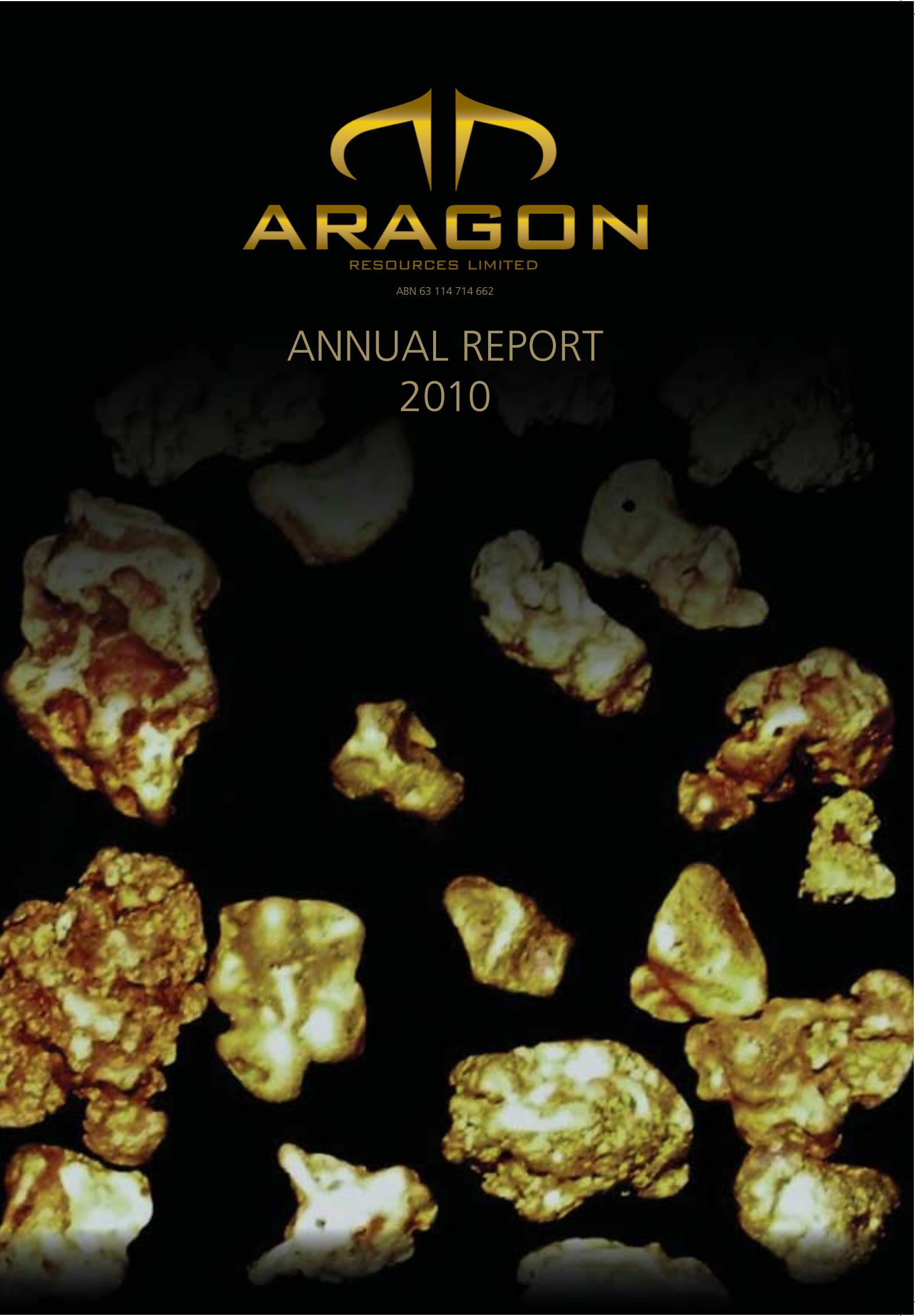




ABN 63 114 714 662

ANNUAL REPORT 2010





ANNUAL REPORT
2010

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Domicile and Country of Incorporation

Australia

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CHAIRMAN'S ADDRESS

Dear Shareholders

It is my pleasure to present you the Aragon Resources Limited ("Aragon" or the "Company") Annual Report for the period ending 30 June 2010.

The past year has been one of changing direction for Aragon.

Early in the financial year we announced our intent to acquire Hot Chili Limited but were unsuccessful in being able to close that deal to our satisfaction.

In November we advised we had reached agreement to acquire Fulcrum Resources Pty Ltd, which had an agreement to acquire a large tenement package and global gold resource base in the Central Murchison Goldfield of Western Australia. Aragon provided a mechanism for Fulcrum to raise funds and complete the acquisition. Consequently, the transaction was completed and Fulcrum became a wholly owned subsidiary of Aragon.

The Central Murchison Gold Project ("CMGP") has now become the key project and major objective of the Company.

In keeping with the CMGP being the core focus of the Company, decisions to divest or farm-out our other interests have been made. At the time of writing we have divested our significant shareholding in Vital Metals Limited, farmed out our Maitland Project areas, farmed-out our phosphate interests held in Territory Phosphate Limited and are evaluating other farm-out opportunities.

Our management team have begun the task to resurrect mining and future gold production from the CMGP. Recent drill evaluation has returned significant high-grade gold results from several prospects, which may not only increase our gold inventory, but enhance future development propositions.

We look forward to the ensuing year and the unravelling and progression of our strategy to transition the Company to becoming a significant and sustainable gold producer.

I thank our dedicated and enthusiastic management staff for their efforts and determination to succeed. I also thank our shareholders, supporters, contractors and service providers for their support and continued belief in the Company over the year.

Yours Sincerely

Peter Cook

Chairman

OPERATIONS REVIEW

Aragon Resources Limited has in the last 12 months successfully moved from grass roots explorer to an aspiring gold producer following the acquisition of the Central Murchison Gold Project (“CMGP” or “Project”) including 1.5 million ounces of JORC compliant resources in the Murchison district of Western Australia. Located 550km north-east of Perth, Western Australia, the CMGP is adjacent to the well serviced township of Cue and the Great Northern Highway. In January 2010 Aragon completed the CMGP acquisition acquiring 33,400 hectares of tenements over three significant mining centres, namely, Murchison Bell, Cuddingwarra and Day Dawn with a combined proven past gold production of approximately 5 million ounces. In February 2010 Aragon established an operations base in the nearby town of Cue and immediately commenced a program of reverse circulation and diamond drilling to evaluate the existing resources, explore for primary ore extensions and to explore for new discoveries across each centre. A total of 5,475 metres of reverse circulation drilling and 6,021 metres of diamond drilling have been completed to 30 June 2010 and a number of mining studies have commenced. The aim of this activity throughout 2010 is to evaluate the current resources and to provide potential development options for a centralised gold mining operation. Aragon is targeting a 100,000 ounce per annum operation over 8 to 10 years that would potentially source ore from multiple mines across the CMGP.

While the CMGP is the focus of Aragon’s energy, the Company also has a pipeline of exploration assets, as follows:

- the Darlot Gold Project – where high grade gold has been identified at Mission and Cables;
- the Ammaroo Phosphate Joint Venture – where encouraging first pass phosphate mineralisation has been intersected; and
- the Lake Lefroy Nickel Project – where compelling EM anomalies have been defined by a SQUID EM survey.

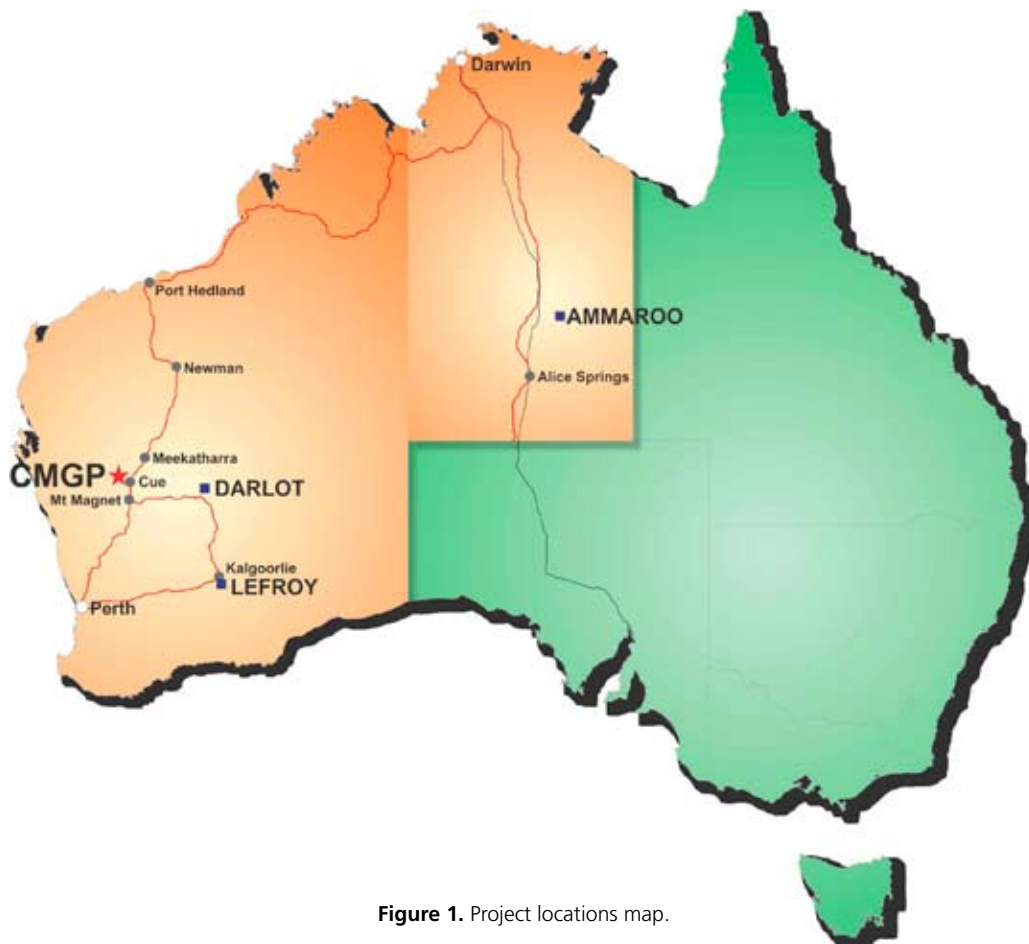


Figure 1. Project locations map.

Central Murchison Gold Project

Aragon has aggregated three significant mining centres with nearly 1.5 million ounces of gold into one project; the CMGP. The Project is situated within the Mt Magnet greenstone belt in the Murchison Province of the Archaean Yilgarn Craton. The Mount Magnet greenstone belt consists of a complexly deformed sequence of ultramafic, mafic and felsic volcanics with interbedded banded iron formations (“BIFs”) and other sediments. The figure below highlights the regional setting of the Murchison Province which is characterised by a granitoid – greenstone terrain. Gold mineralisation at the known deposits show strong structural control.

Each of the three mining centres have a long history of mining which ceased in 2003 when the gold price was around A\$600 per ounce. Today’s increased gold price provides an opportunity to evaluate the development potential of many of the historic mines in a proven producing area close to established infrastructure. In addition, the CMGP has significant exploration upside with much of the contiguous tenement package remaining under-explored by drilling beyond 100 metres in depth.

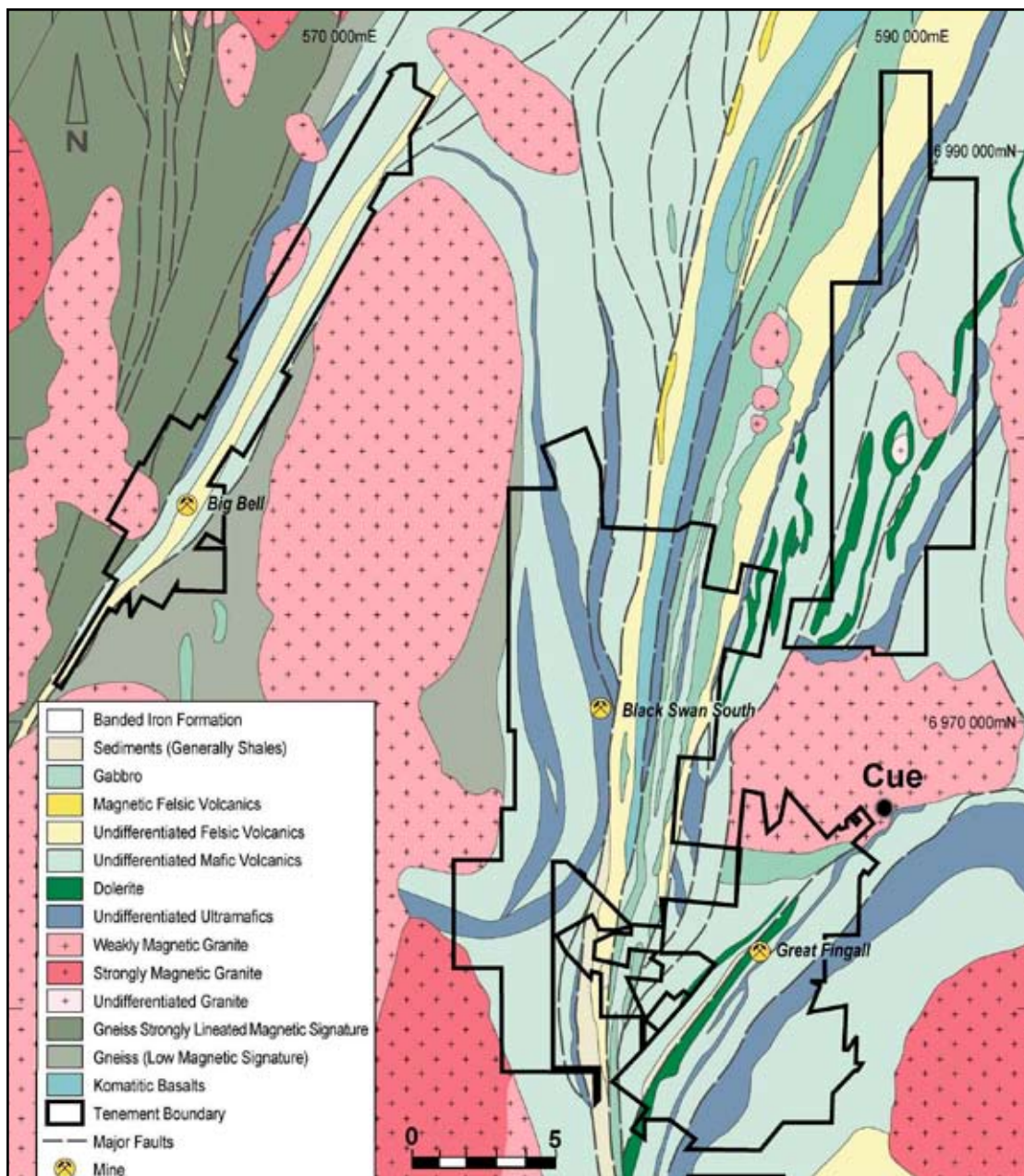


Figure 2. Central Murchison Gold Project showing simplified geology and major deposits.

Day Dawn Mining Centre

The Day Dawn Mining Centre contains an extensive high grade gold system where numerous gold bearing quartz reefs have developed within the Great Fingall Dolerite (“GFD”) host. Aragon’s objectives at Day Dawn are to evaluate and increase the known high grade underground resources at Great Fingall and Golden Crown, to test for repetitions of these high grade deposits along strike within the GFD and to conduct open-pit optimisation studies at current gold prices over existing deposits. The Day Dawn Mining Centre has a long history of high grade production with 1.9 million tonnes @ 19.5g/t Au for approximately 1.2 million ounces from the Great Fingall Mine and 648,000 tonnes @ 13.8g/t Au for approximately 288,000 ounces being produced from the Golden Crown Mine.

Drill results from the main reef system at Great Fingall and Golden Crown have confirmed the high grade nature of both the Great Fingall (JORC Resource of 902,000t @ 9.5g/t for 275,000 ounces) and Golden Crown Deposits (JORC Resource of 238,000t @ 8.3g/t for 63,000 ounces) and show that each deposit remains open at depth. Diamond hole CMD0011 at Great Fingall returned a down-hole intersection of 2.9 metres @ 14.83g/t Au from 560.8 metres and subsequent to 30 June 2010 diamond hole CMD0017 has returned a down-hole intersection of 2.9 metres @ 26.55g/t Au from 728 metres including a bonanza uncut assay of 0.35 metres @ 212g/t Au. These exciting results confirm the high grades seen elsewhere in the Great Fingall deposit and provides confidence in extending the south-eastern boundary beyond current limits. Once all the results have been received and validated the resource model will be updated and re-estimated.

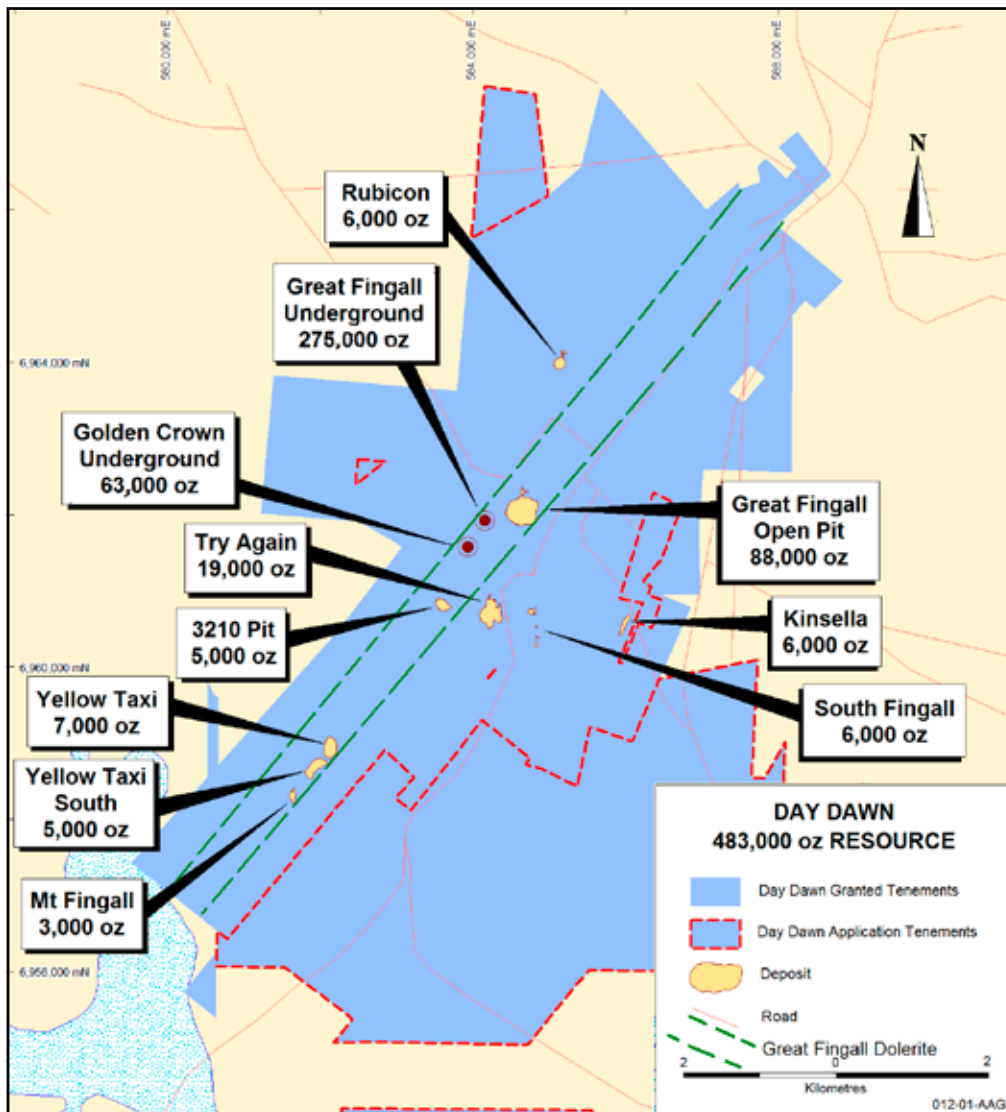


Figure 3. Day Dawn – deposit resources and tenement outline.

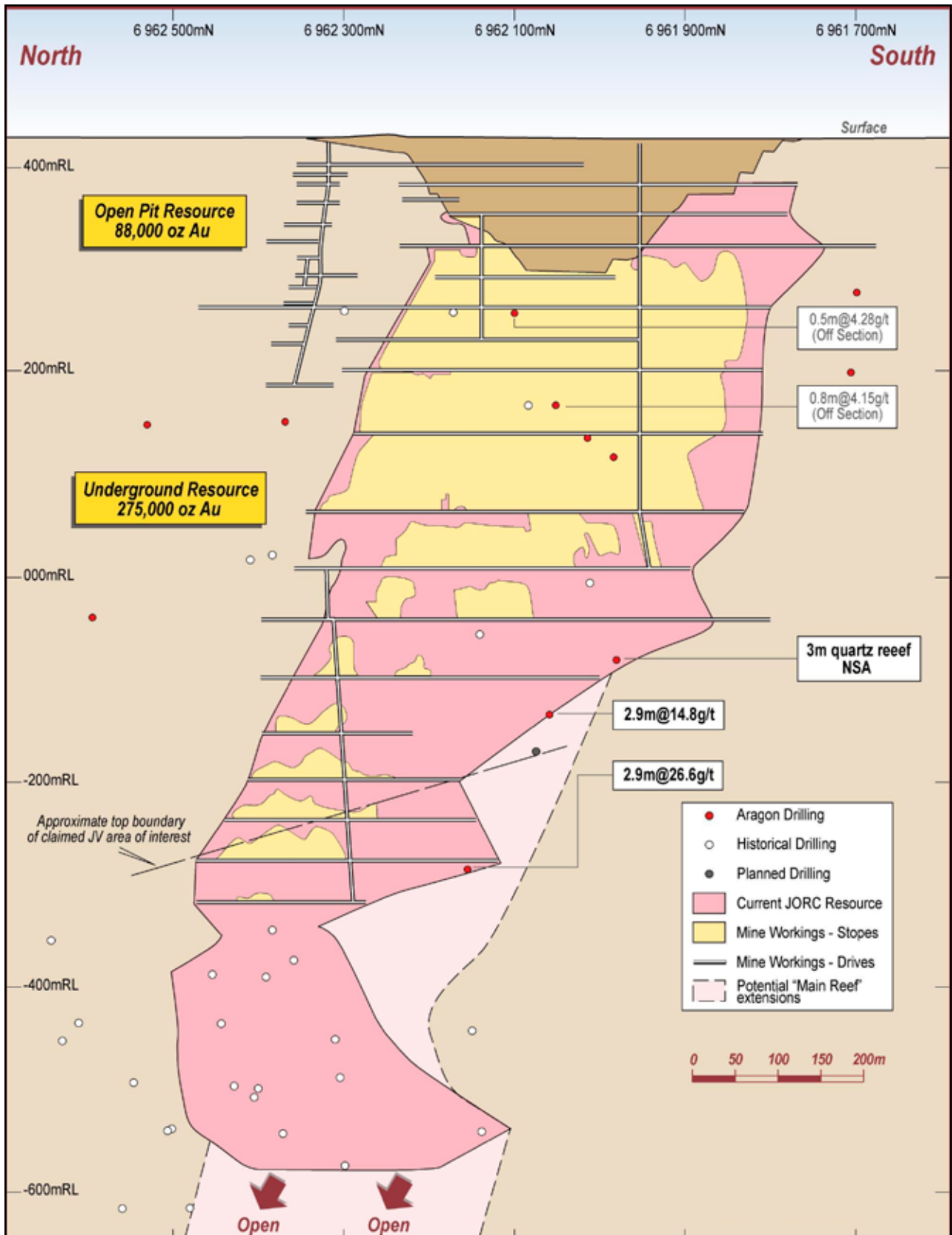


Figure 4. Great Fingall resource long section and drill-hole intersections.

Note: There is a 49% joint venture interest claim over the Great Fingall deeps from 500 metres below surface. The total resource included in this area is approximately 693,793t @ 9.12g/t Au for 203,421 ounces

OPERATIONS REVIEW

Subsequent to the period high grade drill results from Golden Crown show that the resource remains open down plunge. Diamond hole CMD0019 has returned a down hole intersection of 0.75 metres @ 16.1g/t Au from 787.7 metres and hole CMD0021 has returned a down hole intersection of 9.3 metres @14.65g/t Au from 715.9 metres.

These intercepts confirms continuity of the high grade reef along strike to the south and down-plunge beneath the current known resource. Overall, resource potential at Golden Crown can be drawn from the Great Fingall analogy (located 500 metres to the north east) which is defined to a vertical depth of 1,000 metres. This depth suggests that the Golden Crown resource could extend more than 300 metres beyond its current vertical depth of 700 metres and therefore provides confidence in a conceptual exploration target of an additional 150,000 to 200,000 ounces¹.

Given the close proximity of the deposits, a conceptual underground mining operation could potentially access both resources utilising shared capital infrastructure. As noted above, the resources at both deposits will be updated once all the drill data has been received.

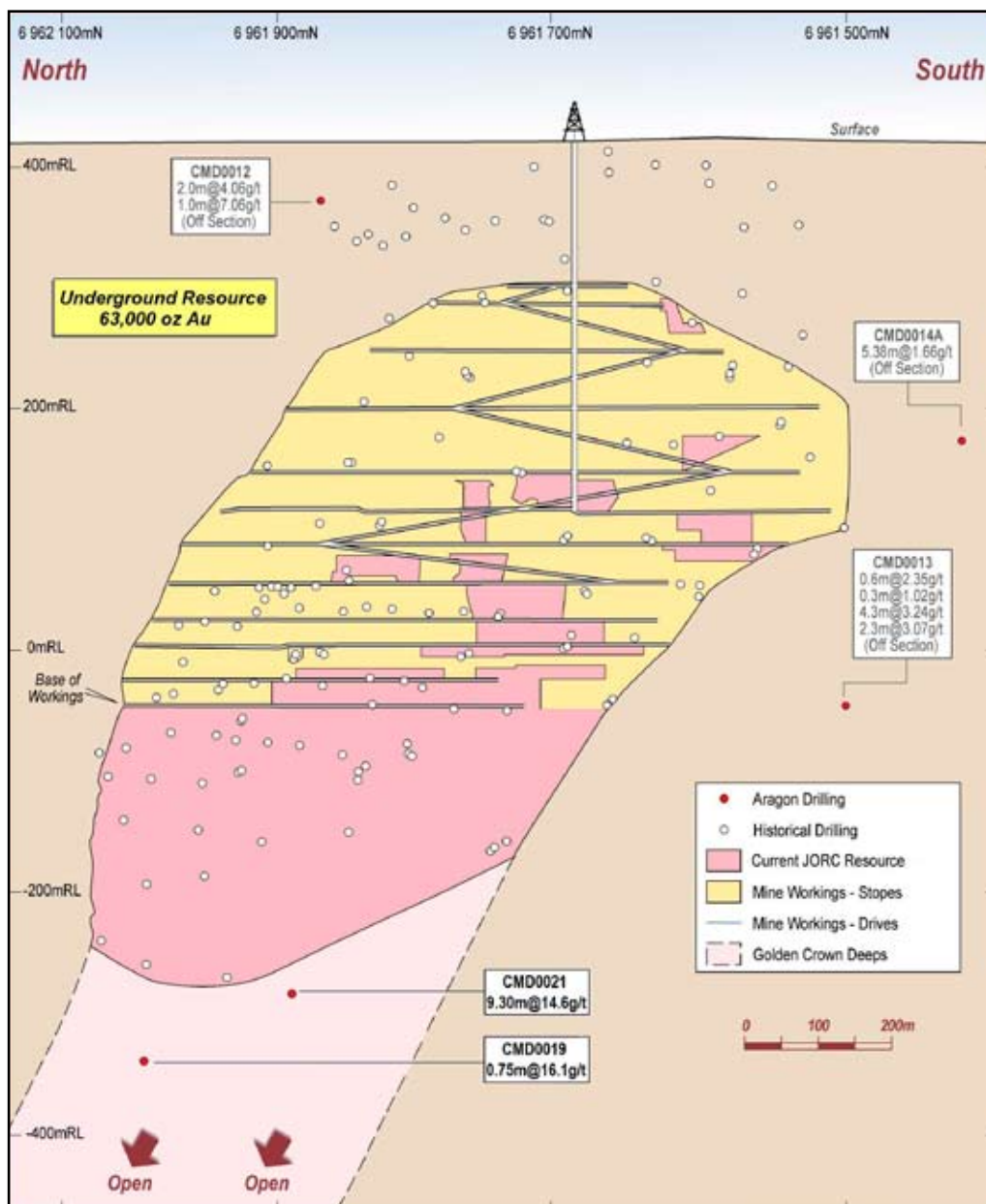


Figure 5. Golden Crown resource long section and drill-hole intersections.

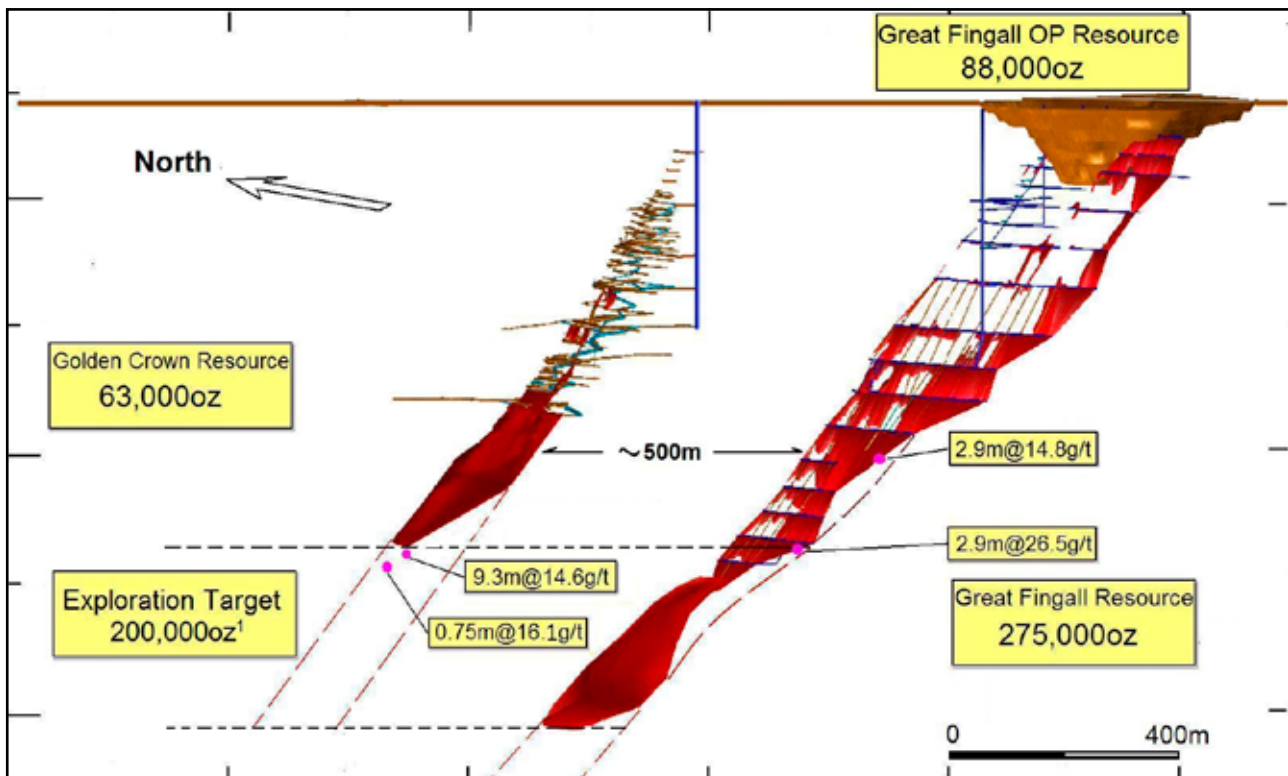


Figure 6. Oblique section looking toward the north west showing remnant resource in red and recent drill results from Great Fingall and Golden Crown Deeps.

Great Fingall Dolerite

Drilling at the Day Dawn Mining Centre has also targeted possible repetitions of the high grade reef system along the GFD. The GFD hosts numerous deposits along its 12km strike length and provides excellent targets for repetitions of high grade deposits similar to Golden Crown and Great Fingall. Most of these targets have not been adequately tested below 150 metres. The Company has received encouraging high grade drill results of 0.8m @ 10.30g/t Au and 0.9m @ 7.67g/t Au from hole CMD0004 (Try Again deposit) and 4 metres @ 4.63g/t, including 1 metre @ 11.4g/t from hole CMD0005 (Trenton deposit) clearly demonstrating the potential for such repetitions. Significantly, the Trenton deposit has limited drilling that has intersected the reef over a strike length of approximately 250 metres and therefore additional diamond holes are planned to further define the extent of this emerging deposit. Furthermore, it is noteworthy that Golden Crown lay dormant for many years before drilling below 120 metres confirmed the existence of a significant reef system that went on to produce 648,000t @ 13.8g/t (288,000 ounces).

The drilling results from the 3210, Rubicon and Yellow Taxi deposits were not as high as the grades seen at Golden Crown and Great Fingall. However, the drilling confirmed that these structures do continue at depth and therefore validate the strategy of targeting repetitions within the GFD. Exploration for high grade lookalike deposits similar to Great Fingall and Golden Crown along the GFD will continue in subsequent drill programs. In the immediate term, Aragon remains focused on increasing the resources at Great Fingall and Golden Crown and testing the potential of the Trenton deposit.



Figure 7. Prolific Great Fingall Dolerite showing numerous identified deposits and potential high grade quartz reef repetitions.

Murchison Bell Mining Centre

The Murchison Bell Mining Centre has an extensive history of mining dating back to 1913 and up until 2003 had produced approximately 2 million ounces from both underground and open pit sources. Most of this production has been sourced from the Big Bell underground mine to a depth of 600 metres and significant resources remain. The Big Bell deposit extends to at least 1,500 metres from surface as indicated by previous drilling while the current resource of 3.9 million tonnes @ 4.6g/t Au for 578,000 ounces is defined to the 810RL.

The mineralisation is hosted within the Big Bell Shear zone which extends some 25km through Aragon’s tenement package. This significant structure and important exploration target remains largely under explored with much of the previous drilling being less than 50 metres deep.

The initial focus for Aragon at the Murchison Bell Mining Centre has been to test an area north of the existing Fender open pit for a similar style deposit to that seen at Big Bell. Previous drilling in the area has returned numerous significant results indicating that a potential shallow low grade deposit exists. The deposit will be modelled to determine the resource potential once all the data has been received.

Diamond drilling has also targeted the Big Bell deposit beneath the current resource boundary to determine continuity at these depths. The current geological model has a late stage pegmatite intrusion cross cutting the mineralised shear at approximately the 820RL. On review of the data Aragon believes that the influence of the pegmatite on the mineralisation could potentially be overstated and that there is potential to tighten the pegmatite boundary and, therefore, improve the resource continuity at these depths. Results of this drilling will be reported once received and validated.

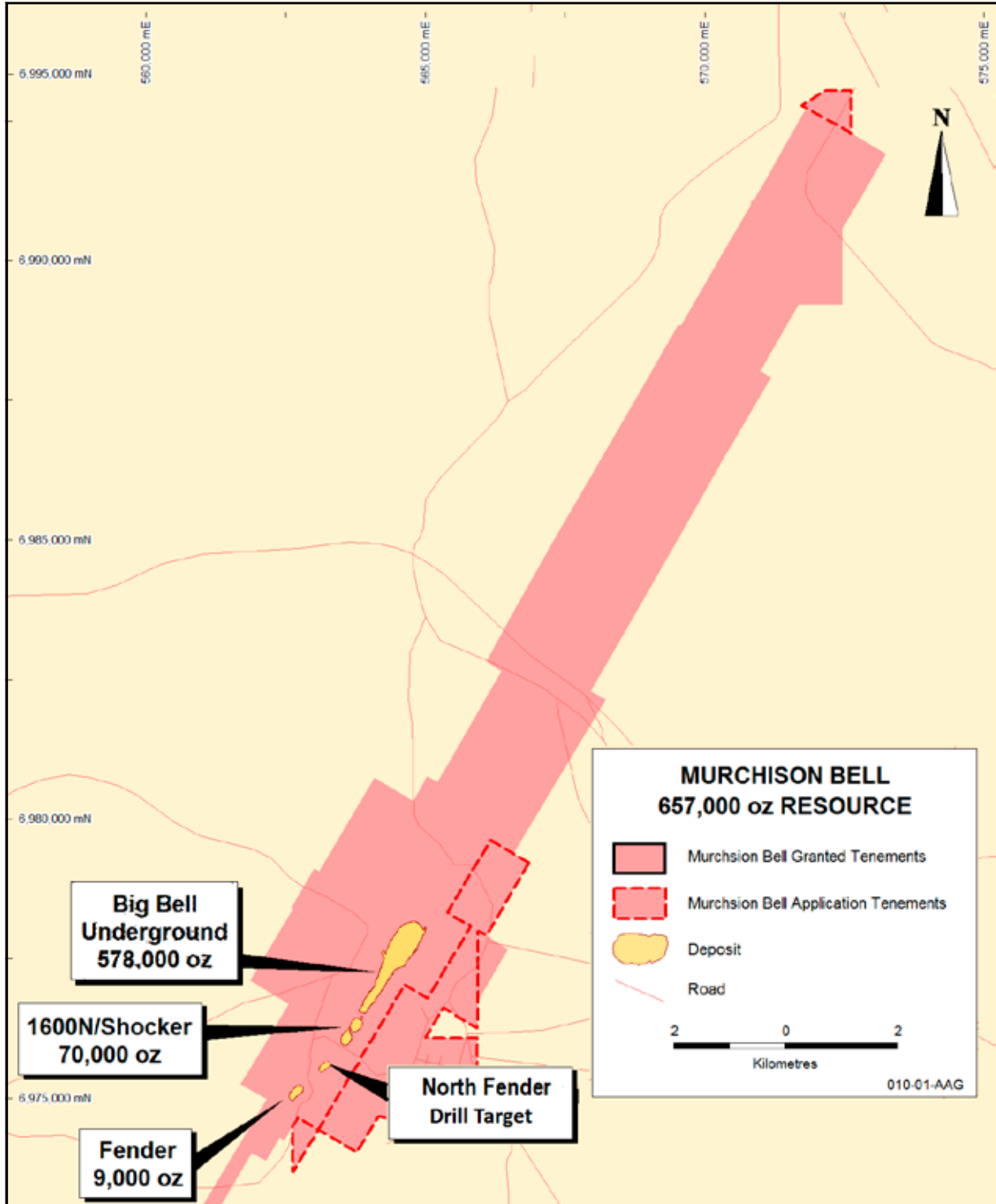


Figure 8. Murchison Bell – deposit resources and tenement outline.

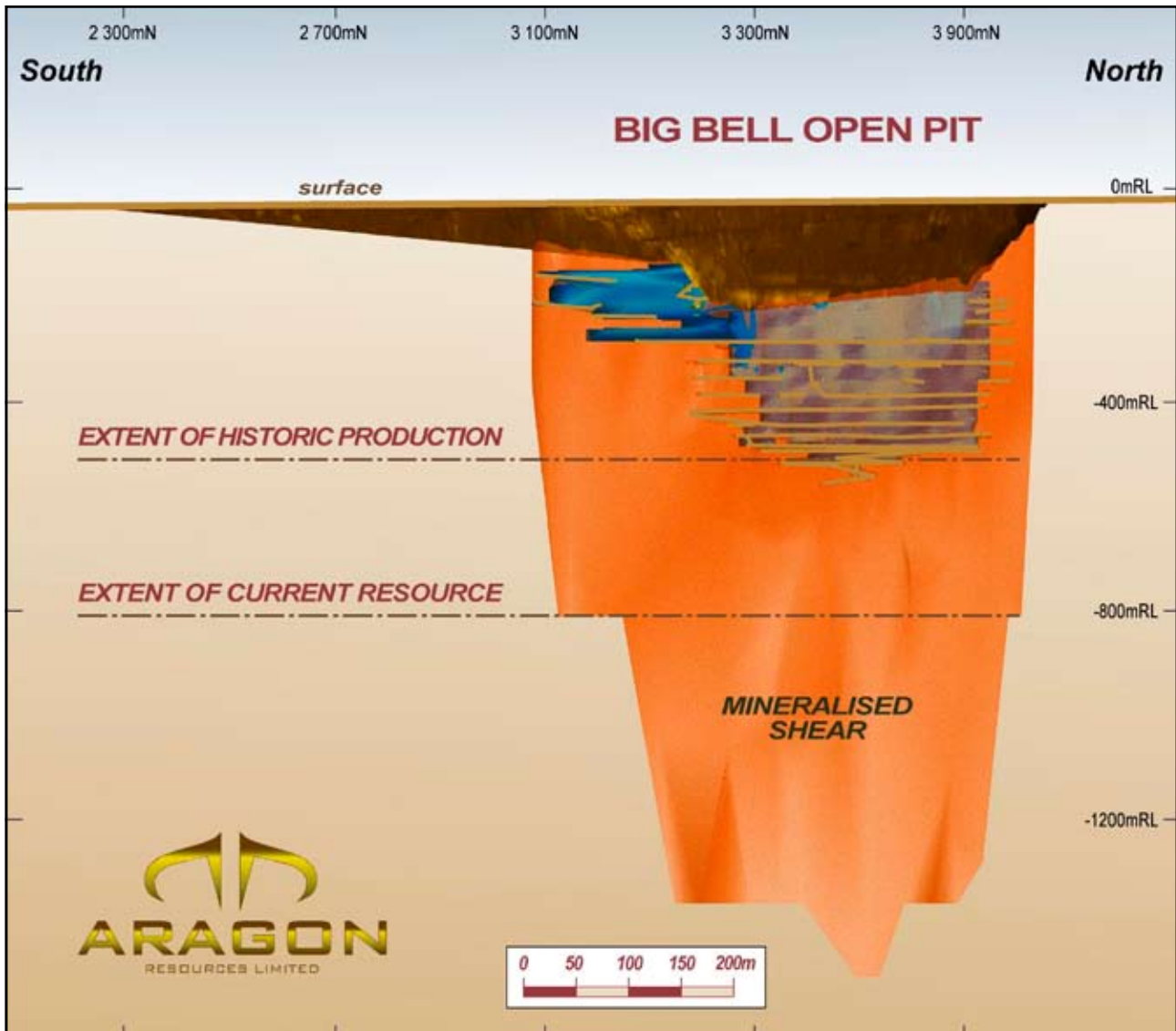


Figure 9. Big Bell mine workings showing extend of current resource with mineralisation identified to 1500 metres.

In addition, Aragon has commenced mining studies to ascertain the viability of re-entering the underground workings to recommence mining operations. Aragon has retained Mr John Player (Senior Research Fellow Geotechnical Engineer, West Australian School of Mines) to complete an independent geotechnical scoping study on the Big Bell deposit. Mr Player is a Chartered Professional Engineer, AusIMM and has 7 years of hands on underground experience at the Big Bell deposit. During that time Mr Player spent 5 years as the Geotechnical Engineer where he was instrumental in the research and management of the geotechnical considerations at the Big Bell deposit. Mr Player has concluded that it is technically possible to re-enter the Big Bell mine and bring the mine back into production. One of the key findings of the study confirms the validity of the alternative mining approach to the Big Bell deposit proposed by Aragon. Rather than the large scale sublevel caving method used in the past, Aragon intends to apply a more selective open stope paste fill extraction method that will minimise or potentially eliminate significant seismic events and maximise the overall recovered grade from the Big Bell deposit. This initial positive result will be followed by a detailed review of mine engineering considerations and the overall in-situ resource.

Cuddingwarra Mining Centre

The Cuddingwarra Mining Centre has a historic production from open pit sources of 800,000 ounces and a current JORC resource of 3,011,000t @ 3.6g/t for 349,000 ounces. The regional Cuddingwarra Shear Zone is a significant mineralised structure and important exploration target that extends through the entire district. Many of the historic open pits that have been mined within the top 150 metres of cover are located along its length and it provides excellent targets for primary depth extensions that could potentially be mined from underground. Drilling by Aragon has targeted primary extensions beneath a number of these pits with highly encouraging results being received from the Black Swan South Pit. Three diamond holes have targeted the interpreted down plunge extension and returned down-hole results of 2 metres @ 62.8g/t Au from 12 metres, 6.1 metres @ 7.1g/t Au from 458 metres and 1.3 metres @ 11.6g/t Au from 337.7 metres. Drill core observations show that the primary system contains high grade shoots, often with visible coarse gold, within a larger mineralised porphyry envelope that has undergone brittle deformation related to the regional Cuddingwarra shear. The mineralisation remains open at depth and warrants further investigation.

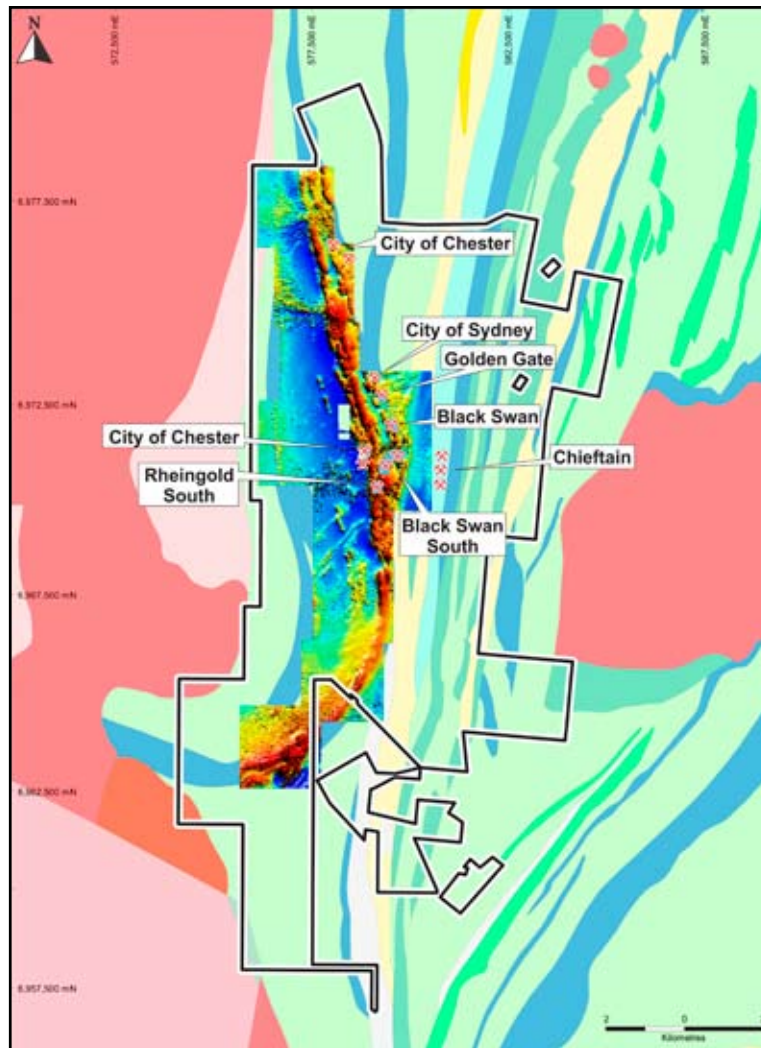


Figure 10. Cuddingwarra Mining Centre and deposit resources with the 2009 Sub Audio Magnetic image overlay.

A Sub Audio Magnetic Survey that was conducted in 2009 has also provided numerous drill targets that will be tested in subsequent drill programs. In line with Aragon's strategy, the recoverable remnant resources from the existing pits and a shallow open pit style new discovery in the Cuddingwarra Mining Centre would provide complimentary feed to high grade production from the Day Dawn Mining Centre. Pit optimisation studies to determine the potential recoverable resources have commenced across CMPG and will be reported once the studies are completed.

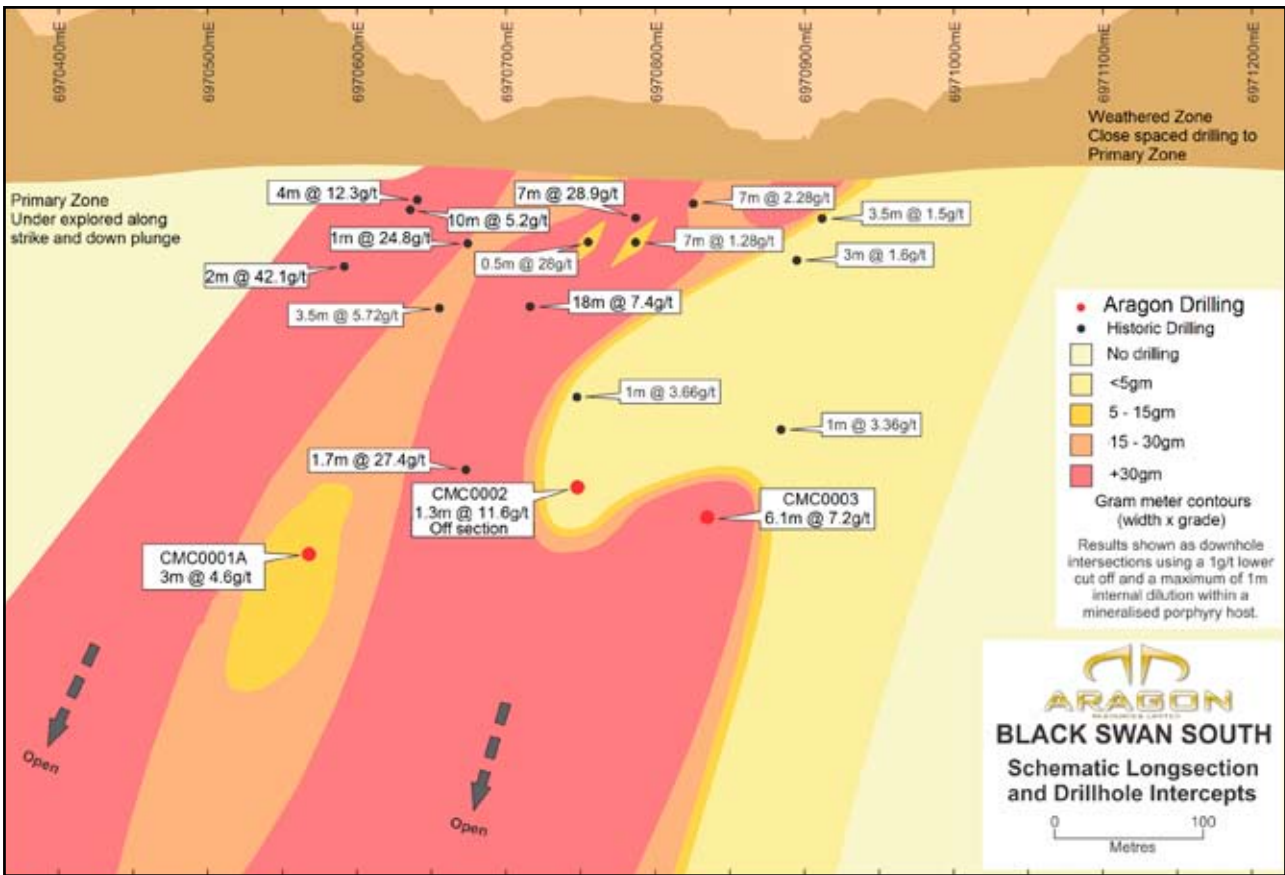


Figure 11. Black Swan South Schematic Long Section of primary lode system.



Figure 12. Diamond drill-hole CMC0003 at Black Swan South showing visible gold in quartz that returned 6.1 metres @ 7.2g/t Au from 458 metres.

Drill Results Summary Table

Mining Centre	Deposit	Hole ID	Northing	Easting	RL	Dip	Azimuth	From (m)	To (m)	Down hole Interval (m)	Grade g/t (Au)
Day Dawn	Great Fingall	CMD0007	6962552	584541	420	-85	090	129.3	130.0	0.7	2.25
		CMD0008	6961963	584899	420	-65	065				NSA
		CMD0009	6962540	584367	420	-85	090				NSA
		CMD0010	6962050	584410	420	-85	090	150.8	151.3	0.5	4.28
								159.6	160.3	0.7	1.28
								161.0	161.6	0.6	1.12
								240.1	241.0	0.9	1.07
	245.5							246.3	0.8	4.15	
	262.0	262.6	0.6	1.05							
	CMD0011	6962085	584338	420	-85	090	560.8	563.7	2.9	14.83	
	Golden Crown	CMD0012	6961890	584177	420	-70	155	48.0	50.0	2.0	4.07
								52.0	53.0	1.0	7.06
		CMD0013	6961450	583937	420	-60	090	266.0	270.3	4.3	3.24
		CMD0014A	6961343	584248	420	-65	095	214.5	218.2	3.7	2.04
								219.0	219.8	0.8	1.59
	CMD0019	6961650	583520	430	-80	048	787.7	788.5	0.8	16.10	
	Rubicon	CMD0001	6963800	584976	420	-70	090				NSA
								CMD0002	6964052	585150	420
	3210	CMD0003	6960818	583534	420	-90	000	280.4	282.5	2.1	1.63
	Try Again	CMD0004	6960848	584138	420	-60	090	33.0	34.0	1.0	1.07
								37.0	38.0	1.0	1.37
								50.0	52.0	2.0	1.44
								64.0	65.0	1.0	3.31
								83.0	84.0	1.0	1.04
211.5								212.3	0.8	10.30	
225.0								225.5	0.5	4.43	
233.5	234.4	0.9	7.67								
Trenton	CMD0005	6960218	583201	420	-90	000	21.0	24.0	3.0	2.01	
							66.0	70.0	4.0	4.63	
							72.0	75.0	3.0	2.67	
Yellow Taxi	CMD0006	6959074	582066	420	-60	090	251.5	254.4	2.9	2.58	
Murchison Bell	North Fender	CMM0001	6975643	563416	420	-60	301.5	30.0	32.0	2.0	1.54
								49.0	50.0	1.0	1.79
								130.0	131.0	1.0	1.01
		CMM0002	6975696	563487	420	-60	301.5	153.0	159.0	6.0	3.65
								162.0	164.0	2.0	1.07
								169.0	171.0	2.0	1.66
								185.0	186.0	1.0	1.49
								206.0	208.0	2.0	1.20
		CMM0003	6975548	563335	420	-60	301.5	141.0	143.0	2.0	3.25
								145.0	149.0	4.0	1.55

Note: All descriptions and locations stated are as designed coordinates in MGA-94. Results shown as down-hole intervals and compiled applying 1g/t cut-off. Intervals include maximum of 1 metre down-hole internal dilution. Assays by 50g Fire Assay with AA finish.

Drill Results Summary Table (continued)

Mining Centre	Deposit	Hole ID	Northing	Easting	RL	Dip	Azimuth	From (m)	To (m)	Down hole Interval (m)	Grade g/t (Au)
Cuddingwarra	Black Swan South	CMC0001A	6970550	579590	420	-60	270	345.3	347.1	1.8	1.74
								350.1	350.7	0.6	1.12
								355.3	357.3	2.0	1.11
								358.8	361.2	2.4	2.66
								479.7	480.4	0.7	1.32
								482.0	485.0	3.0	4.60
		CMC0002	6970652	579625	420	-60	270	0.0	1.0	1.0	1.07
								337.7	339.0	1.3	11.61
								345.7	346.4	0.7	1.05
								354.4	355.2	0.8	1.73
								358.5	359.0	0.5	1.83
								460.9	461.4	0.5	2.79
		CMC0003	6970750	579670	420	-60	270	12.0	14.0	2.0	62.77
								34.0	35.0	1.0	1.98
								69.0	70.0	1.0	2.72
	452.5							453.5	1.0	1.73	
	Rheingold	CMC0004	6970906	578742	420	-75	000	90.0	91.0	1.0	1.06
								152.0	153.0	1.0	1.09
		CMC0005	6970878	578804	420	-70	180	199.0	200.0	1.0	2.04
								222.0	223.0	1.0	1.22
		CMC0006	6970900	578792	420	-80	000	192.0	196.0	4.0	2.03
								212.0	213.0	1.0	1.44
CMC0007	6970950	578950	420	-60	000	209.0	210.0	1.0	2.10		
						212.0	213.0	1.0	1.45		
224.0	226.0	2.0	2.11								
Chieftain	CMC0008	6970802	580922	420	-62	270				NSA	
City of Chester	CMC0009	6976152	578624	420	-60	270	115.0	120.0	5.0	1.63	
	CMC0010	6976352	578530	420	-60	270	117.0	118.0	1.0	1.55	
	CMC0011	6976252	578579	420	-60	270	123.0	125.0	2.0	1.02	
130.0							132.0	2.0	1.38		

Note: All descriptions and locations stated are as designed coordinates in MGA-94. Results shown as down-hole intervals and compiled applying 1g/t cut-off. Intervals include maximum of 1 metre down-hole internal dilution. Assays by 50g Fire Assay with AA finish.

CENTRAL MURCHISON GOLD PROJECT – HISTORICAL BACKGROUND**Day Dawn Mining Centre**

The Central Murchison Gold Project has a long history of successful gold production dating back to the early 1900's. In 1891 a rich gold reef (now called the Great Fingall Reef) was found in an area which became known as Day Dawn. Originally the settlement was informally called Four Mile as this was the distance from the township of Cue and eventually the gazetted town was named Day Dawn in 1894. The Great Fingall Mining Company then commenced operations at Day Dawn and soon after it became the premier gold mine in Western Australia. In 1904 the mine increased its profile and reputation with a mention in a New York Times article titled 'The World's Greatest Gold Mines' (see figure 14). Unfortunately, the onset of World War I resulted in a period of uncertainty and labour shortages which caused the mine to close in 1918. While the near surface portion of the deposit has been mined more recently from open pit operations no significant underground mining has occurred since its closure in 1918.



Figure 13. Day Dawn Township, 1900's

The Great Fingall Mine has produced 1.9 million tonnes @ 19.5g/t Au for approximately 1.2 million ounces.



Underground Mining at Day Dawn, 1900's

OPERATIONS REVIEW

A similar high grade gold reef now called the Golden Crown deposit is located just 500 metres to the south-west of Great Fingall. Production to date from the Golden Crown Mine is recorded as 648,000 tonnes @ 13.8g/t Au for approximately 288,000 ounces. The Golden Crown reef was first mined in 1897 and up to 1902 had been developed to a vertical depth of 80 metres with very little production or encouraging grades. This activity was coincident with mining on the Great Fingall reef where bonanza grades and generous widths of reef were encountered from surface.

In 1935, the lease was acquired by Western Mining Corporation and after a modest diamond drilling program the lease was relinquished due to lower than expected results. In 1969 Australian Consolidated Mines ("ACM") acquired the project and went on to conduct further drilling which again returned lower than expected results. It was not until 1983 that ACM drill tested deeper zones and discovered that the old workings were actually in what appears to be a depletion zone. Further drilling beneath a vertical depth of 120 metres lead to ACM sinking a shaft to the main reef zone and in May 1986 the Golden Crown mine was officially opened. In 1991, ACM was taken over by Posgold, a division of Normandy Mining Limited. The ore was then trucked to and processed at the Big Bell plant as additional feed for the Big Bell processing facility. Ore haulage from the nearby Great Fingall open pit operations was also operated by Normandy at this time. Normandy continued to operate Golden Crown for a further five years (up to 1996) before placing the mine on care and maintenance.

Mining was halted apparently due to the fact that development could not keep up with production demands brought on by the large capacity 2.8mtpa Big Bell processing facility. The Great Fingall and Golden Crown deposits have together produced exceptionally high grade ores totalling 2.5 million tonnes @ 18.0g/t for 1.49 million ounces. The current remaining total identified mineral resource estimate for Golden Crown is 63,000 ounces of gold and the nearby Great Fingall Mine contains 275,000 ounces of remnant gold resources (refer to Table 1 for JORC categorisation breakdown).



Figure 14. The World's Greatest Gold Mines.



Figure 15. Golden Crown Head frame 1990's and visible gold seen underground in the main quartz reef during mining at that time.

Murchison Bell Mining Centre

Gold was first discovered at Big Bell in 1904. Open pit mining operations then began in 1913 and continued until 1923. Ten years later in 1932, exploration and mining activities re-commenced when ASARCO undertook an evaluation of the area which resulted in the commencement of underground mining and the subsequent establishment of a town in 1937. Mining activity continued until 1955 at which time the project closed due to low gold prices and increased costs.

In 1969 ACM acquired the title to Big Bell and, following various joint ventures, ACM eventually consolidated ownership of Big Bell in 1980. Deep drilling by ACM in the early 1980's delineated a significant underground resource. Evaluations continued for the next few years in joint venture with Placer and finally, in 1987, the decision was made to re-open the Big Bell mine with open pit mining commencing in 1989. In 1992 Normandy Mining Limited acquired ACM and full ownership of the Big Bell mine. Normandy then commenced underground development and mining in 1994 and in 1999 New Hampton Goldfields acquired the mine. Soon after, in 2001, Harmony Australia gained control of Big Bell after a successful takeover of New Hampton Goldfields. Underground mining continued throughout this time and by the time the mine closed in 2003 approximately 2.6 million ounces of gold had been produced.

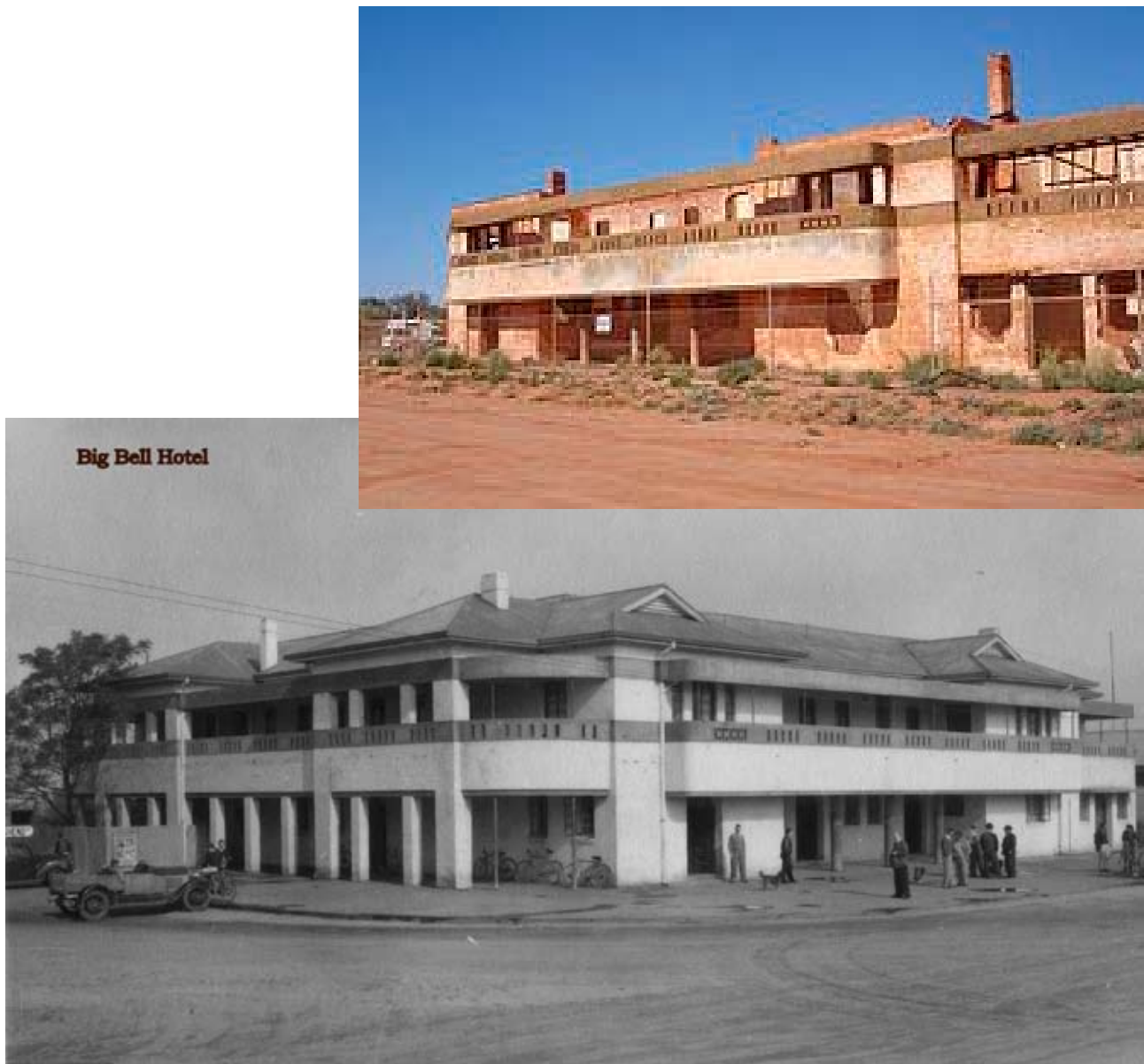


Figure 16. Past and present image of the Big Bell Hotel located at the old Big Bell town site.

Cuddingwarra Mining Centre

Gold was first discovered in the Cuddingwarra region in the 1890’s with the discovery of a ten ounce nugget by a local prospector. This then led to others seeking gold in the area, many of which winning gold in and about the immediate Cuddingwarra town site. Significant gold operations became established over time at the nearby Day Dawn and Big Bell areas providing the Murchison region with long history of gold exploration and mining. Moving forward to early 2010, Aragon seized the opportunity to acquire approximately 33,400 hectares of tenements over each of the three mining centres. This contiguous package now named the Central Murchison Gold Project, has historically produced approximately 5 million ounces. Aragon aims to write the next chapter in the proud history of gold mining in the Murchison Goldfields District with the successful development of a gold mining operation that could potentially source ore from multiple mines across each centre.

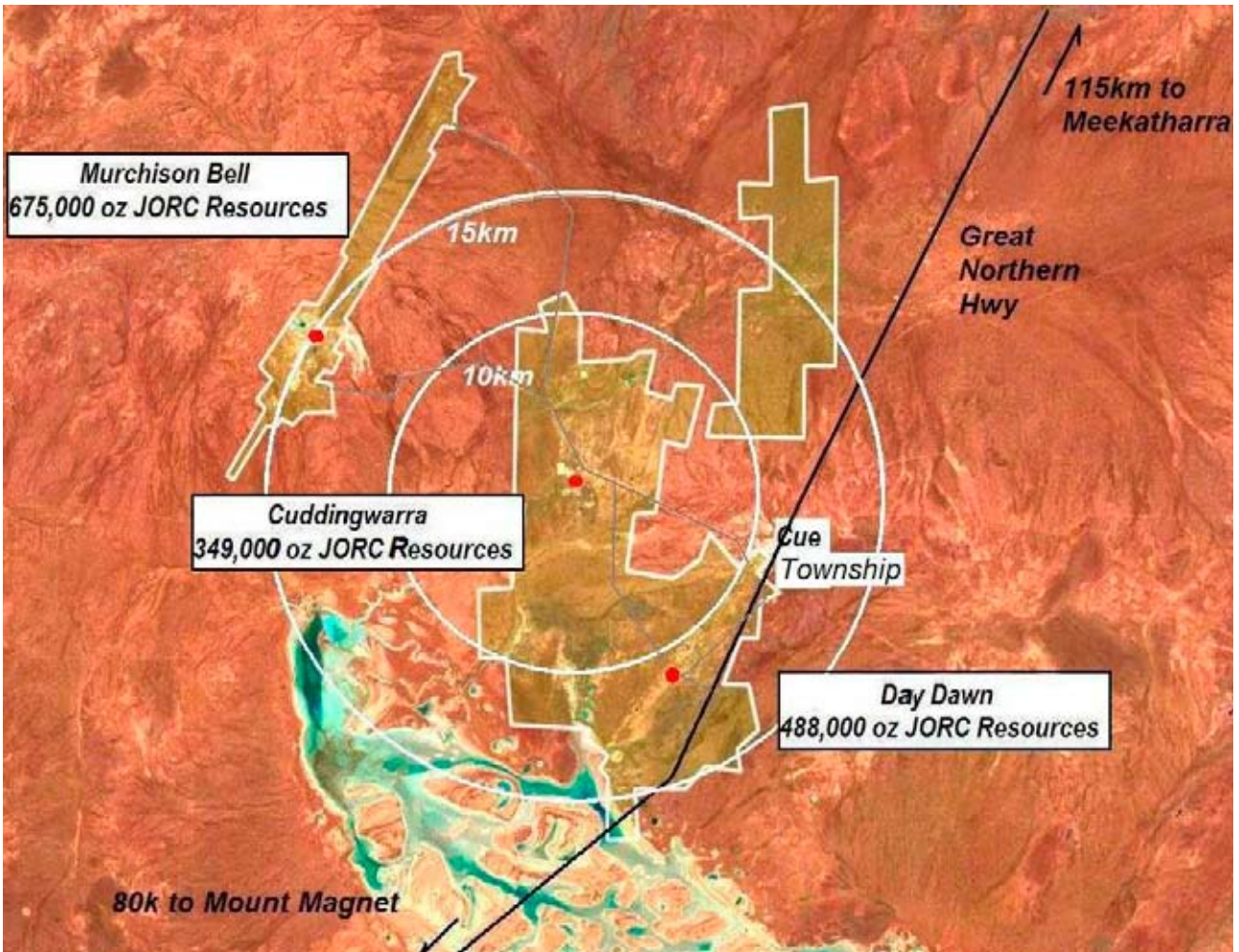


Figure 17. Central Murchison Gold Project “CMGP”.

Central Murchison Gold Project 'CMGP'

Deposit	Measured			Indicated			Inferred			Total Resource		
	Tonnes ('000s)	Au g/t	Au Oz	Tonnes ('000s)	Au g/t	Au Oz	Tonnes ('000s)	Au g/t	Au Oz	Tonnes ('000s)	Au g/t	Au Oz
Murchison Bell												
1600N/Shocker				415	2.5	33,000	359	3.2	37,000	774	2.8	70,000
Big Bell*				3,200	4.7	484,000	700	4.2	95,000	3,900	4.6	578,000
Fender				71	4.1	9,000				71	4.1	9,000
Sub-total				3,686	4.4	526,000	1,059	3.9	132,000	4,745	4.3	657,000
Cuddingwarra												
Black Swan				222	3.5	25,000	1	1.3		223	3.5	25,000
Black Swan South				315	3.5	35,000	1,816	3.8	224,000	2,131	3.8	259,000
Chieftain				50	3.1	5,000	75	3.4	8,000	125	3.3	13,000
City of Chester				28	2.3	2,000	82	2.4	6,000	110	2.4	8,000
City of Sydney	4	1.6		62	2.1	4,000				65	2.0	4,000
Golden Gate				65	3.0	6,000	1	2.6		66	3.0	6,000
Rheingold							89	3.8	11,000	89	3.8	11,000
Rheingold South	23	3.3	3,000	82	3.6	10,000	96	3.4	11,000	202	3.5	23,000
Sub-total	27	3.0	3,000	824	3.3	87,000	2,160	3.7	260,000	3,011	3.6	349,000
Day Dawn												
3210				50	3.3	5,000				50	3.3	5,000
Golden Crown*				95	7.5	23,000	144	8.8	41,000	238	8.3	63,000
Great Fingall				349	1.9	21,000	1,500	1.4	67,000	1,849	1.5	88,000
Great Fingall*				755	10.0	243,000	147	6.8	32,000	902	9.5	275,000
Kinsella	1	2.9		54	3.1	5,000				55	3.1	6,000
Mt Fingall							30	3.1	3,000	30	3.1	3,000
Rubicon	19	2.9	2,000	50	2.3	4,000	12	1.3		80	2.3	6,000
South Fingall				36	2.8	3,000	28	3.1	3,000	65	3.0	6,000
Try Again	1	1.8		12	3.2	1,000	178	3.1	17,000	192	3.1	19,000
Yellow Taxi				80	2.4	6,000	15	2.9	1,000	94	2.5	7,000
Yellow Taxi South							37	4.3	5,000	37	4.3	5,000
Sub-total	21	2.8	2,000	1,481	6.6	311,000	2,091	2.5	169,000	3,592	4.2	483,000
Sub Total In situ	47	3.3	5,000	5,992	4.8	924,000	5,309	3.3	561,000	11,348	4.1	1,490,000
Stockpiles												
Great Fingall				108	1.0	3,000				108	1.0	3,000
Fingall Sands				34	1.2	1,000				34	1.2	1,000
Sub-total				142	0.9	4,000				142	0.9	4,000
TOTAL RESOURCES	47	3.3	5,000	6,133	4.7	928,000	5,309	3.3	561,000	11,490	4.0	1,494,000

Note: * denotes underground resource.

Figure 18. Murchison Gold Project Resource Table

Lake Darlot Gold

Aragon has completed a number of drill programs that have successfully identified high grade gold mineralisation within a sheared magnetic dolerite host, similar to that found at the Darlot Gold Mine 7km to the south. Primary mineralisation occur along shear margins within the dolerite and is worthy of further investigation along strike. The numerous high grade intersections that have been achieved to date suggest the area has potential to host a significant primary gold deposit. A geological review incorporating all the available data was completed by CSA Global Consultants and resulted in an increased understanding of the structural controls of the Mission and Cables area. A scout air-core drill program was completed during the period with the objective to test structural, geochemical and geological targets interpreted to be analogous with mineralisation at both Mission and Cables.

The best results from drilling over a low level soil anomaly at E53/503 returned 4 metres @ 1.55g/t Au (4m composite sample), from 32 metres. The Mission and Cables Gold Prospects are characterised by narrow high grade gold mineralisation within an extensive structural corridor interpreted to be similar to the mineralisation seen at the Darlot Gold Mine some 7km to the south. Given the Company is now focused on its core asset of the Central Murchison Gold Project it continues to seek options to advance the significant potential of the Mission and Cables Prospects.

Ammaroo Phosphate/Potash JV

The Ammaroo Phosphate Project is located in the Southern Georgina Basin in the Northern Territory. Initial scout aircore drilling in the previous period has returned significant phosphate mineralisation including 20 metres @ 16.7% P₂O₅ from 34 metres, 11 metres @ 12.2% P₂O₅ from 25 metres and 13 metres @ 14.2% P₂O₅ from 23 metres. The next phase of aircore drilling planned for completion during the period was cut short due to technical issues with the drilling equipment. The decision was made to cease drilling until after the wet season. Subsequent to the period, Aragon entered into a Heads of Agreement (“HoA”) with Rum Jungle Uranium Limited (“RUM”) whereby RUM is entitled to earn a 60% interest in Aragon’s Ammaroo phosphate/potash project in the Northern Territory. Under the HoA, RUM has to complete due diligence on the Project to its satisfaction following which the parties will execute a formal farm-in/joint venture agreement.

Under the proposed farm-in/joint venture agreement RUM will be required to spend \$3 million over 5 years to earn a 60% interest in the Ammaroo project and will be responsible for maintaining the tenements in good standing and determining the work program.

RUM may also earn another 10% interest by spending an additional \$2 million over 2 years, taking total expenditure to \$5 million over 7 years for a 70% interest in the Project. Aragon can also elect to contribute its 40% interest at the end of the first 5 years. The HoA also contains a condition subsequent whereby the attaching royalty is reduced to \$0.40 per tonne of ore mined from the area covered by the Ammaroo project.

Lake Lefroy Nickel

The Lake Lefroy Nickel project is located approximately 15km west of the nickel rich Kambalda district. The project overlies the Aztec Dome which exhibits at similar regional magnetic response to that seen at the Kambalda Dome. Aragon has identified conductive targets that may be associated with nickel mineralisation from a detailed SQUID EM survey. No on-ground work was undertaken on the Lake Lefroy Nickel Project during the period due to access limitations on the salt lake surface. Aragon has been awarded co-funding of up to \$75,000 after a successful submission to the EIS Co-funded Drilling project for 2010/11. Drilling preparations have been made and a suitable drilling rig identified to complete the drilling. The planned drilling to test these targets will commence as soon as access to the lake is possible.

Alamar Gold JV (49% interest)

Alamar Resources Limited (“Alamar”) completed 83 drill holes (12 RAB and 71 air-core) at an average depth of 63 metres. The drilling was designed to test a 6 km strike length of sheared granite-greenstone contact concealed beneath transported cover. The programme was successful with the most notable result being 4 metres at 1.91g/t of Au at a depth of 26 to 30 metres and established the location of the granite-greenstone contact beneath the transported cover. This intersection is open for 800 metres and warrants follow-up drilling. By completing this programme, Alamar has earned 51% interest and is currently considering the next stage of exploration over the project.

Competent Persons Statement

The information in the tables in this report that relate to exploration, mineral resources or ore reserves is based on information compiled by Mr Paul Benson (B.Sc.) who is a full time employee of Aragon Resources Ltd and a member of the AusIMM. Mr Benson has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a competent person as described by the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr Benson consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Note 1: Exploration Targets

The potential quantity and grade of stated exploration targets are conceptual in nature. There has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

DIRECTORS

The Directors submit their report together with the financial report of Aragon Resources Limited ("Aragon" or "the Company") and of the Consolidated Entity, being the Company and its controlled entities, for the year ended 30 June 2010.

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

Names, Qualification, Experience and Special Responsibilities**Peter Gerard Cook – Non Executive Chairman**

Mr Cook is a Geologist (BSc (Applied Geology)) and a Mineral Economist (MSc (Min. Econ), MAusIMM). In recent years he has been the Managing Director of Hill 50 Limited, the Chief Executive Officer of Harmony Gold Australia Pty Ltd, Managing Director of Abelle Limited and Chairman of Metals Exploration Limited. He has considerable experience in the fields of exploration and project and corporate management of mining companies. He is also a director of Westgold Resources Limited and the Chairman of both Aragon Resources Limited and Pacific Niugini Limited.

During the past three years, Mr Cook has served as a Director of the following publicly listed companies:

- Metals X Limited * (Appointed 23 June 2004)
- Westgold Resources Limited * (Appointed 19 March 2007)
- Aragon Resources Limited* (Appointed 18 May 2007); and
- Pacific Niugini Limited* (Appointed 31 August 2009)

Paul Garrett Benson – Executive Director/Chief Executive Officer

Mr Benson is a geologist (BSc (Geology), MAusIMM, MAICD) with over 18 years experience the mining industry. He has considerable experience in the exploration and development of gold and tin projects in Australia. Prior to joining Aragon Mr Benson was employed by Metals X Limited initially as the Geology Manager for the Collingwood Project, managing the geological and environmental aspects of the project since construction and since April 2006 as General Manager of the Collingwood Tin Project. Prior to joining Metals X, his previous roles include Exploration Geologist with Consolidated Gold at Davyhurst/Riverina WA, Underground Mine Geologist with Abelle at Gidgee WA, Project Geologist with Barrick at Lawlers WA and Senior Exploration Geologist with Westcoast Mining at Tuckabianna WA.

During the past three years, Mr Benson has served as a Director of the following publicly listed company:

- Vital Metals Limited * (Appointed 17 April 2009 – Resigned 28 June 2010)

Simon Peter Eley - Executive Director

(Appointed 24 December 2009)

Mr Eley is a corporate/commercial lawyer (BA, LLB) and spearheaded the acquisition of the Central Murchison Gold Project. He has over 12 years practical and corporate experience in the mining and resources sector. Prior to joining Aragon, he worked with ASX200 company Aquila Resources Limited where he worked closely with the executive management in corporate strategy, assessing potential acquisitions and managing divestments. He was engaged as the Corporate Manager for Manhattan Resources Pty Ltd that was the subject of a takeover by Uranio Limited (and re-named Manhattan Corporation Limited), an ASX listed uranium Exploration Company. He was involved with the creation, promotion and management of Manhattan Resources Pty Ltd.

Mr Eley worked for Woodside Petroleum Limited. He was a part of the Chinguetti Project management team based in Mauritania for Woodside and chief legal advisor reporting to the President & General Manager. His responsibilities in Mauritania extended to the management of the supply chain responsible for the significant operational, exploration, and capital expenditure requirements of the project. He was an integral part of the leadership team tasked with maximising Woodside's investment in the region. He has also worked previously for ASX listed Clough Ltd and legal firm Clayton Utz. He has hands on experience in open-pit and milling operations in base metal and gold mines in Western Australia and the Northern Territory.

Mr Eley has held no other public company directorships in the past three years.

DIRECTORS CONTINUED)**Benjamin Craig Pollard - Non Executive Director**

(Appointed 14 January 2010).

Mr Pollard is a Geologist (B.Sc. (Mineral Exploration and Mining Geology), MAusIMM) with significant mining, exploration and management experience in the gold industry throughout Western Australia. He brings to the Company exploration, mine planning and resource estimation skills suited to the project development and Company's expansion plans through 2010. He is also Principal Geologist of BMGS Perth managing geological consulting services in Australia and overseas.

Mr Pollard has held no other public company directorships in the past three years.

Brian David Thomas - Non Executive Director

Mr Thomas is a geologist (BSc, MBA, SA Fin, MAusIMM, MAICD) with more than 20 years of mining and exploration industry experience in a broad range of commodities from precious and base metals, bulk and industrial minerals, diamonds plus oil and gas. This is complemented by 12 years in the Australian financial services sector working in corporate stock broking, investment banking, fund management and with an Australian commercial bank, sourcing mining finance opportunities. He was one of the founding directors of Aragon Resources Limited (formerly Navarre Resources Pty Ltd).

During the past three years, Mr Thomas has served as a Director of the following publicly listed companies:

- Pacific Niugini Ltd (formerly Chrome Corporation Limited) (Appointed 22 November 2004 – Resigned 3 November 2009)
- Namibian Copper NL (Appointed 17 August 2007 – Resigned 30 March 2009)
- White Cliffs Nickel Limited * (Appointed 14 August 2007 - Resigned 22 February 2010)
- Noble Mineral Resources Limited * – (Appointed 8 April 2010)
- Transit Holdings Limited * - (Appointed 9 June 2010)
- Bailey Minerals NL * - (Appointed 21 May 2008)

*denotes current directorship

DIRECTORS' INTERESTS IN SHARES AND OPTIONS OF THE COMPANY

The relevant interest of each director in the shares and options issued by the Company or other related bodies corporate, as notified to the Australian Securities Exchange in accordance with S.205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Note	Fully paid ordinary shares	Options Expiring on 30 September 2011 exercisable at \$0.25	Options Expiring on 31 May 2011 exercisable at \$0.30	Options Expiring on 28 November 2010 exercisable at \$0.35	Options Expiring on 30 November 2012 exercisable at \$0.21	Options Expiring on 31 December 2013 exercisable at \$0.20
Paul Benson		120,000	60,000	1,000,000	-	1,250,000	-
Peter Cook	(1)	17,754,135	3,877,068	-	1,000,000	750,000	-
Simon Eley		9,613,333	-	-	-	-	4,051,667
Benjamin Pollard		9,303,334	-	-	-	-	4,051,667
Brian Thomas		740,000	360,000	250,000	-	500,000	-
Total		37,530,802	4,297,068	1,250,000	1,000,000	2,500,000	8,103,334

(1) (1) Mr Cook is a Director of Metals X Limited which holds 17,661,858 fully paid ordinary shares and 3,830,929 listed options in the Company.

COMPANY SECRETARY

Fiona Van Maanen is a Certified Practising Accountant, holds a Bachelor of Business (Accounting) degree and a Graduate Diploma in Company Secretarial Practice. She has 18 years of accounting and financial management experience in the mining and resources industry.

Mrs Van Maanen is also the company secretary for Metals X Limited.

DIVIDENDS

No dividend was paid or declared by Aragon in the period since the end of the previous financial year, and up to the date of this report. The Directors do not recommend that any amount be paid by way of dividend.

PRINCIPAL ACTIVITIES

The principal activity during the year of entities within the Consolidated Entity was the exploration for minerals.

EMPLOYEES

The Consolidated Entity had 9 full-time employees as at 30 June 2010 (2009: 3 employees).

REVIEW OF OPERATIONS

On 23 November 2009 Aragon announced that it had entered into an agreement with Fulcrum Resources Pty Ltd ("Fulcrum") to acquire all of the shares and interest in Fulcrum. At a General Meeting held on Wednesday, 30 December 2009, Aragon gained shareholder approval to acquire Fulcrum. The consideration was 35 million fully paid Aragon shares and 17.5 million options over fully paid shares convertible at \$0.20 per share on or before 31 December 2013. At the same meeting shareholders authorised the issue of up to 100 million fully paid ordinary shares at \$0.13 to a range of institutions and sophisticated investors raising \$13 million to fund the acquisition and provide working capital for ongoing activities.

Fulcrum entered into an agreement with New Hampton Goldfields Limited ("New Hampton") and Harmony Gold (Australia) Pty Ltd to acquire all of the shares and interests and rights in New Hampton's wholly owned subsidiary Big Bell Gold Operations Pty Ltd ("BBGO"). The consideration was \$3,000,000 cash and the replacement of \$3,149,000 in existing environmental performance bonds.

REVIEW OF OPERATIONS (CONTINUED)

The major assets of BBGO are tenements contained within the three major historic gold production centres of Murchison Bell, Cuddingwarra and Day Dawn which are now referred to as the Central Murchison Gold Project ("CMGP"). Together these tenements contain a significant resource base with a total current JORC resource of approximately 1.5 million ounces. Each of the mining centres is a potential gold producer in its own right. Aragon's focus since acquiring the CMGP is to evaluate and expand the existing resource base, explore for primary ore extensions and new discoveries and to complete mining studies that will provide potential development options for a centralised gold mining operation sourcing ore from each of the mining centres comprising the CMGP. A total of 5,475 meters of reverse circulation drilling and 6,021 meters of diamond drilling have been completed across the CMGP by Aragon up to 30th June 2010. In addition an initial geotechnical study at the Big Bell Deposit and pit optimisations at the current gold price have commenced across the project.

Day Dawn Mining Centre

Aragon's objectives at Day Dawn are to evaluate and increase the known underground resources at the Great Fingall and Golden Crown Mines, to test for repetitions of these high grade deposits along strike within the Great Fingall Dolerite "GFD" and to conduct open-pit optimisation studies at current gold prices. A total of 2,670 metres of RC and 3,973 metres of diamond drilling have been completed to 30th June 2010 since acquisition.

Drill results from the main reef system at the Great Fingall and Golden Crown Mines have confirmed the high grade nature at both locations and show that each deposit remains open at depth. Highlight results from this drilling include 2.9 metres @ 14.83g/t Au from 560.8 metres at Great Fingall and 0.75 metres @ 16.1g/t Au from 787.7 metres at Golden Crown. This first phase of drilling is expected to be complete in the September Quarter at which time the resources will be recalculated and an initial mining study will commence. Potentially these underground deposits will provide high grade feed to a centralised processing facility located at the Cuddingwarra Mining Centre that would complement additional larger scale lower grade open pit feed from multiple sources across the CMGP.

Exploratory drilling along the GFD targeting high grade reef repetitions similar to that of the Golden Crown and Great Fingall Mines has returned encouraging results at the Trenton Prospect approximately 1800 meters south of Golden Crown. First pass drilling intersected a similar thickness quartz reef with similar grades to that seen at both the Golden Crown and Great Fingall Mines returning 4m @ 4.65g/t (including 1m @ 11.4g/t) from 66 metres. Additional drilling to further define the Trenton Reef is planned for completion in the September Quarter.

Murchison Bell Mining Centre

Aragon's priority at the Murchison Bell Mining Centre is to evaluate the potential to restart underground mining at the Big Bell Mine by way of a detailed mining study and drilling of key targets. The remnant resources from the open pits of Fender and Shocker are included into the pit optimisation study. A total of 720 metres of RC and 701 metres of diamond drilling have been completed at Murchison Bell beneath the current resource of Big Bell and over an area of significant mineralisation called North Fender considered to be analogous to Big Bell style mineralisation. Highlight results at the North Fender Prospect include 6 metres @ 3.65g/t Au from 153 metres. Pending the outcome of a detailed interpretation and evaluation of results, further drilling will be planned along the shear zone.

An initial independent geotechnical scoping study has been completed on the Big Bell Mine and has concluded that it is technically possible to re-enter the workings and bring the mine back into production. Rather than the large scale sublevel caving method used in the past, Aragon intends to apply a more selective open stope paste fill extraction method that will minimise or potentially eliminate significant seismic events and maximise the overall recovered grade from the Big Bell resource. A mining study to review mine engineering considerations and the overall in-situ resource has commenced.

REVIEW OF OPERATIONS (CONTINUED)**Cuddingwarra Mining Centre**

The key objectives at the Cuddingwarra Mining Centre are to conduct pit optimisation studies at the current gold price, test for primary ore extensions beneath existing pits along the Cuddingwarra shear zone and to conduct regional exploration for a new discovery in under explored areas away from existing deposits. A total of 2,085 metres of RC drilling and 1,346 meters of diamond drilling have been completed to 30th June 2010 since acquisition. Highlight results from this drilling include 2 metres @ 62.8g/t Au from 12 metres, 6.1 metres @ 7.1g/t Au from 458 metres and 1.3 metres @ 11.6g/t Au from 337.7 metres all from the Black Swan South deposit.

Open pit optimisation studies at current gold prices and mining costs have commenced on these resources to assess their potential for additional cut-back style open-pit mining. These remnant resources combined with that from a new discovery potentially would combine to provide for early cash flow that could support the capital development required to access the high grade underground resources at the Great Fingal and Golden Crown Mines.

Ammaroo – Phosphate

On 1 July 2010 Aragon Resources Ltd entered a heads of agreement (“HoA”) with Rum Jungle Uranium Limited (“Rum Jungle”) whereby Rum Jungle is entitled to earn a 60% interest in the Ammaroo phosphate/potash project in the Northern Territory. Under the HoA, Rum Jungle has to complete due diligence on the project to its satisfaction following which the parties will execute a formal farm-in/joint venture agreement. Under the proposed farm-in/joint venture agreement;

- (a) Rum Jungle will be required to spend \$3,000,000 over 5 years to earn a 60% interest in the project;
- (b) Rum Jungle will be responsible for maintaining the tenements comprising the project in good standing and determining the work program;

Rum Jungle will forgo any interest if it does not spend the required amount and, subject to certain conditions, is also entitled to withdraw at any time during the farm-in period.

Rum Jungle may also earn another 10% interest by spending an additional \$2,000,000 over 2 years, taking the total expenditure to \$5,000,000 over 7 years for a 70% interest in the project. Aragon can also elect to contribute their 40% interest after the completion of the first stage.

Lake Lefroy – Nickel

The Lake Lefroy Nickel Project has a similar setting to the Kambalda Dome located some 15km to the west. Aragon has completed a SQUID EM survey over the northern area of the project and has identified a priority EM drill target. No on-ground work was undertaken on the Lake Lefroy Nickel Project during the year due to access limitations on the salt lake surface. Aragon has been awarded co funding of up to \$75,000 after a successful submission to the EIS Co-funded Drilling project for 2010/11. Drilling preparations have been made and a suitable drilling rig identified to complete the drilling. This drilling will be undertaken as soon as access to the drill-site is possible

Maitland Joint Venture – Gold (Alamar Resources Limited earning 75%)

On 15 June 2009 the Company announced that it had entered into a Joint Venture agreement with Alamar Resources Limited (“Alamar”) over its non-core gold prospect at its Maitland tenement group in the Yandal Belt Western Australia. Under the agreement Alamar has the exclusive right to earn 51% interest over 24 months by spending a minimum of \$200,000. Following this Alamar has the right to earn a further 24% joint venture interest by spending an additional \$130,000 over 12 months. If Aragon elects not to contribute further after this stage then its interest will be diluted (and Alamar’s interest increased) by 1% for every \$10,000 of expenditure incurred by Alamar. If Aragon dilutes down to 10% then it may elect to convert its joint venture interest to a royalty. The royalty is equal to 1% of the gross proceeds of sale from minerals produced on the tenements.

REVIEW OF OPERATIONS (CONTINUED)**Maitland Joint Venture – Gold (Alamar Resources Limited earning 75%) (continued)**

During the year Alamar completed 83 drill holes (12 RAB and 71 air-core) at an average depth of 63 metres. The drilling was designed to test a 6 kilometre strike length of sheared granite-greenstone contact concealed beneath transported cover. The programme was successful with the most notable result being 4 metres at 1.91g/t of gold at a depth of 26 to 30 metres and established the location of the granite-greenstone contact beneath the transported cover. This intersection is open for 800 metres and warrants follow-up drilling. By completing this programme, Alamar has earned a 51% interest in the Maitland joint venture.

Lake Darlot – Gold

A short programme of air-core drilling (54 holes for 3,415m) was conducted at the start of the year over a number of regional targets at Lake Darlot. Previous work completed by Aragon has defined an area of narrow high grade gold mineralisation located just 7km north of Barrick's Darlot Gold Mine. The area, consisting of two prospects called the Mission and Cables Prospects overly a folded magnetic dolerite host that is considered to be similar to that seen at the Darlot Gold Mine. Potential remains to further define the mineralising structures at depth and along strike however given the focus on the CMGP, Aragon is considering various options to commercialise the potential of the Mission and Cables prospects in the Lake Darlot Gold Project.

Investment – Vital Metals Limited

On 30 June 2009 the Company entered into a Convertible Note Deed with Vital Metals Limited 'VML' whereby, the Company subscribed to a Convertible Note ("Note") in VML for \$500,000. The unsecured Note had a term of three years, is not convertible in the first twelve months and carried a coupon rate of 6% payable quarterly in arrears. The Note is convertible at the higher of 4 cents per share or 80% of the volume weighted average price for the month prior to conversion. On 3 July 2009 VML shareholders approved the issue of the Note to Aragon and the Note was issued on 7 July 2009.

Aragon elected to participate in a capital raising during May 2010 and, in lieu of repayment of the convertible note issued to Vital, accepted 8,333,334 placement shares taking Aragon's total shareholding in Vital to 25,783,334 (13.84%).

On 25 June 2010 Aragon sold its 13.84% interest in Vital Metals Limited to provide further working capital for ongoing activities at its core asset, the CMGP. The sale realised \$2,047,196 (before costs) for Aragon and a profit of \$1,110,947. Mr Paul Benson who was Aragon's representative on the Vital Board resigned his position on 28 June 2010.

REVIEW OF FINANCIAL POSITION

The loss for the year ended 30 June 2010, after income tax, amounted to \$2,346,174 (2009: loss of \$2,525,240). Losses in the current year are lower due to the write off of exploration and evaluation expenditure of \$2,147,388 (2009: \$2,519,808) and a profit on the sale of Vital Metals Limited shares of \$1,110,947.

Cash and cash equivalents increased to \$8,132,960 from \$4,055,690 an increase of \$4,077,270 (2009: Decrease of \$2,201,372). The increase was due to Aragon's placement of 100,000,000 shares being completed during the period to raise \$13,000,000 (before capital raising costs). Funds raised have been used to complete the acquisition of subsidiary Big Bell Gold Operations Pty Ltd and to advance the Consolidated Entity's exploration projects, resulting in an increase in cash and cash equivalents in the current year. Total payment for exploration and evaluation expenditure for the year was \$2,713,088 (2009: \$1,414,746).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Total equity has increased to \$26,844,651 from \$8,758,713 an increase of \$18,085,938 (2009: decrease of \$633,568) due to a capital raising of \$13,000,000 (before raising costs) and the acquisition of Fulcrum Resources Pty Ltd. The decrease in the previous year was due to a write off of exploration and evaluation expenditure of \$2,519,808 which has been partly offset by the acquisition of Territory Phosphate Pty Ltd of \$1,500,000.

The acquisition of Fulcrum Resources Pty Ltd and Big Bell Gold Operations Pty Ltd has further expanded the Consolidated Entity's asset base and strengthened its position in the resources industry.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There were no significant events after balance date.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

It is expected that the Consolidated Entity will continue its exploration for minerals in Australia.

Further information on likely developments and the expected results are not included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

The Consolidated Entity aims to ensure that 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 Consolidated Entity are not aware of any breach of environmental legislation for the year under review.

SHARE OPTIONS**Unissued shares**

As at the date of this report, there were 49,169,265 unissued ordinary shares under option (49,569,265 at the reporting date), refer to note 18(f) for further details.

There are no participating rights or entitlements inherent in the options and option holders are not entitled to participate in new issues of capital or bonus issues offered or made to shareholders during the currency of the options.

Shares issued as a result of exercising options

During the financial year 1,020 options were exercised to acquire fully paid ordinary shares in the Company at an average weighted exercise price of \$0.25, refer to note 18(g) for further details.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company paid a premium in respect to a contract of insurance to insure Directors and officers of the Company and related bodies corporate against those liabilities for which insurance is permitted under section 199B of the Corporations Act 2001. Disclosure of the nature of the liabilities and the amount of the premium is prohibited under the conditions of the contract of insurance.

DIRECTORS' MEETINGS

The number of meetings held during the period each Director held office during the year and the number of meetings attended are as follows:

Director	Directors' Meetings	
	Attended	Eligible to Attend
Peter Cook	12	12
Paul Benson	9	12
Simon Eley	5	5
Benjamin Pollard	2	2
Brian Thomas	12	12

In view of the size of the Company the Directors do not consider it necessary to establish separate nomination, remuneration or audit committees to deal with subjects that the Board currently presides over.

AUDITOR INDEPENDENCE

The auditor's independence declaration for the year end 30 June 2010 is on page 36. This declaration forms part of this director's report.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

	\$
Tax compliance services	5,000

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and other Key Management Personnel of the Company and the Consolidated Entity in accordance with the Corporations Act 2001 and its Regulations. For the purposes of this report Key Management Personnel ("KMP") of the Consolidated Entity are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Consolidated Entity, directly or indirectly. The Consolidated Entity did not have any other key management personnel other than its Directors and Company Secretary.

For the purposes of this remuneration report, the term 'executive' encompasses the Chief Executive Officer and Company Secretary of the Parent and the Consolidated Entity.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Details of Directors and Key Management Personnel

Name	Position	Date of appointment
Peter Cook	Non Executive Chairman	18 May 2007
Paul Benson	Executive Director/Chief Executive Officer	18 May 2007
Simon Eley	Executive Director	24 December 2009
Benjamin Pollard	Non Executive Director	14 January 2010
Brian Thomas	Non Executive Director	10 June 2005
Fiona Van Maanen	Company Secretary	1 July 2008

Remuneration Philosophy

The performance of the Company depends upon the quality of its Directors and senior executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives; and
- Link executive rewards to shareholder value.

The Board as a whole is responsible for considering remuneration policies and packages applicable both to Board members and senior executives of the Company. The Board remuneration policy is to ensure the remuneration package, which is not linked to the performance of the Company, properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive Director and senior executive remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

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

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The current aggregate remuneration is \$200,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process. Each Director receives a fee for being a Director of the company.

Non-executive Directors have been long encouraged by the Board to hold shares in the Company. The shares are purchased at the prevailing market share price. The non-executive directors are entitled to receive retirement benefits and to participate in any incentive program. There are currently no specific incentive programs.

The remuneration of non-executive Directors for the periods ending 30 June 2010 and 30 June 2009 is detailed in Table 1 and Table 2 respectively of this report.

Managing Director and Executive Remuneration Structure

Based on the current stage in the Company's development, its size, structure and strategies, the Board considers that the key performance indicator in assessing the performance of Executives and their contribution towards increasing shareholder value is share price performance over the review period.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Individual and Company operating targets associated with traditional financial and non-financial measures are difficult to set given the small number of Executives and the need to be flexible and multi-tasked, as the Company responds to a continually changing business environment. Consequently, a formal process of defining Key Performance Indicators (KPI's) and setting targets against the KPI's has not been adopted at the present time.

In determining the level and make-up of executive remuneration, the Board engages external consultants as needed to provide independent advice.

Remuneration consists of the following key elements:

- Fixed remuneration (base salary and superannuation, there are no non-monetary benefits); and
- Variable remuneration (share options).

The proportion of fixed remuneration and variable remuneration for each executive for the periods ending 30 June 2010 and 30 June 2009 are set out in Table 1 and Table 2 respectively of this report.

Fixed Remuneration**Objective**

Fixed remuneration is reviewed annually by the Board. The process consists of a review of the Company, business unit and individual performance, relevant comparative remuneration in the market and internally and, where appropriate, external advice on policies and practices. As noted above, the Board has access to external advice independent of management.

Structure

Executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The fixed remuneration component for executives for the periods ending 30 June 2010 and 30 June 2009 are set out in Table 1 and Table 2 respectively of this report.

Variable Remuneration – Long Term Incentive (LTI)**Objective**

The objective of the LTI plan is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth.

LTI grants to executives are delivered in the form of shares options under the Aragon Resources Limited Employee Option Scheme. The scheme has no direct performance requirements but has specified time restrictions on the exercise of options, which, indirectly has a market share price performance aspect to it. The granting of options is in substance a performance incentive which allows executives to share the rewards of the success of the Company. The share options will vest as determined by the board of the Company and executives are able to exercise the share options once vested for up to 60 months from issue date before the options lapse. Where a participant ceases employment prior to the vesting of their share options, the share options are forfeited. Where a participant ceases employment after the vesting of their share options, the share options automatically lapse after six months of ceasing employment. Table 3 provides details of LTI options granted and the value of options granted, exercised and lapsed during the year.

The Company does not have a policy to prohibit executives from entering into arrangements to protect the value of unvested LTI awards.

REMUNERATION REPORT (AUDITED) (CONTINUED)

The Consolidated Entity's performance is reflected in the following table:

	30 June 2009	30 June 2010
Closing share price	\$0.11	\$0.19
Loss per share (cents)	3.81	1.77
Net tangible assets per share	\$0.13	\$0.13
Total Shareholder Return	-58%	73%

* The company was listed on the ASX on 10 August 2007. The share price at the date of listing was \$0.25.

Employment Contracts**Chief Executive Officer**

The Chief Executive Officer, Mr Benson is employed under an annual salary employment contract. The current employment contract commenced on 1 June 2007. Under the terms of the present contract:

- Mr Benson receives a fixed remuneration of \$220,000 (excluding superannuation) per annum. This fixed remuneration amount is effective from 1 February 2010 onwards with his previous fixed remuneration being \$180,000 (excluding superannuation) per annum.
- Mr Benson may resign from his position and thus terminate this contract by giving one month written notice. On resignation any unvested options will be forfeited.
- The Company may terminate this employment agreement by providing one month written notice or providing payment in lieu of notice period (based on the fixed component of Mr Benson's remuneration). On termination on notice by the Company, any LTI options that have not yet vested will be forfeited.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Chief Executive Officer is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause by the Company, any LTI options that have vested will be released. LTI options that have not yet vested will be forfeited.

Other Executive Directors

Mr Eley is employed under an annual salary employment contract. The current employment contract commenced on 1 January 2010. Under the terms of the present contract:

- Mr Eley receives a fixed remuneration of \$190,000 (excluding superannuation) per annum.
- Mr Eley may resign from his position and thus terminate this contract by giving three month written notice. On resignation any unvested options will be forfeited.
- The Company may terminate this employment agreement by providing three month written notice or providing payment in lieu of notice period (based on the fixed component of Mr Eley's remuneration). On termination on notice by the Company, any LTI options that have not yet vested will be forfeited.
- The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the Executive Director is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause by the Company, any LTI options that have vested will be released. LTI options that have not yet vested will be forfeited.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Table 1: Remuneration for the year ended 30 June 2010

	Short term employee benefits			Post employment benefits	Share Based Payment	Total	% Performance related	% of remuneration that consists of options
	Salary & fees	Non monetary benefits	Termination payments	Super-annuation	Options			
Non-executive directors								
Peter Cook	50,000	-	-	-	83,981	133,981	-	63%
Benjamin Pollard*	16,014	-	-	1,411	-	17,455	-	0%
Brian Thomas	35,000	-	-	3,150	55,987	94,137	-	59%
Sub-total	101,014	-	-	4,591	139,968	245,573		
Executive directors								
Paul Benson	196,667	-	-	17,700	139,968	354,335	-	40%
Simon Eley**	62,468	-	-	5,622	-	68,090	-	0%
Sub-total	259,135	-	-	23,322	139,968	422,425		
Other key management personnel								
Fiona Van Maanen	36,447	-	-	3,280	28,833	68,560	-	42%
Sub-total	36,447	-	-	3,280	28,833	68,560		
Total	396,596	-	-	31,193	308,769	736,558		

* Commenced 14 January 2010

** Commenced 1 January 2010

REMUNERATION REPORT (AUDITED) (CONTINUED)

Table 2: Remuneration for the year ended 30 June 2009

	Short term employee benefits			Post employment benefits	Share Based Payment	Total	% Performance related	% of remuneration that consists of options
	Salary & fees	Non monetary benefits	Termination payments	Super-annuation	Options			
Non-executive directors								
Peter Cook	49,726	-	-	4,475	34,161	88,362	-	39%
Brian Thomas	35,441	-	-	3,190	-	38,631	-	0%
Sub-total	85,167	-	-	7,665	34,161	126,993		
Executive directors								
Paul Benson	188,077	-	-	16,927	-	205,004	-	0%
Sub-total	188,077	-	-	16,927	-	205,004		
Other key management personnel								
Fiona Van Maanen	23,423	-	-	2,108	-	25,531	-	0%
Sub-total	23,423	-	-	2,108	-	25,531		
Total	296,667	-	-	26,700	34,161	357,528		

The Company did not have any other key management personnel for 2009 and 2010.

Table 3: Compensation options granted and vested during the year

30 June 2010	Terms and conditions for each grant								
	Granted number	Grant date	Fair Value per Option at Grant Date	Exercise Price	Expiry date	First Exercise Date	Last Exercise Date	Vested Number	Vested %
Directors									
Paul Benson	1,250,000	26/11/2009	\$0.11	\$0.21	30/11/2012	26/11/2009	30/11/2012	1,250,000	100
Peter Cook	750,000	26/11/2009	\$0.11	\$0.21	30/11/2012	26/11/2009	30/11/2012	750,000	100
Simon Eley	-	-	-	-	-	-	-	-	-
Benjamin Pollard	-	-	-	-	-	-	-	-	-
Brian Thomas	500,000	26/11/2009	\$0.11	\$0.21	30/11/2012	26/11/2009	30/11/2012	500,000	100
Executives									
Fiona Van Maanen	500,000	26/11/2009	\$0.10	\$0.21	30/11/2013	24/8/2010	30/11/2013	-	0
Total	3,000,000							2,500,000	

REMUNERATION REPORT (AUDITED) (CONTINUED)

Terms and conditions for each grant

30 June 2009	Granted number	Grant date	Fair Value per Option at Grant Date	Exercise Price	Expiry date	First Exercise Date	Last Exercise Date	Vested Number	Vested %
Directors									
Paul Benson	-	-	-	-	-	-	-	-	-
Peter Cook	-	28/11/2007	\$0.08	\$0.35	28/11/2010	28/11/2008	28/11/2010	1,000,000	100
Brian Thomas	-	-	-	-	-	-	-	-	-
Executives									
Fiona Van Maanen	-	-	-	-	-	-	-	-	-
Total	<u>-</u>							<u>1,000,000</u>	

Options granted as part of remuneration

No compensation options were granted, exercised or lapsed during the year.

There were no shares issued on exercise of compensation options during the year.

There were no alterations to terms and conditions of options granted as remuneration since their grant date.

There were no forfeitures during the period.

The maximum grant value, which will be payable assuming that all service and performance criteria are met, is equal to the number of options granted multiplied by the fair value at grant date. The minimum payable assuming that service and performance conditions are not met is zero.

For details on valuation of the options, including models and assumptions used, refer to note 22.

End of audited remuneration report.

Signed in accordance with a resolution of the Directors.



PG Benson
Chief Executive Officer
 Perth, 13 September 2010



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Auditor's Independence Declaration to the Directors of Aragon Resources Limited

In relation to our audit of the financial report of Aragon Resources Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink, appearing to read "Ernst & Young".

Ernst & Young

A handwritten signature in black ink, appearing to read "G H Meyerowitz".

G H Meyerowitz
Partner
Perth
13 September 2010

Liability limited by a scheme approved
under Professional Standards Legislation.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Aragon Resources Limited is responsible for the corporate governance of the Consolidated Entity. The Board guides and monitors the business and affairs of Aragon Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. This statement reports on Aragon Resources Limited's key governance principles and practices.

1. COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS

The Company, as a listed entity, must comply with the Corporations Act 2001 and the Australian Securities Exchange Limited (ASX) Listing Rules. The ASX Listing Rules require the Company to report on the extent to which it has followed the Corporate Governance Recommendations published by the ASX Corporate Governance Council (ASXCGC). Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure.

For further information on corporate governance policies adopted by the Company, refer to the corporate governance section of our website: www.aragonresources.com.au

The table below summaries the Company's compliance with the Corporate Governance Council's Recommendations:

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
Principle 1	Lay solid foundations for management and oversight		
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	2(a)	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	2(h), 3(b), Remuneration Report	Yes
1.3	Provide the information indicated in the Guide to reporting on principle 1.	2(a), 2(h), 3(b), Remuneration Report	Yes
Principle 2	Structure the Board to add value		
2.1	A majority of the Board should be independent directors.	2(e)	No
2.2	The chair should be an independent director.	2(c), 2(e)	No
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	2(b), 2(c)	Yes
2.4	The Board should establish a nomination committee.	2(d)	No
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	2(h)	Yes
2.6	Provide the information indicated in the Guide to reporting on principle 2.	2(b), 2(c), 2(d), 2(e), 2(h)	Yes
Principle 3	Promote ethical and responsible decision-making		
3.1	Establish a code of conduct and disclose the code or a summary as to: <ul style="list-style-type: none"> the practices necessary to maintain confidence in the company's integrity; the practices necessary to take into account the company's legal obligations and the reasonable expectations of its stakeholders; and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	4(a)	Yes
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary.	4(b)	Yes
3.3	Provide the information indicated in the Guide to reporting on principle 3.	4(a), 4(b)	Yes

1. COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS (CONTINUED)

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
Principle 4	Safeguard integrity in financial reporting		
4.1	The Board should establish an audit committee.	3(a)	Yes
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> consists only of non-executive directors; consists of a majority of independent directors; is chaired by an independent chair, who is not chair of the Board; and has at least three members. 	3(a)	No
4.3	The audit committee should have a formal charter	3(a)	Yes
4.4	Provide the information indicated in the Guide to reporting on principle 4.	3(a)	Yes
Principle 5	Make timely and balanced disclosure		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	5(a), 5(b)	Yes
5.2	Provide the information indicated in the Guide to reporting on principle 5.	5(a), 5(b)	Yes
Principle 6	Respect the rights of shareholders		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	5(a), 5(b)	Yes
6.2	Provide the information indicated in the Guide to reporting on principle 6.	5(a), 5(b)	Yes
Principle 7	Recognise and manage risk		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	6(a)	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	6(a), 6(b), 6(d)	Yes
7.3	The Board should disclose whether it had received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	6(c)	Yes
7.4	Provide the information indicated in the Guide to reporting on principle 7.	6(a), 6(b), 6(c), 6(d)	Yes
Principle 8	Remunerate fairly and responsibly		
8.1	The Board should establish a remuneration committee.	3(b)	No
8.2	Clearly distinguish the structure on non-executive directors' remuneration from that of executive directors and senior executives.	3(b), Remuneration Report	Yes
8.3	Provide the information indicated in the Guide to reporting on principle 8.	3(b),	Yes

2. THE BOARD OF DIRECTORS

(a) Roles and Responsibilities of the Board

The Board is accountable to the shareholders and investors for the overall performance of the Company and takes responsibility for monitoring the Company's business and affairs and setting its strategic direction, establishing and overseeing the Company's financial position.

The Board is responsible for:

- Appointing, evaluating, rewarding and if necessary the removal of the Chief Executive Officer ("CEO") and senior management;
- Development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the health of the Company;
- Overseeing the management of business risks, safety and occupational health, environmental issues and community development;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control process are in place and functioning appropriately.
- Approving and monitoring financial and other reporting;
- Assuring itself that appropriate audit arrangements are in place;
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted a Code of Conduct and that the Company practice is consistent with that Code; and other policies; and
- Reporting to and advising shareholders.

Other than as specifically reserved to the Board, responsibility for the day-to-day management of the Company's business activities is delegated to the Chief Executive Officer and Executive Management.

(b) Board Composition

The Directors determine the composition of the Board employing the following principles:

- the Board, in accordance with the Company's constitution must comprise a minimum of three Directors;
- the roles of the Chairman of the Board and of the Chief Executive Officer should be exercised by different individuals;
- the majority of the Board should comprise Directors who are non-executive;
- the Board should represent a broad range of qualifications, experience and expertise considered of benefit to the Company; and
- the Board must be structured in such a way that it has a proper understanding of, and competency in, the current and emerging issues facing the Company, and can effectively review management's decisions.

The Board is currently comprised of three non-executive Directors and two executive Directors. Details of the members of the Board, their experience, expertise, qualifications, terms of office and independent status are set out in the Directors' Report of the Annual Report under the heading "Directors".

The Company's constitution requires one-third of the Directors (or the next lowest whole number) to retire by rotation at each Annual General Meeting (AGM). The Directors to retire at each AGM are those who have been longest in office since their last election. Where Directors have served for equal periods, they may agree amongst themselves or determine by lot who will retire. A Director must retire in any event at the third AGM since he or she was last elected or re-elected. Retiring Directors may offer themselves for re-election.

2. THE BOARD OF DIRECTORS (CONTINUED)**(b) Board Composition (continued)**

A Director appointed as an additional or casual Director by the Board will hold office until the next AGM when they may be re-elected.

The Managing Director is not subject to retirement by rotation and, along with any Director appointed as an additional or casual Director, is not to be taken into account in determining the number of Directors required to retire by rotation.

(c) Chairman and Chief Executive Officer

The Chairman is responsible for:

- leadership of the Board;
- the efficient organisation and conduct of the Board's functions;
- the promotion of constructive and respectful relations between Board members and between the Board and management;
- contributing to the briefing of Directors in relation to issues arising at Board meetings;
- facilitating the effective contribution of all Board members; and
- committing the time necessary to effectively discharge the role of the Chairman.

The Board does not comply with the ASX Recommendation 2.2 in that the Chairman, whilst a non-executive, is not an independent Director due to his substantial interest in the Company (refer to 2(e) Independent Directors). The Board has considered this matter and decided that the non-compliance does not effect the operation of the Company.

The Chief Executive Officer is responsible for:

- implementing the Company's strategies and policies; and
- the day-to-day management of the Consolidated Entity's business activities

The Board specifies that the roles of the Chairman and the Chief Executive Officer are separate roles to be undertaken by separate people.

(d) Nomination Committee

The Company does not comply with ASX Recommendation 2.4. The Company is not of a relevant size to consider formation of a nomination committee to deal with the selection and appointment of new Directors and as such a nomination committee has not been formed.

Nominations of new Directors are considered by the full Board in accordance with the Company's "Selection of New Directors Policy".

(e) Independent Directors

The Company recognises that independent directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the directors against specific criteria to decide whether they are in a position to exercise independent judgment.

Directors of Aragon Resources Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

2. THE BOARD OF DIRECTORS (CONTINUED)**(e) Independent Directors (continued)**

In making this assessment, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when assessing independence are whether a Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another Company member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another Company member other than as a Director.

The Company does not comply with ASX Recommendation 2.1, there is a majority of non-executive Directors but there is not a majority of independent Directors on the Board. In accordance with the definition of independence above, only one of the Directors (Mr BD Thomas) of the Company is considered to be independent.

The Board believes that the Company is not of sufficient size to warrant the inclusion of more independent non-executive Directors in order to meet the ASX recommendation of maintaining a majority of independent non-executive Directors. The Company maintains a mix of Directors from different backgrounds with complementary skills and experience.

In recognition of the importance of independent views and the Board's role in supervising the activities of management the Chairman must be a non-executive director.

(f) Avoidance of conflicts of interest by a Director

In order to ensure that any interests of a Director in a particular matter to be considered by the Board are known by each Director, each Director is required by the Company to disclose any relationships, duties or interests held that may give rise to a potential conflict. Directors are required to adhere strictly to constraints on their participation and voting in relation to any matters in which they may have an interest.

(g) Board access to information and independent advice

Directors are able to access members of the management team at any time to request relevant information.

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

(h) Review of Board performance

The performance of the Board is reviewed regularly by the Chairman. The Chairman conducts performance evaluations which involve an assessment of each Board member's performance against specific and measurable qualitative and quantitative performance criteria. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of Aragon Resources Limited. Directors whose performance is consistently unsatisfactory may be asked to retire.

3. BOARD COMMITTEES

(a) Audit Committee

Given the size and scale of the Company's operations the full Board undertakes the role of the Audit Committee. The Audit Committee does not comply with ASX Recommendation 4.2 as only two of the five members are non-executive Directors and none are considered to be independent Directors (refer 2(e)). The role and responsibilities of the Audit Committee are summarised below.

The Audit Committee is responsible for reviewing the integrity of the Consolidated Entity's financial reporting and overseeing the independence of the external auditors. The Board sets aside time to deal with issues and responsibilities usually delegated to the Audit Committee to ensure the integrity of the financial statements of the Consolidated Entity and the independence of the auditor.

The Board reviews the audited annual and half-year financial statements and any reports which accompany published financial statements and recommends their approval to the members. The Board also reviews annually the appointment of the external auditor, their independence and their fees.

The Board is also responsible for establishing policies on risk oversight and management. The Company has not formed a separate Risk Management Committee due to the size and scale of its operations.

External Auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. It is Ernst & Young's policy to rotate engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the notes to the financial statements in the Annual Report.

There is no indemnity provided by the company to the auditor in respect of any potential liability to third parties.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and preparation and content of the audit report.

The directors are satisfied that the provision of non-audit services during the year by the auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The directors are satisfied that the provision of the non-audit services did not compromise the auditor's independence requirements of the Corporations Act because the services were provided by persons who were not involved in the audit and the decision as to whether or not to accept the tax planning advice was made by management.

3. BOARD COMMITTEES (CONTINUED)**(b) Remuneration Committee**

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

The Board has not established a separate Remuneration Committee due to the size and scale of its operations. This does not comply with Recommendation 8.1 however the Board as a whole takes responsibility for such issues.

The responsibilities include setting policies for senior officers remuneration, setting the terms and conditions for the CEO, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both executive and non-executive directors and undertaking reviews of the CEO's performance.

The Company has structured the remuneration of its senior executive such that it comprises a fixed salary, statutory superannuation and participation in the Company's employee share option plan. The Company believes that by remunerating senior executives in this manner it rewards them for performance and aligns their interests with those of shareholders and increases the Company's performance.

Non-executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for non-executive director remuneration.

The remuneration received by directors and executives in the current period is contained in the "Remuneration Report" within the Directors' Report of the Annual Report.

4. ETHICAL AND RESPONSIBLE DECISION MAKING**(a) Code of Ethics and Conduct**

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. The "Code of Conduct" sets out the principles, practices, and standards of personal behaviour the Company expects people to adopt in their daily business activities.

All Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Company's expectations as set out in the Code of Conduct.

All Directors, officers and employees are expected to:

- comply with the law;
- act in the best interests of the Company;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

(b) Policy concerning trading in Company securities

The Company's "Dealings in Company Shares and Options Policy" applies to all Directors, officers and employees. This policy sets out the restrictions on dealing in securities by people who work for, or are associated with the Company and is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities. The policy stipulates that the only appropriate time for a Director, officer or employee to deal in the Company's securities is when they are not in possession of price sensitive information that is not generally available to the market.

4. ETHICAL AND RESPONSIBLE DECISION MAKING (CONTINUED)**(b) Policy concerning trading in Company securities (continued)**

As a matter of practice, Company shares may only be dealt with by Directors and officers of the Company under the following guidelines:

- No trading is permitted in the period of 21 days prior to the announcement to the ASX of the Company's full year and half year results;
- Guidelines are to be considered complementary to and not replace the various sections of the Corporations Act 2001 dealing with insider trading; and
- Prior approval of the Chairman, or in his absence, the approval of two directors is required prior to any trading being undertaken.

5. TIMELY AND BALANCED DISCLOSURE**(a) Shareholder communication**

The Company believes that all shareholders should have equal and timely access to material information about the Company including its financial situation, performance, ownership and governance. The Company's "ASX Disclosure Policy" encourages effective communication with its shareholders by requiring that Company announcements:

- be factual and subject to internal vetting and authorisation before issue;
- be made in a timely manner;
- not omit material information;
- be expressed in a clear and objective manner to allow investors to assess the impact of the information when making investment decisions;
- be in compliance with ASX Listing Rules continuous disclosure requirements; and
- be placed on the Company's website promptly following release.

Shareholders are encouraged to participate in general meetings. Copies of addresses by the Chairman or Chief Executive Officer are disclosed to the market and posted on the Company's website. The Company's external auditor attends the Company's annual general meeting to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

(b) Continuous disclosure policy

The Company is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by the Company. The Company's "ASX Disclosure Policy" described in 5(a) reinforces the Company's commitment to continuous disclosure and outline management's accountabilities and the processes to be followed for ensuring compliance.

The policy also contains guidelines on information that may be price sensitive. The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements with the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX.

6. RECOGNISING AND MANAGING RISK

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives. A written policy in relation to risk oversight and management has been established ("Risk Management and Internal Control Policy"). Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn responsibilities.

6. RECOGNISING AND MANAGING RISK (CONTINUED)**(a) Board oversight of the risk management system**

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures.

The principle aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Company's specific needs and the risks to which it is exposed.

Annually, the Board is responsible for identifying the risks facing the Company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is reduced to an acceptable level.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- monthly reporting to the Board in respect of operations and the Company's financial position, with a comparison of actual results against budget; and
- regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

(b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing the Company's risk management strategy and policy. Executive management is responsible for implementing the Board approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the Company's activities.

The Board is responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control.

(c) Chief Executive Officer and Chief Financial Officer Certification

The Chief Executive Officer and Chief Financial Officer provide to the Board written certification that in all material respects:

- The Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- The statement given to the Board on the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and controls which implements the policies adopted by the Board; and
- The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

(d) Internal review and risk evaluation

Assurance is provided to the Board by executive management on the adequacy and effectiveness of management controls for risk on a regular basis.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Entity	
		2010	2009
		\$	\$
Interest revenue	5 (a)	320,584	243,365
Other income	5 (b)	1,154,893	39,245
Depreciation and amortisation expense	6 (a)	(38,466)	(32,904)
Employee benefits expense	6 (b)	(851,398)	(304,073)
Administration and other expenses	6 (b)	(471,057)	(360,617)
Exploration and evaluation expenditure written off	15	(2,147,388)	(2,519,808)
Loss before income tax		(2,032,832)	(2,934,792)
Income tax benefit	7	(313,342)	409,552
Net loss attributable to the members of Aragon Resources Limited		(2,346,174)	(2,525,240)
Other comprehensive income			
Net fair value gains on available-for-sale financial assets		(523,500)	523,500
Income tax on items of other comprehensive income		156,484	(156,484)
Other comprehensive income for the period, net of tax		(367,016)	367,016
Total comprehensive income for the period		(2,713,190)	2,158,224
Basic loss per share (cents per share)	8	1.77	3.81
Diluted loss per share (cents per share)	8	1.77	3.81

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	Consolidated Entity	
		2010	2009
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	10	8,132,960	4,055,690
Trade and other receivables	11	346,074	44,275
Other assets	12	21,213	8,146
Total current assets		8,500,247	4,108,111
NON-CURRENT ASSETS			
Trade and other receivables	11	3,314,952	72,181
Available-for-sale financial assets	13	-	959,750
Plant and equipment	14	468,242	127,156
Exploration and evaluation expenditure	15	19,366,820	3,768,816
Total non-current assets		23,150,014	4,927,903
TOTAL ASSETS		31,650,261	9,036,014
CURRENT LIABILITIES			
Trade and other payables	16	1,506,371	204,280
Employee benefits provisions	17	66,421	34,021
Total current liabilities		1,572,792	238,301
NON-CURRENT LIABILITIES			
Rehabilitation provisions	17	3,232,818	39,000
Total non-current liabilities		3,232,818	39,000
TOTAL LIABILITIES		4,805,610	277,301
NET ASSETS		26,844,651	8,758,713
EQUITY			
Issued capital	18	30,055,509	11,792,853
Option premium reserve	19	3,091,042	554,570
Other reserves	19	(482,869)	(115,853)
Accumulated losses	20	(5,819,031)	(3,472,857)
TOTAL EQUITY		26,844,651	8,758,713

The above statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Entity 2010 \$	2009 \$
CASH FLOWS USED IN OPERATING ACTIVITIES			
Payments to suppliers and employees		(923,144)	(635,778)
Interest received		320,584	243,365
Other receipts		43,946	39,245
Net cash flows used in operating activities	10(a)	(558,614)	(353,168)
CASH FLOWS USED IN INVESTING ACTIVITIES			
Payments for exploration and evaluation		(2,713,088)	(1,414,746)
Payments for property, plant and equipment		(379,552)	(2,531)
Proceeds from sale of available-for sale financial assets		2,047,197	(436,250)
Purchase of convertible note		(500,000)	-
Costs incurred on acquisition of subsidiary		(2,885,437)	(4,650)
Net cash flows used in investing activities		(4,430,880)	(1,858,177)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares		13,000,255	-
Payment of share issue costs		(690,720)	-
Repayment of oversubscription		-	-
Loans to controlled entities		-	-
(Payment)/Repayment of security bonds		(3,242,771)	9,973
Net cash flows from/(used in) financing activities		9,066,764	9,973
Net increase/(decrease) in cash and cash equivalents		4,077,270	(2,201,372)
Cash at the beginning of the financial year		4,055,690	6,257,062
Cash and cash equivalents at the end of the year	10	8,132,960	4,055,690

The above cash flow statement should be read in conjunction with the accompanying notes.

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

Consolidated Entity	Issued capital \$	Option reserve \$	Net unrealised gains reserves \$	Tax reserve \$	Accumulated losses \$	Total equity \$
2009						
At 1 July 2008	10,597,162	225,605	-	(482,869)	(947,617)	9,392,281
Loss for the year	-	-	-	-	(2,525,240)	(2,525,240)
Other comprehensive income	-	-	367,016	-	-	367,016
Total comprehensive income and expense for the period	-	-	367,016	-	(2,525,240)	(2,158,224)
Transactions with owners in their capacity as owners						
Shares issued on acquisition of subsidiary	1,200,000	-	-	-	-	1,200,000
Options issue on acquisition of subsidiary	-	300,000	-	-	-	300,000
Share-based payment	-	28,965	-	-	-	28,965
Tax effect of share issue costs	(4,309)	-	-	-	-	(4,309)
At 30 June 2009	11,792,853	554,570	367,016	(482,869)	(3,472,857)	8,758,713

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010 (CONTINUED)

Consolidated Entity	Issued capital \$	Option reserve \$	Net unrealised gains reserves \$	Tax reserve \$	Accumulated losses \$	Total equity \$
2010						
At 1 July 2009	11,792,853	554,570	367,016	(482,869)	(3,472,857)	8,758,713
Loss for the year	-	-	-	-	(2,346,174)	(2,346,174)
Other comprehensive income	-	-	(367,016)	-	-	(367,016)
Total comprehensive income and expense for the period	-	-	(367,016)	-	(2,346,174)	(2,713,190)
Transactions with owners in their capacity as owners						
Shares issued						
- placement December 2009	1,300,000	-	-	-	-	1,300,000
- placement January 2010	11,700,000	-	-	-	-	11,700,000
- on exercise of options	255	-	-	-	-	255
Shares issue costs	(844,458)	-	-	-	-	(844,458)
Tax effect of share issue costs	156,859	-	-	-	-	156,859
Shares issued on acquisition of subsidiary	5,950,000	-	-	-	-	5,950,000
Options issued on acquisition of subsidiary	-	2,042,250	-	-	-	2,042,250
Options issued for placement fee	-	153,738	-	-	-	153,738
Share-based payment	-	340,484	-	-	-	340,484
At 30 June 2010	30,055,509	3,091,042	-	(482,869)	(5,819,031)	26,844,651

1. CORPORATE INFORMATION

The financial report of Aragon Resources Limited for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 13 September 2010.

Aragon Resources Limited ("the parent entity") is a company limited by shares incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Consolidated Entity are described in the Director's Report.

The address of the registered office is Level 3, 123 Adelaide Terrace, East Perth, WA, 6004.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

The financial report has been prepared on a historical cost basis, except for available for sale financial assets carried at fair value.

The financial report is presented in Australian dollars.

(b) Compliance with IFRS

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(c) New accounting standards and interpretations

(i) Adoption of new accounting standards

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2009

- AASB 3 Business Combinations (revised 2008) effective 1 July 2009 - This accounting standard does not have significant implications on the Group during the current financial year
- AASB 7 Financial Instruments: Disclosures effective 1 January 2009 - The Group has complied with the requirements of this accounting standard - Refer to Note 4 for further details
- AASB 8 Operating Segments effective 1 January 2009 - The Group has complied with the requirements of this accounting standard – Refer to Note 26 for further details
- AASB 101 Presentation of Financial Statements (revised 2007) effective 1 January 2009 - the Group has complied with the requirements of this accounting standard
- AASB 127 Consolidated and Separate Financial Statements (revised 2008) effective 1 July 2009 - This accounting standard does not have significant implications on the Group during the current financial year
- AASB 2008-1 Amendments to Australian Accounting Standards – Share Based Payments: Vesting Conditions and Cancellations – the Group has complied with the requirements of this accounting standard – Refer to Note 21 and Note 22 for further details.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (Continued)

(ii) *Accounting Standards and Interpretations issued but not yet effective*

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 30 June 2010, outlined in the table below:

Reference	Title	Summary	Application date of standard*	Application date for Company*
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	<p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following:</p> <p>The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined.</p> <p>The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.</p> <p>The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.</p> <p>The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity:</p>	1 January 2010	1 July 2010

NOTES TO THE FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard*	Application date for Company*
AASB 2009-5 (con't)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	<ul style="list-style-type: none"> • has primary responsibility for providing the goods or service; • has inventory risk; • has discretion in establishing prices; bears the credit risk. The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes. <p>The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.</p> <p>The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.</p>	1 January 2010	1 July 2010
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	<p>This Standard makes amendments to Australian Accounting Standard AASB 2 Share-based Payment and supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 – Group and Treasury Share Transactions.</p> <p>The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction.</p> <p>The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.</p>	1 January 2010	1 July 2010

NOTES TO THE FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard*	Application date for Company*
AASB 2009-9	Amendments to IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> .	<p>The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process.</p> <p>Specifically, the amendments:</p> <ul style="list-style-type: none"> • exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets • exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 <i>Determining whether an Arrangement contains a Lease</i> when the application of their national accounting requirements produced the same result. 	1 January 2010	1 July 2010
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.	1 February 2010	1 July 2010
AASB 9 and AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<p>The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:</p> <ul style="list-style-type: none"> • two categories for financial assets being amortised cost or fair value • removal of the requirement to separate embedded derivatives in financial assets • strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows 	1 January 2013	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard*	Application date for Company*
AASB 9 and AASB 2009-11 (cont.)	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<ul style="list-style-type: none"> an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income 	1 January 2013	1 July 2013
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	<p>This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.</p> <p>The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself)</p>	1 January 2011	1 July 2011
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	This amendment to AASB 1 allows a first-time adopter may apply the transitional provisions in Interpretation 19 as identified in AASB 1048.	1 July 2010	1 July 2010
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	<p>These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit.</p> <p>The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.</p>	1 January 2011	1 July 2010

NOTES TO THE FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard*	Application date for Company*
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	<p>Limits the scope of the measurement choices of non-controlling interest at proportionate share of net assets in the event of liquidation. Other components of NCI are measured at fair value.</p> <p>Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntary) i.e., split between consideration and post combination expenses.</p> <p>Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB Revised is not restated.</p> <p>Eliminates the requirements to restate financial statements for a reporting period when significant influence or joint control is lost and the reporting entity accounts for the remaining investment under AASB 139. This includes the effect on accumulated foreign exchange differences on such investments.</p>	1 July 2010	1 July 2010
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	<p>Emphasises the interaction between quantitative and quality AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</p> <p>Clarifies that an entity will present and analysis of other comprehensive income for each components of equity, either in the statement of changes in equity or in the notes to the financial statements.</p> <p>Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions.</p> <p>Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.</p>	1 January 2013	1 July 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(d) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Aragon Resources Limited and its controlled entities ('the Consolidated Entity').

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

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Controlled entities are consolidated from the date on which control is transferred to the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

Where there is loss of control of a controlled entity, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

(e) Foreign currency translation*(i) Functional and presentation currency*

Both the functional and presentation currency of the Company is Australian dollars (A\$).

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

All exchange differences in the financial report are taken to the profit and loss statement.

(f) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any impairment in value.

Capital work-in-progress is stated at cost and comprises all costs directly attributable to bringing the assets under construction ready to their intended use. Capital work-in-progress is transferred to property, plant and equipment at cost on completion.

Costs include expenditures that are directly attributable to the acquisition of the asset.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Consolidated Entity and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit and loss as incurred.

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

Plant and equipment – over 3 to 5 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(f) Plant and equipment (continued)**

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

(g) Exploration and evaluation expenditure

Expenditure on acquisition, exploration and evaluation relating to an area of interest is carried forward at cost where rights to tenure of the area of interest are current and;

- i) it is expected that expenditure will be recouped through successful development and exploitation of the area of interest or alternatively by its sale and/or;
- ii) exploration and evaluation activities are continuing in an area of interest but at balance date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Where uncertainty exists as to the future viability of certain areas, the value of the area of interest is written off to the income statement or provided against.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the income statement.

(h) Available-for-sale investments

All available-for-sale investments are initially recognised at fair value plus directly attributable transaction costs.

Available-for-sale investments are those non-derivative financial assets, principally equity securities that are designated as available-for-sale. Investments are designated as available for sale if they do not have fixed maturities and fixed and determinable payments and management intends to hold them for the medium to long term.

After initial recognition, available-for-sale investments are measured at fair value. Gains or losses are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income.

The fair value of investments that are actively traded in organised markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date.

For investments with no active market, fair value is determined using valuation techniques. Such valuation techniques include using recent arm's length transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models. Where fair value cannot be reliably measured for certain unquoted investments, these investments are measured at cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(i) Recoverable amount of assets**

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Consolidated Entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount of plant and equipment, mine properties and development and exploration and evaluation expenditure is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the assets belongs, unless the asset's value in use can be estimated to be close to its fair value.

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

(j) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loans and borrowings in the current liabilities on the statement of financial position.

(k) Trade and other receivables

Trade and other receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment.

Collectibility of trade and other receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment allowance is recognised when there is objective evidence that the Consolidated Entity will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

(l) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and usually paid within 30 days of recognition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(m) Provisions**

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(n) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

(i) Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in the income statement on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

(o) Revenue

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest revenue

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(p) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the proceeds received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(q) Earnings per share**

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent adjusted for:

- cost of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discriminatory changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(r) Share-based payment transactions

The Consolidated Entity provides benefits to employees (including directors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The Consolidated Entity has one plan in place that provides these benefits. It is the Employee Share Option Plan ("ESOP") which provides benefits to all employees including directors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black & Scholes model. Further details of which are given in note 23.

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

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

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of

- (i) the grant date fair value of the award;
- (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period.

The charge to the statement of comprehensive income for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not the market condition is fulfilled, provided that all other conditions are satisfied.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(r) Share-based payment transactions (continued)**

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(s) Income tax

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(s) Income tax (continued)**

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Tax consolidation legislation

Aragon Resources Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 September 2008. The head entity, Aragon Resources Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Consolidated Entity has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

(t) Other taxes

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

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

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

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of amounts of GST recoverable from, or payable to, the taxation authority.

(u) Employee benefits*i) Wages, salaries, annual leave and sick leave*

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

ii) Long service leave

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

iii) Superannuation

Contributions made by the Consolidated Entity to employee superannuation funds, which are defined contribution plans, are charged as an expense when incurred.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

In applying the Consolidated Entity's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Consolidated Entity. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

i) *Impairment of capitalised exploration and evaluation expenditure*

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

Factors that would impact the future recoverability include the level of reserves and resources, future technological changes, which would 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, profits and net assets will be reduced in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if the activities in the area of interest have not yet reached a stage that 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, profits and net assets will be reduced in the period in which this determination is made.

ii) *Share-based payment transactions*

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black & Scholes model, using the assumptions as discussed in note 22. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities in the next annual reporting period but may impact expenses and equity.

iii) *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Consolidated Entity's principal financial instruments comprise receivables, payables, cash and short-term deposits. The Consolidated Entity manages its exposure to key financial risks in accordance with the Consolidated Entity's financial risk management policy. The objective of the policy is to support the delivery of the Consolidated Entity's financial targets while protecting future financial security.

The main risks arising from the Consolidated Entity's financial instruments are interest rate risk, credit risk and liquidity risk. The Consolidated Entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

Risk Exposures and Responses

(a) Interest rate risk exposure

The Consolidated Entity's exposure to market interest rates relates primarily to the Consolidated Entity's cash balances and short-term deposits. The Consolidated Entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates.

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Interest rate risk exposure (continued)

CONSOLIDATED	Floating interest rate		Fixed interest rate maturing in more than one year		Non-interest bearing		Total carrying amount as per the balance sheet	
	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$
Financial assets								
Cash and cash equivalents	8,132,960	4,055,690	-	-	-	-	8,132,960	4,055,690
Trade and other receivables	-	-	-	-	346,074	44,275	346,074	44,275
Security deposits	3,231,134	-	-	33,181	83,818	39,000	3,314,952	72,181
Total financial assets	11,364,094	4,055,690	-	33,181	429,892	83,275	11,793,986	4,172,146
Financial liabilities								
Trade and other payables	-	-	-	-	1,506,371	204,280	1,506,371	204,280
Total financial liabilities	-	-	-	-	1,506,371	204,280	1,506,371	204,280
Net financial assets/(liabilities)							10,287,615	3,967,866

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 30 June 2010, if interest rates had moved by a reasonably possible +1% or -1%, as illustrated in the table below, with all other variables held constant, post tax losses and equity would have been affected as follows:

	Consolidated Entity	
	2010 \$	2009 \$
Judgements of reasonably possible movements:		
Post tax loss		
+ 1.0% (100 basis points) (2009: +1%)	79,549	28,390
- 1.0% (100 basis points) (2009: -1%)	(79,549)	(28,390)
Equity		
+ 1.0% (100 basis points) (2009: +1%)	79,549	28,390
- 1.0% (100 basis points) (2009: -1%)	(79,549)	(28,390)

A sensitivity of +1% or -1% has been selected as this is considered reasonable given the current level of short-term and long-term Australian dollar interest rates. The movements in losses are due to possible higher or lower interest income from cash balances. The sensitivity is higher in 2010 than 2009 because of the increase in cash balances following capital raised from the placements in December 2009 and January 2010.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit risk exposure

Credit risk arises from the financial assets of the Consolidated Entity, which comprise deposits with banks and trade and other receivables. The Consolidated Entity's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the statement of financial position represents the Consolidated Entity's maximum exposure to credit risk in relation to those assets.

The Consolidated Entity does not hold any credit derivatives to offset its credit exposure.

The Consolidated Entity trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Company's policy to securities it trade and other receivables.

Receivable balances are monitored on an ongoing basis with the result that the Consolidated Entity does not have a significant exposure to bad debts.

There are no significant concentrations of credit risk within the Consolidated Entity.

(c) Liquidity risk

Liquidity risk arises from the financial liabilities of the Consolidated Entity and the Consolidated Entity's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The following table reflects all contractually fixed pay-offs and receivables for settlement, repayment and interest resulting from recognised financial assets and liabilities. For all obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 30 June.

The remaining contractual maturities of the Consolidated Entity's and Parent Entity's financial assets and liabilities are:

	Consolidated Entity	
	2010	2009
	\$	\$
Judgements of reasonably possible movements:		
6 months or less	6,972,663	3,895,685
6 - 12 months	-	-
1 - 5 years	83,818	33,181
Over 5 years	-	-
	7,056,481	3,928,866

Maturity analysis of financial assets and liabilities are based on management's expectations.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment, exploration costs and investments of working capital e.g. receivables. To monitor existing financial assets and liabilities as well as to enable effective controlling of future risks, the Consolidated Entity monitors its expected settlement of financial assets and liabilities on an ongoing basis.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Consolidated Entity

2010	<6 months	6–12	1–5 years	>5 years	Total
Financial assets					
Cash & equivalents	8,132,960	-	-	-	8,132,960
Trade and other receivables	346,074	-	83,818	-	429,892
	8,479,034	-	83,818	-	8,562,852
Financial liabilities					
Trade and other payables	1,506,371	-	-	-	1,506,371
	1,506,371	-	-	-	1,506,371
Net maturity	6,972,663	-	83,818	-	7,056,481
<hr/>					
2009	<6 months	6–12	1–5 years	>5 years	Total
Financial assets					
Cash & equivalents	4,055,690	-	-	-	4,055,690
Trade and other receivables	44,275	-	33,181	-	77,456
	4,099,965	-	33,181	-	4,133,146
Financial liabilities					
Trade and other payables	204,280	-	-	-	204,280
	204,280	-	-	-	204,280
Net maturity	3,895,685	-	33,181	-	3,928,866

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Fair values

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

CONSOLIDATED ENTITY	Year ended 30 June 2010				Year ended 30 June 2009			
	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non market observable inputs (Level 3)	Total	Quoted market price (Level1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non market observable inputs (Level 3)	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets								
Available-for-sale investments								
Listed investments	-	-	-	-	959,750	-	-	959,750
	-	-	-	-	959,750	-	-	959,750

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

5. INCOME

	Consolidated Entity	
	2010	2009
	\$	\$
(a) Interest revenue		
Interest revenue	320,584	243,365
(b) Other income		
Net gain on disposal of available-for-sale investments	1,110,947	-
Other income	43,946	39,245
	1,154,893	39,245

NOTES TO THE FINANCIAL STATEMENTS

6. EXPENSES AND LOSSES/(GAINS)

	Consolidated Entity	
	2010	2009
	\$	\$
(a) Depreciation		
Depreciation of plant & equipment	38,466	32,904
	<u>38,466</u>	<u>32,904</u>
(b) Other expenses		
Employee benefits expense		
Wages and salaries	480,563	248,592
Superannuation expenses	24,922	21,495
Other employee benefits	5,429	5,021
Share based payments	340,484	28,965
Total employee benefits	<u>851,398</u>	<u>304,073</u>
Administration and other expenses		
Legal and professional fees	230,083	60,767
Administration expenses	240,974	299,850
Total administration and other expenses	<u>471,057</u>	<u>360,617</u>
Total other expenses	<u><u>1,322,455</u></u>	<u><u>664,690</u></u>

7. INCOME TAX

	Consolidated Entity	
	2010	2009
	\$	\$
(a) Income tax expense		
The major components of income tax expense are:		
<i>Statement of Comprehensive Income Current income tax</i>	(1,031,915)	(468,374)
Current income tax charge		
Adjustments in respect of current income tax of previous years	(450,585)	(5,676)
Carry forward tax losses not recognised	858,551	473,030
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	937,291	(408,532)
Income tax expense/(benefit) reported in the statement of comprehensive income	<u>313,342</u>	<u>(409,552)</u>

7. INCOME TAX (CONTINUED)

	Consolidated Entity	
	2010	2009
	\$	\$
(b) Amounts charged or credited directly to equity		
Share issue costs	156,858	(4,309)
Unrealised gain on available-for-sale financial assets	156,484	(156,484)
Income tax benefit/(expense) reported in equity	313,342	(160,793)
(c) Numerical reconciliation between aggregate tax expense recognised in the income tax statement and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of accounting loss before income tax multiplied by the Consolidated Entity's applicable income tax rate is as follows:		
Accounting loss before income tax	(2,032,832)	(2,934,792)
At the Parent Entity's statutory income rate 30% (2009: 30%)	(609,850)	(880,438)
Adjustments in respect of current year income tax		
Share-based payments	102,145	8,690
Non-deductible/(assessable) items	434	508
Deductible legal and capital raising items	(45,342)	(4,902)
Prior year deferred tax benefits recognised	7,404	(6,440)
Unrecognised tax losses	858,551	473,030
Income tax expense/(benefit) for the year	313,342	(409,552)

Consolidated Entity	Statement of		Statement of	
	Financial Position		Comprehensive Income	
	2010	2009	2010	2009
	\$	\$	\$	\$

(d) Recognised deferred income tax assets and liabilities

Deferred tax liabilities

Accrued interest	(5,243)	-	5,243	-
Unrealised gains on available-for-sale financial assets	-	(156,484)	-	-
Mine site establishment and refurbishment	(25,145)	(11,700)	13,445	11,700
Exploration	(1,584,571)	(633,261)	951,310	(407,904)
	<u>(1,614,959)</u>	<u>(801,445)</u>		

7. INCOME TAX (CONTINUED)

	Statement of Financial Position		Statement of Comprehensive Income	
	2010 \$	2009 \$	2010 \$	2009 \$
Deferred tax assets				
Accelerated depreciation for tax purposes	144	777	633	262
Equity raising costs	170,970	14,112	-	-
Legal costs	13,751	3,801	(9,950)	(617)
Accrued expenses	7,125	6,900	(225)	(900)
Provision for employee entitlements	19,823	10,144	(9,679)	(290)
Provision for fringe benefits tax	104	63	(41)	917
Provision for rehabilitation	25,145	11,700	(13,445)	(11,700)
	<u>237,062</u>	<u>47,497</u>		
Net deferred tax liabilities	<u>(1,377,897)</u>	<u>(753,948)</u>		
Recognised tax losses	<u>1,377,897</u>	<u>753,948</u>		
Net deferred tax	<u>-</u>	<u>-</u>		
Deferred tax (benefit)/expense			<u>937,291</u>	<u>(408,532)</u>

(e) Tax Consolidation

The Company and its 100% owned subsidiaries are a tax consolidated group with effect from 1 September 2008. Aragon Resources Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payments obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

(f) Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated group in accordance with a group allocation approach which is consistent with the principles of AASB 112 'Income Taxes'.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the controlled entities intercompany accounts with the tax consolidated group head company, Aragon Resources Limited. The nature of the tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

(g) Unrecognised losses

At 30 June 2010, there are unrecognised losses of \$1,327,917 for the Consolidated Entity (2009: \$473,030).

8. LOSS PER SHARE

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and dilutive earnings per share computations. Details of options, which are not considered dilutive on nature, are set out in note 18 (f).

	Consolidated Entity	
	2010	2009
	\$	\$
Net loss attributable to ordinary equity holders	(2,346,174)	(2,525,240)
Net loss attributable to ordinary shareholders for diluted earnings per share	(2,346,174)	(2,525,240)
Basic loss per share (cents)	1.77	3.81
Fully diluted loss per share (cents)	1.77	3.81
Weighted average number of ordinary shares for basic earnings per share	132,543,973	66,255,782
Effect of dilution:		
Share options	-	-
	132,543,973	66,255,782
Weighted average number of ordinary shares adjusted for the effect of dilution	132,543,973	66,255,782

At 30 June 2010, the Company had on issue 49,169,265 (2009: 27,520,285) potential ordinary share (options) not considered to be dilutive for the periods presented.

9. DIVIDENDS PAID AND PROPOSED

No dividends have been paid or declared by the Company during the financial period or up to the date of this report.

The Company does not have any franking credits.

10. CASH AND CASH EQUIVALENTS

	Consolidated Entity	
	2010	2009
	\$	\$
Cash at bank and in hand	8,132,960	4,055,690
Total	8,132,960	4,055,690

NOTES TO THE FINANCIAL STATEMENTS

10. CASH AND CASH EQUIVALENTS (CONTINUED)

CASH FLOW STATEMENT RECONCILIATION

	Consolidated Entity	
	2010	2009
	\$	\$
(a) Reconciliation of the net loss after income tax to net cash flows from operating activities		
Net loss after income tax	(2,346,174)	(2,525,240)
Depreciation	38,466	32,904
Exploration and evaluation expenditure written off	2,147,388	2,519,808
Share based payments	340,484	28,965
Net gain on disposal of available-for-sale investments	(1,110,947)	-
Income tax benefit	313,342	(409,552)
	<u>(617,441)</u>	<u>(353,115)</u>
Changes in assets and liabilities		
(Increase)/decrease in receivables	(309,447)	59,246
Increase/(decrease) in trade and other creditors	335,874	(67,585)
Increase/(decrease) in employee benefits provisions	32,400	8,286
Net cash from/(used in) operating activities	<u>(558,614)</u>	<u>(353,168)</u>
(b) Non-cash financing and investing activities		
Settlement of subsidiary purchase with equity (note 21)	7,992,250	1,500,000

11. TRADE AND OTHER RECEIVABLES

	Consolidated Entity	
	2010	2009
	\$	\$
CURRENT		
Other receivables	332,960	29,743
Related party receivables (i)	13,114	14,532
	<u>346,074</u>	<u>44,275</u>
NON-CURRENT		
Security deposits	3,314,952	72,181
	<u>3,314,952</u>	<u>72,181</u>

- (i) For terms and conditions relating to relating to related party receivables refer to note 29.
- Trade receivables and other debtors are non-interest bearing and are generally on 30-90 day terms.
 - The carrying amounts disclosed represent the fair value.
 - There are no past due not impaired receivables at 30 June 2010.

12. OTHER ASSETS

	Consolidated Entity	
	2010	2009
	\$	\$
CURRENT		
Prepayments	21,213	8,146

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Consolidated Entity	
	2010	2009
	\$	\$
NON-CURRENT		
Shares - Australian listed	-	959,750

The Company sold its 13.84% direct ownership interest in Vital Metals Limited during the period (2009: 13.04%). Vital Metals Limited is an ASX listed exploration company

14. PLANT AND EQUIPMENT

	Consolidated Entity	
	2010	2009
	\$	\$
Plant and equipment		
At cost	320,267	187,409
Accumulated depreciation	(98,719)	(60,253)
Net carrying amount	221,548	127,156
Land and buildings		
At cost	239,378	-
Net carrying amount	239,378	-
Capital work in progress at cost	7,316	-
Total property, plant and equipment	468,242	127,156
Movement in plant and equipment		
Plant and equipment		
At 1 July net of accumulated depreciation	127,156	157,529
Additions	379,552	2,531
Acquisition of subsidiary (note 21)	500,000	-
Disposals	(500,000)	-
Depreciation charge for the year	(38,466)	(32,904)
At 30 June net of accumulated depreciation	468,242	127,156

15. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated Entity	
	2010	2009
	\$	\$
Exploration and evaluation costs carried forward in respect of mining areas of interest		
Net carrying amount at cost	19,366,820	3,768,816
<i>Movement in exploration and evaluation expenditure</i>		
At 1 July net of accumulated impairment	3,768,816	3,570,549
Additions	3,660,475	1,213,425
Acquisition of subsidiaries	14,084,917	1,504,650
Disposals	-	-
Exploration and evaluation expenditure written off	(2,147,388)	(2,519,808)
At 30 June	<u>19,366,820</u>	<u>3,768,816</u>

The ultimate recoupment of costs carried forward in respect of areas of interest in the exploration and evaluation phases is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas. The Company has an interest in certain exploration tenements and the amounts shown above include amounts expended to date in the acquisition and/or exploration of those tenements.

Impairment

During the year a review was undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Exploration and evaluation expenditure of \$2,147,388 (2009: \$2,519,808) was written off to the consolidated statement of comprehensive income. The major expenditure written off related to Lake Darlot group of tenements

16. TRADE AND OTHER PAYABLES

	Consolidated Entity	
	2010	2009
	\$	\$
CURRENT		
Trade creditors (i)	1,479,969	202,032
Related party payables (ii)	26,402	2,248
	<u>1,506,371</u>	<u>204,280</u>

Terms and conditions

- (i) Trade creditors are non-interest bearing and generally on 30 day terms.
- (ii) For terms and conditions relating to related party payables refer to note 28.

17. PROVISIONS

	Consolidated Entity	
	2010	2009
	\$	\$
<hr/>		
CURRENT		
Provision for annual leave	53,840	28,864
Provision for long service leave	12,236	4,948
Provision for fringe benefits tax payable	345	209
	<hr/>	<hr/>
	66,421	34,021
	<hr/> <hr/>	<hr/> <hr/>
The nature of the provisions are described in note 2(o).		
NON-CURRENT		
Rehabilitation	3,232,818	39,000
	<hr/> <hr/>	<hr/> <hr/>

(a) Provision for Rehabilitation

Environmental obligations associated with the retirement or disposal and/or of exploration properties are recognised when the disturbance occurs and are based on the extent of the damage incurred. The provision is measured as the present value of future expenditure. The rehabilitation liability is remeasured at each reporting period in line with the change in the time value of money (recognised as an interest expense in the Income Statement and an increase in the provision), and additional disturbances change in the rehabilitation cost are recognised as additions/changes to the corresponding asset and rehabilitation liability.

(b) Movements in provisions

At 1 July	39,000	-
Arising during the year	44,818	39,000
Arising from acquisition (note 21)	3,149,000	-
Unwind of discount	-	-
At 30 June	<hr/>	<hr/>
	3,232,818	39,000
	<hr/> <hr/>	<hr/> <hr/>

18. CONTRIBUTED EQUITY

	Consolidated Entity	
	2010	2009
	\$	\$
(a) Ordinary Shares		
Issued and fully paid	30,055,509	11,792,853
(b) Movements in ordinary shares on issue	Number	\$
At 1 July 2008	60,029,755	10,597,162
Issued 1 September 2008 for acquisition of subsidiary	7,500,000	1,200,000
Share issue costs	-	(4,309)
At 30 June 2009	67,529,755	11,792,853
At 1 July 2009	67,529,755	11,792,853
Issued on 3 December 2009 for cash pursuant to placement	10,000,000	1,300,000
Issued on 7 January 2010 for cash pursuant to placement	90,000,000	11,700,000
Issued on 14 January 2010 for acquisition of subsidiary	35,000,000	5,950,000
Issued for cash on exercise of options	1,020	255
Share issue costs	-	(687,599)
At 30 June 2010	202,530,775	30,055,509
(c) Terms and conditions of contributed equity		

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of, and amounts paid up on shares held. Ordinary shares entitle the holder to one vote, either in person or by proxy, at a meeting of the Company.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par share values. Accordingly, the Company does not have authorised capital nor par value in respect of its issued shares.

(d) Escrow restrictions

There are no current escrow restriction on the issued capital of the Company.

(e) Capital management

Capital managed by the Board includes shareholder equity, which was \$30,055,509 at 30 June 2010 (2009: \$11,792,853). The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future developments of the business. The Board's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities. The Board monitors capital on the basis of the gearing ratio, however there are no external borrowings at balance date. There were no changes in the Consolidated Entity's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

18. CONTRIBUTED EQUITY (CONTINUED)

Type	Expiry Date	Exercise Price (\$)	Number of options
(f) Options on issue			
Unissued ordinary shares of the Company under option at 30 June 2010 are as follows:			
Listed	30/09/2010	0.25	24,969,265
Unlisted**	31/05/2011	0.30	1,250,000
Unlisted**	1/07/2011	0.30	300,000
Unlisted**	28/11/2010	0.35	1,000,000
Unlisted**	30/11/2012	0.21	2,500,000
Unlisted**	30/11/2013	0.21	1,050,000
Unlisted***	7/01/2013	0.20	1,000,000
Unlisted****	31/12/2013	0.20	17,500,000
Total			<u>49,569,265</u>

The above options are exercisable at any time on or before the expiry date.

** These options were issued pursuant to the Company's Employee Option Scheme and can only be exercised pursuant to the scheme rules.

*** These options were issued as part consideration to the joint lead managers of the 100,000,000 share placement over December 2009 and January 2010.

**** These options were issued together with 35,000,000 shares as consideration for the acquisition of Fulcrum Resources Pty Ltd.

Share options carry no right to dividends and no voting rights.

	Number of options	Price per option	Expiry	Increase in contributed equity
(g) Shares issued on exercise of options				
Date of option conversion				
30 July 2009	20	25 cents	30 Sep 2010	5
30 December 2009	1,000	25 cents	30 Sep 2010	250
Total	<u>1,020</u>			<u>255</u>

19. RESERVES

	Option Premium Reserves	Net Unrealised Gains Reserve	Other Reserves	Total
CONSOLIDATED				
At 1 July 2008	225,605	-	(482,869)	(257,264)
Tax consolidation adjustment	-	-	-	-
Share based payments	28,965	-	-	28,965
Fair value movement of available-for-sale financial assets	-	523,500	-	523,500
Tax effect of fair value movement of available-for-sale financial assets	-	(156,484)	-	(156,484)
Acquisition of subsidiary	300,000	-	-	300,000
At 30 June 2009	554,570	367,016	(482,869)	438,717
At 1 July 2009	554,570	367,016	(482,869)	438,717
Tax consolidation adjustment	-	-	-	-
Share based payments	340,484	-	-	340,484
Fair value movement of available-for-sale Financial assets	-	(523,500)	-	(523,500)
Tax effect of fair value movement of available-for-sale financial assets	-	156,484	-	156,484
Acquisition of subsidiary (refer to note 21)	2,042,250	-	-	2,042,250
Share placement fee	153,738	-	-	153,738
At 30 June 2010	3,091,042	-	(482,869)	2,608,173

Nature and purpose of reserves

Other reserves

The income tax distribution reserve is used to recognise tax losses transferred to the former parent entity, Westgold Resources Limited, under the Australian tax consolidation regime.

Net unrealised gains reserve

This reserve records the movements in the fair value of available-for-sale investments.

Option premium reserve

The option reserve is used to record the value of options on issue.

The option premium reserve relates to the issue of:

Details of issue	Number of options	Fair value per option	Value
Employee option scheme	1,250,000	\$0.095	119,250
Employee option scheme	300,000	\$0.096	28,740
Employee option scheme	200,000	\$0.119	23,780
Employee option scheme	1,000,000	\$0.083	82,800
Acquisition of a subsidiary	7,500,000	\$0.040	300,000
Employee option scheme	2,500,000	\$0.112	279,936
Employee option scheme	1,050,000	\$0.101	60,548
Placement Fee	1,000,000	\$0.154	153,738
Acquisition of a subsidiary	17,500,000	\$0.117	2,042,250
	32,300,000		3,091,042

20. ACCUMULATED LOSSES

	Consolidated Entity	
	2010	2009
	\$	\$
At 1 July	(3,472,857)	(947,617)
Net loss in current period attributable to members of the Company	(2,346,174)	(2,525,240)
At 30 June	<u>(5,819,031)</u>	<u>(3,472,857)</u>

21. ACQUISITION OF SUBSIDIARY

On 14 January 2010, Aragon Resources Limited acquired 100% of Fulcrum Resources Pty Limited, an unlisted company based in Australia which had reached an exclusive agreement to acquire the Big Bell Gold Operations Pty Ltd. The acquisitions of Fulcrum Resources Pty Limited and Big Bell Gold Operations Pty Ltd were treated as asset acquisitions.

It was impractical to determine the fair value of the acquired subsidiaries using other methods, management of the Group therefore measured them based on the fair value of the shares and options issued in acquiring these subsidiaries. The total cost of the acquisition was \$8,006,080 and comprised an issue of equity instruments, and costs of \$13,830 directly attributable to the acquisition. The Company issued 35,000,000 ordinary shares with a fair value of \$0.17 each and 17,500,000 unlisted options with a fair value of \$0.1167 each, based on the quoted price of the shares and options of the Company at the date control was obtained. The quoted share options became exercisable on 14 January 2010.

The relative fair value of the identifiable assets of Fulcrum Resources Pty Limited as at the date of acquisition are:

Fulcrum Resources Pty Ltd	Recognised on acquisition \$
Trade and other receivables	5,418
Investment Big Bell Gold Operations	300,000
Exploration assets (Big Bell Gold Operations)	7,764,310
	<u>8,069,728</u>
Trade and other payables	63,648
	<u>63,648</u>
Net assets acquired	<u>8,006,080</u>
Cost of the acquisition:	
Shares issued at fair value	5,950,000
Options issued at fair value	2,042,250
ASX listing fees	12,230
Legal fees	1,600
Total cost of the acquisition	<u><u>8,006,080</u></u>

21. ACQUISITION OF SUBSIDIARY (CONTINUED)

On 29 January 2010, Fulcrum Resources Pty Ltd acquired 100% of Big Bell Gold Operations Pty Limited an unlisted company based in Australia which has a significant portfolio of gold tenements in the Cue area of Western Australia.

The total cost of the acquisition was \$3,171,607 comprising \$3,000,000 cash and costs of \$171,607 directly attributable to the acquisition.

The relative fair value of the identifiable assets of Big Bell Gold Operations Pty Limited as at the date of acquisition are:

Big Bell Operations Pty Ltd	Recognised on acquisition \$
Pastoral land	500,000
Exploration assets	6,320,607
	<u>6,820,607</u>
Liability to New Hampton Goldfields Pty Ltd for pastoral land pre-sold	500,000
Provision for rehabilitation	3,149,000
	<u>3,649,000</u>
Net assets acquired	<u>3,171,607</u>
Cost of the acquisition:	
Cash	3,000,000
Stamp Duty	147,900
Legal Fees	23,707
Total cost of the acquisition	<u><u>3,171,607</u></u>

22. SHARE-BASED PAYMENTS

	Consolidated Entity	
	2010	2009
	\$	\$
(a) Recognised share-based payment expenses		
The expense recognised for employee services received during the year is shown in the table below:		
Expense arising from equity-settled share-based payment transactions	340,484	28,965

The share-based payment plan is described below. There have been no cancellations or modifications to the plan during 2010 and 2009.

(b) Employee Share Option Plan

The Consolidated Entity has an Employee Share Option Plan ("ESOP") for the granting of options to staff members. The options issued under the EOS will vest when the following conditions are met:

- (i) The ESOP has no direct performance requirements but has specified time restrictions on the exercise of options.
- (ii) The director or senior executive or other staff member continues to be employed by the Consolidated Entity on the first anniversary of the grant date or as determined by the Board of Directors.

Other relevant terms and conditions applicable to options granted under the ESOP include:

- (a) Options issued pursuant to the plan will be issued free of charge.
- (b) The exercise price of the options shall be as the Directors in their absolute discretion determine, provided the exercise price shall not be less than the weighted average of the last sale price of the Company's shares on ASX at the close of business on each of the 5 business days immediately preceding the date on which the Directors resolve to grant the options.
- (c) Subject to the above, the options may be exercised at any time prior to the expiration of 60 months from the issue date.
- (d) The Directors may limit the total number of options which may be exercised under the plan in any year.
- (e) Options with a common expiry date may have a different exercise price and exercise date.
- (f) Options shall lapse upon the earlier of:
 - (i) The expiry of the exercise period; and
 - (ii) The expiry of 30 days after the option holder ceases to be an employee by reason of dismissal, resignation or termination of employment, office or services for any reason, except the Directors may resolve within 30 days of such dismissal, resignation or termination, that the options shall lapse on other terms they consider appropriate.
- (g) Upon exercise the options will be settled in ordinary shares of Aragon Resources Limited.

22. SHARE-BASED PAYMENTS (CONTINUED)

(c) Summary of options issued under the Employee Share Option Plan

The following table summarises the number and weighted average exercise price (WAEP) of, and movements in, share options issued during the year to employees other than to key management personnel which have been disclosed in note 28(c).

	2010 Number	2010 WAEP	2009 Number	2009 WAEP
Outstanding at the beginning of the year	2,550,000	0.320	2,850,000	0.319
Lapsed during the year	-	-	(300,000)	0.317
Granted during the year	3,550,000	0.210	-	-
Outstanding at the end of the year	6,100,000	0.256	2,550,000	0.320
Exercisable at the year end	5,050,000	0.265	2,550,000	0.320

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

Grant date	Vesting date	Expiry date	Exercise price	Options granted	Options lapsed/ cancelled	Options exercised	Number of options at end of period	
							On issue	Vested
31/05/2007	31/05/2008	31/05/2011	30 cents	1,250,000	-	-	1,250,000	1,250,000
1/07/2007	1/07/2008	1/07/2011	30 cents	300,000	(200,000)	-	100,000	100,000
13/08/2007	13/08/2008	13/08/2011	30 cents	200,000	-	-	200,000	200,000
11/10/2007	11/10/2008	11/10/2011	35 cents	100,000	(100,000)	-	-	-
28/11/2007	28/11/2008	28/11/2010	35 cents	1,000,000	-	-	1,000,000	1,000,000
26/11/2009	26/11/2009	30/11/2012	21 cents	2,500,000	-	-	2,500,000	2,500,000
26/11/2009	24/08/2010	30/11/2013	21 cents	1,050,000	-	-	1,050,000	-
				6,400,000	(300,000)	-	6,100,000	5,050,000

(d) Weighted average remaining contract life

The weighted average remaining contract life for the share options outstanding at the end of the year is 1.77 years (2009: 1.73).

(e) Weighted average fair value of options granted

The weighted average fair value for the share options outstanding at the end of the year is \$0.102 (2009: \$0.092).

(f) Range of exercise prices

The range exercise price for options outstanding at the end of the year was \$0.21 to \$0.35 (2009: \$0.30 - \$0.35).

22. SHARE-BASED PAYMENTS (CONTINUED)

(g) Option pricing model

The following table gives the assumptions made in determining the fair value of the options granted:

Grant date	28 November 2007	11 October 2007	13 August 2007	1 July 2007	31 May 2007
Dividend yield (%)	–	–	–	–	–
Expected volatility (%)	83.00	79.00	71.00	65.00	65.00
Risk-free interest rate (%)	6.47	6.49	6.29	6.36	6.18
Expected life of options (years)	2	2.5	2.5	2.5	2.5
Option exercise price (\$)	0.35	0.35	0.30	0.30	0.30
Share price at grant date (\$)	0.23	0.26	0.27	0.25	0.25

Grant date	26 November 2009	26 November 2009
Dividend yield (%)	-	-
Expected volatility (%)	100.00	100.00
Risk-free interest rate (%)	4.49	4.55
Expected life of options (years)	2.26	2.5
Option exercise price (\$)	0.21	0.21
Share price at grant date (\$)	0.20	0.20

The expected life of options is based on historical data and is not necessarily indicative of exercise patterns that may occur.

23. CAPITAL AND OTHER COMMITMENTS

	Consolidated Entity	
	2010	2009
	\$	\$
(a) Operating lease commitments – Company as lessee		
The Company has entered into a commercial lease on office space which will expire in August 2010.		
Future minimal rentals payable under non-cancellable operating lease as at 30 June:		
Within one year	15,988	91,356
One year or later and no later than five years	-	15,226
	<u>15,988</u>	<u>106,582</u>

23. CAPITAL AND OTHER COMMITMENTS (CONTINUED)

	Consolidated Entity	
	2010	2009
	\$	\$
Operating lease commitments – Company as lesser		
The Company has entered into a commercial sub-lease on the above mentioned office space which will expire in July 2010.		
Future minimal rentals receivable under non-cancellable operating lease as at 30 June:		
Within one year	3,997	11,420

(b) Exploration commitments

In order to maintain current rights of tenure to exploration permits, the entity has certain obligations to expend minimum amounts of money. The following exploration expenditure requirements have not been provided for in the financial report and are payable:

Within one year	552,396	1,660,115
After one year but not more than five years	1,599,833	2,393,188
	<u>2,152,229</u>	<u>4,053,303</u>

24. CONTINGENT ASSETS AND LIABILITIES

(a) As at 30 June 2010, the Consolidated Entity had two bank guarantee outstanding for a total of \$83,818 (2009: \$39,000) in favour of the Department of Regional Development over tenements in the Northern Territory. These guarantees will only be called upon if the Consolidated Entity fails to meet its environmental obligations in respect of certain mining leases, or if it fails to meet its obligations under the agreement with the Department of Regional Development. The bank guarantees are secured against a cash deposit with the bank that has issued the guarantees

(b) As at 30 June 2010, the Consolidated Entity had several performance bonds outstanding for a total of \$3,149,000 (2009: nil) in favour of the Department of Mines and Petroleum over tenements in Western Australia. These performance bonds will only be called upon if the Consolidated Entity fails to meet its environmental obligations in respect of certain mining leases, or if it fails to meet its obligations under the agreement with the Department of Mines and Petroleum. The performance bonds are secured against a cash deposit with the bank that has issued the performance bonds.

(c) AngloGold Ashanti Clawback Agreement

The tenements acquired by the Company are subject to potential clawback by AngloGold under certain conditions. The basic terms of the agreement are as follows:

Upon the Company announcing a JORC-compliant resource equivalent to 500,000 oz of gold or commencing a feasibility study, AngloGold has the option of taking a 75% interest in the project, leaving the Company a 25% interest.

- This will be for a “defined area of interest” of a maximum of 150 sq km.
- The Company may continue to explore and/or undertake a feasibility study.
- AngloGold may elect to exercise the option upon notification of a 500,000 oz resource or following the completion of a feasibility study.

24. CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

(c) AngloGold Ashanti Clawback Agreement (continued)

- Should AngloGold elect to exercise its right to clawback on the resource, it will pay the Company the greater of either \$5 million or three times the Company's exploration expenditure incurred up to the Exercise Date associated with the "defined area of interest".
- AngloGold will sole fund all costs and define a resource equivalent to 2.0 million oz of gold within two years and then may elect to complete a feasibility study to finally earn 75% in the defined area of interest.

The tenements subject to the AngloGold Ashanti Clawback Agreement are detailed in the following table:

Tenement	Area	Tenement	Area	Tenement	Area	Tenement	Area
P15/4869	Speedway	E26/0104	Hogans	E37/0764	Darlot	E37/0808	Darlot
P15/4870	Speedway	E36/0503	Darlot	E37/0770	Darlot	E37/0810	Darlot
P15/4871	Speedway	E36/0555	Darlot	E37/0803	Darlot		
P15/4872	Speedway	E37/0746	Darlot	E37/0805	Darlot		
P15/4873	Speedway	E37/0747	Darlot	E37/0807	Darlot		

- (e)** On 30 June 2009 the Company entered into a Convertible Note Deed with Vital Metals Limited whereby, the Company will subscribe to a Convertible Note ("Note") in VML for \$500,000. The Note is unsecured, has a term of three years, is not convertible in the first twelve months and carries a coupon rate of 6% payable quarterly in arrears. The Note is convertible at the higher of 4 cents per share or 80% of the volume weighted average price for the month prior to conversion. The Note is contingent upon VML shareholder approval of the issue of the Note to Aragon (refer to note 30).

25. AUDITOR'S REMUNERATION

	Consolidated Entity	
	2010	2009
	\$	\$
Amounts received or due and receivable by the auditor of the entity for:		
- an audit or review of financial reports of the entity	44,815	36,512
- other services in relation to the entity:		
- tax compliance	5,000	4,000
Total auditor remuneration	<u>49,815</u>	<u>40,512</u>

26. SEGMENT INFORMATION

The Consolidated Entity operates in one geographical area being Australia and one industry, being exploration for the year to 30 June 2010. 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.

27. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

		Appointed	Resigned
P Benson	Executive Director/Chief Executive Officer	18 May 2007	-
P Cook	Non-Executive Chairman	18 May 2007	-
S Eley	Executive Director	24 December 2009	-
B Pollard	Non-Executive Director	14 January 2010	-
B Thomas	Non-Executive Director	10 June 2005	-

(b) Compensation of Key Management Personnel

	Consolidated Entity	2010	2009
		\$	\$
Short-term employee benefits		396,596	308,799
Post employment benefits		31,193	25,816
Share-based payment		308,769	158,115
		<u>736,558</u>	<u>492,730</u>

(c) Option holdings of Key Management Personnel

30 June 2010	Balance at beginning of period 1 July 2009	Granted as remuneration	Issued on acquisition of subsidiary	Net change other	Balance at end of period 30 June 2010	Not vested and not exercisable	Vested and exercisable
Directors							
P.Benson	1,060,000	1,250,000	-	-	2,310,000	-	2,310,000
P.Cook (i)	4,877,068	750,000	-	-	5,627,068	-	5,627,068
S.Eley	-	-	4,651,667	(600,000)	4,051,667	-	4,051,667
B.Pollard	-	-	4,651,667	(600,000)	4,051,667	-	4,051,667
B.Thomas	610,000	500,000	-	-	1,110,000	-	1,110,000
Total	6,547,068	2,500,000	9,303,334	(1,200,000)	17,150,402	-	17,150,402

27. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Details of Key Management Personnel (continued)

30 June 2010	Balance at beginning of period 1 July 2009	Granted as remuneration	Issued on acquisition of subsidiary	Net change other	Balance at end of period 30 June 2010	Not vested and not exercisable	Vested and exercisable
Directors							
P.Benson	1,060,000	-	-	-	1,060,000	-	1,060,000
P.Cook (i)	4,877,068	-	-	-	4,877,068	-	4,877,068
B.Thomas	610,000	-	-	-	610,000	-	610,000
Total	6,547,068	-	-	-	6,547,068	-	6,547,068

(i) Mr Cook is a Director of Metals X Limited which holds 3,830,929 listed options in the Company.

(d) Shareholdings of Key Management Personnel

30 June 2010	Balance held at 1 July 2009	Acquired	Disposed	Exercise of options	Net change other	Balance held at 30 June 2010
Directors						
P.Benson	120,000	-	-	-	-	120,000
P.Cook (i)	7,754,135	10,000,000	-	-	-	17,754,135
S.Eley	-	9,353,333	-	-	-	9,353,333
B.Pollard	-	9,303,334	-	-	-	9,303,334
B.Thomas	740,000	-	-	-	-	740,000
Total	8,614,135	28,656,667	-	-	-	37,270,802

30 June 2009	Balance held at 1 July 2008	Acquired	Disposed	Exercise of options	Net change other	Balance held at 30 June 2009
Directors						
P.Benson	120,000	-	-	-	-	120,000
P.Cook (i)	7,754,135	-	-	-	-	7,754,135
B.Thomas	740,000	-	-	-	-	740,000
Total	8,614,135	-	-	-	-	8,614,135

All equity transactions with specified Directors and specified executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length

(i) Mr Cook is a Director of Metals X Limited which holds 17,661,858 fully paid ordinary shares in the Company.

27. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(e) Other transactions and balances with related parties

Mr PG Cook is a Director of Metals X Limited (Metals X). Metals X is a substantial shareholder of the Company. Metals X provides accounting, and administration services to the Consolidated Entity (refer to note 28(d)).

Mr PG Cook is also a Director of Westgold Resources Limited (Westgold). Westgold is also a substantial shareholder of the Company (refer to note 28(d)).

28. RELATED PARTY TRANSACTIONS

(a) Subsidiaries

The Consolidated financial statements include the financial statements of Aragon Resources Limited and the subsidiary listed in the following table:

Name	Country of incorporation	Ownership Interest		Investment (\$)	
		2010	2009	2010	2009
Fulcrum Resources Pty Ltd	Australia	100%	-	8,006,080	-
Territory Phosphate Pty Ltd	Australia	100%	-	1,504,650	1,504,650
				<u>9,510,730</u>	<u>1,504,650</u>
Subsidiary companies of Fulcrum Resources Pty Ltd					
Big Bell Gold Operations Pty Ltd	Australia	100%	-	3,171,607	-

(b) Ultimate parent

Aragon Resources Limited is the ultimate parent entity. There are no Class Orders in place at 30 June 2010.

(c) Key management personnel

Details of transactions with Key Management Personnel are disclosed in note 27.

(d) Transactions with related parties

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for information regarding outstanding balances on related party trade receivables and payables at year-end, refer to notes 11 and 16 respectively):

28. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions with related parties (continued)

	Consolidated Entity	
	2010	2009
	\$	\$
(i) Amounts attributable to transactions with related Parties		
Amounts charged by Metals X Limited for accounting and financial services, office rent and expense reimbursement provided at cost*	62,043	2,263
Amounts charged to Westgold Resources Limited for expense reimbursement at cost**	65,381	60,237
Amounts charged by Westgold Resources Limited for expense reimbursement at cost**	7,704	9,536
Amounts charged by Aragon to Vital Metals Limited for services provided at cost***	35,460	9,302

* Metals X Limited has a 8.72% direct shareholding in Aragon (2009: 11.35%).

** Westgold Resources Limited has a 19.75% shareholding in Aragon (2009: 37.02%).

*** Aragon has a 13.84% shareholding in Vital Metals Limited (2009: 13.04%) prior to the Sale of its Vital shareholding and Mr Paul Benson was a non-executive director up to the sale date. All amounts are GST exclusive.

(e) Loans from related parties

There were no loans from related parties during the 2010 or 2009 financial years.

29. PARENT ENTITY INFORMATION

	Consolidated Entity	
	2010	2009
	\$	\$
Information relating to Aragon Resources Ltd		
Current assets	8,261,284	4,108,111
Total assets	27,169,917	8,998,173
Current liabilities	298,568	238,301
Total liabilities	298,568	238,301
Issued capital	30,055,509	11,792,853
Retained earnings	(5,792,333)	(3,471,698)
Unrealise gains/(losses) reserve	-	367,016
Option premium reserve	3,091,042	554,570
Other reserves - tax	(482,869)	(482,869)
Total shareholders' equity	<u>26,871,349</u>	<u>8,759,872</u>
Net loss of the parent entity	2,320,637	2,524,081
Total comprehensive income of the parent entity	(1,953,621)	(2,157,065)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries Nil

Contingent liabilities of the parent entity

Big Bell Gold Operations Pty Ltd has obligations in respect of environmental performance and rehabilitation that are secured by performance bonds to a total value of \$3,149,000. These bonds are provided to the Department of Mines and Petroleum in Western Australia. The performance bond facility is held by Aragon Resources Ltd.

Contractual commitments by the parent entity for the acquisition of property, plant or equipment. Nil

30. SUBSEQUENT EVENTS

On 1 July 2010 Aragon Resources Ltd entered a heads of agreement ("HoA") with Rum Jungle Uranium Limited ("Rum Jungle") whereby Rum Jungle is entitled to earn a 60% interest in the Ammaroo phosphate/potash project in the Northern territory. Under the HoA, Rum Jungle has to complete due diligence on the project to its satisfaction following which the parties will execute a formal farm-in/joint venture agreement. Under the proposed farm-in/joint venture agreement;

- (a) Rum Jungle will be required to spend \$3,000,000 over 5 years to earn a 60% interest in the project;
- (b) Rum Jungle will be responsible for maintaining the tenements comprising the project in good standing and determining the work program;

Rum Jungle will forgo any interest if it does not spend the required amount and, subject to certain conditions, is also entitled to withdraw at any time during the farm-in period.

Rum Jungle may also earn another 10% interest by spending an additional \$2,000,000 over 2 years, taking the total expenditure to \$5,000,000 over 7 years for a 70% interest in the project. Aragon can also elect to contribute their 40% interest after the completion of the first stage.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Aragon Resources Limited, I state that:

- (1) In the opinion of the Directors:
 - (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and
 - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2(b); and
 - (c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.
- (2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2010.

On behalf of the Board.



PG Benson
Chief Executive Officer
Perth, 13 September 2010



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Independent auditor's report to the members of Aragon Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Aragon Resources Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Liability limited by a scheme approved
 under Professional Standards Legislation

GHM:NR:Aragon:2010:011



Auditor's Opinion

In our opinion:

1. the financial report of Aragon 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 at 30 June 2010 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

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

Auditor's Opinion

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

A handwritten signature in black ink, appearing to read 'Ernst & Young', is written over a faint, larger version of the company logo.

Ernst & Young

A handwritten signature in black ink, appearing to read 'G H Meyerowitz', is written over a faint, larger version of the company logo.

G H Meyerowitz
Partner
Perth
13 September 2010

INTERESTS IN MINING TENEMENTS

Lease	Holders	Grant Date	Expiry Date	Encumbrances	Aragon's Interest
P20/2133	Aragon Resources Limited	In Application		Nil	100%
E15/1152	Aragon Resources Limited	17/03/2010	16/03/2015	Nil	100%
E15/905	Arwagon Resources Limited	5/01/2007	4/01/2012	Nil	100%
E15/908	Aragon Resources Limited	13/12/2006	12/12/2011	Nil	100%
E26/104	Aragon Resources Limited	30/06/2005	29/06/2011	Nil	100%
E36/503	Aragon Resources Limited	23/09/2005	22/09/2010	Nil	100%
E36/555	Aragon Resources Limited	27/04/2006	26/04/2011	Nil	100%
E36/707	Aragon Resources Limited	30/10/2009	29/10/2014	Nil	100%
E37/746	Aragon Resources Limited	24/11/2005	23/11/2010	Nil	100%
E37/747	Aragon Resources Limited	18/03/2005	17/03/2012	Nil	100%
E37/764	Aragon Resources Limited	28/11/2005	27/11/2010	Nil	100%
E37/770	Aragon Resources Limited	15/03/2005	14/03/2011	Nil	100%
E37/803	Navarre Resources Pty Ltd	8/05/2008	7/05/2013	Nil	100%
E37/805	Aragon Resources Limited	19/10/2006	18/10/2011	Nil	100%
E37/807	Aragon Resources Limited	24/11/2005	23/11/2010	Nil	100%
E37/808	Aragon Resources Limited	24/11/2005	23/11/2010	Nil	100%
E37/810	Aragon Resources Limited	27/10/2005	26/10/2010	Nil	100%
E37/928	Aragon Resources Limited	7/04/2008	6/04/2013	Nil	100%
E53/1195	Aragon Resources Limited	24/07/2006	23/07/2011	Nil	100%
E53/1202	Aragon Resources Limited	24/07/2006	23/07/2011	Nil	100%
E53/1237	Aragon Resources Limited	19/04/2007	18/04/2012	Nil	100%
E53/1355	Aragon Resources Limited	8/07/2009	7/07/2014	Nil	100%
P15/4869	Aragon Resources Limited	13/03/2008	12/03/2012	Nil	100%
P15/4870	Aragon Resources Limited	13/03/2008	12/03/2012	Nil	100%
P15/4871	Aragon Resources Limited	13/03/2008	12/03/2012	Nil	100%
P15/4872	Aragon Resources Limited	13/03/2008	12/03/2012	Nil	100%
P15/4873	Aragon Resources Limited	13/03/2008	12/03/2012	Nil	100%
P36/1683	Aragon Resources Limited	30/06/2008	29/06/2012	Nil	100%
P36/1684	Aragon Resources Limited	30/06/2008	29/06/2012	Nil	100%
P36/1685	Aragon Resources Limited	14/10/2008	13/10/2012	Nil	100%
P37/6937	Aragon Resources Limited	6/10/2006	5/10/2010	Nil	100%
P37/6938	Aragon Resources Limited	6/10/2006	5/10/2010	Nil	100%
P37/6939	Aragon Resources Limited	6/10/2006	5/10/2010	Nil	100%
P37/6940	Aragon Resources Limited	6/10/2006	5/10/2010	Nil	100%
P37/7643	Aragon Resources Limited	9/01/2009	8/01/2013	Nil	100%
P37/7644	Aragon Resources Limited	9/01/2009	8/01/2013	Nil	100%
P37/7645	Aragon Resources Limited	9/01/2009	8/01/2013	Nil	100%
P37/7646	Aragon Resources Limited	9/01/2009	8/01/2013	Nil	100%
P53/1243	Aragon Resources Limited	13/03/2007	12/03/2011	Nil	100%
P53/1244	Aragon Resources Limited	13/03/2007	12/03/2011	Nil	100%
P53/1245	Aragon Resources Limited	25/10/2007	24/10/2011	Nil	100%
P53/1247	Aragon Resources Limited	13/03/2007	12/03/2011	Nil	100%
P53/1248	Aragon Resources Limited	13/03/2007	12/03/2011	Nil	100%

INTERESTS IN MINING TENEMENTS

Lease	 Holders	 Grant Date	 Expiry Date	 Encumbrances	 Aragon's Interest
P53/1249	Aragon Resources Limited	23/05/2007	22/05/2011	Nil	100%
P53/1250	Aragon Resources Limited	25/10/2007	24/10/2011	Nil	100%
P53/1468	Aragon Resources Limited	12/06/2008	11/06/2012	Nil	100%
P53/1469	Aragon Resources Limited	12/06/2008	11/06/2012	Nil	100%
EL25183	Territory Phosphate Pty Ltd	19/04/2007	18/04/2013	Nil	100%
EL25184	Territory Phosphate Pty Ltd	19/04/2007	18/04/2013	Nil	100%
EL25185	Territory Phosphate Pty Ltd	19/04/2007	18/04/2013	Nil	100%
EL27082	Territory Phosphate Pty Ltd	1/09/2009	31/08/2018	Nil	100%
E20/216	Big Bell Gold Operations Pty Ltd	9/08/1993	8/08/1999	Nil	100%
E20/505	Big Bell Gold Operations Pty Ltd	13/02/2006	12/02/2011	Nil	100%
E20/537	Big Bell Gold Operations Pty Ltd	16/02/2006	15/02/2011	Nil	100%
E20/540	Big Bell Gold Operations Pty Ltd	26/04/2006	25/04/2011	Nil	100%
E20/638	Big Bell Gold Operations Pty Ltd	12/03/2007	11/03/2012	Nil	100%
E21/104	Big Bell Gold Operations Pty Ltd	22/11/2005	21/11/2010	Nil	100%
E21/122	Big Bell Gold Operations Pty Ltd	22/08/2006	21/08/2011	Nil	100%
E21/127	Big Bell Gold Operations Pty Ltd	13/03/2007	12/03/2012	Nil	100%
E21/37	Auriongold Exploration Pty Ltd, Big Bell Gold Operations Pty Ltd	6/05/1992	5/05/2000	Nil	60%
G20/1	Big Bell Gold Operations Pty Ltd	3/04/1986	4/11/2026	Nil	100%
G20/11	Big Bell Gold Operations Pty Ltd	19/05/1999	18/05/2020	Nil	100%
G20/2	Big Bell Gold Operations Pty Ltd	3/04/1986	4/11/2026	Nil	100%
G20/3	Big Bell Gold Operations Pty Ltd	3/04/1986	4/11/2026	Nil	100%
G20/4	Big Bell Gold Operations Pty Ltd	3/04/1986	4/11/2026	Nil	100%
L20/21	Big Bell Gold Operations Pty Ltd	18/04/1989	17/04/2014	Nil	100%
L20/29	Big Bell Gold Operations Pty Ltd	29/01/1991	28/01/2011	Nil	100%
L20/38	Big Bell Gold Operations Pty Ltd	23/11/1995	22/11/2010	Nil	100%
L20/39	Big Bell Gold Operations Pty Ltd	27/12/1996	26/12/2011	Nil	100%
L20/40	Big Bell Gold Operations Pty Ltd	27/10/1998	26/10/2013	Nil	100%
L20/41	Big Bell Gold Operations Pty Ltd	27/10/1998	26/10/2013	Nil	100%
L21/11	Big Bell Gold Operations Pty Ltd	27/02/1990	26/02/2015	Nil	100%
M20/102	Big Bell Gold Operations Pty Ltd	27/07/1988	26/07/2030	Nil	100%
M20/103	Big Bell Gold Operations Pty Ltd	19/05/1988	18/05/2030	Nil	100%
M20/104	Big Bell Gold Operations Pty Ltd	19/05/1988	18/05/2030	Nil	100%
M20/105	Big Bell Gold Operations Pty Ltd	19/05/1988	18/05/2030	Nil	100%
M20/17	Big Bell Gold Operations Pty Ltd	5/11/1984	4/11/2026	Nil	100%
M20/171	Big Bell Gold Operations Pty Ltd	29/06/1989	28/06/2031	Nil	100%
M20/192	Big Bell Gold Operations Pty Ltd	11/09/1990	10/09/2011	Nil	100%
M20/197	Big Bell Gold Operations Pty Ltd	14/06/1990	13/06/2011	Nil	100%
M20/202	Big Bell Gold Operations Pty Ltd	24/10/1991	23/10/2012	Nil	100%
M20/21	Big Bell Gold Operations Pty Ltd	29/08/1985	28/08/2027	Nil	100%
M20/218	Big Bell Gold Operations Pty Ltd	2/04/1992	1/04/2013	Nil	100%
M20/22	Big Bell Gold Operations Pty Ltd	29/08/1985	28/08/2027	Nil	100%
M20/252	Big Bell Gold Operations Pty Ltd	16/12/1992	15/12/2013	Nil	100%
M20/256	Big Bell Gold Operations Pty Ltd	18/05/1993	17/05/2014	Nil	100%

INTERESTS IN MINING TENEMENTS

Lease	Holders	Grant Date	Expiry Date	Encumbrances	Aragon's Interest
M20/293	Big Bell Gold Operations Pty Ltd	28/11/1995	27/11/2016	Nil	100%
M20/297	Big Bell Gold Operations Pty Ltd	17/05/1999	16/05/2020	Nil	100%
M20/298	Big Bell Gold Operations Pty Ltd	27/02/1996	26/02/2017	Nil	100%
M20/299	Big Bell Gold Operations Pty Ltd	27/02/1996	26/02/2017	Nil	100%
M20/300	Big Bell Gold Operations Pty Ltd	27/02/1996	26/02/2017	Nil	100%
M20/301	Big Bell Gold Operations Pty Ltd	27/02/1996	26/02/2017	Nil	100%
M20/307	Big Bell Gold Operations Pty Ltd	3/04/1996	2/04/2017	Nil	100%
M20/313	Big Bell Gold Operations Pty Ltd	17/05/1999	16/05/2020	Nil	100%
M20/315	Big Bell Gold Operations Pty Ltd	23/07/1996	22/07/2017	Nil	100%
M20/354	Big Bell Gold Operations Pty Ltd	16/06/1999	15/06/2020	Nil	100%
M20/50	Big Bell Gold Operations Pty Ltd	25/02/1987	24/02/2029	Nil	100%
M20/78	Big Bell Gold Operations Pty Ltd	14/01/1988	13/01/2030	Nil	100%
M20/98	Big Bell Gold Operations Pty Ltd	19/02/1988	18/02/2030	Nil	100%
M20/99	Big Bell Gold Operations Pty Ltd	19/02/1988	18/02/2030	Nil	100%
M21/10	Big Bell Gold Operations Pty Ltd	29/04/1986	28/04/2028	Nil	100%
M21/102	Big Bell Gold Operations Pty Ltd	22/03/1999	21/03/2020	Nil	100%
M21/103	Big Bell Gold Operations Pty Ltd	22/03/1999	21/03/2020	Nil	100%
M21/104	Big Bell Gold Operations Pty Ltd	22/03/1999	21/03/2020	Nil	100%
M21/105	Big Bell Gold Operations Pty Ltd	15/07/1996	14/07/2017	Nil	100%
M21/110	Auriongold Exploration Pty Ltd, Big Bell Gold Operations Pty Ltd	19/05/1999	18/05/2020	Nil	60%
M21/14	Big Bell Gold Operations Pty Ltd	6/06/1986	5/06/2028	Nil	100%
M21/24	Big Bell Gold Operations Pty Ltd	20/04/1989	19/04/2031	Nil	100%
M21/44	Big Bell Gold Operations Pty Ltd	3/08/1989	2/08/2011	Nil	100%
M21/49	Big Bell Gold Operations Pty Ltd	3/03/1989	2/03/2031	Nil	100%
M21/55	Big Bell Gold Operations Pty Ltd	14/10/1991	13/10/2012	Nil	100%
M21/56	Big Bell Gold Operations Pty Ltd	14/10/1991	13/10/2012	Nil	100%
M21/65	Big Bell Gold Operations Pty Ltd	25/10/1991	24/10/2012	Nil	100%
M21/69	Big Bell Gold Operations Pty Ltd	7/07/1992	6/07/2013	Nil	100%
M21/7	Big Bell Gold Operations Pty Ltd	1/10/1985	30/09/2027	Nil	100%
M21/74	Big Bell Gold Operations Pty Ltd	2/04/1992	1/04/2013	Nil	100%
M21/75	Big Bell Gold Operations Pty Ltd	2/09/1991	1/09/2012	Nil	100%
M21/83	Big Bell Gold Operations Pty Ltd	22/09/1993	21/09/2014	Nil	100%
M21/89	Big Bell Gold Operations Pty Ltd	29/09/1995	28/09/2016	Nil	100%
M21/93	Big Bell Gold Operations Pty Ltd	14/12/1995	13/12/2016	Nil	100%
P20/1505	Big Bell Gold Operations Pty Ltd	28/07/1992	27/07/1996	Nil	100%
P20/1506	Big Bell Gold Operations Pty Ltd	25/08/1992	24/08/1996	Nil	100%
P20/1578	Big Bell Gold Operations Pty Ltd	23/02/1993	22/02/1995	Nil	100%
P20/1735	Big Bell Gold Operations Pty Ltd	28/08/1997	27/08/2001	Nil	100%
P20/1737	Big Bell Gold Operations Pty Ltd	28/08/1997	27/08/2001	Nil	100%
P20/1951	Big Bell Gold Operations Pty Ltd	15/07/2009	14/07/2013	Nil	100%
P20/1964	Big Bell Gold Operations Pty Ltd	25/07/2007	24/07/2011	Nil	100%
P20/1965	Big Bell Gold Operations Pty Ltd	25/07/2007	24/07/2011	Nil	100%
P20/1966	Big Bell Gold Operations Pty Ltd	31/01/2007	30/01/2011	Nil	100%

INTERESTS IN MINING TENEMENTS

Lease	Holders	Grant Date	Expiry Date	Encumbrances	Aragon's Interest
P20/1967	Big Bell Gold Operations Pty Ltd	31/01/2007	30/01/2011	Nil	100%
P20/1968	Big Bell Gold Operations Pty Ltd	31/01/2007	30/01/2011	Nil	100%
P20/1969	Big Bell Gold Operations Pty Ltd	31/01/2007	30/01/2011	Nil	100%
P20/1970	Big Bell Gold Operations Pty Ltd	31/01/2007	30/01/2011	Nil	100%
P20/1975	Big Bell Gold Operations Pty Ltd	25/07/2007	24/07/2011	Nil	100%
P20/1976	Big Bell Gold Operations Pty Ltd	25/07/2007	24/07/2011	Nil	100%
P20/1991	Big Bell Gold Operations Pty Ltd	17/08/2007	16/08/2011	Nil	100%
P20/1992	Big Bell Gold Operations Pty Ltd	17/08/2007	16/08/2011	Nil	100%
P20/1993	Big Bell Gold Operations Pty Ltd	17/08/2007	16/08/2011	Nil	100%
P20/1994	Big Bell Gold Operations Pty Ltd	17/08/2007	16/08/2011	Nil	100%
P20/1995	Big Bell Gold Operations Pty Ltd	17/08/2007	16/08/2011	Nil	100%
P20/1996	Big Bell Gold Operations Pty Ltd	17/08/2007	16/08/2011	Nil	100%
P20/1997	Big Bell Gold Operations Pty Ltd	17/08/2007	16/08/2011	Nil	100%
P20/1998	Peregrine Gold Mining NL, Big Bell Gold Operations Pty Ltd	30/10/2007	29/10/2011	Nil	70%
P20/1999	Peregrine Gold Mining NL, Big Bell Gold Operations Pty Ltd	30/10/2007	29/10/2011	Nil	70%
P20/2000	Peregrine Gold Mining NL, Big Bell Gold Operations Pty Ltd	30/10/2007	29/10/2011	Nil	70%
P20/2001	Peregrine Gold Mining NL, Big Bell Gold Operations Pty Ltd	30/10/2007	29/10/2011	Nil	70%
P20/2011	Big Bell Gold Operations Pty Ltd	15/07/2009	14/07/2013	Nil	100%
P21/458	Big Bell Gold Operations Pty Ltd	24/06/1991	23/06/1995	Nil	100%
P21/459	Big Bell Gold Operations Pty Ltd	24/06/1991	23/06/1995	Nil	100%
P21/543	Big Bell Gold Operations Pty Ltd	28/09/1993	27/09/1995	Nil	100%
P21/544	Big Bell Gold Operations Pty Ltd	28/09/1993	27/09/1995	Nil	100%
P21/546	Big Bell Gold Operations Pty Ltd	13/07/1993	12/07/1995	Nil	100%
P21/575	Big Bell Gold Operations Pty Ltd	27/09/1994	26/09/1998	Nil	100%
P21/584	Big Bell Gold Operations Pty Ltd	26/09/1995	25/09/1999	Nil	100%
P21/643	Big Bell Gold Operations Pty Ltd	1/11/2006	31/10/2010	Nil	100%
P21/649	Big Bell Gold Operations Pty Ltd	6/12/2006	5/12/2010	Nil	100%
P21/668	Big Bell Gold Operations Pty Ltd	17/08/2007	16/08/2011	Nil	100%
P21/669	Big Bell Gold Operations Pty Ltd	17/08/2007	16/08/2011	Nil	100%
P21/670	Big Bell Gold Operations Pty Ltd	17/08/2007	16/08/2011	Nil	100%
P21/671	Big Bell Gold Operations Pty Ltd	17/08/2007	16/08/2011	Nil	100%
P21/672	Big Bell Gold Operations Pty Ltd	9/06/2009	8/06/2013	Nil	100%
P21/673	Big Bell Gold Operations Pty Ltd	9/06/2009	8/06/2013	Nil	100%
P21/674	Big Bell Gold Operations Pty Ltd	9/06/2009	8/06/2013	Nil	100%
P21/675	Big Bell Gold Operations Pty Ltd	9/06/2009	8/06/2013	Nil	100%
P21/676	Big Bell Gold Operations Pty Ltd	9/06/2009	8/06/2013	Nil	100%
P21/677	Big Bell Gold Operations Pty Ltd	9/06/2009	8/06/2013	Nil	100%
P21/678	Big Bell Gold Operations Pty Ltd	9/06/2009	8/06/2013	Nil	100%
P21/679	Big Bell Gold Operations Pty Ltd	9/06/2009	8/06/2013	Nil	100%
P21/680	Big Bell Gold Operations Pty Ltd	9/06/2009	8/06/2013	Nil	100%

INTERESTS IN MINING TENEMENTS

Lease	Holders	Grant Date	Expiry Date	Encumbrances	Aragon's Interest
P21/683	Big Bell Gold Operations Pty Ltd	9/06/2009	8/06/2013	Nil	100%
P21/684	Big Bell Gold Operations Pty Ltd	9/06/2009	8/06/2013	Nil	100%
P21/685	Big Bell Gold Operations Pty Ltd	9/06/2009	8/06/2013	Nil	100%
P21/686	Big Bell Gold Operations Pty Ltd	9/06/2009	8/06/2013	Nil	100%
P21/687	Big Bell Gold Operations Pty Ltd	9/06/2009	8/06/2013	Nil	100%
P21/688	Big Bell Gold Operations Pty Ltd	11/06/2008	10/06/2012	Nil	100%
P21/689	Big Bell Gold Operations Pty Ltd	15/07/2009	14/07/2013	Nil	100%
P21/695	Big Bell Gold Operations Pty Ltd	15/07/2009	14/07/2013	Nil	100%
E21/131	Big Bell Gold Operations Pty Ltd	In Application		Nil	100%
L21/14	Big Bell Gold Operations Pty Ltd	In Application		Nil	100%
M20/332	Big Bell Gold Operations Pty Ltd	In Application		Nil	100%
M20/333	Big Bell Gold Operations Pty Ltd	In Application		Nil	100%
M20/351	Big Bell Gold Operations Pty Ltd	In Application		Nil	100%
M20/418	Big Bell Gold Operations Pty Ltd	In Application		Nil	100%
M20/435	Big Bell Gold Operations Pty Ltd	In Application		Nil	100%
M20/436	Big Bell Gold Operations Pty Ltd	In Application		Nil	100%
M20/456	Big Bell Gold Operations Pty Ltd	In Application		Nil	100%
M21/122	Big Bell Gold Operations Pty Ltd	In Application		Nil	100%
M21/123	Big Bell Gold Operations Pty Ltd	In Application		Nil	100%
M21/135	Big Bell Gold Operations Pty Ltd	In Application		Nil	100%
M21/141	Big Bell Gold Operations Pty Ltd	In Application		Nil	100%
M21/145	Auriongold Exploration Pty Ltd, Big Bell Gold Operations Pty Ltd	In Application		Nil	60%
M21/146	Auriongold Exploration Pty Ltd, Big Bell Gold Operations Pty Ltd	In Application		Nil	60%
M21/147	Auriongold Exploration Pty Ltd, Big Bell Gold Operations Pty Ltd	In Application		Nil	60%
M21/96	Big Bell Gold Operations Pty Ltd	In Application		Nil	100%
M21/97	Big Bell Gold Operations Pty Ltd	In Application		Nil	100%
P20/1842	Big Bell Gold Operations Pty Ltd	In Application		Nil	100%
P20/2158	Big Bell Gold Operations Pty Ltd	In Application		Nil	100%
P21/681	Big Bell Gold Operations Pty Ltd	In Application		Nil	100%
P21/682	Big Bell Gold Operations Pty Ltd	In Application		Nil	100%

SHAREHOLDER INFORMATION AS AT 9 SEPTEMBER 2010

(a) Top 20 Quoted Shareholders	%	Number of shares
Westgold Resources Limited	19.75	40,000,000
Metals X Limited	8.72	17,661,858
Equity Trustees Ltd <SGH Tiger A/c>	4.73	9,576,923
Pollard Benjamin C+N <Geovet Family A/c>	4.59	9,303,334
Resmin Pty Ltd <SPE Inv A/c>	4.59	9,303,333
Six Finger Pty Ltd	4.59	9,303,333
Fitel Nominees Limited	3.91	7,924,516
ANZ Nominees Ltd <Cash Income A/c>	2.42	4,903,304
All-States Finance Pty Ltd	1.64	3,330,000
Merrill Lynch (Australia) Nominees Pty Ltd <Berndale A/C>	1.32	2,679,248
Lost Ark Nominees Pty Ltd <RAS GFAM A/C>	1.30	2,638,345
Finching Pty Ltd	1.19	2,400,000
Ms Joan C Cook	0.99	2,000,000
Redland Plains Pty Ltd <Brian Rodan S/F A/c>	0.99	2,000,000
Equity Trustees Ltd <SGH Micro Cap Fund>	0.95	1,923,077
Mundena Holdings Pty Ltd	0.93	1,875,000
Hadrey Pty Ltd <Hadrey Family A/c>	0.91	1,850,000
Bell Potter Nominees Ltd <BB Nom A/c>	0.80	1,612,920
Matrix Finance Co Ltd	0.77	1,565,000
Paksian Pty Ltd	0.69	1,400,000
Total	65.78	133,250,191

(b) Distribution of quoted ordinary shares

Size of parcel	Number of share holders	Number of shares
1 to 1,000	14	2,265
1,001 to 5,000	71	264,394
5,001 to 10,000	232	1,905,621
10,001 to 100,000	442	18,397,726
100,001 to 40,000,000	158	181,960,769
Total	917	202,530,775

(c) Number of holders with less than a marketable parcel of ordinary shares

35 49,609

(d) Substantial Shareholders

	%	Number of shares
Metals X Limited	28.47	57,661,858
Westgold Resources Limited	19.75	40,000,000
APAC Group	8.72	17,661,858

SHAREHOLDER INFORMATION AS AT 9 SEPTEMBER 2010

(e) Top 20 Quoted Option Holders	%	Number of options
Metals X Limited	15.35	3,830,929
Finching Pty Ltd	15.02	3,750,000
Mundena Holdings Pty Ltd	7.51	1,875,000
Arc De Triomphe Securities Pty Ltd	7.51	1,875,000
Paksian Pty Ltd	2.80	700,000
Mr Michael Morawa	2.63	657,669
Red Summer Pty Ltd	2.14	534,751
Mr Bernard Le Clezio <BMF Le Clezio S/F>	2.00	500,000
Merrill Lynch (Australia) Nominees Pty Ltd <Berndale A/C>	1.60	400,000
Ms Sabina Marie Schlink <Hensman Family A/C>	1.48	370,000
Oaksouth Pty Ltd	1.40	350,000
Whittingham Securities Pty Ltd	1.40	350,000
Mr Jack Hondros	1.24	309,057
John R Keith Corporation Ltd	0.92	230,000
Mr Joseph Edward Saunders & Mrs Helen Maree Saunders	0.87	216,642
Red Summer Pty Ltd	0.84	209,756
Ms Joan C Cook	0.80	200,000
Cakes & More Pty Ltd	0.80	200,000
Lost Ark Nominees Pty Ltd <RAS GFAM A/C>	0.80	200,000
Running Water Ltd	0.79	197,000
Total	67.90	16,955,804

(f) Distribution of quoted options

Size of parcel	Number of option holders	Number of options
1 to 1,000	2	1,001
1,001 to 5,000	240	961,445
5,001 to 10,000	87	717,301
10,001 to 100,000	130	5,081,925
100,001 to 25,000,000	30	18,203,593
Total	489	24,965,265

(e) Voting Rights

The voting rights for each class of security on issue are:

Ordinary fully paid shares

Each ordinary shareholder is entitled to one vote for each share held.

Options

The holders of options have no rights to vote at a general meeting of the company.

(f) Unquoted Equity Securities

Number of Options	Exercise Price	Expiry Date	Number holders
1,250,000	30 cents	31/05/2011	2
100,000	30 cents	01/07/2011	1
200,000	30 cents	13/08/2011	1
1,000,000	35 cents	28/11/2011	1
2,500,000	21 cents	30/11/2012	3
1,000,000	20 cents	7/1/2013	3
650,000	21 cents	30/11/2013	2
17,500,000	20 cents	31/12/2013	6
400,000	22 cents	24/08/2014	1

