest.

Details of Remuneration for Year Ended 30 June 2012

The remuneration for key management personnel of the Group receiving the highest remuneration during the year was as follows:

Details of the nature and amount of emoluments of each key management personnel are as follows:

	SHORT-TERM BENEFITS			POST EMPLOYMENT		SECURITIES ISSUED		TOTAL	Total Remuneration Represented by Equity
	Salary, & Fees	Other	Non-Monetary	Superannuation	Retirement Benefits	Equity	Options		
Directors	\$	\$	\$	\$	\$	\$	\$	\$	%
Bryan Dixon – Managing Director (i)									
2012	196,200	-	-	-	-	-	-	196,200	0%
2011	194,262	-	-	9,450	-	-	-	203,712	0%
Brett Smith – Non Executive Chairman (ii)									
2012	32,700	-	-	-	-	-	-	32,700	0%
2011	32,475	-	-	225	-	-	-	32,700	0%
Alan Thom – Executive Director (iii)									
2012	58,500	-	-	3,780	-	-	-	62,280	0%
2011	184,192	-	-	4,985	-	-	-	189,177	0%
Greg Miles – Executive Director (iv)									
2012	130,767	-	-	-	-	61,250	149,910	341,927	62%
2011	-	-	-	-	-	-	-	-	0%
Julie Hill – Company Secretary (v)									
2012	37,500	-	-	-	-	-	12,065	49,565	24%
2011	-	-	-	-	-	-	-	-	0%
Total Directors and Key Management Personnel									
2012	455,667	-	-	3,780	-	61,250	161,975	682,672	33%
2011	410,929	-	-	14,660	-	-	-	425,589	0%

- i) An aggregate amount of \$196,200 (2011: \$203,712) was paid, or was due and payable to Warrior Strategic Pty Ltd, a company controlled by Mr Bryan Dixon, for the provision of corporate and management services to the Group.
- ii) An aggregate amount of \$32,700 (2011:\$32,700) was paid, or was due and payable to Topaz Corporate Pty Ltd, a company controlled by Mr Brett Smith, for the provision of corporate and management services to the Group.
- iii) An aggregate amount of \$58,500 (2011: \$189,177) was paid, or was due and payable to Aston Corporation Pty Ltd, a company controlled by Mr Alan Thom, for the provision of corporate and management services to the Group. Between April 2011 and March 2012 Mr Thom was a non executive director.
- iv) An aggregate amount of \$130,767 (2011: Nil) was paid, or was due and payable to Hidden Asset Pty Ltd, a company controlled by Mr Greg Miles, for the provision of corporate and management services to the Group.
- v) An aggregate amount of \$37,500 (2011: Nil) was paid, or was due and payable to DZB Pty Ltd, a company controlled by Ms Julie Hill, for the provision of corporate and management services to the Group.

Details of the nature and amount of emoluments of key management personnel are as follows:

Employment Contracts of Directors and Senior Executives

The employment conditions of the Managing Director, Bryan Dixon, and Executive Directors, Greg Miles and Alan Thom are by way of contract of employment.

The employment contract states a three-month resignation period. The Group may terminate an employment contract without cause by providing one to three months written notice or making payment in lieu of notice, based on the individual's annual salary component.

13. OPTIONS

At the date of this report there are 9,500,000 options over unissued ordinary shares of the Group with the following exercise prices and expiry dates.

200,000	Options exercisable at \$1.00 expiry 12/10/2012
500,000	Options exercisable at \$1.00 expiry 11/10/2012
1,550,000	Options exercisable at \$0.33 expiry 30/11/2012
900,000	Options exercisable at \$1.00 expiry 17/1/2013
500,000	Options exercisable at \$1.00 expiry 2/4/2013
100,000	Options exercisable at \$0.31 expiry 14/09/2013
500,000	Options exercisable at \$0.266 expiry 29/11/2013
1,550,000	Options exercisable at \$0.36 expiry 30/11/2013
100,000	Options exercisable at \$0.385 expiry 20/01/2014
200,000	Options exercisable at \$0.35 expiry 28/01/2014
200,000	Options exercisable at \$0.272 expiry 24/04/2014
600,000	Options exercisable at \$0.238 expiry 29/06/2014
500,000	Options exercisable at \$0.285 expiry 29/11/2014
200,000	Options exercisable at \$0.291 expiry 24/04/2015
1,300,000	Options exercisable at \$0.275 expiry 27/04/2015
600,000	Options exercisable at \$0.255 expiry 29/06/2015

14. INDEMNIFYING OFFICERS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer or agent of the Group shall be indemnified out of the property of the Group against any liability incurred by him in his capacity as Officer or agent of the Group or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

During the financial year, the group maintained an insurance policy which indemnifies the Directors and Officers of Blackham Resources Limited in respect of any liability incurred in connection with the performance of their duties as Directors or Officers of the consolidated entity. The consolidated entity's insurers have prohibited disclosure of the amount of the premium payable and the level of indemnification under the insurance contract.

15. PROCEEDINGS ON BEHALF OF GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of these proceedings. The Group was not a party to any such proceedings during the year.

16. AUDITORS INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 15 of the annual report.

17. NON-AUDIT SERVICES

The auditors have not provided any non-audit services to the consolidated entity in the current or prior financial years.

Signed in accordance with a resolution of the Board of Directors.

Bryan Dixon
Managing Director

Perth, 28 September 2012

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Blackham Resources Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.



RSM BIRD CAMERON PARTNERS



S C CUBITT
Partner

Perth, WA
Dated: 28 September 2012

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2012

	Notes	Consolidated	
		2012	2011
		\$	\$
Revenue	2	155,450	347,180
Administration		(373,556)	(260,704)
Compliance and regulatory expenses		(314,737)	(182,896)
Depreciation expense		(11,082)	(4,653)
Employee and consultant costs		(190,518)	(306,516)
Equity based payments		(425,239)	(25,010)
Exploration expenditure written off		(160,287)	(54,016)
Loss before income tax benefit	3	(1,319,969)	(486,615)
Income tax expense	7	-	-
Loss for the year		(1,319,969)	(486,615)
Loss attributable to:			
Members of the parent entity		(1,319,969)	(486,615)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,319,969)	(486,615)
Total comprehensive income attributable to:			
Members of the parent entity		(1,319,969)	(486,615)
Earnings per share			
Basic and diluted loss per share (cents)	18	3.00	1.25

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

	Notes	Consolidated	
		2012 \$	2011 \$
CURRENT ASSETS			
Cash and cash equivalents	8	769,114	1,409,643
Trade and other receivables	9	325,452	172,912
Financial assets	10	54,824	137,327
TOTAL CURRENT ASSETS		1,149,390	1,719,882
NON CURRENT ASSETS			
Plant and equipment	11	40,663	7,778
Trade and other receivables	9	26,345	25,318
Exploration, evaluation and development expenditure	12	7,733,113	2,707,047
TOTAL NON CURRENT ASSETS		7,800,121	2,740,143
TOTAL ASSETS		8,949,511	4,460,025
CURRENT LIABILITIES			
Trade and other payables	13	2,575,070	111,799
Financial liabilities	14	137,627	-
TOTAL CURRENT LIABILITIES		2,712,697	111,799
TOTAL LIABILITIES		2,712,697	111,799
NET ASSETS		6,236,814	4,348,226
EQUITY			
Issued capital	15	10,477,935	7,672,749
Reserves	16	1,858,158	1,475,570
Accumulated losses		(6,099,279)	(4,800,093)
TOTAL EQUITY		6,236,814	4,348,226

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the Year Ended 30 June 2012

	Notes	Consolidated	
		2012 \$	2011 \$
Cash Flows from Operating Activities			
- Payments to suppliers and employees		(2,610,247)	(1,652,502)
- Interest received		31,806	95,752
- Research & development tax concession		-	324,634
<i>Net cash used in operating activities</i>	19	(2,578,441)	(1,232,116)
Cash Flows from Investing Activities			
- Purchase of investments		(10,000)	(11,350)
- Proceeds from sale of investments		84,514	77,774
- Purchase of plant and equipment		(25,777)	(8,576)
- Payment for acquisition of subsidiary net of cash acquired		(648,761)	-
- Sale of tenements and refunds of applications		-	35,000
- Loans to unrelated entities		-	(300,000)
- Repayment of loans to unrelated entities		-	300,000
<i>Net cash (used)/ provided by investing activities</i>		(600,024)	92,848
Cash Flows from Financing Activities			
- Proceeds from issue of securities		2,464,565	-
- Proceeds from issue of convertible note		175,000	-
- Payment for costs of issue of securities		(101,629)	-
<i>Net cash provided by financing activities</i>		2,537,936	-
Net increase / (decrease) in cash held		(640,529)	(1,139,268)
Cash at beginning of financial year		1,409,643	2,548,911
Cash at end of financial year	8	769,114	1,409,643

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012**

CONSOLIDATED	Issued Capital	Option Reserve	Accumulated Losses	Total
	\$	\$	\$	\$
Balance at 1 July 2010	7,672,749	1,450,560	(4,313,478)	4,809,831
Total comprehensive loss for the year	-	-	(486,615)	(486,615)
Issue of options	-	25,010	-	25,010
Balance at 30 June 2011	7,672,749	1,475,570	(4,800,093)	4,348,226
Balance at 1 July 2011	7,672,749	1,475,570	(4,800,093)	4,348,226
Total comprehensive loss for the year	-	-	(1,319,969)	(1,319,969)
Issue of shares	3,032,865	-	-	3,032,865
Share issue costs	(227,679)	-	-	(227,679)
Issue of options	-	363,988	-	363,988
Convertible note	-	39,383	-	39,383
Options Expiry	-	(20,783)	20,783	-
Balance at 30 June 2012	10,477,935	1,858,158	(6,099,279)	6,236,814

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of Blackham Resources Limited and its controlled entities (the “consolidated group” or “group”).

The separate financial statements of the parent entity, Blackham Resources Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

The financial statements were authorised for issue on 28 September 2012 by the directors of the company.

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

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

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

a. Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Blackham Resources Limited at the end of the reporting period. A controlled entity is any entity over which Blackham Resources Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity’s activities.

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

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

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

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

b. Income Tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

c. Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

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

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	40%
Office furniture and equipment	18%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

d. Exploration and Development Expenditure

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

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

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

d. Exploration and Development Expenditure (cont'd)

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

e. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

f. Financial Instruments

Recognition and initial measurement

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. **STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)**

Classification and subsequent measurement

Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

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

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

f. **Financial Instruments (Cont'd)**

Classification and subsequent measurement (Cont'd)

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

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

(ii) *Loans and receivables*

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

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) *Held-to-maturity investments*

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

Held-to-maturity investments are included in non-current assets where they are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

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

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

They are subsequently measured at fair value with changes in such fair value (ie gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets where they are expected to be sold within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

(v) *Financial liabilities*

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

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

f. Financial Instruments (Cont'd)

Derecognition

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

g. Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss.

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

h. Interests in Joint Ventures

The Group's shares of the assets, liabilities, revenue and expenses of jointly controlled operations have been included in the appropriate line items of the consolidated financial statements. Details of the Group's interests are provided in Note 19.

The Group's interests in joint venture entities are recorded using the equity method of accounting in the consolidated financial statements.

Where the Group contributes assets to the joint venture or if the Group purchases assets from the joint venture, only the portion of the gain or loss that is not attributable to the Group's share of the joint venture shall be recognised. The Group recognises the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

i. Intangibles Other than Goodwill

Research and development

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

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

j. Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

k. Equity-settled compensation

The Group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

l. Provisions

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

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

m. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

n. Revenue and Other Income

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

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

Interest revenue is recognised using the effective interest rate method.

Dividend revenue is recognised when the right to receive a dividend has been established.

Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

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

o. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

p. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

q. Critical Accounting Estimates and Judgments

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

q. Critical Accounting Estimates and Judgments (Cont'd)

i) Key estimates

Equity-based payments

Equity-based compensation benefits can be provided to directors, executives and contractors

The fair value of options granted to directors, executives and contractors is recognised as an expense with a corresponding increase in contributed equity. The fair value is measured at grant date and recognised over the period during which the directors, executives and/ or contractors becomes unconditionally entitled to the options.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

ii) Key judgments

Exploration and evaluation expenditure

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

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

r. New standards and interpretations issued but not yet effective

At the date of this financial report, the following standards and interpretations have been issued but are not yet effective:

Reference	Title	Summary	Application date (financial years beginning)
AASB 9	<i>Financial Instruments</i>	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013 (likely to be extended to 2015 by ED 215)
AASB 10	<i>Consolidated Financial Statements</i>	Replaces the requirements of AASB 127 and Interpretation 112 pertaining to the principles to be applied in the preparation and presentation of consolidated financial statements.	1 January 2013
AASB 12	<i>Disclosure of Interests in Other Entities</i>	Replaces the disclosure requirements of AASB 127 and AASB 131 pertaining to interests in other entities.	1 January 2013
AASB 127	<i>Separate Financial Statements</i>	Prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 January 2013
AASB 13	<i>Fair Value Measurement</i>	Provides a clear definition of fair value, a framework for measuring fair value and requires enhanced disclosures about fair value measurement.	1 January 2013
AASB 119	<i>Employee Benefits</i>	Prescribes the accounting and disclosure for employee benefits. This Standard prescribes the recognition criteria when in exchange for employee benefits.	1 January 2013

The entity has decided against early adoption of these standards and interpretations. Furthermore, these changes in standards and interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

s. Going Concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business. As disclosed in the financial statements, the company and consolidated entity incurred losses of \$4,044,290 and \$1,319,969 respectively and the consolidated entity had net cash outflows from operating activities of \$2,578,441 for the year ended 30 June 2012. As of that date, the consolidated entity had net current liabilities \$1,563,307.

These factors indicate significant uncertainty as to whether the company and consolidated entity will continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the company and consolidated entity will continue as going concerns, after consideration of the following factors:

- As disclosed in Note 22, on 19 September 2012 the Company agreed to issue 5,800,000 ordinary shares at \$0.19 per share to professional and sophisticated investors, to raise \$1,100,000;
- The ability of the company to issue additional shares in accordance with the *Corporations Act 2001*, which it is planning to undertake, following completion of the scoping study for the Matilda Gold Project, in order to develop the project and settle the environmental bond liability disclosed in Note 13;
- The Directors have adopted further strategies to ensure that funding is maintained. These include, but are not limited to, further cost reductions, divestment of non-core assets, sale, relinquishment or joint venture contributions on areas of interest held and seeking to acquire other prospective projects; and
- The Company has the ability to scale back certain of its activities or defer exploration activities, to conserve cash.

Accordingly, the Directors believe that the company and consolidated entity will be able to continue as going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the company and consolidated entity do not continue as going concerns.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

	Consolidated	
	2012	2011
	\$	\$
2. REVENUE		
Operating activities		
- interest received	30,097	97,985
- R&D rebate	55,570	141,723
- other revenue	3,777	11,260
- gain on disposal of tenements	50,000	54,705
- gain on share trading	16,006	38,667
- Net gain on financial assets at fair value through profit or loss	-	2,840
	155,450	347,180

	Consolidated	
	2012	2011
	\$	\$
3. LOSS FOR THE YEAR		
<i>(i) Expenses</i>		
Exploration expenditure written off	160,287	54,016
Option expense – Employees	169,504	-
Option expense – Consultants	194,485	25,010
Share expense – Directors	61,250	-
Net loss on financial assets at fair value through profit or loss	23,995	-

4. KEY MANAGEMENT PERSONNEL COMPENSATION

- (a) Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:

Key Management Personnel Position

Bryan Dixon	Managing Director
Brett Smith	Non-Executive Chairman
Alan Thom	Executive Director
Greg Miles	Executive Director
Julie Hill	Company Secretary (appointed 13 September 2011)

Detailed key management personnel remuneration has been included in the Remuneration Report section of the Directors Report

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

4. KEY MANAGEMENT PERSONNEL COMPENSATION (Cont'd)

The totals of remuneration paid to key management personnel of the company and the Group during the year are as follows:

	2012	2011
Short-term employee benefits	455,667	410,929
Post-employment benefits	3,780	14,660
Share-based payments	223,225	-
	682,672	425,589

(b) Shareholdings and Options

Number of Shares Key Management Personnel have a significant influence over

	Balance 1.7.2011	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2012
<u>2012</u>					
Bryan Dixon	795,000	-	135,000	130,000	1,060,000
Alan Thom	-	-	-	-	-
Brett Smith	200,000	-	-	-	200,000
Greg Miles (i)	-	250,000	-	54,500	304,500
Julie Hill	-	-	-	-	-
Total	995,000	250,000	135,000	184,500	1,564,500
	Balance 1.7.2010	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2011
<u>2011</u>					
Bryan Dixon	795,000	-	-	-	795,000
Alan Thom	-	-	-	-	-
Brett Smith	200,000	-	-	-	200,000
Total	995,000	-	-	-	995,000

(i) Shareholdings from Greg Miles date of appointment being 18 October 2011

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

4. KEY MANAGEMENT PERSONNEL COMPENSATION (Cont'd)

Number of Options Key Management Personnel have a significant influence over:

2012	Balance 1 July 2011	Issued	Exercised	Lapsed	Balance 30 June 2012	Vested during the year	Vested and exercisable
Bryan Dixon	1,635,000	-	(135,000)	-	1,500,000	-	1,500,000
Alan Thom	1,500,000	-	-	-	1,500,000	-	1,500,000
Brett Smith	600,000	-	-	(100,000)	500,000	-	500,000
Greg Miles	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000
Julie Hill	-	100,000	-	-	100,000	100,000	100,000
	3,735,000	1,100,000	(135,000)	(100,000)	4,600,000	1,100,000	4,600,000

2011	Balance 1 July 2010	Issued	Exercised	Lapsed	Balance 30 June 2011	Vested during the year	Vested and exercisable
Bryan Dixon	1,635,000	-	-	-	1,635,000	-	1,635,000
Alan Thom	1,500,000	-	-	-	1,500,000	-	1,500,000
Brett Smith	600,000	-	-	-	600,000	-	600,000
Greg Miles	-	-	-	-	-	-	-
Julie Hill	-	-	-	-	-	-	-
	3,735,000	-	-	-	3,735,000	-	3,735,000

The Group's policy for determining the nature and amount of emoluments of board members and senior executives of the Group is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Group. The contracts for service between the Group and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement. The Group may terminate the contracts without cause by providing one to three months written notice or making payment in lieu of notice based on the individual's annual salary component at industry award redundancy rates.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

5. EQUITY BASED PAYMENTS

- a. Options granted to key management personnel under the company's Employee Incentive Scheme during the year were as follows:
- i) On 14 September 2012, 100,000 options granted to J Hill with an exercise price of \$0.31 and an expiry date of 14 September 2013
 - ii) On 29 November 2012, 500,000 options granted to G Miles with an exercise price of \$0.266 and an expiry date of 29 November 2013
 - iii) On 29 November 2012, 500,000 options granted to G Miles with an exercise price of \$0.285 and an expiry date of 29 November 2014
- b. Options granted to an employee under the company's Employee Incentive Scheme during the year were as follows:
- i) On 26 April 2012, 200,000 options granted with an exercise price of \$0.272 and an expiry date of 24 April 2014
 - ii) On 26 April 2012, 200,000 options granted with an exercise price of \$0.291 and an expiry date of 24 April 2015
- c. Options granted on 27 April 2012 in accordance with Share Purchase and Convertible Security Agreement between the Company and The Australian Special Opportunity Fund, LP ("**Investor**"). 1,300,000 options granted with an exercise price of \$0.275 and an expiry date of 27 April 2015.

These options all vested upon the date of grant and they are all unlisted and don't hold voting or dividend rights.

The fair value of the options granted is determined by using the Black-Scholes option pricing model. The following table lists the inputs to the models used for the period ended 30 June 2012:

Allottees	Fair Value at Grant Date	Estimated Volatility	Life of Option (yrs)	Exercise Price	Share Price	Risk Free Interest Rate
J Hill	\$0.12065	98%	2.00	\$0.31	\$0.25	4.75%
G Miles	\$0.10930	100%	2.00	\$0.266	\$0.22	4.50%
G Miles	\$0.12971	100%	3.00	\$0.285	\$0.22	4.50%
Employee	\$0.12523	110%	1.99	\$0.272	\$0.23	4.25%
Employee	\$0.14723	110%	2.99	\$0.291	\$0.23	4.25%
Investor	\$0.14960	110%	3.00	\$0.275	\$0.23	4.25%

The expected volatility is based on the historical volatility (based on remaining life of the options), adjusted for any expected changes to future volatility based on publicly available information.

- a. On 6 December 2011, 250,000 shares were issued to G Miles (Director) at a deemed issue price of \$0.245 per share
- b. On 24 November 2011, 2,400,000 shares were issued to the vendors of Kimba Resources Pty Ltd in accordance with the terms of the Share Purchase Agreement at a deemed issue price of \$0.192 per share
- c. On 27 April 2012, 568,182 shares were issued as a commencement fee in accordance with Share Purchase and Convertible Security Agreement to the Investor

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

5. EQUITY BASED PAYMENTS (Cont'd)

The following table illustrates the number and weighted average prices and movements in ordinary share capital issued during the year:

	2012		2011	
	Number of Shares	Share Issue Price \$	Number of Shares	Share Issue Price \$
At beginning of reporting year	38,859,414	0.20	38,859,414	0.20
Issued during the year				
- Option conversion	1,532,862	0.25	-	-
- Acquisition of entity	2,400,000	0.192		
- Share issue to director	250,000	0.245		
- Placement	4,750,000	0.20		
- Commencement fee (see note c above)	568,182	0.22		
- Placement	4,678,090	0.21	-	-
- Share issue to Investor	390,625	0.19		
Balance the end of reporting year	53,429,173	0.21	38,859,414	0.20

The following table illustrates the number and weighted average exercise prices and movements in share options issued during the year:

	2012		2011	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
At beginning of reporting year	22,644,827	0.34	22,444,827	0.34
Granted during the year	2,800,000	0.28	200,000	0.35
Exercised during the year	(1,532,862)	0.25	-	-
Lapsed during the year	(15,611,965)	0.25	-	-
Balance the end of reporting year	8,300,000	0.49	22,644,827	0.34
Exercisable at end of reporting year	8,300,000	0.49	22,644,827	0.34

The weighted average remaining contractual life of options outstanding at year end was 1.33 years.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

	Consolidated	
	2012	2011
	\$	\$
6. AUDITORS' REMUNERATION		
Remuneration of the auditor for:		
- Auditing or reviewing the financial report	33,750	23,400
- Other services	-	-
	33,750	23,400

	Consolidated	
	2012	2011
	\$	\$
7. INCOME TAX EXPENSE		
The components of the tax expense/(income) comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-
(a) <i>The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:</i>		
Net profit/(loss) before tax	(1,319,969)	(486,615)
Prima facie tax (benefit) on loss from ordinary activities before income tax at 30% (2011: 30%)	(395,991)	(145,985)
Add:		
Tax effect of:		
Non-deductible expenses	1,426	868
Current year tax losses not recognised	394,565	145,117
	-	-

(b) Deferred tax

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(b) occur:

Unused tax losses for which no deferred tax asset has been recognised	10,614,610	5,339,868
Potential tax benefit @ 30%	3,184,383	1,601,960

No income tax is payable by the Group. The Directors have considered it prudent not to bring to account the deferred tax asset of income tax losses until it is probable of deriving assessable income of a nature and amount to enable such benefit to be realised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

	Consolidated	
	2012	2011
	\$	\$
8. CASH AND CASH EQUIVALENTS		
Cash at bank	131,275	298,105
Petty cash	200	200
Deposits at call (i)	637,639	1,111,338
	769,114	1,409,643
(i) The bank deposits are bank bills maturing within 60 days, and pay interest at a rate of 3.15%, 4.0% and 5.0% per annum.		
9. TRADE AND OTHER RECEIVABLES		
Current		
Research & development tax concession	197,000	141,430
GST Receivable	64,826	23,190
Trade debtors	55,000	-
Other debtors	8,626	8,292
	325,452	172,912
Non Current		
Other debtors	26,345	25,318
10. FINANCIAL ASSETS		
Financial assets at fair value through profit and loss:		
Current		
Shares in listed corporations, at fair value	54,824	137,327
11. PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment		
At cost	54,081	20,408
Accumulated depreciation	(13,418)	(12,630)
	40,663	7,778
At 1 July	7,778	3,855
Additions	25,777	8,576
Additions acquired on acquisition of subsidiary	18,190	-
Disposals	-	-
Depreciation	(11,082)	(4,653)
At 30 June	40,663	7,778

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

12. EXPLORATION, EVALUATION AND DEVELOPMENT COSTS	Consolidated	
	2012	2011
	\$	\$
Costs carried forward in respect of areas of interest in:		
Exploration and evaluation phases – at cost	7,733,113	2,707,047
Movement:		
Brought forward	2,707,047	1,897,459
Acquisition costs	18,182	-
Additions acquired on acquisition of subsidiary	3,320,472	-
Exploration expenditure capitalised during the year	1,913,133	940,287
Cost of tenements sold	(55,000)	(54,705)
Refunds of rents and rates	(10,434)	(21,978)
Exploration expenditure written off	(160,287)	(54,016)
Closing Value	7,733,113	2,707,047

The value of the Groups interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Groups exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

13. TRADE AND OTHER PAYABLES	Consolidated	
	2012	2011
	\$	\$
Current - Unsecured		
Trade creditors	181,862	69,999
Other creditors and accrued expenses	122,240	41,800
Environmental bond liability (i)	2,270,968	-
	2,575,070	111,799

- i. The environmental bond liability was incurred by the acquisition of the Matilda Gold project and is expected to be settled within the next 12 months.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

14. FINANCIAL LIABILITY

	Consolidated	
	2012	2011
	\$	\$
Current - Unsecured		
Convertible Security		
Proceeds from issue of convertible security	175,000	-
Amount classified as equity (before tax)	(39,383)	-
Interest expense	2,010	-
Fair value as at 30 June 2012	137,627	-

On 30 April 2012 a convertible security was issued in accordance with the Share Purchase and Convertible Security Agreement between the Company and The Australian Special Opportunity Fund, LP. The salient terms of the convertible security are:

- a. The security has a face value of \$175,000,
- b. The security will mature on 30 April 2015,
- c. The security is interest free,
- d. The security conversion price at which shares will be issued is either:
 - a. 90% of the average of the 5 daily Volume Weighted Average Price (VWAPs) during the 20 trading days prior to the issuance of shares; or
 - b. at \$0.287
 at the Investors election.
- e. If the security remains unconverted on its maturity date, the company will repay the total amount outstanding to the security holder, and
- f. Any shares issued to the security holder will rank equally with other shares on issue.

15. ISSUED CAPITAL

	Consolidated		Consolidated	
	2012	2011	2012	2011
	Shares	Shares	\$	\$
a) Share Capital				
Ordinary fully paid shares	53,429,173	38,859,414	10,477,935	7,672,749
	53,429,173	38,859,414	10,477,935	7,672,749

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

15. ISSUED CAPITAL (Cont'd)

	Note	Shares	Issue Price	\$
At 1 July 2011		38,859,414		7,672,749
22 September 2011	Option conversion	5,257	0.25	1,314
5 October 2011	Option conversion	26,795	0.25	6,699
14 October 2011	Option conversion	16,000	0.25	4,000
20 October 2011	Option conversion	465,130	0.25	116,282
31 October 2011	Option conversion	919,680	0.25	229,920
1 November 2011	Option conversion	100,000	0.25	25,000
24 November 2011	i Share issue	2,400,000	0.19	456,000
6 December 2011	ii Share issue	250,000	0.245	61,250
6 February 2012	iii Placement	4,750,000	0.20	950,000
27 April 2012	iv Commencement Fee	568,182	0.22	125,000
24 May 2012	v Placement	4,678,090	0.21	982,399
28 May 2012	vi Share issue	390,625	0.19	75,000
30 June 2012	Share issue costs			(227,679)
At 30 June 2012		53,429,173		10,477,935

- i. On 24 November 2011, 2,400,000 shares were issued to the vendors of Kimba Resources Pty Ltd in accordance with the terms of the Share Purchase Agreement at a deemed issue price of \$0.19 per share
- ii. On 6 December 2011, 250,000 shares were issued to G Miles (Director) at a deemed issue price of \$0.245 per share
- iii. The consolidated entity issued 4,750,000 shares to sophisticated investors at an issue price of \$0.20 on 6 February 2012
- iv. On 27 April 2012, 568,182 shares were issued as a commencement fee in accordance with Share Purchase and Convertible Security Agreement between the Company and The Australian Special Opportunity Fund, LP (“Investor”)
- v. The consolidated entity issued 4,678,090 shares to sophisticated investors at an issue price of \$0.21 on 24 May 2012
- vi. The consolidated entity issued 390,625 shares to the Investor at an issue price of \$0.19 on 28 May 2012.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. Ordinary shares have no par value.

At shareholders meetings each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

b) Capital Management

Management controls the capital of the Group in order to provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. The Group’s capital includes ordinary share capital. There are no externally imposed capital requirements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

15. ISSUED CAPITAL (Cont'd)

b) Capital Management (cont'd)

	Consolidated	
	2012	2011
	\$	\$
Cash and cash equivalents	769,114	1,409,643
Trade and other receivables	351,797	198,230
Financial assets at fair value through profit or loss	54,824	137,327
Financial Liabilities	(137,627)	-
Trade and other payables	(2,575,070)	(111,799)
Working capital position	<u>(1,536,962)</u>	<u>1,633,401</u>

16. RESERVES

Option Reserve

The option reserve is used to record funds received for options issued and items recognised as expenses on valuation of share options issued.

	Consolidated		Consolidated	
	2012	2011	2012	2011
	Option	Options	\$	\$
<i>i) Options Movement</i>				
At 1 July	22,644,827	22,444,827	1,475,570	1,450,560
Options exercised	(1,532,862)	-	-	-
Options expired	(15,611,965)	-	(20,783)	-
Options issued	2,800,000	200,000	363,988	25,010
At 30 June	<u>8,300,000</u>	<u>22,644,827</u>	<u>1,818,775</u>	<u>1,475,570</u>

Convertible Note Reserve

The convertible note reserve records the equity portion of convertible notes after tax.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

17. FINANCIAL INSTRUMENTS

a. Financial Risk Management Policies

The group's financial instruments consist solely of deposits with banks.

Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments is interest rate risk.

Interest rate risk

Interest rate risk is managed by obtaining the best commercial deposit interest rates available in the market by the major Australian Financial Institutions.

Credit risk

The maximum exposure to credit risk, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

Net Fair Values

The net fair values of:

- Listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred.
- Other assets and other liabilities approximate their carrying value.

Sensitivity Analysis - Interest Rate Risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2012, the effect on loss as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2012	2011
	\$	\$
Change in loss/ equity		
Increase in interest rate by 100 basis points	21,164	11,115
Decrease in interest rate by 100 basis points	(21,164)	(11,115)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

17. FINANCIAL INSTRUMENTS (Cont'd)

a. Financial Risk Management Policies (Cont'd)

The group's exposure to interest rate risk comprises:

	Note	Floating interest rate \$	Fixed interest rate maturing in less than one year \$	Non interest bearing \$	Total \$
2012					
Financial assets					
Cash and cash equivalents	8	131,475	637,639	-	769,114
Financial assets at fair value through profit and loss	10	-	-	54,824	54,824
Trade and other receivables	9	-	-	351,797	351,797
Total financial assets		131,475	637,639	406,621	1,175,735
Financial liabilities					
Trade and other payables	13			137,627	137,627
Total financial liabilities		-	-	2,575,070	2,575,070
		-	-	2,712,697	2,712,697

Weighted average interest rate 3.96%

	Floating interest rate \$	Fixed interest rate maturing in less than one year \$	Non interest bearing \$	Total \$
2011				
Financial assets				
Cash and cash equivalents	98,814	1,012,523	298,306	1,409,643
Trade and other receivables	-	-	198,230	198,230
Financial assets at fair value through profit and loss	-	-	137,327	137,327
Total financial assets	98,814	1,012,523	633,863	1,745,200
Financial liabilities				
Trade and other payables	-	-	111,799	111,799
Total financial liabilities	-	-	111,799	111,799

Weighted average interest rate 3.50%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

17. FINANCIAL INSTRUMENTS (Cont'd)

a. Financial Risk Management Policies (Cont'd)

Liquidity risk

The liquidity risk of each Group entity is managed centrally by the Board. The investment budgets and work plans are set locally and agreed by the Board annually in advance, enabling the Group's cash requirements to be anticipated. Please see the above table for information on financial assets and liabilities maturity.

Price Risk

Price risk relates to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for commodities. The Group is currently involved in the exploration for lignite and coal and should economic resources be delineated then the group will be exposed to the particular commodity price risk. There are no hedges in place at balance date.

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels;

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Consolidation Level 1	
	2012	2011
	\$	\$
Financial assets		
- Listed investments	54,824	137,327
- Unlisted investments	-	-
Total Financial assets at fair value through profit or loss	54,824	137,327

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

18. EARNINGS PER SHARE

	Consolidation	
	2012	2011
	\$	\$
(a) Reconciliation of earnings to profit or loss		
Loss	(1,319,969)	(486,615)
Loss attributable to minority equity interest	-	-
Earnings used to calculate basic and dilutive EPS	(1,319,969)	(486,615)
	Number of Shares	
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic and diluted EPS:	43,974,809	38,859,414

19. CASH FLOW INFORMATION

(i) Reconciliation from the net loss after tax to the net cash flow from operations		
Loss after income tax	(1,319,969)	(486,615)
Non-cash flows in operating loss		
Depreciation	11,082	4,653
Equity based payments	61,250	25,010
Share options expenses	363,989	-
Fair value (gain/loss) on other financial assets at fair value through profit and loss	7,989	(2,840)
Exploration expenditure written off	160,287	54,016
Sale of tenements	(55,000)	(54,705)
Gain on share trading	-	(38,667)
Accrued interest on convertible note rights	2,009	-
Changes in assets and liabilities net of acquisition of subsidiary		
(Increase) / Decrease in receivables and prepayments	(83,468)	198,778
Increase in exploration and evaluation expenditure	(1,865,881)	(913,899)
Increase / (Decrease) in trade and other creditors and accruals	139,271	(17,847)
Net cash outflows from Operating Activities	(2,578,441)	(1,232,116)
(ii) Acquisition of Entities		
During the year a 100% ownership interest in Kimba Resources Pty Ltd was acquired. Details of this transaction are:		
Purchase Consideration	1,106,000	-
Consisting of:		
- Cash consideration	650,000	-
- Equity	456,000	-
Total consideration	1,106,000	-
Cash Consideration	650,000	-
Cash acquired	(1,239)	-
Cash Outflow	648,761	650,000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

20. CONTROLLED ENTITIES

Parent Entity	Country of Incorporation	Consolidated Entity Interest	
		2012	2011
Blackham Resources Limited	Australia		
Controlled Entities			
Scaddan Energy Pty Ltd	Australia	100%	100%
Zanthus Energy Pty Ltd	Australia	100%	100%
Lignite Pty Ltd	Australia	100%	100%
Matilda Resources Pty Ltd	Australia	100%	0%
Kimba Resources Pty Ltd	Australia	100%	0%

a. Acquisition of Controlled Entities

On 23 November 2011, the consolidated entity acquired 100% of Kimba Resources Ltd (“Kimba”).

The acquisition of Kimba was treated as an asset purchase. The total cost of the shares acquired was \$1,106,000 and comprised an issue of equity instruments, attributable to the acquisition. The Company issued 2,400,000 ordinary shares with a fair value of \$0.192 each, based on the close of trade share price on 24 November 2011, the date control was obtained.

	Recognised on acquisition \$
Net assets acquired	
Cash and cash equivalents	1,239
Trade and other receivables	15,099
Property, plant and equipment	18,190
Exploration and evaluation	3,320,472
Trade and other payables	(2,249,000)
	<u>1,106,000</u>
Cost of the acquisition	
Shares issued at fair value	456,000
Cash consideration	650,000
	<u>1,106,000</u>

The group has the following future obligations associated with the Kimba acquisition:-:

- (a) \$150,000 cash upon delineation of gold resources on the Tenements totalling 500,000 ounces gold (JORC);
- (b) \$150,000 cash upon delineation of gold resources on the Tenements totalling 750,000 ounces gold (JORC);
- (c) \$250,000 cash upon production of 50,000 ounces gold; and
- (d) A royalty of 1% net operating profit royalty on Nickel production profits.

Kimba is obliged to pay certain gold and nickel royalties on parts of the tenure if these areas are brought into production. Kimba is required to pay \$500,000 to the previous owner on first gold pour payment. Kimba will be liable for the remaining rehabilitation on the Matilda Gold Project and is required to establish \$2.249 million in environmental bonds, on the transfer of the mining leases from the previous owner to the Kimba.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

20. CONTROLLED ENTITIES (Cont'd)

	2012	2011
	\$	\$
b. Interest in Joint Ventures		
<p>A controlled entity, Scaddan Energy Pty Ltd, has a 70% interest in the Scaddan Energy Joint Venture, whose principal activity is Mineral Exploration.</p> <p>The consolidated group share of assets employed in the joint venture is:</p>		
CURRENT ASSETS		
Cash	38,329	165,724
Total current assets	38,329	165,724
NON-CURRENT ASSETS		
Other costs carried forward in respect of areas of interest		
— exploration development expenditure	2,245,212	2,065,801
Total non-current assets	2,245,212	2,065,801
Share of total assets of joint venture	2,283,541	2,231,525
Net interest in joint venture	2,276,438	2,180,828

21. OPERATING SEGMENT

The Consolidated Entity operates in one geographical area being Australia and one industry, being exploration for the year to 30 June 2012. The Chief Operating Decision Makers are the Board of Directors and management of the Group. There is only one operating segment identified being exploration activities in Australia based on internal reports reviewed by the Chief Operating Decision Makers in assessing performance and allocation of resources.

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

22. EVENTS SUBSEQUENT TO REPORTING DATE

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

On 19 September 2012, the Company agreed to issue 5,800,000 ordinary shares at \$0.19 per share to professional and sophisticated investors to raise \$1.1 million.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

23. RELATED PARTY TRANSACTIONS

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

Transactions with related entities:

Remuneration (excluding the reimbursement of costs) received or receivable by the directors of the Group and aggregate amounts paid to superannuation plans in connection with the retirement of directors are disclosed in Note 4 to the accounts.

The intercompany loan between Blackham Resources Limited and Scaddan Energy Pty Ltd and Blackham Resources Limited and Matilda Gold Pty Ltd has been fully provided for in the financial year. The loan is an interest free loan and repayable if and when Scaddan Energy Pty Ltd and Matilda Gold Pty Ltd are able to.

All these transactions were made on commercial terms and conditions and at market rates.

24. COMMITMENTS

In order to maintain current rights of tenure to mining tenements, the Group has the following discretionary exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable:

	2012	2011
	\$	\$
Not longer than one year	2,176,468	829,955
Longer than one year, but not longer than five years	-	-
Longer than five years	-	-
	<u>2,176,468</u>	<u>829,955</u>

If the Group decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

25. CONTINGENT ASSETS AND LIABILITIES

The Scaddan Energy Joint Venture between Scaddan Energy Pty Ltd (a 100% owned subsidiary of the Company) and Wesfarmers Resources Limited who have 70% and 30% contributing interests, respectively. Under the Agreement, Blackham is required to make the following payments to Wesfarmers:

- (a) \$1.3 million upon a decision to commence commercial mining operations for coal in cash or shares at Blackham's discretion; and
- (b) a royalty of \$0.25/tonne (indexed at CPI) on Blackham's interest of the annual ROM coal tonnes extracted from the project and capped at \$12.5 million.

Blackham Resources Limited purchased 100% of Kimba Resources Pty Ltd. Under the purchase agreement, Blackham is required to make payments to the Vendors as set out in Note 19.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

26. PARENT ENTITY INFORMATION

	2012	2011
	\$	\$
Information for Blackham Resources Ltd		
Current assets	946,689	1,425,969
Total assets	<u>960,800</u>	<u>1,433,747</u>
Current liabilities	390,431	28,705
Total liabilities	<u>390,431</u>	<u>28,705</u>
Issued capital	10,477,935	7,671,699
Accumulated losses	(11,765,724)	(7,742,218)
Total shareholders equity	<u>570,369</u>	<u>1,405,052</u>
Total comprehensive (income)/loss of the parent	<u>4,044,290</u>	<u>1,416,149</u>

There are no guarantees entered into by the parent entity in relation to the debts of its subsidiaries.

There are no contingent liabilities of the parent entity as at the reporting date other than listed at note 24.

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

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Blackham Resources Limited, the directors of the company declare that:

1. the financial statements and notes, as set out on pages 16 to 49, are in accordance with the Corporations Act 2001 and:
 - a. comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the consolidated group;
2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
3. the directors have been given the declarations required by s 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer.

On behalf of the Directors:

Bryan Dixon
Managing Director

Dated at Perth this 28th day of September 2012.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
BLACKHAM RESOURCES LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Blackham Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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 entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Blackham Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Blackham Resources Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company and consolidated entity incurred net losses of \$4,044,290 and \$1,319,969 respectively and the consolidated entity had cash outflows from operating activities of \$2,578,441 during the year ended 30 June 2012. As of that date, the consolidated entity had net current liabilities \$1,563,307. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the company's and consolidated entity's ability to continue as going concerns and therefore, the company and consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report contained within the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Blackham Resources Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.



RSM BIRD CAMERON PARTNERS



S C CUBITT
Partner

Perth, WA
Dated: 28 September 2012

CORPORATE GOVERNANCE

The Group is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Group has turned to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 2nd Edition. The Group is pleased to advise that the Group's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Group did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting period, we have identified such policies or committees.

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

Where the Group's corporate governance practices do not correlate with the practices recommended by the Council, the Group is working towards compliance however it does not consider that all the practices are appropriate for the Group due to the size and scale of Group operations.

For further information on corporate governance policies adopted by Blackham Resources Limited, refer to our website: www.blackhamresources.com.

Board Objectives

The Board will develop strategies for the Group, review strategic objectives, and monitor the performance against those objectives. The overall goals of the corporate governance process are to:

- drive shareholders value;
- assure a prudential and ethical base to the Group's conduct and activities; and
- ensure compliance with the Group's legal and regulatory obligations.

Principle 1: Lay solid foundations for management and oversight

The board has adopted a Charter that sets out the roles and responsibilities of the board. This may be viewed at www.blackhamresources.com. The Charter includes, amongst other things that the Board will:

- developing initiatives for profit and assets growth;
- reviewing the corporate, commercial and financial performance of the Group on a regular basis;
- acting on behalf of, and being accountable to, the Shareholders;
- identifying business risks and implementing actions to manage those risks; and
- developing and effecting management and corporate systems to assure quality
- reviewing the Group's systems of risk management and internal compliance and control, codes of conduct and legal compliance
- ensuring that policies and procedures are in place consistent with the Group's objectives, and ensuring the Group and its officers act legally, ethically and responsibly in all matters

The Group is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in Board discussions on a fully informed basis.

Senior Executives evaluation

The Board consists of four (4) members, three of which held executive roles. The Board therefore undertakes ongoing self-assessment and review of performance of the Board, and individual directors annually. The Chairman of the Board is responsible for determining the process for evaluating Board performance.

To facilitate optimal performance, the Executives participate in professional development programs.

Principle 2: Structure the board to add value

Composition

The board currently consists of three directors, including the non-executive chairman and two executive directors. Details of their experience, qualifications and committee memberships are set in the director's report. All directors were in office at the date of this report:

Chairman – Brett Smith

Independent Non-Executive Chairman since July 2006

Term in office – 51 months

Bryan Dixon – Managing Director

Executive Director since July 2006

Term in office - 51 months

Alan Thom –Executive Director (Non-Executive from July 2011 to March 2012)

Director since August 2009.

Term in office – 25 months

Greg Miles – Executive Director

Director since October 2011

Term in office – 7 months

Appointment

Election of Board members is substantially the province of the Shareholders in general meeting. However, the Group commits to the following principles:

- the Board to comprise of Directors with a blend of skills, experience and attributes appropriate for the Group and its business;
- the principal criterion for the appointment of new Directors being their ability to add value to the Group and its business.

Board Independence

The Board has accepted the ASX Corporate Governance Councils definition of an Independent Director contained in their report titled "Corporate Governance Principles and Recommendations, 2nd Edition".

The company has one Non-Executive director, Mr Smith who is considered to be Independent. In reaching that determination, the Board has taken into account:

- The specific disclosures made in accordance with the Corporations Act, of each such director in respect of any material contract or relationship
- That no such director is, or is associated directly with, a substantial shareholder of the Group
- Where applicable, the related party dealings referable to each such Director, noting that those dealings are not material under accounting standards. Full details of related party dealings are set out in the notes to the financial statements
- That no such non-executive Director has within the last three years been employed in an executive capacity by the Group
- That no such non-executive Director is, or is associate with a supplier or customer of the Group which is material under accounting standards

- That such non-executive Director is free from any interest and any business or other relationship which could, or could reasonable be perceived to, materially interfere with the director's ability to act in the best interests of the Group.

Under the accounting standards, a matter is considered to be material if it is equal to or greater than 10% of the appropriate base amount.

Mr Dixon is an Executive Director of the Group and does not meet the Group's criteria for independence. Mr Dixon's experience and knowledge of the Group make his contribution to the Board such that it is appropriate for him to remain on the Board.

Mr Miles is an Executive Director of the Group and does not meet the Group's criteria for independence. Mr Miles's experience and knowledge of the Group make his contribution to the Board such that it is appropriate for him to remain on the Board.

Mr Thom was a Non-Executive Director from July 2011 until March 2012 and an Executive Director from April 2012 onwards. Mr Thom's experience and knowledge of the Group make his contribution to the Board such that it is appropriate for him to remain on the Board.

Given the size of the Group and the industry in which it operates, the current Board structure is considered to best serve the Group in meeting its objectives, given its small capitalisation, limited resources and existing operations. The composition of the Board is reviewed on an annual basis to ensure that the Board has the appropriate mix of expertise and experience.

Independent professional advice

There are procedures in place, as agreed by the board, to enable directors to seek independent professional advice on issues arising in the course of their duties at the Group's expense.

Remuneration and Nomination Committee

Given the size and scope of the operations of the Group, the Group does not have a Remuneration and Nomination committee, the full board has assumed those responsibilities that are ordinarily assigned to a Remuneration and Nomination committee.

Where appropriate, independent consultants are engaged to identify possible new candidates for the Board.

Nomination Arrangements

Where a vacancy is considered to exist, the Committee will select an appropriate candidate through consultation with external parties and consideration of the needs of shareholders and the Group. Such appointments will be referred to shareholders for re-election at the next annual general meeting. All Directors, except the Managing Director, are subject to re-election by shareholders at least every three years.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will determine the selection criteria for the position based on the skills deemed necessary for the Board to best carry out its responsibilities. The Board will then appoint the most suitable candidate (assuming one is available) who must stand for election at the next annual general meeting.

Performance

During the reporting year the Group did not conduct a formal evaluation of Directors and Executives. The Board undertakes an annual review of its own performance with external advice as appropriate.

Principle 3: Promote ethical and responsible decision making

Code of Conduct

The Directors, officers and employees of the Group are required to conduct themselves in accordance with the Group's Code of Conduct which can be viewed at www.blackhamresources.com.

Diversity Policy

The Company has adopted a Diversity Policy. This policy can be viewed at www.blackhamresources.com.au

The proportions of women on the board and women in senior executive positions as at 30 June 2012 are as follows:

	2012	
	No.	%
Women on the board	0	0
Women in senior management roles	1	25

Principle 4: Safeguard integrity of financial reporting**Audit Charter**

The Board has not established an audit committee rather the Board takes full responsibility for this role due to the size and nature of the Group. The Board does have an Audit Charter that can be viewed at www.blackhamresources.com.

It is the Board's responsibility to ensure that an effective internal control framework exists within the Group. This includes both internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial and non-information. The Board takes the responsibility for the establishment and maintenance of a framework of internal control of the Group.

Appointment of Auditor

The shareholders in a general meeting are responsible for the appointment of the external auditors of the Group, and the Board from time to time will review the scope, performance and fees of those external auditors.

Principle 5: Make timely and balanced disclosure

The Board has designated the Managing Director and Company Secretary as the persons responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. The Group has a Continuous Disclosure Policy available for viewing on the Group's website at www.blackhamresources.com.

Principle 6: Respect the rights of shareholders

The Board of Blackham is committed to open and effective communication, ensuring all shareholders is informed of all significant development concerning the Group. The Group has in place an effective Shareholder Communications Policy. This policy can be viewed at www.blackhamresources.com.

Principle 7: Recognise and manage risk**Identification and Management of Risk**

The Board's Charter clearly establishes that it is responsible for ensuring there is a good sound system for overseeing and managing risk. Due to the size and scale of operations, risk management issues are considered by the Board as a whole.

The Board's collective experience will enable accurate identification of the principal risks which may affect the Group's business. Management of these risks will be discussed by the Board at periodic (at least annual) strategic planning meetings. In addition, key operational risks and their management, will be recurring items for deliberation at Board meetings.

A copy of the Group's risk management policy can be viewed at www.blackhamresources.com.

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with those risks and opportunities.

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

- Board receives regular updates on key risks associated with the development of the Group's Scaddan Energy Project;
- Implementation of Board-approved annual operating budgets and plans, then monitoring the actual progress against those; and

The Board will seek to develop a more extensive Risk Management Policy over the coming year, which can then be used as a guide to be used throughout the Group in identifying and communicating business risks.

The Board has received assurance from the Financial Controller and Managing Director that the declarations made in accordance with section 295A of the Corporation Act 2001 are:

1. founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board
2. the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Principle 8: Remunerate fairly and responsibly

Remuneration Arrangements

As the entire board consist of four (4) members, the Group does not have a Remuneration and Nomination Committee. The Directors believe given the size and scope of the operations of the Group, it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to a remuneration and nomination committee.

Where appropriate, independent consultants are engaged to appropriate levels of remuneration

It is the Group's objective to provide maximum stakeholder benefit from the retention of a high quality board by remunerating directors fairly and appropriately with reference to relevant employment market conditions. To assist in achieving the objective the Board links the nature and amount of executive directors' emoluments to the Group's financial and operational performance. The expected outcomes of this remuneration structure are:

- Retention and motivation of Directors
- Performance rewards to allow Directors to share the rewards of the success of Blackham Resources Limited

The remuneration of an executive director will be decided by the other Directors. In determining competitive remuneration rates the Board reviews local and international trends among comparative companies and the industry generally. It also examines terms and conditions for the employee share option plan.

The Group is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Group performance;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Group aims to align the interests of senior executives with those of shareholders and increase Group performance.

The value of shares and options were they to be granted to senior executives would be calculated using the Black and Scholes method.

The objective behind using this remuneration structure is to drive improved Group performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

The maximum remuneration of Non-executive Directors is the subject of shareholder resolution in accordance with the Group's Constitution, and the Corporations Act 2001 as applicable. The appointment of Non-executive Director remuneration within that maximum will be made by the Board having regard to the inputs and value of the Group of the respective contributions by each Non-executive Director. Usually Non-Executive Directors do not receive performance based bonuses and but may participate in equity schemes of the Group.

The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Group.

There is no scheme to provide retirement benefits, other than statutory superannuation, to Non-executive directors.

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

Full details regarding the remuneration of Directors, is included in the Directors' Report.

Explanation of departure

During the financial year Blackham strived to comply with the 8 Essential Corporate Governance Principles and Recommendations where appropriate for the size and nature of the Group and Industry in which it operates. A summary of departure from the ASX Corporate Governance Principles and Recommendations is outlined below:

Best Practice Recommendation	Notification of Departure	Explanation of Departure
2.1 Independent Directors	The Group does not have more Independent Directors than Executives	During the year the Group had one independent director and three executive directors. The Board continues to strive to meet the principles of Good Corporate Governance and Best Practice Recommendations or other such principles and guidance as the Board may consider appropriate from time to time, however the Board also recognises that compliance with the ASX Corporate Governance Council Recommendation 2.1 is impractical given the size of the Board, the size of the Group and the industry in which it operates.
2.4 The board should establish a nomination committee	The Company has not established a formal nomination committee	The Board believes that complying Recommendation 2.4 is impractical given the size of the Board, the size of the Group and the industry in which it operates. The Directors believe, it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to a nomination committee

Best Practice Recommendation	Notification of Departure	Explanation of Departure
4.1 - 4.3 Safeguard integrity in financial reporting	The Company has not established a formal audit committee	The Board continues to strive to meet the ASX Corporate Governance Principles and Recommendations or other such principles and guidance as the Board may consider appropriate from time to time, however the Board also recognises that complying the ASX Corporate Governance Principles and Recommendations 4.1-4.3 is impractical given the size of the Group and the industry in which it operates. The board consists of four (4) members and therefore the Directors believe, it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to an audit committee.
7.2 Risk Management System.	The board has not requested that management design and implement a risk management and internal control system and report to the board on whether those risks are being managed effectively.	The Board continues to strive to meet the ASX Corporate Governance Principles and Recommendations or other such principles and guidance as the Board may consider appropriate from time to time, however the Board also recognises that compliance with the ASX Corporate Governance Council Recommendation 7.2.is impractical given the size of the Group and the industry in which it operates. The board consists of four (4) members, and therefore the Directors believe, it is sufficient for the full board to assume the responsibilities of ensuring that risks and opportunities are identified on a timely basis and that the Group's objectives and activities are aligned with those risks and opportunities.
8.1 The board should establish a remuneration committee	The Company has not established a formal remuneration committee	The Board continues to strive to meet the ASX Corporate Governance Principles and Recommendations or other such principles and guidance as the Board may consider appropriate from time to time, however the Board also recognises that compliance with the ASX Corporate Governance Council Recommendation 8.1 is impractical given the size of the Group and the industry in which it operates. The board consists of four (4) members and therefore the Directors believe, it is sufficient for the full board to assume those responsibilities that are ordinarily assigned to a remuneration and nomination committee

ADDITIONAL SHAREHOLDER INFORMATION

Shareholding

The distribution of members and their holdings of equity securities in the Group as at 21 September 2012 was as follows:

Number Held as at 21 September 2012	Fully Paid Ordinary Shares
1-1,000	56
1,001 - 5,000	166
5,001 – 10,000	117
10,001 - 100,000	288
100,001 and over	74
TOTALS	701

Holders of less than a marketable parcel:

- fully paid shares	83
- listed options	218

Substantial Shareholders

Paul and Maree Murphy	14.66%
Nathan McMahon	12.56%

Restricted Securities

The Group has no restricted securities.

Voting Rights

Ordinary Shares

In accordance with the Group's Constitution, on a show of hands every member present in person or by proxy or attorney or duly authorised representative has one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

ASX Listing Rule 4.10.19

In accordance with Listing Rule 4.10.19, the Group states that it has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives. The business objective is primarily mineral exploration and development.

ADDITIONAL SHAREHOLDER INFORMATION (CONT.)**Twenty Largest Shareholders**

The names of the twenty largest ordinary fully paid shareholders:

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
HSBC Custody Nominees	8,006,770	14.665
Nathan McMahon (including Kingsreef Pty Ltd)	6,858,646	12.562
Widerange Corporation Pty Ltd	2,725,056	4.991
Mr Duek Sung Bae & Mrs In Soon Bae <Bae Family A/c>	1,915,908	3.509
Infeon Limited	1,779,789	3.260
JP Morgan Nominees Australia Limited	1,693,570	3.102
Benison Holdings Pty Ltd	1,562,216	2.861
Buckland Capital Pty Ltd	1,505,300	2.757
Sydney Equities Pty Limited	1,250,000	2.289
Citicorp Nominees Pty Limited	967,333	1.772
Ms Katie McMahon	836,443	1.532
Phillip Securities Pte Ltd	781,119	1.431
Cazaly Resources Limited	750,000	1.374
Coolsun Pty Ltd	714,285	1.308
Sainter Nominees Pty Ltd	521,475	0.955
Jodie Marwick	500,000	0.916
Gazard Investments Pty Ltd	500,000	0.916
Mr David Oldfield	370,000	0.678
Reejo Enterprises Pty Ltd	350,000	0.641
Mio Enterprises Pty Ltd	334,761	0.613
TOTAL	33,922,671	62.132%

**SCHEDULE OF MINERAL TENEMENTS
AS AT 31 AUGUST 2011**

<i>Project</i>	<i>Tenement</i>	<i>Interest held by Blackham</i>
Scaddan	M63/0192 to M63/194	70%
Scaddan	M63/0197	70%
Scaddan	E63/521	70%
Scaddan	E63/1145 to E63/1146	70%
Scaddan	E63/1203 to E63/1203	70%
Scaddan	E63/1298	70%
Scaddan	E63/1497	70%
Scaddan	P63/1605 to P63/1612	70%
Scaddan	P63/1615 to P63/1617	70%
Scaddan	P63/1619	70%
Scaddan	P63/1632	70%
Scaddan	P63/1635	70%
Scaddan	P63/1665 to P63/1670	70%
Scaddan	P63/1700	70%
Grass Patch	E63/1239	100%
Zanthus	E69/2506	100%
Lignite	E70/3705	100%
Blackham	M16/0187	100%
Blackham	E63/1456	100%
Wiluna	L53/0020 to L53/0024	100%
Wiluna	L53/0032 to L53/0045	100%
Wiluna	L53/0048	100%
Wiluna	L53/0050	100%
Wiluna	L53/0062	100%
Wiluna	L53/0077	100%
Wiluna	L53/0094	100%
Wiluna	L53/0097 to L53/0098	100%
Wiluna	L53/0103	100%
Wiluna	L53/0144	100%
Wiluna	M53/0006	100%
Wiluna	M53/0026 to M53/0027	100%
Wiluna	M53/0030	100%
Wiluna	M53/0032	100%
Wiluna	M53/0040 to M53/0041	100%
Wiluna	M53/0043 to M53/0044	100%
Wiluna	M53/0050	100%
Wiluna	M53/0064	100%
Wiluna	M53/0069	100%
Wiluna	M53/0071	100%
Wiluna	M53/0095 to M53/0096	100%
Wiluna	M53/0173	100%
Wiluna	M53/0200	100%
Wiluna	M53/0205	100%
Wiluna	M53/0468	100%
Wiluna	E53/1290	100%
Wiluna	E53/1297	100%
Wiluna	L53/0030	100%
Wiluna	L53/0051	100%
Wiluna	L53/0053	100%
Wiluna	L53/0140	100%
Wiluna	M53/0024 to M53/0025	100%
Wiluna	M53/0034	100%
Wiluna	M53/0052 to M53/0054	100%
Wiluna	M53/0092	100%
Wiluna	M53/0129	100%
Wiluna	M53/0130 to M53/0131	100%
Wiluna	M53/0139	100%
Wiluna	M53/0188	100%
Wiluna	M53/0384	100%
Wiluna	M53/0415	100%

Project	Tenement	Interest held by Blackham
Wiluna	M53/0797 to M53/0198	100%
Wiluna	M53/0955	100%
Wiluna	R53/0001	100%
Nova	E53/1287 to E53/1288	100%
Nova	E53/1296	100%
Nova	M53/0045	100%
Nova	M53/0049	100%
Nova	M53/0113	100%
Nova	M53/0121 to M53/0123	100%
Nova	M53/0147	100%
Nova	M53/0224	100%
Nova	M53/0253	100%
Nova	M53/0796	100%
Nova	M53/0910	100%
Nova	P53/1350 to P53/1352	100%
Nova	P53/1355 to P53/1360	100%
Nova	P53/1369 to P53/1374	100%
Nova	P53/1396 to P53/1397	100%

P - Prospecting Licence

E - Exploration Licence

M - Mining Licence