Atomic Resources
Limited
ABN 65 124 408 751

ATOMIC RESOURCES LIMITED
AND CONTROLLED ENTITIES

ABN 65 124 408 751

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

CORPORATE OFFICE

Level 2, 41-47 Colin Street
WEST PERTH WA 6005

T: + 61 8 9322 2033
F: + 61 8 9322 2100
www.atomicresources.com.au

CONTENTS

Corporate Directory

Directors
Clive Hartz
(Chairman)
Clinton Cain
(Managing Director)
Alastair Walker
(Non-Executive Director)

Company Secretary
Alastair Walker (Joint)
Tom Melanko (Joint)

Registered Office
Level 2, 41-47 Colin Street
WEST PERTH WA 6005
Telephone: (08) 9322 2033
Facsimile: (08) 9322 2100

Principal Place of Business
Level 2, 41-47 Colin Street
WEST PERTH WA 6005
Telephone: (08) 9322 2033
Facsimile: (08) 9322 2100

Website: www.atomicresources.com.au

Country of Incorporation
Australia

Auditors
Stantons International
Level 1, 1 Havelock St
WEST PERTH WA 6005
Telephone: (08) 9481 3188
Facsimile: (08) 9321 1204

Share Registry (Australia)
Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

Home Exchange
Australian Securities Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

ASX Code: ATQ

Chairman's Letter

In many respects this financial year has been the most challenging and exciting in the history of our Company, and in the development of our flagship Ngaka Coal Project in Tanzania.

Successful drilling campaigns at Mbalawala and Mbuyura-Mkapa more than doubled the Company's JORC resources during the year from 9 million tonnes to 212 million tonnes, while the addition of new coal concessions at Mbamba Bay and Liweta consolidated Atomic Resources Limited (Atomic) position as the dominant player in the emerging Tanzanian coal industry.

A significant change was the appointment of Mr Clinton Cain to the position of Managing Director. Clinton's appointment recognised the changing senior management skill set required as Atomic made the transition from a small exploration entity to a growing company preparing to become a major coal producer.

With his extensive background and experience in major mining industry engineering projects and his profound understanding of how to conduct business in Africa, Clinton has injected energy and focus to the task of preparing Atomic for the transition from explorer to producer.

Critical to this transition has been the development of a credible and workable Bankable Feasibility Study for the Ngaka Coal Project. Following a review of the work done by the previous consultants, your board appointed new consultants, Wave Engineering, to prepare a Bankable Feasibility Study that was delivered at the end of August 2010 and is currently being reviewed by the company and its joint venture partner The National Development Corporation of Tanzania.

Within the coming financial year, Atomic will start the successful transition to become the largest coal producer in Tanzania.

Through our Tanzanian operating arm, Tancoal Energy Limited, Atomic is evaluating additional resource opportunities, and is at the forefront of negotiations with a range of foreign companies and governments regarding the development of transport and power generation and transmission infrastructure for Tanzania.

The year ahead will see Tancoal develop its own cash flow from the sale of coal through a "small scale" mining operation at Ngaka, and a steady ramp up of coal production to an eventual 1.5 Mtpa (approximate) to meet the growing demands of Tanzania's domestic market.

On behalf of my fellow Directors, I wish to thank our shareholders for their continued support and encouragement and invite them to continue their support of the Company in the exciting times ahead. I wish to express my deep thanks and appreciation to our valued employees and team of professional contractors and consultants who have worked so hard throughout the year.

Clive Hartz
CHAIRMAN

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2010

Your directors present their report on Atomic Resources Limited (also referred to as the "company" or "Atomic") and its controlled entities for the financial year ended 30 June 2010.

DIRECTORS

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

Mr Clive Hartz	
Mr Clinton Cain	(Appointed 4 February 2010)
Mr David Holden	(Resigned 4 February 2010)
Mr Alastair Walker	

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

COMPANY SECRETARY

The names of the Company Secretaries in office and at any time during, or since the end of, the year are:

Mr Alastair Walker	
Mr Tom Melanko	(Appointed 4 February 2010)
Mr Mike Robbins	(Appointed 2 November 2009) (Resigned 8 January 2010)
Mr Bradley Goodsell	(Resigned 2 November 2009)

PRINCIPAL ACTIVITIES

The principal activity of the economic entity during the financial year was mineral exploration within Australia and Tanzania. There were no significant changes in the nature of the principle activity during the financial year.

OPERATING RESULTS

The financial report is for the 12 months to 30 June 2010. The consolidated loss of the economic entity for this financial year after providing for income tax amounted to $6,687,918 (2009:$3,802,316).

DIVIDENDS PAID OR RECOMMENDED

The directors recommend that no dividend be paid for the year ended 30 June 2010.

REVIEW OF OPERATIONS

Operations Update

Overview

Atomic Resources Limited (Atomic) and its subsidiary companies have gone through some very interesting and inspiring times over the last year. Atomic is in a Joint Venture (JV) with the National Development Corporation (NDC), in Tancoal Energy Limited. This JV is a fine example of a great relationship that is striving for outcomes that will benefit both Tanzanians and shareholders alike. The projects are all on track and potentially very viable. The company has been in operation for 4 years and more than 2 of these years in Tanzania. The major project which is centred around the Ngaka Coalfield has been particularly exciting as well as generous in revealing its substantially good quality coal, with the recent opening of the pit to deliver bulk samples. The JORC resource has been upgraded from 179Mt in 2008 to 212Mt in 2009 and now 251Mt, with a target estimate of a further 160-320Mt to a depth of 500m in the Mbuyura/Mkapa tenement, which is the north Ngaka region. It should be borne in mind that the announcement dated 19 July 2010 indicated that Dr Semkiwa estimated that from his research there could well be as much as 800Mt of coal in the Ngaka Coalfield, which is the tenements that are owned by Tancoal. *(However it is noted in accordance with Section 18 of the JORC Code Atomic advises that the quantity and quality of the coal at the Ngaka Basin is conceptual in nature. There has been insufficient exploration to define a Mineral Resource (in excess of the 251 million tonnes JORC compliant resource previously announced) pursuant to the JORC Code, and it remains uncertain that further exploration will result in an increase of the Mineral Resource).*

In addition, the Tancoal JV has more tenements in the region that are yet to be fully explored.

One of the major achievements this year was the recently completed Bankable Feasibility Study (BFS) for Mbalawala, Ngaka Coalfield. In summary, the BFS indicates that a JORC Code compliant proven reserve of 40Mt was declared for a conventional open pit coal mine. In addition, potential underground mining coal reserves that are estimated at approximately 50Mt are excluded. The current open pit mining schedule provides a production rate of 1.5Mt per annum supplying a mine mouth power station of up to a 450MW capacity. Financial modelling for a 25 year life of mine illustrates that a hurdle rate of 25% (nominal) is achievable.

In addition to the JORC compliant resources at Mbalawala other coal areas within the Ngaka sub-basin have been transferred to Tancoal during the year. These areas are set to be drilled by the Company's Tanzanian subsidiary and are expected to increase the Company's total coal resources over the coming months, when drilling once again resumes. Atomic has once again expanded its portfolio to also include Nyakangunda tenement which geographically is an extension of the Mbuyura/Mkapa Blocks to the north. In addition, this tenement is anticipated to contain the same seams as noted in South Ngaka. This is taken from Colonial Development Corporation (CDC) results as well as Dr Semkiwa's studies.

These additional areas will enhance the opportunity for successful commercial extraction of coal from the Ngaka Basin area over the coming years.

During this very busy time, the uranium tenements have taken a lesser role except in the case of Uaroo, which is in a joint venture with Cauldron Energy and this tenement has revealed promising results, and further details in this regard are due to be announced as and when they become available.

Under the guidance of Atomic, Tancoal has engaged contractors to complete the next drilling and exploration programme within Tancoal's tenements. The procedures established for this programme will enable geotechnical and geophysical logging to be undertaken during the drilling which is far more efficient than before. Record keeping is also now performed in a much more professional manner.

Tancoal under the guidance of Shango Solutions, the contracting geologists, are developing comprehensive drilling and exploration programmes including a more extensive database of Tancoal's tenements. In addition plans are underway to do airborne geophysics. The database and security as well as continuity of information is now stored and managed more in line with world standards.

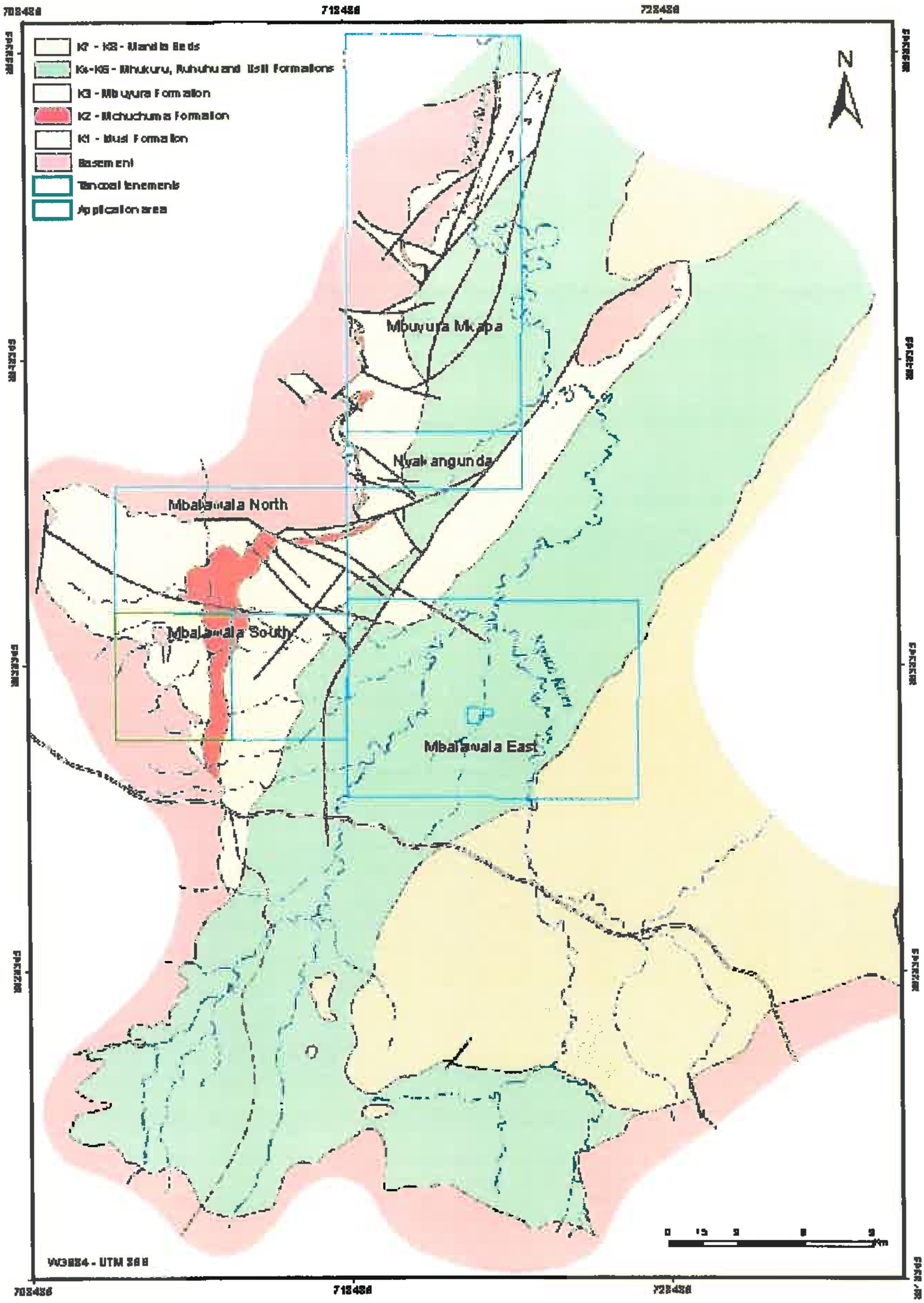
Supply of coal to the Tanzanian market is imminent and will be fully implemented once an agreement is signed with the first customers. Bulk samples have now been effected and a lot of local interest is trickling in as well as interest from neighbouring countries.

Tanzanian Projects

Ngaka Coalfield

Through its Tanzanian subsidiary company, Pacific Corporation East Africa Limited ("PCEA" (85% owned by Atomic)), Atomic has established a local registered coal company, Tancoal Energy Limited (70% owned by PCEA, 30% by National Development Corporation (NDC) of Tanzania, a Tanzanian Government Organisation).

The Ngaka Coalfield lies to the south west of Tanzania in a remnant Karoo basin. Exploitable coal is located within the Mchuchuma Formation (Figure 1), initially described by G.M. Stockley in the 1930's as the K2 Formation. Coal bearing sub-basins, namely the Mbalawala and Mbuyura/Mkapa sub-basins, were historically identified through the aid of drilling by the CDC and more recent by Tancoal. Further delineation of these sub-basins is possible through geological modelling, geophysics and data obtained through drilling.



K3 - Mbuyura Formation
K2 - Mchuchuma Formation
Basement
Tancoal tenements
Application area
N
Mbuyura Mkapa
Nyakangunda
Mbalawala North
Mbalawala South
Mbalawala East

Figure 1: Plan showing concession areas in the Ngaka Coalfield.

Atomic (on behalf of Tancoal) increased the JORC Code compliant resource for Mbalawala by 18%, from 212Mt to 251Mt. Ten additional infill and follow up boreholes were drilled in Mbalawala in 2009/2010. The coal resources statement (Table 1) was prepared by Ravensgate, minerals industry consultants, in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code, 2004). Drillhole and stream sampling data indicate that additional coal potential may lie to the south of the current Mbalawala resource area. The opportunity to expand the potential resource to the south will be investigated during the next drilling and exploration programme.

Table 1: Summary of coal resources in Mbalawala (Radley, 2010).

Resource Category	Measured	Indicated	Inferred	Totals
Tonnes (million)	**139**	**66**	**46**	**251**
Inherent Moisture (%)	2.9	2.77	2.62	2.8
Ash (%)	18.9	19.03	23.81	19.9
Fixed Carbon (%)	52.0	51.41	46.26	50.8
Volatile Matter (%)	26.3	26.87	27.32	26.6
Calorific Value (MJ/kg)	26.5	26.59	24.86	26.2
Total Sulphur (%)	1.4	1.27	0.78	1.3
RD (g/cm^3)	1.5	1.49	1.55	1.5

Notes:

1) *Coal Resources have been rounded to appropriate levels of accuracy in accordance with The JORC Code (2004)*
2) *The estimates of Coal Resources in this table have been carried out by Ravensgate geological consultants in accordance with The JORC Code (2004)*
3) *Coal quality data reported is based on weighted averages for all seams*
4) *The Inherent Moisture is reported at an as received basis; all other analysis are reported air dried "air dried basis"*

Statistical analysis of coal qualities for each of the 5 seams (Table 2) indicate that the coal is a high ash, low moisture, low sulphur, sub-bituminous coal. Calorific values for the various seams range from 5 665 to 6 763 Kcal/kg with a resource weighted average of approximately 6 395 Kcal/kg. The coal quality is considered suitable for thermal applications, particularly for power generation and is also considered suitable for industrial use such as cement and fertilizer manufacturing, gas extraction, and all growing industries within Tanzania in particular and Africa in general.

Table 2: Total classified coal inventory by seam (Radley, 2010)

Seam	Million Tonnes (Mt)	Inherent Moisture (%)	Ash (%)	Fixed Carbon (%)	Volatiles (%)	Total Sulphur (%)	Density (g/cm³)	Gross CV (MJ/kg)	Gross CV (kcal/kg)
5	42	2.41	27.51	41.40	28.69	0.78	1.60	23.33	5 665
4	51	2.86	24.93	48.21	24.29	1.06	1.55	24.63	5 956
3	104	3.02	16.77	54.46	25.85	1.13	1.48	27.19	6 547
2	20	3.15	14.46	55.07	27.32	1.49	1.42	27.76	6 657
1	35	2.53	15.52	52.55	29.56	2.27	1.45	28.32	6 763
Total	251	2.8	19.9	50.8	26.6	1.2	1.50	26.23	6 395

Notes:

1) *Coal Resources have been rounded to appropriate levels of accuracy in accordance with The JORC Code (2004)*
2) *The estimates of Coal Resources in this table have been carried out by Ravensgate geological consultants in accordance with The JORC Code (2004)*
3) *Coal quality data reported is based on weighted averages for all seams*
4) *The Inherent Moisture is reported at an as received basis; all other analysis are reported air dried "air dried basis".*

Wave Engineering Solutions completed a Bankable Feasibility Study in September 2010 considering the commercialisation of a thermal coal resource. This study confirms the economic viability of Atomic's coal reserves at Mbalawala Block. The reserve estimate used in this study was prepared by Coffey Mining Australia in accordance with the JORC Code (2004). A proven reserve of 40Mt (Table 3) was calculated using conventional open pit mining methods. The reserve estimate is based on a run of mine cost of US$27/ton. Total costs of US$32.30/t, and a capital cost of US$98.3M are used. At a production rate of 1.5Mt, a life of mine of 25 years is expected and a resultant hurdle rate in excess of 25% (nominal) is achievable. In addition, the study indicates that there is high potential to increase the proven reserve component of the measured resource for underground mining areas, by continued mine development planning. A review of the resource model for coal located outside of the designed open pit defined a potential underground mining reserve of 50Mt of coal, assuming a conservative 50% recovery of the resource.

Table 3: Mbalawala Proven Mineable Reserve (Coffee Mining, 2010)

Seam Number	RoM Coal Reserves (Tonnes)
Seam 5	4,912,085
Seam 4	6,867,868
Seam 3	18,876,686
Seam 2	2,663,394
Seam 1	6,862,196
Total	**40,182,229**

The additional coal resources and reserves achieved by Tancoal come at a suitable time, as they will assist the Tanzanian Government in addressing the deepening power crisis in the country. Furthermore, preliminary investigations highlight that Mbalawala coal is of suitable quality for usage in the local cement manufacturing industry.

Mbuyura/Mkapa

Historic CDC drilling in Mbuyura/Mkapa indicated that 5 out of 13 drillholes intersected what was considered 'payable' coal seams in the 1950's. Many of the intersections were mineable thickness however the CDC considered that the lateral extent may not be as persistent.

The CDC calculated an inferred resource of between 10 – 25 Mt. Review and re-analysis of 13 historical CDC and 27 recent Tancoal drillholes confirmed 6 seams, however, only seams 3 and 4 show a reasonable level of continuity (Figure 2). This has resulted in an Exploration Target[1] range of 160 to 320Mt to a depth of 500m. Lower and upper ranges (Table 4) take cognisance of reasonable assumptions with regard to seam variability, continuity and thickness.

Table 4: Exploration Target[1] ranges for Mbuyura/Mkapa.

Seam	Surface to 50m depth (Mt)	50m to 500m depth (Mt)	> 500m depth (Mt)
Seam 4 (a, b, c)	8 - 17	35 – 70	5 – 10
Seam 3 (a, b)	12 - 23	105 – 210	65 – 130
Total	**20 - 40**	**140 – 280**	**70 – 140**

Investigations based on the available data indicate that coal seams extend to the south of the Mbuyura/Mkapa Blocks, referred to as Nyakangunda. Therefore, the planned drilling and exploration programme will focus on down dip and strike directions of the Mbuyura/Mkapa Blocks as well as the newly acquired Nyakangunda tenement. The planned drillhole spacing aims at establishing an indicated resource initially. This will allow for the future resource estimates to be easily converted to a probable reserve estimate. In addition, the drilling program will confirm seam continuity, provide quality data and hence improve/validate the current geological model. This will allow for JORC Code compliant resource estimates to be completed.

[1] *The potential quantity of coal presented is conceptual in nature and there is insufficient exploration data currently available to define a Mineral Resource in this area under the JORC (2004) Code. The nature of an Exploration Target is such that it is uncertain if further exploration will result in the determination of a Mineral Resource.*

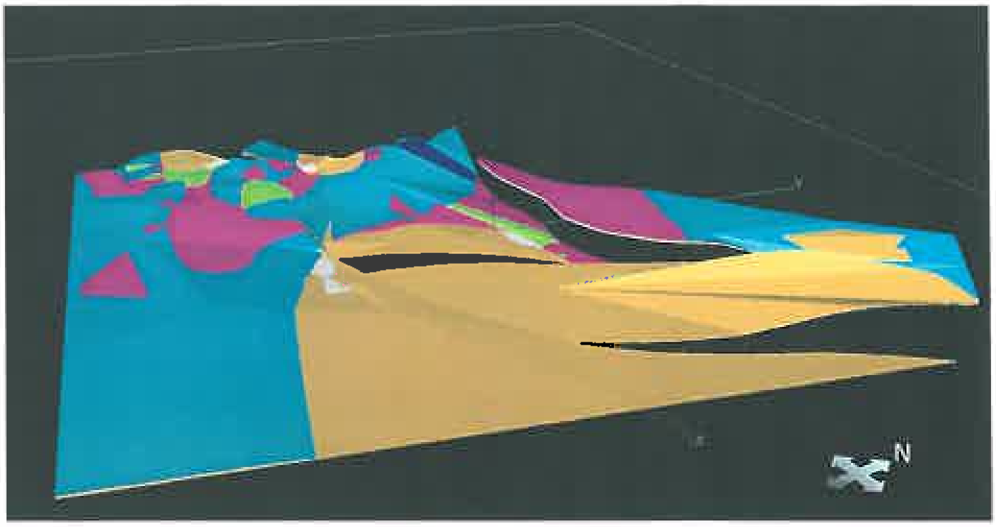


Figure 2: Wireframe model for Mbuyura/Mkapa Blocks illustrating various seams.

Mbamba Bay and Liweta

Mbamba Bay Coalfield is located approximately 5km southeast of the Mbamba Bay port. The coal bearing Mchuchuma Formation extends under the alluvial plane of the Luhekey River. Coal observations were made in the Luhekey River and its tributaries. Two coal outcrops were observed in the coalfield, one of the outcrops is approximately 1.75m thick.

The Liweta concession is approximately 10km south of the Mbamba Bay Coalfield. Coal is contained in the Mchuchuma and Mhukuru Formations. Coal outcrops were observed in rivers, with 6 coal seams reported in the area varying in thickness from 0.1m to 1.4m. Two potentially workable coal seams of greater than 0.7m have been reported.

Additional coal bearing areas were identified in Liweta and Mbamba Bay. Tancoal is working closely with the NDC to improve all tenements. Further exploration work will aim in better defining the nature of the seams and their potential metallurgical and coking coal properties.

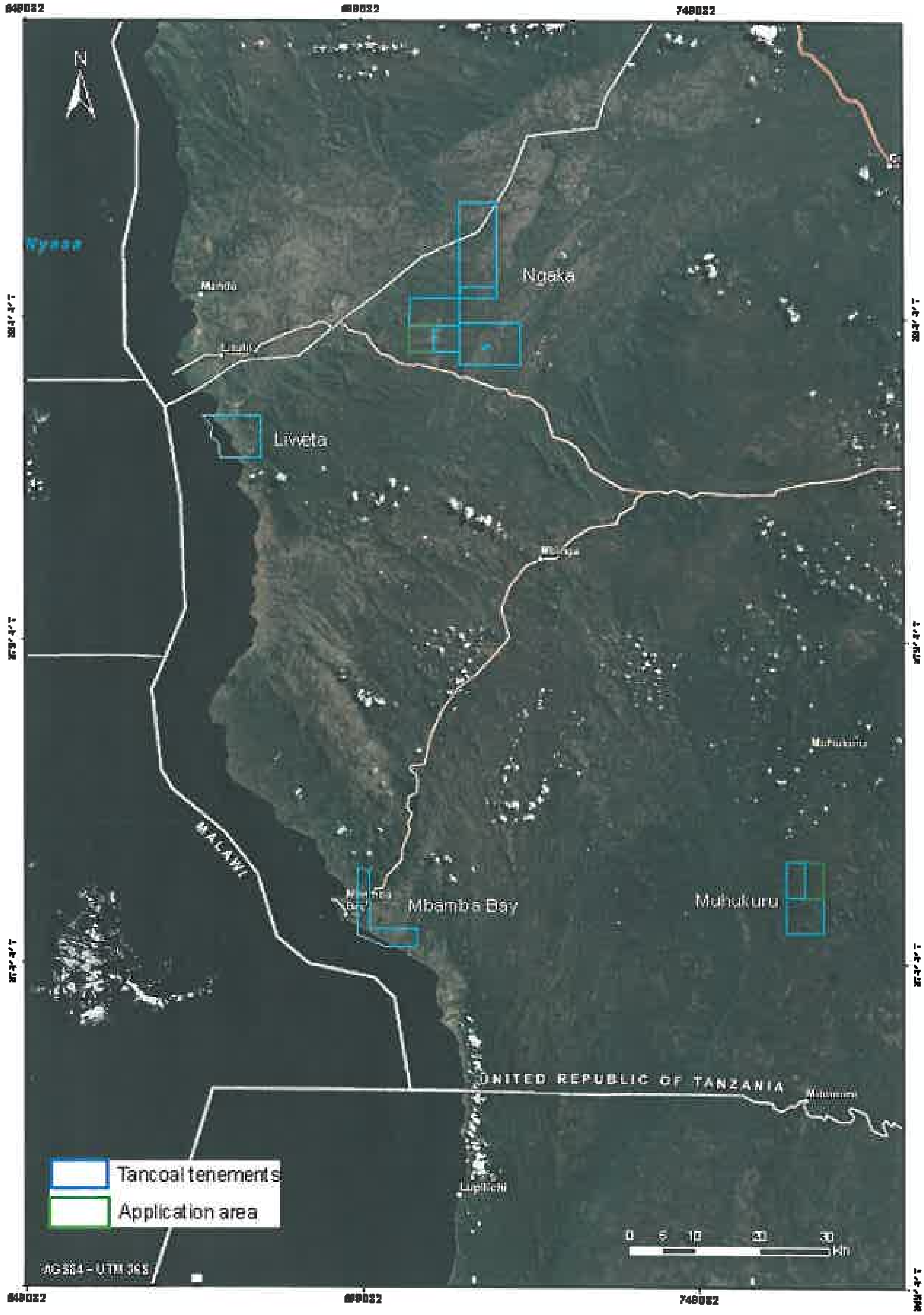

Nyasa
Ngaka
Liweta
Mbamba Bay
Muhukuru
MALAWI
UNITED REPUBLIC OF TANZANIA
Tancoal tenements
Application area
0 5 10 20 30 Km

Figure 3: Tancoal's tenements indicating location of Mbamba Bay and Liweta.

Rukwa

Last year, the Company entered into a Memorandum of Understanding for 80% of the Rukwa Coalfield with local Company Upendo Group Limited ("Upendo"). This coalfield comprises two areas of down faulted Lower Karoo coal measures in western Tanzania, the Namwelle-Mkomolo Coalfield and the Muze Coalfield. They are located about 15km apart, some 40-50 km by road north of the regional capital, Sumbawanga, and approximately 130km and 220km respectively from the Mpanda (Central Line) and Tunduma (Tazara Line) rail heads.

Potentially workable coal within the upper part of the Namwelle-Mkomolo coal zone occurs in seams up to 1m thick, commonly aggregating 2.0-2.5m, separated by carbonaceous mudstone partings. Initial exploration, including shaft sinking and the drilling of three boreholes, was conducted in the Coalfield in the 1920s and 1930s, but it was not until the 1940s that systematic evaluation was undertaken (McConnell, 1947). McConnell reports on the results of 985m of pitting plus 1,009m of underground exploration development in the Namwelle block. Four shafts were sunk, from two of which the seam was driven down and a number of headings and crosscuts developed. Mkomolo was assessed from old 1935 shafts and pits and trenches. McConnell estimated total coal resources at Namwelle and Mkomolo at 5Mt and 2.5Mt, respectively (currently unclassified). The coal can be described as high volatile bituminous coal, with high ash, high sulphur and a moderate to low specific energy.

In 2004, Tanzanian company Upendo obtained 26 PMLs (Mining Leases) over the main Namwelle-Mkomolo coal zone and began small scale opencast production at an average annual rate of about 2,500t/yr. The coal is trucked to Mbeya and sold to Mbeya Cement and local industries. No recent exploration work has been undertaken.

Muze Coalfield is less well defined than Namwelle-Mkomolo, occurring as a fault margin inlier on the south-western floor of the great Rukwa Rift Valley, and although close to Namwelle, Muze lies at an altitude of just 850m, or 900m below Namwelle, at the foot of the Rukwa rift escarpment. The stratigraphic column at Muze is very similar to that at Namwelle, with the Karoo sediments largely dipping to the northwest off an upthrown basement gneiss block in the floor of the rift. In close proximity to the main rift fault the coal measures appear to be highly disturbed structurally, but they may flatten with distance from the rift.

Historical exploration at Muze comprised shaft sinking in the 1930s followed by the drilling of two diamond drill holes in 1945. The latter showed that the main Muze coal zone extends below the Neogene Rukwa Lake Beds cover towards the northeast. Potentially workable coal occurs in at least one seam of thicknesses of up to 3.2m, containing perhaps 2.4m of coal, and is generally of better quality than Namwelle coal, being lower in sulphur and possessing higher specific energy. Apart from a bulk sample of coal having been obtained from a new shaft sunk in 1947 by Williamson Diamonds Ltd, the Muze Coalfield has never been worked.

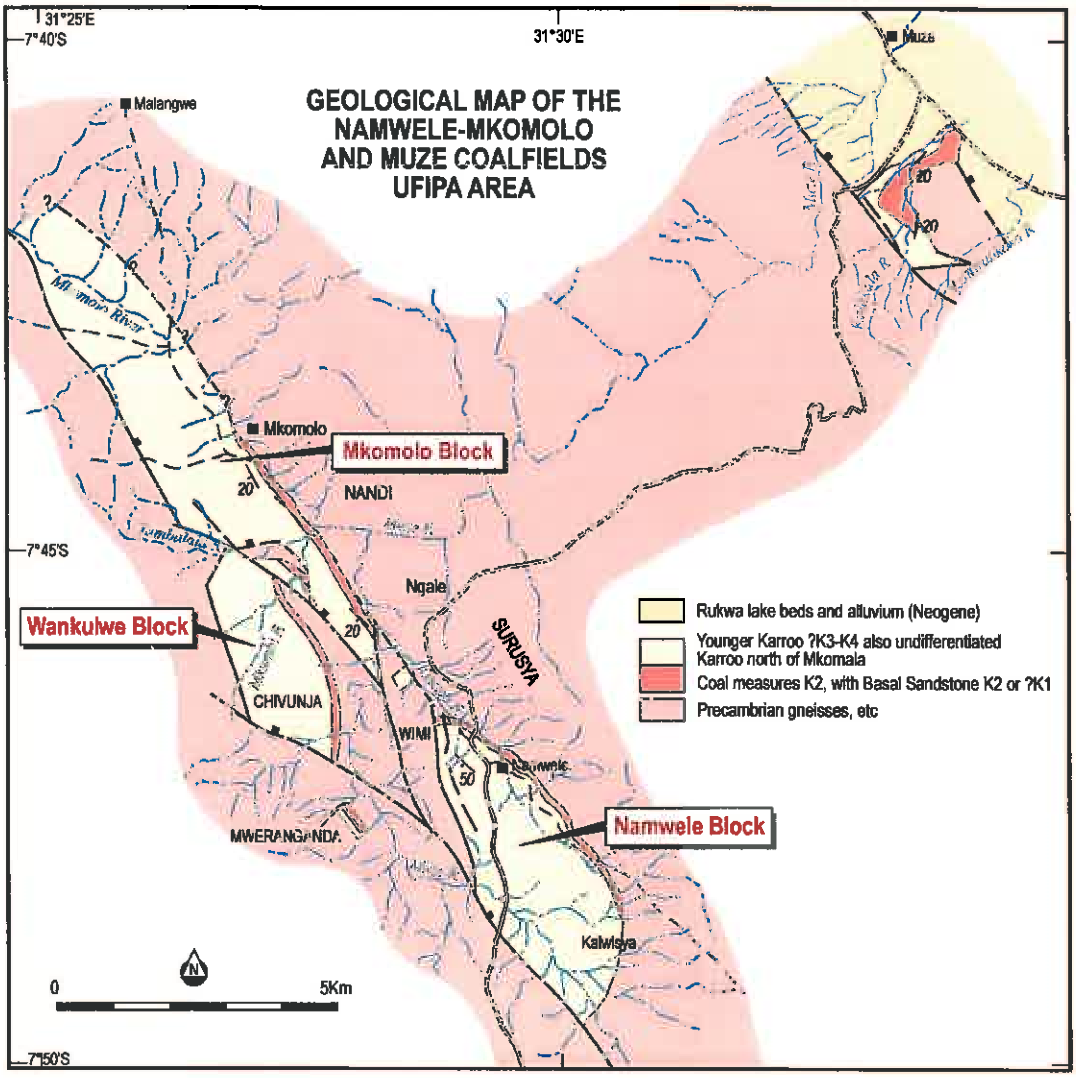
Whilst historical estimates of coal exist for the muse sector, these estimates are currently unclassified. Exploration drilling through the Rukwa Lake Beds will commence as soon as the JV agreement is completed, subject to confirmation of continuity in ownership of the concessions.

Bahi

The remaining Tanzanian concessions at Bahi and Tunduru were the subject of a uranium exploration Joint Venture with International Gold Mines Limited ("IGML") as the operators. PCEA resumed 100% interest in the concession mid 2009 when IGML withdrew from the JV for financial reasons.

There are three concessions comprising the Bahi Project: Bahi, Bahi North and Handa. The project is located within the Bahi region of northern Tanzania 180 kilometres northwest of the capital Dodoma.

The Handa concession in particular is centered on a single radiometric anomaly determined by Uranerz during their country wide survey in the late 1970s. The anomaly is yet to be tested on the ground and provides the Company with a well defined focus for the initial exploration within the region.



Tunduru

The concession and application cover part of the Karoo System and the underlying geology is considered to be prospective for uranium. The region is underexplored in regards to the uranium potential.

The rocks of the region are shown to be largely underlain by formations of the Phanerozoic Karoo Supergroup and Proterozoic Usangaran metamorphic formations to the east. The Karoo formations occur throughout Southern Africa and have drawn much attention from previous explorers. Uranium mineralisation is thought to be associated with the sandstone beds as roll fronts. The region is currently actively explored by close neighbours, Mantra Resources Limited and Paladin NL (both Australian listed companies). Like Bahi, the Company has started field investigations here with a view to follow up work before the end of 2009.

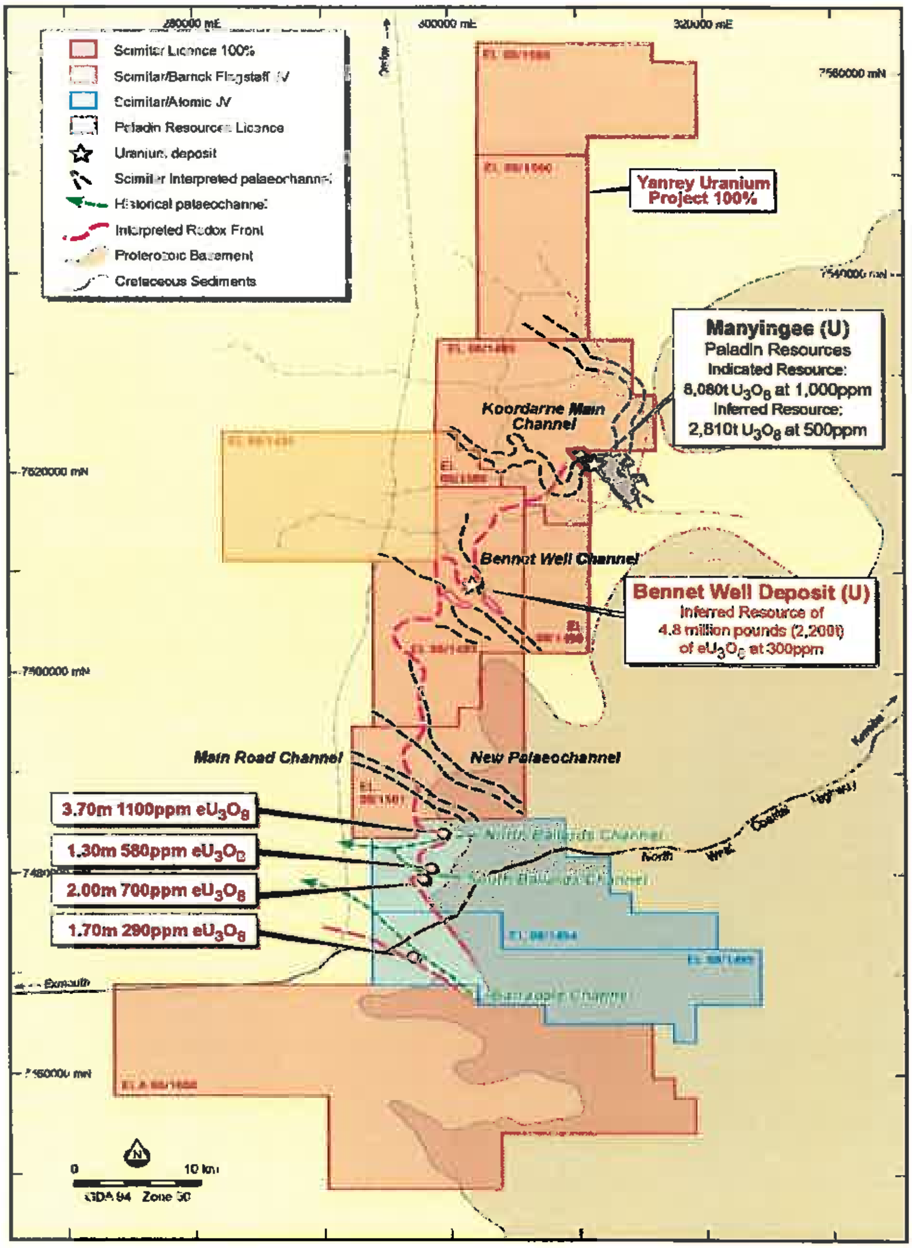
Australian Projects

Uaroo

The Uaroo Project is 110km south of the town of Onslow in Western Australia and covers rocks that are primarily considered highly prospective for sandstone hosted roll front uranium mineralisation. This concession is currently in joint venture with Cauldron Energy Limited (formerly Scimitar Resources Limited). The licences are situated approximately 24km south of the Bennett Well Uranium Project managed by Cauldron and 36km south of the Manyingee uranium deposit (owned by Paladin Resources Limited (ASX: PDN)) which has a published indicated and inferred resource of 12,078 tonnes at 0.08% U3O8.

Geologically, the tenements cover the basin margin between paleoproterozoic rocks of the Gascoyne complex and the Cretaceous sediments of the Carnavon Basin. During the late 1970's to early 1980's CRA Exploration Pty Ltd (CRAE) conducted uranium exploration in the area covering from Manyingee down to the Uaroo project area. From their work, a 40km redox front was defined that trends broadly north to south. This subsequently led to the discovery of anomalous uranium at Bennett Well as well as at the North Ballards, South Ballards and Barradale channels. The latter, in particular, is one of the largest channels observed along the redox front identified by CRAE. This channel is postulated to be over 4km wide and approximately 8km long within the tenement.

The area under licence also extends eastward across the identified granite rocks of the Gascoyne complex and this is also considered prospective as the source rocks for the uranium identified in the channels.


Scimitar Licence 100%
Scimitar/Barrick Flagstaff JV
Scimitar/Atomic JV
Paladin Resources Licence
Uranium deposit
Scimitar Interpreted palaeochannel
Historical palaeochannel
Interpreted Redox Front
Proterozoic Basement
Cretaceous Sediments
Yanrey Uranium Project 100%
Manyingee (U)
Paladin Resources
Indicated Resource:
8,080t U_3O_8 at 1,000ppm
Inferred Resource:
2,810t U_3O_8 at 500ppm
Koordarrie Main Channel
Bennet Well Channel
Bennet Well Deposit (U)
Inferred Resource of
4.8 million pounds (2,200t)
of eU_3O_8 at 300ppm
Main Road Channel
New Palaeochannel
3.70m 1100ppm eU_3O_8
1.30m 580ppm eU_3O_8
2.00m 700ppm eU_3O_8
1.70m 290ppm eU_3O_8
North West Coastal Highway
Exmouth
0
10 km
GDA 94 Zone 50

Eraheedy

Fyfe Well is considered by the Company to be the only recorded occurrence of calcrete-hosted uranium mineralisation north of Lake Teague. There are several occurrences in the southern part of the sheet associated with valley calcretes in palaeodrainages draining north from Archaean granites exposed to the south. Based on the Cainozoic drainage patterns, the immediate source of the uranium appears to be the sedimentary rocks of the Eraheedy Group rather than the granitic rocks of the Archaean basement.

Fyfe Well is the most advanced prospect in this area where two adjacent zones of shallow carnotite mineralisation were outlined by drilling and trenching over an area of 6 hectares. The drilling area is seen to cover only a small portion of the current tenement. In addition, the most significant drill intersection (T63) comes from an area of subdued radiometric response and the main radiometric response over the area of the trench and eastern drill intersections extends beyond the area drill tested. This, together with the existence of mineralisation of 393ppm Uranium found in sub crop grading approximately 175m south west of the trench indicates the potential for extensions to the known mineralisation to be identified with further drilling.

In 1972, following the announcement of the discovery of Yeelirrie by Western Mining, Esso flew a radiometric survey over known calcrete deposits in Central Western Australia. The survey highlighted an anomaly in an area of playa lakes and calcrete to the north of Lake Teague within the area of the present E69/2215.

Surface sampling of calcrete and soil was undertaken. Results ranging from 56-225ppm Uranium were encountered. The secondary uranium mineral carnotite was identified forming crystalline films along fractures and other voids in the calcrete during reconnaissance mapping. Esso established grid lines along which scintillometer and soil sampling programs were conducted.

This was followed up with two drilling programs for a total of 185 holes to depths of up to 15m. Drillhole spacing was generally 600m x 600m with local infill to 300m x 300m or less. A portable total-count instrument was used to log all holes. Samples were taken over 5 ft (1.5m) increments. The drilling reported by Esso intersected significant low grade mineralisation in a number of holes, with a best result of 25 ft (7.6m) grading 0.28 kg/t U3O8, including 1.0kg/t U3O8 over 5ft (1.5m), in hole T70.

Esso reported that thirty six holes returned anomalous gamma radioactivity with values of up to 7,000cps. The Company has completed first phase exploration in the area, locating the site of historical drilling and collecting numerous outcrop and soil samples. The results of the work should be available in the second half of 2009. In total approx 60 samples were collected.

Ashburton

The project comprises one granted exploration licence of approximately 96km2 located 300km north-east of Carnarvon in the Ashburton Mineral Field. The tenement lies mainly on the Uaroo pastoral lease but a small western portion lies on the Towera pastoral lease.

The project area is largely underlain by elements of the Palaeoproterozoic Gascoyne Complex. Granitoid rock types predominate, with subordinate sedimentary schists. Younger Proterozoic sediments of the Irregully Formation (part of the Bangemall Supergroup) are preserved in a northwest trending synclinal limb in the central part of the project area. The unconformity is marked by conglomerates and sandstones of the Yilgatherra Formation, a persistent horizon that forms lowest unit of the Bangemall Supergroup. Cainozoic calcrete remnants are locally preserved in palaeodrainages.

Uranium mineralisation is known from a number of localities within the immediate area of the project and comprises 2 main types: vein and hydrothermal uranium/copper/lead mineralisation; and calcrete hosted uranium mineralisation. The area is also considered prospective along the Gascoyne Complex/Bangemall Supergroup unconformity, although examples of this mineralisation style have yet to be recognised in the area.

The Laura locality was included in the "Telfer West (Lucie Area) prospect" evaluated by Afmeco Pty Ltd (subsidiary of the French COGEMA uranium group) in the mid 1970's (Geological Survey Western Australia (GSWA) open file report A8090). Afmeco identified two sources of radiometric anomalism in the area: iron/manganese impregnations within fractures close to pegmatite intrusions; and uranium-copper mineralisation associated with quartz veins. The former type was identified at 7 locations whereas the latter type was restricted to a single anomaly known as Laura, within a 40-60m wide tectonised pegmatite dyke.

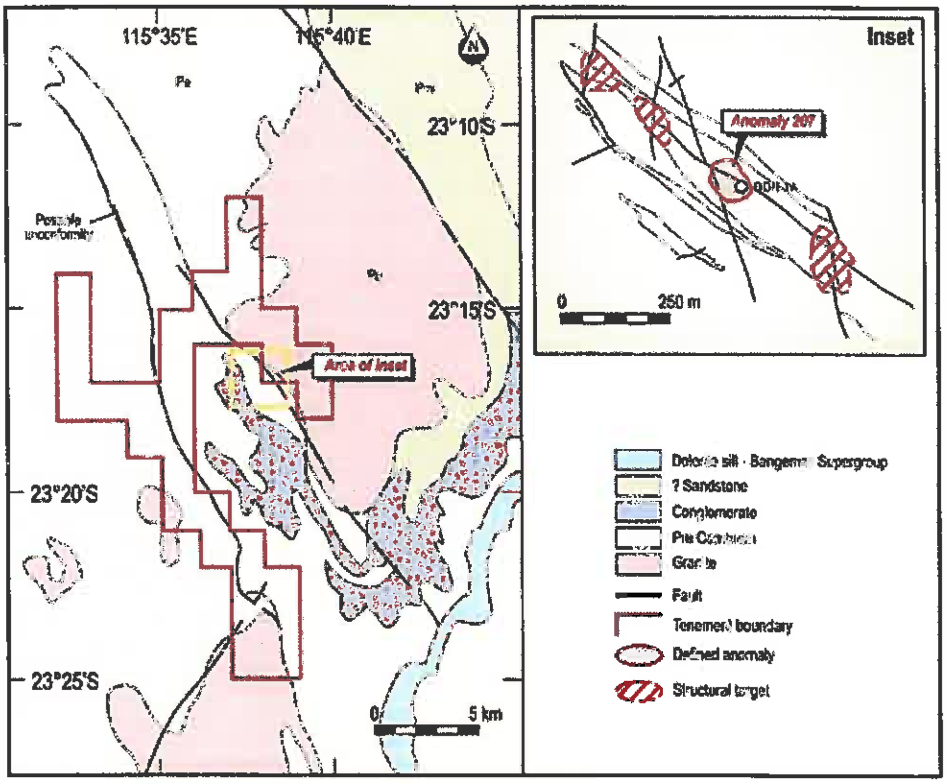


Figure 4 - Ashburton tenement and Laura Prospect - generalised geology

The Laura uranium mineralisation comprises torbernite and autunite and is associated with copper. Mineralisation occurs as disseminations within quartz veins, at quartz vein margins and within greisen zones. Due to access difficulties Afmeco did not drill test the more favourable zones but a single declined hole was drilled to 130m depth approximately 25m along strike from Laura. Copper and traces of a bismuth telluride were noted in veins however no significant mineralisation was intersected. 60% core loss was incurred in a 4m wide zone of anomalous radioactivity.

Approximately 10km of the Gascoyne Complex/Bangemall Supergroup unconformity lies within the tenement and is considered prospective for unconformity-related uranium mineralisation. Previous workers have noted sporadic outcrops of the Yilgatherra Formation along this unconformity and more detailed mapping could result in further exposures.

Laboratory analyses of rock chips collected by Atomic Resources from the Laura Prospect confirm that uranium mineralisation is present at the prospect. The results required additional work to be completed at the project, and the Company will seek to complete more extensive exploration over the coming 12 months including if possible drilling.

Results of the sampling included values up to 0.254kg/t with 6 samples all exceeding 0.15kg/t as determined by an Exploranium 135 field spectrometer.

Tanami

Sturt Hills E80/3792; Larranganni E80/3795 (100% Resource Search Pty Ltd, a wholly owned subsidiary of Atomic)

A regional geological field survey was completed on the the Sturt Hills and Laraganni Projects, Tanami Region north Western Australia. Whilst the surface rock chip samples that were collected are to be analyzed in the laboratory for a broad suite of elements including gold and base metals, 20 of the 34 samples collected at Larranganni were analyzed in the field using a hand held spectrometer with four indicating potentially anomalous uranium.

The Larranganni Project covers the unconformable contact between sediments of the lower Proterozoic Killi Killi Beds sporadically exposed in the western half of the licence and the Middle Proterozoic Gardiner Range Sandstone. The Killi Killi Beds comprise a variable sequence of steeply dipping greywacke, sandstone, siltstone and mudstone, whereas the overlying Gardiner Range Sandstone comprises flat lying sequence of sandstones and grits with a basal conglomerate.

Historic drill-testing of uranium targets immediately south of the licence by Alcoa in 1977 resulted in intersections of ultramafic metapyroxenite in several holes. There are a number of examples of outcropping unconformity-related uranium mineralisation in the district.

In 1977, Alcoa identified a uranium prospect on the Larranganni Grid immediately south of present E80/3792 from an airborne radiometric survey. Shallow vacuum drilling returned values of up to 30ppm U3O8, with follow up percussion drilling returning maximum values of 19ppm U3O8 from weathered ultramafic bedrock in hole 36.

The Sturt Creek project comprises two contiguous exploration licences located approximately 200km south of Halls Creek in the Kimberley Mineral Field.

The project area is largely covered by Cainozoic surficial deposits (sandy soil and calcrete) with only occasional mapped outcrops of Knobby Sandstone of Upper Devonian age (Blake). This unit is described by Geological Survey of Western Australia as being bedded quartzose sandstone of fluvial origin. The underlying basement is represented by bedded arenites of the Baines Beds of Carpentarian age that outcrop in the Baines Hills in the south east corner of E80/3794.

The target formation is the Knobby Sandstone which contains facies of fluviatile and deltaic sediments considered prospective for roll-front style of uranium.

Competent Person's Statement

The information in this public report that relates to mineral resources is based on information compiled by Mr Gokhan Guler, who is a member of a Recognised Overseas Professional Organisation (ROPO) included in a list promulgated by the ASX from time to time (The South African Institute of Mining and Metallurgy). Mr Guler is employed by Shango Solutions Geological Consultancy and is also a director of that company.

Mr Guler has over 15 years experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Guler has consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.

FINANCIAL POSITION

The net assets of the economic entity as at 30 June 2010 are $3,243,275 (2009 $5,534,713) being predominantly made up of $1,088,562 in cash and $2,400,093 interests in exploration assets.

The directors believe the Group is in a strong and stable financial position to expand and grow its current operations.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On the 4th July 2009, an additional 16,000,000 shares were released from escrow and were listed on the ASX increasing the listed share capital to 57,800,000 shares.

On the 11 August 2009 the Company completed a placement of 8,670,000 shares at a price of 10.5 cents to sophisticated investors which raised $910,350 (before costs) and increasing the share capital to 66,470,000 shares.

On the 21st August 2009 the Company announced a fully underwritten pro-rata non-renounceable rights issue of one share for every two shares held which raised $3,489,747 (before costs) and increased the share capital by 33,235,000 shares, taking the total issued share capital to 99,705,000 shares. The money raised was used to fund on-going expenditure in relation to the Bankable Feasibility Study (BFS) at Ngaka in Western Tanzania, which commenced in May 2009.

Other than stated above there were no other significant changes in the state of affairs of the Company during the year ended 30 June 2010.

AFTER BALANCE DATE EVENTS

On the 13th July 2010 the Company completed a private placement of 14,944,530 shares at $0.15 per share to sophisticated investors arranged by Alto Capital and Delta Capital. The placement raised $2,241,680 before costs which the Company intends to use to fund ongoing works programs at its Ngaka Coal Projects in Tanzania and for additional working capital.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

To further explore and develop the Group's mineral projects in Western Australia and Tanzania, Africa.

LIKELY DEVELOPMENTS

Other than information disclosed elsewhere in this annual financial statements, information on likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this directors' report because the directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

The Group is subject to environmental regulations and is compliant with all aspects of environmental regulation on its exploration activities including provision for environmental rehabilitation costs. The directors are not aware of any environmental law that is not being complied with.

INFORMATION ON DIRECTORS

Clive Hartz	Chairman. Age 66.
Experience	Clive is Chairman and Chief Executive Officer of a private diverse investment group that he established in 1976. The group's interests span property, exploration, mining and construction and have included the development of retirement villages, offices, showrooms, industrial and residential buildings, subdivisions and shopping centres. Clive has held a number of public positions. Clive was a key participant in the resurrection of Skywest Airlines in Western Australia. He is currently the President and Chairman of IGC Resources Inc., a Canadian listed resources company.
Interest in Shares and Options	Mr. Hartz has a relevant interest in 18,664,000 fully paid shares, 3,250,000 unlisted options and 9,384,300 listed options.
Directorships held in other listed entities	IGC Resources Inc (TSX Listed)
Clinton Cain	Managing Director. Age 54.
Experience	Clinton holds a diploma in Mechanical and Electrical Engineering, a Graduate Diploma in Business Management and a Masters of Business Administration (MBA). He brings to Atomic over 25 years experience in the mining and heavy engineering industries including coal, and has extensive business and corporate experience in Africa and Australia.
Interest in Shares and Options	Mr Cain has a relevant interest on 94,000 fully paid shares, 2,000,000 unlisted options and 1,000,000 listed options.
Directorships held in other listed entities	None.
Alastair Walker BBus, FCPA	Non-Executive Director and joint Company Secretary. Age 53.
Experience	Alastair has a Bachelor of Business and is a Fellow of CPA Australia. He has over twenty years experience in the accounting profession and commerce in areas such as finance, mining and property development. He was Company Secretary and CFO of a WA based diverse private investment group involved in resources and property development. Alastair has served as Secretary of ASX listed companies.

Interest in Shares and Options	Mr Walker has a relevant interest on 300,000 fully paid shares, 500,000 unlisted options and 450,000 listed options.
Directorships held in other listed entities	None

INFORMATION ON COMPANY SECRETARY

Tom Melanko B.Bus, CPA	Appointed 4 February 2010. Age 48
Experience	Tom has over 19 years commercial and corporate accounting experience and over 10 years experience as a Company Secretary for public listed companies. He is a Certified Practising Accountant (CPA) and holds a Bachelor of Business Degree (Accounting).
Interest in Shares and Options	Mr. Tom Melanko has a relevant interest in 150,000 unlisted options.
Directorships held in other listed entities	None

REMUNERATION REPORT (Audited)

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

(a) Remuneration Policy

The remuneration policy of Atomic Resources Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The Board of Atomic Resources Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for board members and senior executives of the Company is noted in the following paragraphs.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the Board. Non-executive directors receive fees for their services as approved by shareholders.

Executive directors can be employed by the Company on a consultancy basis, on Board approval, with remuneration and terms stipulated in individual consultancy agreements.

The Board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. In addition external consultants may be used to provide analysis and advice to ensure the directors and senior executives' remuneration is competitive in the market place.

The Board exercises its discretion in determining remuneration performance of executives. Given the size and nature of the entity the Board does not deem it to be realistic to measure performance against defined criteria. As such remuneration and performance are not linked.

REMUNERATION REPORT (Audited) (continued)

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

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees for non-executive directors are not linked to the performance of the economic entity. The directors are not required to hold any shares in the Company under the Constitution of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

(i) *Remuneration Committee*

During the year ended 30 June 2010, the economic entity did not have a separately established nomination or remuneration committee. Considering the size of the economic entity, the number of directors and the economic entity's early stages of its development, the Board is of the view that these functions could be efficiently performed with full Board participation.

(ii) *Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration*

No relationship exists between shareholder wealth, director and executive remuneration and Company performance except for options issued.

(b) Key Management Personnel

Name	Position Held
Mr Clive Hartz	Chairman
Mr Gideon Nasari	Chairman – Tancoal Energy Limited
Mr Clinton Cain	Managing Director – appointed 4 February 2010
Mr Alastair Walker	Non-Executive Director and Joint Company Secretary
Mr Tom Melanko	Chief Financial Officer and Joint Company Secretary – appointed 4 February 2010
Mr Peter Tsegas	Managing Director Tancoal Energy Limited – resigned 27 August 2010
Mr David Holden	Managing Director – resigned 4 February 2010
Mr Mike Robbins	Chief Financial Officer and Joint Company Secretary – resigned 8 February 2010

REMUNERATION REPORT (Audited) (continued)
(c) Details of Remuneration

The remuneration for each director (key management personnel) of the economic entity during the year ended 30 June 2010 was as follows:

2010	Short-term				Post employment		Long-term		Share-based payment	Total	% of remuneration granted as options
	Salary and fees $	Cash bonus $	Non monetary benefits $		Super-annuation $	Retirement benefits $	Incentive plans $	Long service leave $	Options $	$	%
Non-Executive directors											
Mr A Walker	40,200	-	6,803		2,049	-	-		-	49,052	-
Sub-total Non-Executive directors	**40,200**	-	**6,803**		**2,049**	-	-	-	-	**49,052**	-
Executive directors											
Mr C Hartz	20,000	-	6,803		-	-	-	-	-	26,803	-
Mr C Cain	128,713		1,418		338				54,581	185,050	29.49%
Mr D Holden	59,114	-	3,967		-	-	-	-	-	63,081	-
Sub-total Executive directors	**207,827**	-	**12,188**		**338**	-	-	-	**54,581**	**274,934**	-
Other key management personnel											
Mr T Melanko	61,686	-	1,418		5,250	-	-	-	5,777	74,131	7.79%
Mr M Robbins	26,666	-	-		2,400	-	-	-	-	29,066	-
Mr G Nasari	33,393	-	-		-	-	-	-	78,640	112,033	70.19%
Mr P Tsegas	308,615	-	-		-	-	-	-	-	308,615	-
Sub-total KMP	**430,360**	-	**1,418**		**7,650**	-	-	-	**84,417**	**523,845**	-
Totals	**678,387**	-	**20,409**		**10,037**	-	-	-	**138,998**	**847,831**	-

REMUNERATION REPORT (Audited) (continued)
(c) Details of Remuneration

The remuneration for each director (key management personnel) of the economic entity for the period ended 30 June 2009 was as follows:

2009	Short-term				Post employment		Long-term		Share-based payment	Total	% of remuneration granted as options
	Salary and fees $	Cash bonus $	Non monetary benefits $		Super-annuation $	Retirement benefits $	Incentive plans $	Long service leave $	Options $	$	%
Non-Executive directors											
Mr A Walker	11,250	-	6,367		-	-	-		-	17,617	-
Sub-total Non-Executive directors	**11,250**	-	**6,367**		-	-	-	-	-	**17,617**	-
Executive directors											
Mr C Hartz	15,000	-	6,367		-	-	-	-	-	21,367	-
Mr D Holden	105,750	-	6,367		-	-	-	-	-	112,117	-
Sub-total Executive directors	**120,750**	-	**12,734**		-	-	-	-	-	**133,484**	-
Other key management personnel											
Mr P Tsegas	166,789	-	8,284		-	-	-	-	-	175,073	-
Sub-total KMP	**166,789**	-	**8,284**		-	-	-	-	-	**175,073**	-
Totals	**298,789**	-	**27,385**		-	-	-	-	-	**326,174**	-

REMUNERATION REPORT (Audited) (continued)

(d) Cash Bonuses

There were no cash bonuses paid during the year.

(e) Share-based Payment Bonuses

There were no share-based bonuses paid during the year.

(f) Options issued as part of remuneration for the year ended 30 June 2010

No options lapsed or were exercised by Key Management Personnel during the year ended 30 June 2010.

Details of options over ordinary shares in the company provided as remuneration to each director and key management personnel are set out below. When exercisable, each option is convertible into one ordinary share of Atomic Resources Limited.

2010

Directors and other Executives of Atomic Resources Ltd	Number of options granted during the year	Value of options at grant date	Number of options vested during the year	Number of options lapsed during the year	Value at lapse date
Mr Clinton Cain**	2,000,000	196,600	500,000	-	-
Mr Tom Melanko	150,000	5,777	150,000	-	-
Mr David Holden	-	-	-	3,250,000	151,504
Mr Mike Robbins	150,000	5,340	150,000	150,000	3,326
Mr Brad Goodsell	-	-	-	150,000	3,115
Mr Fergus Jockel	-	-	-	150,000	5,487
Total	**2,300,000**	**207,717**	**800,000**	**3,700,000**	**163,432**

* All options have vested and are exercisable (except Mr Clinton Cain)*.
** Mr Clinton Cain's options vest in instalments of 500,000 per year over four years.

2009

Directors and other Executives of Atomic Resources Ltd	Number of options granted during the year	Value of options at grant date	Number of options vested during the year	Number of options lapsed during the year	Value at lapse date
Mr Brad Goodsell	150,000	4,800	150,000	-	-
Mr Todd Eggers	400,000	10,600	400,000		
Mr Fergus Jockel	150,000	4,800	150,000	-	-
Total	**700,000**	**20,200**	**700,000**	-	-

REMUNERATION REPORT (Audited) (continued)

	Issuing entity	Grant Date	Expiry Date	Exercise price $	Reporting date fair value per option $	No. granted	No. Vested
Director							
Mr Clinton Cain	Atomic Resources Limited	8 June 2010	8 June 2014	$0.25	0.0983	2,000,000	500,000
Company Secretary							
Mr Tom Melanko	Atomic Resources Limited	15 March 2010	31 March 2012	$0.25	0.0385	150,000	150,000
Mr Mike Robbins	Atomic Resources Limited	10 November 2009	30 November 2011	$0.25	0.0356	150,000	150,000
2009							
Mr Brad Goodsell	Atomic Resources Limited	30 June 2009	30 June 2011	$0.25	0.032	150,000	150,000
Mr Fergus Jockel	Atomic Resources Limited	30 June 2009	30 June 2011	$0.25	0.032	150,000	150,000
Mr Todd Eggers	Atomic Resources Limited	24 June 2009	24 June 2011	$0.25	0.032	200,000	200,000
Mr Todd Eggers	Atomic Resources Limited	24 June 2009	24 June 2011	$0.35	0.021	200,000	200,000

No options lapsed or were exercised by key management personnel during the year ended 30 June 2009.

(g) Employment Contracts of Directors and Senior Executives

Mr Cain entered into an employment contract through his investment company Cain Family Investments Pty Ltd with the Company commencing on 1st February 2010 as Managing Director for a term of four years or be cancelled by mutual agreement. His rate of remuneration is $344,740 (GST inclusive) which is to be reviewed annually. Mr Cain does not receive director fees and is entitled to 20 days annual leave.

In the event of termination by either party the company may chose to make a payment in lieu of notice, or any unexpired period of notice, at a sum equivalent to the current rate of remuneration.

Mr Melanko entered into an employment contract with the Company commencing on 1st February 2010 as Company Secretary for an indefinite period until terminated by either party by giving not less than one month's notice. His rate of remuneration is $140,000 per annum which is to be reviewed annually.

In the event of termination by either party the company may chose to make a payment in lieu of notice, or any unexpired period of notice, at a sum equivalent to the current rate of remuneration.

The Chairman was entitled to director's fees of $20,000 p.a. and the other directors were entitled to fees of $15,000 p.a.

(h) Key Management Personnel Compensation - Options

2010

Directors and other Executives of Atomic Resources Ltd	Balance at beginning of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable*
Mr Clive Hartz	13,271,682	-	-	(636,882)	12,634,800	12,634,800
Mr Clinton Cain**	-	2,000,000	-	1,000,000	3,000,000	1,500,000
Mr Alastair Walker	950,000	-	-	-	950,000	950,000
Mr Tom Melanko	-	150,000	-	-	150,000	150,000
Mr Mike Robbins	-	150,000	-	(150,000)	-	-
Mr Gideon Nasari	-	800,000	-	-	800,000	800,000
Mr David Holden ^	3,935,000	-	-	(3,250,000)	685,000	685,000
Mr Peter Tsegas	1,000,000	-	-	-	1,000,000	1,000,000
Total	**19,156,682**	**3,100,000**	**-**	**(3,036,882)**	**19,219,800**	**17,719,800**

* All options have vested and are exercisable (except Mr Clinton Cain)*.
** Mr Clinton Cain's options vest in instalments of 500,000 per year over four years.
^ At date of resignation.

2009

Directors and other Executives of Atomic Resources Ltd	Balance at beginning of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable*
Mr Clive Hartz	13,271,682	-	-	-	13,271,682	13,271,682
Mr David Holden	3,935,000	-	-	-	3,935,000	3,935,000
Mr Alastair Walker	950,000	-	-	-	950,000	950,000
Prof. Thomas Neff	300,000	-	-	-	300,000^	300,000
Mr Patrick Michaels	400,000	-	-	-	400,000^	400,000
Mr Peter Tsegas	1,000,000	-	-	-	1,000,000	1,000,000
Total	**19,856,682**	**-**	**-**	**-**	**19,856,682**	**19,856,682**

* All options have vested and are exercisable
^ At date of resignation

(i) Fully paid share holdings

The numbers of shares in the Company held during the financial year or at time of resignation by each director of Atomic Resources Limited, including their personally related parties, are set out below:

(h) Key Management Personnel Compensation – continued

Fully paid shares

2010	Balance at beginning of the year	Granted during the year as compensation	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Mr Clive Hartz	18,314,000	-	-	350,000	18,664,000
Mr Clinton Cain	-	-	-	94,000	94,000
Mr Alastair Walker	300,000	-	-	-	300,000
Mr Tom Melanko	-	-	-	-	-
Mr Mike Robbins	-	-	-	-	-
Mr Gideon Nasari	-	-	-	-	-
Mr David Holden ^	835,000	-	-	42,000	877,000
Mr Peter Tsegas	2,000,000	-	-	(283,650)	1,716,350
Total	**21,449,000**	**-**	**-**	**202,350**	**21,651,350**

^ At date of resignation

2009	Balance at beginning of the year	Granted during the year as compensation	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Mr Clive Hartz	18,314,000	-	-	-	18,314,000
Mr David Holden	770,000	-	-	65,000	835,000
Mr Alastair Walker	300,000	-	-	-	300,000
Prof. Thomas Neff	-	-	-	-	-^
Mr Patrick Michaels	200,000	-	-	-	200,000^
Mr Peter Tsegas	2,000,000	-	-	-	2,000,000
Total	**21,584,000**	**-**	**-**	**65,000**	**21,649,000**

^ At date of resignation.

MEETINGS OF DIRECTORS

During the financial year, 9 meetings of directors were held. Attendances by each director during the year were as follows:

	Board Meetings	
Director	**Attended**	**Held**
Mr Clive Hartz	9	9
Mr Clinton Cain	3	9
Mr Alastair Walker	9	9
Mr David Holden	5	9

INDEMNIFYING OFFICERS OR AUDITOR

During the financial year the Company paid a premium in respect of a contract insuring the directors of the Company, the company secretaries and all executive officers of the Company and of any related body corporate against a liability incurred as a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The Company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the

Company or of any related body corporate against a liability incurred as such an officer or auditor. The contract of insurance prohibits the disclosure of the nature of the liabilities and the amount of the premium.

OPTIONS

At the date of this report unissued ordinary shares of the Company under option to Directors and Executives of the Company are:

	Expiry Date	Exercise Price	Number Shares
	31 August 2011	$0.25	10,834,300
	30 June 2012	$0.25	3,750,000
	31 March 2012	$0.25	150,000
	8 June 2014	$0.25	2,000,000
	15 June 2012	$0.25	200,000
Total			**16,934,300**

At the date of this report unissued ordinary shares of the Company under option to those other than Directors and Executives of the Company are:

	Expiry Date	Exercise Price	Number Shares
	31 August 2011	$0.25	17,565,700
	31 August 2011	$0.25	500,000
	24 June 2011	$0.35	200,000
	24 June 2011	$0.25	200,000
	15 June 2012	$0.25	200,000
	8 June 2014	$0.25	800,000
Total			**19,465,700**

During the year ended 30 June 2010, no ordinary shares of Atomic Resources Limited were issued on the exercise of options. No further shares have been issued since that date on the exercise of options.

The holders of these options do not have any rights under the options to participate in any share issues of the company.

No ordinary shares of Atomic Resources Ltd were issued during or since the end of the financial year as a result of exercise of options granted under the Employee Option Plan.

LOANS TO DIRECTORS AND EXECUTIVES

No loans were made to any directors or executives during the financial year.

NON-AUDIT SERVICES

The Board of directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and APES110 Code of Ethics for Professional Accountants.

The following fees for non-audit services were paid to an affiliated entity of the external auditors during the year ended 30 June 2010:

Taxation Services	Nil

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration, as required under Section 307C of the Corporations Act 2001, for the year ended 30 June 2010 has been received and can be found on page 36 of the directors' report.

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

Mr Alastair Walker
Director

Dated this 30th day of September 2010

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

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

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.

The information below summarises the Company's compliance with the Corporate Governance Council's Recommendations:

i) Statement on Corporate Governance

This statement reports on the key governance framework, principles and practices for Atomic Resources Limited ("Atomic" or "the Company"). These principles and practices are reviewed regularly and revised as appropriate to reflect changes in law and best practice in corporate governance.

Atomic's Corporate Governance Statement is structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

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

Given the size and structure of the Company, the nature of its business activities, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, it has adopted a range of modified systems, procedures and practices which it considers will enable it to meet the principles of good corporate governance.

The Company's practices are mainly consistent with those of the guidelines and where they do not correlate with the recommendations in the guidelines the Company considers that its adopted practices are appropriate to it. At the end of this statement a table is included detailing the recommendations with which the Company does not strictly comply.

The following section addresses the Company's practices in complying with the principles.

Principle 1: Laying Solid Foundations for Management and Oversight

(b) Role and Responsibilities of the Board

The Board of Directors of Atomic are responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Atomic on behalf of the shareholders by whom they are elected and to whom they are accountable.

After appropriate consultation with executive management, the Board:

- defines and sets its business objectives and subsequently monitors performance and achievements of those objectives;
- it oversees the reporting on matters of compliance with corporate policies and laws, takes responsibility for risk management processes and continually reviews the executive management of the Company;
- monitors and approves financial performance and budgets; and
- reports to shareholders.

Principle 2: Structuring the Board to Add Value

(c) Composition of the Board

The names of the directors of the Company and their qualifications are: set out in the section headed Directors' Report in the Annual Report for the year ended 30 June 2010.

The composition of the Board is determined so as to provide the Company with a broad base of industry, business, technical, administrative, financial and corporate skills and experience considered necessary to represent shareholders and fulfil the business objectives of the Company.

In assessing the composition of the Board, the directors have regard to the following policies:

- the Chairman should be non-executive;
- the role of the Chairman and Managing Director should not be filled by the same person;
- the Managing Director should be a full-time employee of the company; and
- the Board should include a majority of independent non-executive directors.

(d) Nomination of Other Board Members

Membership of the Board of directors is reviewed on an on-going basis by the Chairman of the Board to determine if additional core strengths are required to be added to the Board in light of the nature of the Company's businesses and its objectives. The Board does not believe that at this point in the Company's development it is necessary to appoint additional directors.

(e) Independent Advice

Each of the directors is entitled to seek independent advice at the Company's expense to assist them to carry out their responsibilities however prior approval of the Chairman is required which is not unreasonably withheld.

Principle 3: Promotion of Ethical and Responsible Decision-Making

Directors, officers, employees and consultants to the Company are required to observe high standards of behaviour and business ethics in conducting business on behalf of the Company and they are required to maintain a reputation of integrity on the part of both the Company and themselves. The Company does not contract with or otherwise engage any person or party where it considers integrity may be compromised.

Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the director or the interests of any other party in so far as it affects the activities of the Company and to act in accordance with the Corporations Act if conflict cannot be removed or if it persists. That involves taking no part in the decision making process or discussions where that conflict does arise.

Directors are required to make disclosure of any share trading. The Company policy in relation to share trading is that officers are prohibited to trade whilst in possession of unpublished price sensitive information concerning the Company. That is information which a reasonable person would expect to have a material affect on the price or value of the Company's shares. It is recommended that an officer discuss the proposal to acquire or sell shares with the directors or the Company Secretary prior to doing so to ensure that there is no price sensitive information of which that officer might not be aware. The undertaking of any trading in shares must be notified to the ASX.

Principle 4: Safeguarding Integrity in Financial Reporting

No audit committee has been established. The role of the audit committee is carried out by the full Board. The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate audit committee.

As a result of the scale of operations it has not been considered necessary to form sub-committees.

Each Board member has access to the external auditors and the auditor has access to each Board member.

A director does make a statement to the shareholders that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

Principle 5: Making Timely and Balanced Disclosure

All directors, executives and staff are required to abide by all legal requirements, the Listing Rules of the ASX and the highest standards of ethical conduct. This includes compliance with the continuous disclosure requirements of the listing rules.

The Joint Company Secretaries are the people responsible for overseeing and co-ordinating disclosure of information to ASX as well as communicating with the ASX.

Principle 6: Respecting the Rights of Shareholders

The Board's fundamental responsibility to shareholders is to work towards meeting the Company's objectives so as to add value for them.

The Board seeks to inform shareholders of all major developments affecting the Company by:

- preparing half yearly and yearly financial reports;
- preparing quarterly cash flow reports and reports as to activities;
- making announcement in accordance with the listing rules and the continuous disclosure obligations;
- hosting all of the above on the Company's website;
- annually, and more regularly if required, holding a general meeting of shareholders and forwarding to them the annual report together with notice of meeting and proxy form; and
- voluntarily releasing other information which it believes is in the interest of shareholders.

The Annual General Meeting enables shareholders to receive the reports and participate in the meeting by attendance or by written communication. The Board seeks to notify all shareholders so they can be fully informed annually for the voting on the appointment of directors and so as to enable them to have discussion at the Annual General Meeting with the directors and/or the auditor of the Company who is invited to the Annual General Meeting.

Principle 7: Recognising and Managing Risk

The Board is conscious of the need to continually maintain systems of risk management and controls to manage all of the assets and affairs of the Company.

The risk management includes asset risk, operational risk, personnel health and safety risk, currency fluctuation risk, amongst others. The Company identifies and manages those risks on a case by case and overall corporate basis.

Principle 8: Remunerate Fairly and Responsibly

There is no formal remuneration committee.

One third of the directors retires annually in accordance with the Constitution and is free to seek re-election by shareholders.

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

A maximum amount of remuneration for non-executive directors is fixed by shareholders in general meeting and can be varied in that same manner. In determining the allocation the Board takes account of the time demands made on the directors together with such factors as fees paid to other corporate directors and to the responsibilities undertaken by them.

Article II. Table of Departures and Explanations (from ASX Guidance Note 9A – Corporate Governance Principles & Recommendations)

Guidance Note 9A Reference No	Departure	Explanation
2.1 and 2.2	*None of the current Board members meet these criteria.*	*Given the nature and size of the Company, its business interests and the stage of development, the Board is of the view that there is an adequate and broad mix of skills required and that given their experience each of the directors are aware of and capable of acting in an independent manner and in the best interests of the shareholders.*
2.4	*A separate Nomination Committee has not been formed.*	*The Board comprises three members each of who have valuable contributions to make in fulfilling the role of a nomination committee member. A director will excuse himself where there is a personal interest or conflict.*
4.2, 4.3 and 4.4	*A separate Audit Committee has not been formed.*	*The Board comprises three members who collectively perform the function of the Audit Committee.*
7.1 and 7.2	*There has been no written implementation of policy on risk oversight and management or for senior management to make statements to the Board concerning those matters.*	*The Board has commenced to address this issue, and has appointed personnel to review how the company identifies and manages risk. It is expected this process will be completed, documented and adopted before the end of the financial year.*
8.1	*No formal remuneration committee has been established.*	*Given the size and nature of the Company, its business interests, remuneration and other benefits paid to its directors, the Board does not consider it yet to be necessary to formulate the policies. At the appropriate time the Board will take independent advice.*

Stantons International
ABN 41 103 088 697
LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

30 September 2010

Board of Directors
Atomic Resources Limited
Level 2, 41-47 Colin Street
PERTH WA 6005

Dear Directors

RE: ATOMIC RESOURCES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Atomic Resources Limited.

As Audit Director for the audit of the financial statements of Atomic Resources Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely
STANTONS INTERNATIONAL
(Authorised Audit Company)

J P Van Dieren
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Economic Entity 2010	Economic Entity 2009
		$	$
REVENUE			
Finance income	2	76,364	183,743
TOTAL REVENUE		**76,364**	**183,743**
EXPENSES			
Finance costs	3(a)	-	(270)
Depreciation expense	3(a)	(15,351)	(8,813)
Directors remuneration		(71,200)	(30,000)
Consultants		(623,774)	(102,903)
Marketing & public relations		(56,062)	(36,108)
Share-based payments	3(b), 23	(170,956)	(20,200)
Exploration expenditure		(3,296,778)	(3,403,559)
Impairment loss on investment		(1,499,985)	(26,000)
Travel expenditure		(66,800)	(17,117)
Other expenses	3(a)	(963,376)	(341,089)
TOTAL EXPENSES		**(6,764,282)**	**(3,986,059)**
EARNINGS BEFORE INCOME TAX		**(6,687,918)**	**(3,802,316)**
Income tax	4	-	-
NET LOSS FOR THE YEAR		**(6,687,918)**	**(3,802,316)**
OTHER COMPREHENSIVE INCOME			
Foreign currency translation		(297,364)	323,949
Income tax on other comprehensive income	4	-	-
TOTAL OTHER COMPREHENSIVE INCOME		**(297,364)**	**323,949**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(6,985,282)**	**(3,478,367)**
NET LOSS FOR THE YEAR			
Attributed to:			
Shareholders of Atomic Resources Limited		(5,069,568)	(2,717,975)
Non-controlling interest		(1,618,350)	(1,084,341)
		(6,687,918)	**(3,802,316)**
TOTAL COMPREHENSIVE LOSS FOR THE YEAR			
Attributed to:			
Shareholders of Atomic Resources Limited		(5,267,798)	(2,512,957)
Non-controlling interest		(1,717,484)	(965,410)
		(6,985,282)	**(3,478,367)**
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic loss per share (cents per share)	7	(5.60)	(4.70)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Note	Economic Entity 2010 $	Economic Entity 2009 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	1,088,562	1,930,706
Trade and other receivables	9	329,982	37,218
Other assets	10	59,149	80,518
Total Current Assets		**1,477,693**	**2,048,442**
Non-Current Assets			
Exploration expenditure	14	2,400,093	3,690,267
Property, plant and equipment	12	147,514	98,463
Total Non-Current Assets		**2,547,607**	**3,788,730**
TOTAL ASSETS		**4,025,300**	**5,837,172**
Current Liabilities			
Trade and other payables	15(a)	714,161	248,611
Provisions	15(b)	67,864	53,848
TOTAL LIABILITIES		**782,025**	**302,459**
NET ASSETS		**3,243,275**	**5,534,713**
EQUITY			
Issued capital	16	16,907,500	12,784,514
Shares to be issued	16	399,900	-
Reserves	17	1,219,920	1,247,192
Accumulated losses		(12,601,151)	(7,531,583)
Total equity attributed to equity holders of the Company		**5,926,169**	**6,500,123**
Non-controlling Interest	18	**(2,682,894)**	**(965,410)**
TOTAL EQUITY		**3,243,275**	**5,534,713**

The accompanying notes form part of these financial statements.

Consolidated Statements of Changes in Equity

For the Year Ended 30 June 2010

	Issued Capital $	Accumulated Losses $	Option Reserve $	Foreign Currency Translation Reserve $	Total $	Non-Controlling Interest $	Total Equity $
Consolidated							
At 1 July 2008	12,784,514	(4,813,608)	982,062	39,912	8,992,880	-	8,992,880
Total comprehensive Income for the period							
Loss	-	(2,717,975)	-	-	(2,717,975)	(1,084,341)	(3,802,316)
Other comprehensive Income							
Foreign currency Translation differences	-	-	-	205,018	205,018	118,931	323,949
Total other comprehensive income	-	-	-	205,018	205,018	118,931	323,949
Total comprehensive Loss for the period	-	(2,717,975)	-	205,018	(2,512,957)	(965,410)	(3,478,367)
Transactions with owners recorded directly into equity							
Issue of shares and options	-	-	20,200	-	20,200	-	20,200
Equity transaction costs	-	-	-	-	-	-	-
Total contributions by owners	-	-	20,200	-	20,200	-	20,200
Balance at 30 June 2009	**12,784,514**	**(7,531,583)**	**1,002,262**	**244,930**	**6,500,123**	**(965,410)**	**5,534,713**
Consolidated							
At 1 July 2009	12,784,514	(7,531,583)	1,002,262	244,930	6,500,123	(965,410)	5,534,713
Total comprehensive Income for the period							
Loss	-	(5,069,568)	-	-	(5,069,568)	(1,618,350)	(6,687,918)
Other comprehensive income							
Foreign currency Translation differences	-	-	-	(198,230)	(198,230)	(99,134)	(297,364)
Total other comprehensive income	-	-	-	(198,230)	(198,230)	(99,134)	(297,364)
Total comprehensive Loss for the period	-	(5,069,568)	-	(198,230)	(5,267,798)	(1,717,484)	(6,985,282)
Transactions with owners recorded directly into equity							
Issue of shares and options	4,850,747	-	170,958	-	5,021,705	-	5,021,705
Equity transaction costs	(327,861)	-	-	-	(327,861)	-	(327,861)
Total contributions by owners	4,522,886	-	170,958	-	4,693,844	-	4,693,844
Balance at 30 June 2010	**17,307,400**	**(12,601,151)**	**1,173,220**	**46,700**	**5,926,169**	**(2,682,894)**	**3,243,275**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Economic Entity 2010	Economic Entity 2009
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(4,908,144)	(3,992,119)
Interest received		76,364	183,743
Net cash (outflow) from operating activities	**22**	**(4,831,780)**	**(3,808,376)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant & equipment		(81,194)	(53,044)
Payment for acquisition of mining interests (net of refunds received)		(221,511)	(108,472)
Net cash (outflow) from investing activities		**(302,705)**	**(161,516)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares and options		4,799,999	-
Payment of share and option issue costs		(327,861)	-
Net cash inflow from financing activities		**4,472,138**	-
Net (decrease)/ increase in cash and cash equivalents		(662,347)	(3,969,892)
Effect of exchange rate changes on cash		(179,797)	489,477
Cash and cash equivalents at beginning of financial year		1,930,706	5,411,121
Cash and cash equivalents at end of financial year	**8**	**1,088,562**	**1,930,706**

The accompanying notes form part of these financial statements.

Note 1: Statement of Significant Accounting Policies

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

The financial report of Atomic Resources Limited and controlled entities, and Atomic Resources Limited as an individual parent entity not disclosed comply with all Australian equivalents to International Financial Reporting Standards (AIFRS).

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Separate financial statements for Atomic Resources Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, required financial information for Atomic Resources Limited as an individual entity is included in Note 27.

Going Concern

At 30 June 2010, the Company had net assets of $3,243,275, and had incurred a net loss of $6,697,918 for the year then ended, with a cash and cash equivalents balance of $1,088,562 and net current assets of $1,477,693. In the absence of the future capital raising noted below, current cash resources are not expected to be sufficient to meet forecast outgoings for a period of at least 12 months from the date of this report.

These conditions indicate a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as going concerns.

The directors have prepared cash flow forecasts that indicate that the Company will have cash surpluses for a period of at least 12 months from the date of this report, is dependent on the raising of funds by way of equity raisings.

Based on the cash flow forecasts and possible equity funding described above, the directors are satisfied that, the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

Should the consolidated entity be unable to continue as going concerns, they may be required to realise their assets and extinguish their liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the consolidated entity and the parent be unable to continue as a going concern.

New Accounting Standards for Application in Future Periods

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

- AASB 9: Financial Instruments and AASB 2009-11; Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 138, 139, 1023 & 1038 and Interpretations 10 & 121 (applicable for annual reporting periods commencing on or alter 1 January 2013).

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

  The changes made to accounting requirements include:
  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;

Note 1: Statement of Significant Accounting Policies (cont'd)

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

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

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

- AASB 2009-5; Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

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

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

  These amendments clarify the accounting for 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. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

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

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

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

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

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

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

Note 1: Statement of Significant Accounting Policies (cont'd)

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

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

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

  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This standard will not impact the Group.

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

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

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

Basis of Preparation

Reporting Basis and Conventions
The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

(a) Principles of consolidation

A controlled entity is any entity Atomic Resources Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 11 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Non-controlling equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the consolidated statement of financial position.

Note 1: Statement of Significant Accounting Policies (cont'd)

Deferred tax is accounted for using the consolidated statement of financial position liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the year when the asset is realised or liability is settled. Deferred tax is credited in the consolidated statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

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

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

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Property, Plant and Equipment	Depreciation Rate
Furniture and equipment	5% to 33.33%
Motor vehicles	12.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each consolidated statement of financial position date.

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

Note 1: Statement of Significant Accounting Policies (cont'd)

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

(d) Exploration, evaluation and acquisition expenditure

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

off to the extent that they will not be recoverable in the future. Amortisation is not charged on acquisition costs carried forward in respect of areas of interest in the development phase until production commences.

(e) Financial instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the consolidated statement of comprehensive income in the year which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Fair value

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

Note 1: Statement of Significant Accounting Policies (cont'd)

Impairment of assets

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the consolidated statement of comprehensive income.

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

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

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

(f) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the consolidated statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the consolidated statement of comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the year.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the consolidated statement of comprehensive income in the year in which the operation is disposed.

Note 1: Statement of Significant Accounting Policies (cont'd)

(g) Employee benefits

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

Equity settled compensation

The Group granted options to directors, employees and consultants during the year. The bonus element over the exercise price of the employee services rendered in exchange for the grant of options is recognised as an expense in the consolidated statement of comprehensive income. The total amount to be expensed over the vesting year is determined by reference to the fair value of the options granted.

(h) Provisions

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

(i) Cash and cash equivalents

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

(j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting. Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

(k) Goods and Services Tax (GST)

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

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

(l) Critical accounting estimates and judgements

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

(m) Business combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or

Note 1: Statement of Significant Accounting Policies (cont'd)

assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any Non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets required.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(n) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the consolidated statement of financial position. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the consolidated statement of financial position date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash follows at the current market interest rate that is available to the Group for similar financial instruments.

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Earnings per share

(i) *Basic earnings per share*
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares.

by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Note 1: Statement of Significant Accounting Policies (cont'd)

(ii) *Diluted earnings per share*
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares.

(q) Shared-Based Payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The cost of these equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation and an external valuation using the Black-Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the year in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon market condition. Where 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.

(r) Joint Venture Accounting Policy

The Group's interests in unincorporated joint venture assets are accounted for by recognising its proportionate share in assets and liabilities from joint ventures, except where as operator, Atomic takes on the role as independent contractor. In these instances, receivables and payables relating to joint venture operations are brought to account on a gross basis.

Joint venture expenses and the Group's entitlement to production are recognised on a pro-rata basis according to the Group's joint venture interest. Investment in joint venture entities, where the Group has significant influence, but not control, are accounted for using the equity method of accounting. Under the equity method, the cost of is adjusted by the Group's proportionate share of the results of the joint venture.

(s) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 1, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

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

Key Sources of estimation uncertainty

The following the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

<u>Recoverability of exploration and evaluation expenditure</u>

The recoverability of the exploration and evaluation expenditure recognised as a non-current asset is dependent upon the successful development, or alternatively sale, of the respective tenements which comprise the assets.

Note 2: Revenue

	Economic Entity 2010 $	Economic Entity 2009 $
From continuing operations		
– interest received	76,364	183,743
	76,364	**183,743**

Note 3: Expenses

Loss before income tax includes the following specific expenses:

(a) **Expenses**

Depreciation		
- Plant and equipment	(15,351)	(8,813)
Total depreciation	(15,351)	(8,813)
Finance Costs		
- external	-	(270)
Total finance costs	-	(270)
Other Expenses		
- Accounting	(40,826)	(25,517)
- Audit Fee	(40,479)	(52,154)
- Insurance	(37,269)	(35,090)
- Legal Fees	(31,685)	(27,971)
- Listing Fees	(28,343)	(20,366)
- Rent	(99,601)	(35,254)
- Wages and Superannuation	(337,191)	(53,850)
- Other Expenses	(347,982)	(90,887)
Total other expenses	**(963,376)**	**(341,089)**

Significant revenue and expenses

(b) The following significant revenue and expense items are relevant in explaining the financial performance:

Share based payments	(170,956)	-
Corporate Advisors options granted	-	(20,200)
	(170,956)	**(20,200)**

Note 4: Income Tax Expense

		Economic Entity 2010 $	Economic Entity 2009 $
(a)	**Numerical reconciliation of income tax expense to prima facie tax payable**		
	Loss from ordinary activities before income tax expense	(6,687,918)	(3,802,316)
	Prima facie tax benefit on loss from ordinary activities at 30% (2009 - 30%)	(2,006,375)	(1,140,695)
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
	Entertainment	-	-
		(2,006,375)	(1,140,695)
	Movement in unrecognised temporary differences	516,974	(34,121)
	Tax effect of current year tax losses for which no deferred tax asset has been recognised	1,489,401	1,174,816
	Income Tax Expense	-	-
	Unrecognised temporary differences		
	Deferred Tax Assets (at 30%)		
(b)			
	Loans (provisions)	97,800	97,800
	Accrued expenses	87,891	11,525
	Provision for Expenses	20,360	16,154
	Capital raising costs	135,272	87,487
	Carry forward revenue tax losses	1,983,719	1,670,701
	Carry forward foreign tax losses	1,897,871	721,487
		4,222,913	2,605,154
	Deferred Tax Liabilities (at 30%)		
	Capitalised tenement acquisition costs	87,806	542,115
		87,806	542,115

No income tax is payable by the consolidated group.

The deferred tax asset and deferred tax liability have not been brought to account as it is unlikely they will arise unless the company generates sufficient revenue to utilise them.

Note 5: Key Management Personnel Compensation

(a) Directors

The following persons were directors of Atomic Resources Limited during the financial year:

(i) *Executive Directors*
Mr Clive Hartz - Chairman
Mr Clinton Cain – Managing Director (Appointed 4th February 2010)
Mr David Holden – Managing Director (Resigned 4th February 2010)

(ii) *Non-executive Directors*
Mr Alastair Walker

(b) Other key management personnel

Company Secretary
Mr Mike Robbins (Appointed 3 November 2009, resigned 8 January 2010).
Mr Tom Melanko (Appointed 4 February 2010).

Mr Peter Tsegas
Mr Gideon Nasari

(c) Key management personnel compensation

	Economic Entity 2010 $	Economic Entity 2009 $
Short–term employee benefits	678,387	298,789
Superannuation	10,037	-
Other benefits	20,409	27,385
Share-based payments	138,998	-
Total Compensation	**847,831**	**326,174**

The company has transferred the detailed remuneration disclosures to the directors' report in accordance with the Corporations Amendment Regulations 2006 (No. 4)

(d) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options
Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report forming part of the directors' report on page 23.

(ii) Option holdings
The numbers of options over ordinary shares in the company held during the financial year or at time of resignation by each director of Atomic Resources Limited, including their personally related parties, are set out below:

Note 5: Key Management Personnel Compensation (continued)

Option Holding

2010

Directors and other Executives of Atomic Resources Ltd	Balance at beginning of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable*
Mr Clive Hartz	13,271,682	-	-	(636,882)	12,634,800	12,634,800
Mr Clinton Cain**	-	2,000,000	-	1,000,000	3,000,000	1,500,000
Mr Alastair Walker	950,000	-	-	-	950,000	950,000
Mr Tom Melanko	-	150,000	-	-	150,000	150,000
Mr Mike Robbins	-	150,000	-	(150,000)	-	-
Mr Gideon Nasari	-	800,000	-	-	800,000	800,000
Mr David Holden ^	3,935,000	-	-	(3,250,000)	685,000	685,000
Mr Peter Tsegas	1,000,000	-	-	-	1,000,000	1,000,000
Total	**19,156,682**	**3,100,000**	**-**	**(3,036,882)**	**19,219,800**	**17,719,800**

* All options have vested and are exercisable (except Mr Clinton Cain)*.
** Mr Clinton Cain's options vest in instalments of 500,000 per year over four years.
^ At date of resignation.

Option holding

2009

Directors and other Executives of Atomic Resources Ltd	Balance at beginning of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable*
Mr Clive Hartz	13,271,682	-	-	-	13,271,682	13,271,682
Mr David Holden	3,935,000	-	-	-	3,935,000	3,935,000
Mr Alastair Walker	950,000	-	-	-	950,000	950,000
Prof. Thomas Neff	300,000	-	-	-	300,000^	300,000
Mr Patrick Michaels	400,000	-	-	-	400,000^	400,000
Mr Peter Tsegas	1,000,000	-	-	-	1,000,000	1,000,000
Total	**19,856,682**	**-**	**-**	**-**	**19,856,682**	**19,856,682**

* All options have vested and are exercisable
^ At date of resignation

(iii) Fully paid share holdings

The numbers of shares in the Company held during the financial year or at time of resignation by each director of Atomic Resources Limited, including their personally related parties, are set out below:

Note 5: Key Management Personnel Compensation (continued)

Fully paid share holdings

2010

	Balance at beginning of the year	Granted during the year as compensation	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Mr Clive Hartz	18,314,000	-	-	350,000	18,664,000
Mr Clinton Cain	-	-	-	-	-
Mr Alastair Walker	300,000	-	-	-	300,000
Mr Tom Melanko	-	-	-	-	-
Mr Mike Robbins	-	-	-	-	-
Mr Gideon Nasari	-	-	-	-	-
Mr David Holden ^	835,000	-	-	42,000	877,000
Mr Peter Tsegas	2,000,000	-	-	-	2,000,000
Total	**21,449,000**	-	-	**392,000**	**21,841,000**

^ At date of resignation

Fully paid share holdings

2009

	Balance at beginning of the year	Granted during the year as compensation	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Mr Clive Hartz	18,314,000	-	-	-	18,314,000
Mr David Holden	770,000	-	-	65,000	835,000
Mr Alastair Walker	300,000	-	-	-	300,000
Prof. Thomas Neff	-	-	-	-	-^
Mr Patrick Michaels	200,000	-	-	-	200,000^
Mr Peter Tsegas	2,000,000	-	-	-	2,000,000
Total	**21,584,000**	-	-	65,000	**21,649,000**

^ At date of resignation.

(e) Loans to key management personnel

No loans were made to directors of Atomic Resources Limited and other key management personnel of the Group, including their personally related parties during the financial year.

Note 6: Auditors' Remuneration

	Economic Entity 2010 $	Economic Entity 2009 $
Remuneration of the auditor (and its related entity) of the parent entity for:		
– auditing or reviewing the financial report – Stantons	37,146	52,154
– Overseas auditors – Horwath's	9,122	10,884
Total	**46,268**	**63,038**

Note 7: Earnings per Share

(a) Basic earnings per share

Loss from continuing operations attributable to the ordinary equity holders of the company	5,069,568	2,717,975
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	90,472,589	57,800,000

Diluted earnings per share is not materially different from basic earnings per share and has therefore not been disclosed.

Note 8: Cash and Cash Equivalents

Cash at bank and in hand	1,088,562	1,930,706
	1,088,562	**1,930,706**
Reconciliation of cash at the end of the year Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the consolidated statement of financial position as follows:	1,088,562	1,930,706

Note 9: Trade and Other Receivables

Current		
Other receivables	329,982	37,218

As at 30 June 2010 trade and other receivables do not contain impaired assets and are not past due. A VAT refund of $224,923 is due and payable from the Tanzanian Revenue Authority. This is subject to a VAT audit but the directors believe this amount is recoverable. It is expected that all these amounts will be received when due (expected within 12 months).

	Economic Entity 2010 $	Economic Entity 2009 $
Note 10: Other Assets		
Current		
Prepayments	59,149	80,518

Note 11: Subsidiaries and Jointly Controlled Entities

(a) The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with accounting policy described in Note 1(a)

Name of entity	Country of incorporation	Class of share	Equity (%)* 2010	Equity (%)* 2009
Subsidiaries of Atomic Resources Limited:				
Resource Search Pty Ltd	Australia	Ordinary	100	100
Pacific Corporation East Africa Ltd	Tanzania	Ordinary	85	85
Tancoal Energy Limited	Tanzania	Ordinary	70	70

** Percentage of voting power is in proportion to ownership*

Pursuant to Pacific Corporation's joint venture agreement with the National Development Corporation ("NDC") of Tanzania, a special purpose vehicle company was incorporated and is known as Tancoal Energy Limited ("Tancoal"). Pacific Corporation holds 70% [2009:70%] with the NDC holding the remaining 30% [2009:30%] interest in Tancoal at present.

Note 12: Property, Plant and Equipment

	Economic Entity 2010 $	Economic Entity 2009 $
Office Equipment (at Cost)	123,865	47,799
Less Accumulated Depreciation	(20,919)	(10,509)
	102,946	**37,290**
Office Equipment – Mining	9,911	9,911
Less Accumulated Depreciation	(5,781)	(3,799)
	4,130	**6,112**
Mining Equipment	16,870	16,870
Less Accumulated Depreciation	(7,982)	(5,237)
	8,888	**11,633**
Motor Vehicles	40,959	48,510
Less Accumulated Depreciation	(9,409)	(5,082)
	31,550	**43,428**
Total	**147,514**	**98,463**

	Economic Entity 2010 $	Economic Entity 2009 $
Plant and equipment		
At beginning of financial year, net of accumulated depreciation and impairment	98,463	65,759
Additions	81,194	53,044
Depreciation charge for the year	(21,372)*	(18,156)*
Effect of exchange rates	(10,771)	(2,184)
At end of financial year, net of accumulated depreciation and impairment	**147,514**	**98,463**

*Depreciation expense is also included in exploration expenditure, as well as per note 3(a)

Note 13: Business combinations

There were no acquisitions in the 2010 or 2009 financial years.

Note 14: Exploration Expenditure

	Economic Entity 2010 $	Economic Entity 2009 $
Uaroo tenements		
Opening balance	1,699,985	4,200,000
Add: Stamp duty on tenements capitalised	-	99,985
Add: Purchase of remaining Uaroo tenements	50,750	-
Less: Revaluation of Uaroo tenement to fair value	(1,499,985)	(2,600,000)
	250,750	1,699,985
Resource Search Pty Ltd tenements		
Opening balance	1,140,890	1,362,504
Less: impairment of interest due to withdrawal of tenements	-	(326,000)
Add: exploration expenditure	41,936	104,386
	1,182,826	1,140,890
PCEA Pty Ltd tenements		
Opening balance	849,392	800,000
Add: exploration expenditure	117,125	49,392
	966,517	849,392
Total Exploration Expenditure	**2,400,093**	**3,690,267**

The recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation or sale of the respective mining permits. Amortisation of the costs carried forward for the development phase is not being charged pending the commencement of production.

Note 15: Current Liabilities

15(a) Trade and other Payables	Economic Entity 2010 $	Economic Entity 2009 $
Trade payables	698,188	248,611
Other payables	15,973	-
	714,161	**248,611**

15(b) Provisions

Annual Leave Provision	21,323	3,848
Rehabilitation Provision	46,541	50,000
	67,864	**53,848**

Note 16: Issued Capital

(a) Fully paid ordinary shares

	2010 No.	2010 $	2009 No.	2009 $
Balance at beginning of year:	**57,800,000**	**12,784,514**	**57,800,000**	**12,784,514**
Shares issued pursuant to a private placement	8,670,000	910,350	-	-
Shares issued pursuant to a rights issue	33,235,000	3,489,747	-	-
Shares issued for acquisition of remaining uranium rights	350,000	50,750	-	-
Transaction costs relating to issue of shares	-	(327,861)	-	-
Balance at the end of the year	**100,055,000**	**16,907,500**	**57,800,000**	**12,784,514**

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

Note: On 30 June 2010 the Company received $399,900 for shares that were issued on 13 July 2010 pursuant to a private placement.

Note 17: Reserves

(a) Option Reserve

	2010 No.	2010 $	2009 No.	2009 $
Balance at beginning of year:	**36,600,000**	**1,002,262**	**38,900,000**	**982,062**
Issued in 2009			700,000	20,200
Cancelled in 2009			(3,000,000)	-
Issued during the year:	-	-	-	
Expire 8 June 2014	2,000,000	54,581	-	-
Expire 8 June 2014	800,000	78,640	-	-
Expire 15 June 2012	400,000	31,960	-	-
Expire 30 November 2011	150,000	5,340	-	-
Expire 31 March 2012	150,000	5,777	-	-
Cancelled during year				
Expire 30 June 2012	(3,250,000)	-	-	-
Expire 30 June 2011	(150,000)	-	-	-
Expire 30 November 2011	(150,000)	(5,340)	-	-
Expire 30 June 2011	(150,000)	-	-	-
Balance at the end of the year	**36,400,000**	**1,173,220**	**36,600,000**	**1,002,262**

2010

A total of 3,500,000 options were granted to the Company's key personnel and consultants during the current year.

2,800,000 options were issued on 8 June 2010 (2,000,000 exercisable at $0.25 each and 800,000 exercisable at $0.25 each on or before 8 June 2014).

400,000 options were issued on 15 June 2010 exercisable at $0.25 on or before 15 June 2012.

150,000 options were issued on 15 March 2010 exercisable at $0.25 on or before 31 March 2012.

150,000 options were issued on 10 November 2009 exercisable at $0.25 on or before 30 November 2011. These options have since been cancelled without the vesting condition being completed.

Note 17: Reserves - continued

The options have been valued using the Black-Scholes option methodology.

A total of 3,700,000 options were cancelled during the year.

3,250,000 options exercisable at $0.25 expiring on 30 June 2012 were cancelled on 21 May 2010.

150,000 options exercisable at $0.25 expiring on 30 June 2011 were cancelled on 21 April 2010.

150,000 options exercisable at $0.25 expiring on 30 November 2011 were cancelled on 10 February 2010.

150,000 options exercisable at $0.25 expiring on 30 June 2011 were cancelled on 14 December 2009.

2009

A total of 3,000,000 options were cancelled during the year, 1,000,000 exercisable at $0.25,1,000,000 exercisable at $0.75 and 1,000,000 exercisable at $1.00. The options were due to expire on 30 June 2010.

A total of 700,000 options were granted to the Company's key consultants during the current year. 400,000 options were issued on 24 June 2009 of which 200,000 are exercisable at $0.25 each and 200,000 are exercisable at $0.35 each on or before 24 June 2011. 300,000 options were issued on 30 June 2009 exercisable at $0.25 on or before 30 June 2011. The options have been valued using the Black-Scholes option methodology assuming a share price of $0.25 and $0.35, a risk free interest rate of 3% and a volatility factor of 70%. As a result an option reserve has been created of $20,200.

(b) Foreign Currency Translation Reserve	Economic Entity 2010 $	Economic Entity 2009 $
Opening balance	244,930	39,912
Translation reserve movement	(198,230)	205,018
Exchange differences arising on translation of foreign operations	46,700	244,930
Total Reserves	**1,219,920**	**1,247,192**

Note 18: Non-controlling Interest

Deficiency attributable to non-controlling interest	**2,682,894**	**965,410**

The Company holds an 85% interest in Pacific Corporation East Africa Limited (PCEA). The remaining 15% is owned by Mr Peter Tsegas and 2 other unrelated shareholders (together the "Vendors"). Pursuant to the Share Sale Agreement dated 16 May 2007 between the Company and the Vendors, the Company has the first right of refusal to purchase the remaining 15% interest and this right will survive the completion of the Share Sale Agreement for 10 years.

On 15 June 2010 Atomic secured an option agreement to purchase the remaining 15% of PCEA for USD$7,000,000 thus giving the Company the opportunity to make PCEA a 100% subsidiary of Atomic.

The Company's subsidiary Pacific Corporation East Africa Limited owns 70% of Tancoal Energy Limited ("Tancoal") and the remaining 30% is owned by Tancoal's joint venture partner, the National Development Corporation of Tanzania, a Tanzanian government parastatal.

Note 19: Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Economic Entity 2010 $	Economic Entity 2009 $
Capital Expenditure Commitments Payable		
Not later than 1 year		
Australian tenements	389,000	431,000
Tanzanian tenements	1,751,750	3,600,000
Later than 1 year but not later than 2 years	557,000	-
Later than 2 years but not later than 5 years	1,671,000	-
	4,368,750	4,031,000
Rental and Lease Payments		
Not later than 1 year – Tanzanian offices	83,105	38,340
Not later than 1 year	98,333	-
Later than 1 year but not later than 2 years	101,316	-
Later than 2 years but not later than 5 years	104,356	-
	387,110	38,340
Tenement Leases Expenditure Payable		
Not later than 1 year	16,900	15,000
Later than 1 year but not later than 2 years	13,680	-
Later than 2 years but not later than 5 years	41,040	-
	71,620	15,000
Total commitments	**4,827,480**	**4,084,340**

(b) Remuneration commitments

At the reporting date, the Company had no remuneration commitments by way of the payment of salaries and other remuneration under long-term employment contracts with key management personnel or other employees of the Company that are not already recognised as liabilities and are not included in the key management personnel compensation.

The Company entered into a contractor service agreement dated 1 February 2009 with Roger Todd Eggers, to implement a strategic plan and provide operational management services with respect to the development of an independent power station. The term of the Service Agreement is 24-months and the remuneration payable to Mr Eggers includes up to US$10,000 per month for each year of the term, plus the issue of 200,000 Options exercisable at $0.25 per Option on or before 24 June 2011 and an additional 200,000 Options exercisable at $0.35 on or before 24 June 2011. The Company may at its sole discretion terminate the agreement prior to 24 months by giving two months written notice as well as a four month termination fee. The Company terminated the agreement on 4 February 2010.

There were no other contractor agreements in place at 30 June 2010.

Note 20: Contingent Liabilities and Contingent Assets

The Directors are not aware of any further contingent liabilities or contingent assets as at 30 June 2010.

Note 21: Segment Reporting

The consolidated entity operates in two geographical segments being Australia and Tanzania and one industry segment, that of mineral exploration.

Segment information

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group's primary segment is one business, being exploration and evaluation of coal in Tanzania and uranium in Australia.

During the year ended 30 June 2010 the consolidated entity operated in the following Geographic Segments: Australia and Tanzania. (2009: Australia and Tanzania).

Basis of accounting for purposes of reporting by operating segments

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

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates.

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

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

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

Primary Reporting – Geographical Segments

2010	**Australia**	**Tanzania**	**Consolidated**
	$	**$**	**$**
Segment Revenue			
Operating revenue	76,364	-	76,364
Total Revenue	**76,364**	**-**	**76,364**
Segment Result			
Profit/(loss) before income tax	(2,523,125)	(4,164,793)	(6,687,918)
Income tax	-	-	-
Profit/(loss)after income tax	**(2,523,125)**	**(4,164,793)**	**(6,687,918)**

Segment Assets			
Segment assets	3,305,487	719,813	4,025,300
Total Assets	**3,305,487**	**719,813**	**4,025,300**
Segment Liabilities			
Segment liabilities	(697,270)	(84,755)	(782,025)
Total Liabilities	**(697,270)**	**(84,755)**	**(782,025)**
Other segment information			
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	55,779	25,415	81,194
Total Acquisitions	**55,779**	**25,415**	**81,194**

2010

	Australia $	Tanzania $	Consolidated $
Depreciation and amortisation	(9,723)	(11,649)	(21,372)
Impairment	(1,499,985)	-	(1,499,985)
Total depreciation and amortisation	**(1,509,708)**	**(11,649)**	**(1,521,357)**

Primary Reporting – Geographical Segments

2009	**Australia** $	**Tanzania** $	**Consolidated** $
Segment Revenue			
Operating revenue	183,743	-	183,743
Total Revenue	**183,743**	**-**	**183,743**
Segment Result			
Profit/(loss) before income tax	(684,897)	(3,117,419)	(3,802,316)
Income tax	-	-	-
Profit/(loss)after income tax	**(684,897)**	**(3,117,419)**	**(3,802,316)**
Segment Assets			
Segment assets	5,651,386	185,786	5,837,172
Total Assets	**5,651,386**	**185,786**	**5,837,172**
Segment Liabilities			
Segment liabilities	(128,300)	(174,159)	(302,459)
Total Liabilities	**(128,300)**	**(174,159)**	**(302,459)**
Other segment information			
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	1,227	51,817	53,044
Total Acquisitions	**1,227**	**51,817**	**53,044**

2009

Depreciation and amortisation

	Australia $	Tanzania $	Consolidated $
Depreciation	(8,813)	(9,343)	(18,156)
Impairment	(26,000)	-	(26,000)
Total depreciation and amortisation	**(34,813)**	**(9,343)**	**(44,156)**

Notes to and forming part of the segment information

Accounting Policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in Accounting Standard AASB114 Segment Reporting.

Note 22: Cash Flow Information

	Economic Entity 2010 $	Economic Entity 2009 $
Loss after income tax	(6,687,918)	(3,802,316)
Non-cash flows in profit		
Depreciation	21,372	18,516
Annual leave provisions	-	634
Share based payments	170,956	20,200
Impairment and other provisions	1,499,985	78,679
Exploration expenditure written-off	62,450	-
Foreign exchange	(92,780)	-
Decrease/(increase) in receivables	(292,764)	(174,423)
Decrease/(increase) in prepayments	21,369	-
Increase/(decrease) in trade payables and accruals	465,550	50,694
	1,856,138	6,060
Net cash outflow from operations	**(4,831,780)**	**(3,808,376)**

Note 23: Share-based Payments

2010

A total of 3,500,000 options were granted to the Company's key personnel and consultants during the current year. 2,800,000 options were issued on 8 June 2010 (2,000,000 exercisable at $0.25 each and 800,000 exercisable at $0.25 each on or before 8 June 2014). 400,000 options were issued on 15 June 2010 exercisable at $0.25 on or before 15 June 2012. 150,000 options were issued on 15 March 2010 exercisable at $0.25 on or before 31 March 2012. 150,000 options were issued on 10 November 2009 exercisable at $0.25 on or before 30 November 2011.

Note 23: Share-based Payments - continued

The options have been valued using the Black-Scholes methodology. The valuations have been performed using the inputs and assumptions detailed in this report.

Grant Date	8 June 2010	8 June 2010	15 June 2010	15 March 2010	10 November 2009
Expiry Date	8 June 2014	8 June 2014	15 June 2012	31 March 2012	30 November 2011
Number Issued	2,000,000	800,000	400,000	150,000	150,000
Spot Price	$0.15	$0.15	$0.17	$0.11	$0.11
Exercise Price	$0.25	$0.25	$0.25	$0.25	$0.25
Volatility	100%	100%	100%	100%	100%
Risk Free Rate	4.00%	4.00%	4.00%	4.00%	4.00%
Marketability Discount	0%	0%	0%	0%	0%
Fair value of option	$0.0983	$0.0983	$0.0799	$0.0385	$0.0356

2009

A total 700,000 options were granted to the Company's key consultants during the year. 400,000 were issued on 24 June 2009 of which 200,000 are exercisable at $0.25 each and 200,000 are exercisable at $0.35 each on or before 24 June 2011. 300,000 options were issued on 30 June 2009 exercisable at $0.25 on or before 30 June 2011. The options have been valued using the Black-Scholes option methodology assuming a share price of $0.25 and $0.35, a risk free interest rate of 3% and a volatility factor of 70%. As a result an option reserve has been created of $20,200.

Grant Date	24 June 2009	24 June 2009	30 June 2009
Expiry Date	24 June 2011	24 June 2011	30 June 2011
Number issued	200,000	200,000	300,000
Spot Price	$0.13	$0.13	$0.13
Exercise Price	$0.25	$0.35	$0.25
Volatility	70%	70%	70%
Risk Free Rate	3.00%	3.00%	3.00%
Marketability Discount	0%	0%	0%
Fair value of option	$0.0322	$0.021	$0.032

Note 24: Events after the consolidated statement of financial position

On the 13th July 2010 the Company completed a private placement of 14,944,530 shares at $0.15 per share to sophisticated investors arranged by Alto Capital and Delta Capital. The placement raised $2,241,680 before costs which the Company intends to use to fund ongoing works programs at its Ngaka Coal Projects in Tanzania and for additional working capital. On 20 July 2010 the Company issued 500,000 unlisted options exercisable at $0.25 each with an expiry date of 31 August 2011 to Alto Capital and Delta Capital as consideration for the placement.

Note 25: Related Party Transactions

Details relating to key management personnel are disclosed in note 5.

During the year:

2010

- Consultancy fees and superannuation of $129,051 were paid to Clinton Cain during the year. Non-monetary benefits of $1,418 relating to Directors' & Officers Liability Insurance were also paid during the year.
- Consultancy fees of $59,114 were paid to Shackleton Capital Pty Ltd during the year. This entity is personally related to David Holden. Non-monetary benefits of $3,967 relating to Directors' & Officers Liability Insurance were also paid during the year.
- At 30 June 2009 $6,415 was payable by IGC (a related party of Clive Hartz) being re-imbursement of travel expenses incurred on their behalf. The money was subsequently repaid by IGC.
- On 15 June 2010 Atomic secured an option agreement to purchase the remaining 15% of PCEA from Peter Tsegas for USD$7,000,000 thus giving the Company the opportunity to make PCEA a 100% subsidiary of Atomic.
- On 22 June 2010 Atomic issued 350,000 shares to IGC Resources Inc (a company associated with Clive Hartz) at a deemed value of $0.145 per share as consideration to acquire the remaining 100% of the legal and mineral rights to the Uaroo project tenements.
- $308,615 was paid to Delta Pacific Corporation Limited ("Delta Pacific"). These were consultancy fees and accommodation assistance paid to Delta Pacific to facilitate PCEA's operations in Tanzania. Delta Pacific is an entity personally related to Peter Tsegas, a director of PCEA. Peter Tsegas resigned as a Director of PCEA on 27 August 2010.

2009

- Consultancy fees of $102,000 were paid to Shackleton Capital Pty Ltd during the year with $11,000 remaining unpaid at year end. This entity is personally related to David Holden.
- Consultancy fees of $18,000 were paid to IGC Resources Incorporated ("IGC") for geological consultancy services. At year end, $6,415 was payable by IGC being re-imbursement of travel expenses incurred on their behalf. Clive Hartz is chairman of IGC Resources Limited.
- $120,000 was paid to Delta Pacific Corporation Limited ("Delta Pacific"). These were consultancy fees paid to Delta Pacific to facilitate PCEA's operations in Tanzania. Delta Pacific is an entity personally related to Peter Tsegas, a director of PCEA.

Loan Agreement with Pacific Corporation East Africa Limited

The Company is an 85% shareholder in Pacific Corporation East Africa Limited (**PCEA**). Pursuant to the terms of a Loan Agreement the Company has agreed to make available to PCEA a secured loan of up to AUD$5,000,000 (**Loan**) to develop and mine coal resources.

Interest is not payable on the loan. The loan agreement has not been signed as at the date of this report. Interest charged on loans to controlled entities during the year was $nil (2009: $168,994).

Loan Agreement with Resource Search Pty Ltd

The Company owns 100% of Resource Search Pty Ltd (**Resource Search**). Pursuant to the terms of a Loan Agreement dated 30 June 2009, the Company has agreed to make available a secured, interest free loan facility of up to AU$3,000,000 to Resource Search (**Loan**) for the exploration of Western Australian mining tenements. The Loan is repayable on demand.

There were no loans to other related parties during the financial year.

Note 26: Financial Risk Management

Financial risk management

Exposure to credit and interest rate risks arises in the normal course of the consolidated entity's businesses.

The Company and Group have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk
- Foreign currency risk

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Exposure to credit risk

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

	Economic Entity 2010 $	Economic Entity 2009 $
Receivables	329,982	37,218
Cash and cash equivalents	1,088,562	1,930,706
Total	**1,418,544**	**1,967,924**

Trade and other receivables

The Group's receivables relates to GST due from the Australian Taxation Office, other minor receivables and VAT of $224,923 due from the Tanzanian Revenue Authority (TRA). This is subject to a VAT audit but the directors believe this amount is recoverable.

Note 26: Financial Risk Management - continued

Liquidity risk

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

Sensitivity Analysis

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Economic Entity
30 June 2010

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	714,161	-	714,161	-	-	-	-
	714,161	-	**714,161**	-	-	-	-

Economic Entity
30 June 2009

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade and other payables	248,611	-	248,611	-	-	-	-
	248,611	-	**248,611**	-	-	-	-

Market risk

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

Note 26: Financial Risk Management - continued

Cash and Receivables

The following are the contractual maturities of financial assets including receivables.

Economic Entity
30 June 2010

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial assets							
Cash	1,088,562	-	1,088,562	-	-	-	-
Trade and other receivables	329,982	-	329,982	-	-	-	-
	1,418,544	-	**1,418,544**	-	-	-	-

Economic Entity
30 June 2009

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Financial assets							
Cash	1,930,706	-	1,930,706	-	-	-	-
Trade and other receivables	37,218	-	37,218	-	-	-	-
	1,967,924	-	**1,967,924**	-	-	-	-

Economic Entity
30 June 2010

	Average interest rate %	Floating interest rate $	Fixed interest rate maturing in: < 1 year	1-5 years	Non-interest bearing	Total
Financial assets						
Cash and cash equivalents	3.13	-	1,088,562	-	-	1,088,562
Trade and other receivables	3.13	-	329,982	-	-	329,982
	3.13	-	**1,418,544**	-	-	**1,418,544**
Financial liabilities						
Trade and other payables	-	-	714,161	-	-	714,161
	-	-	**714,161**	-	-	**714,161**
Net financial assets	-	-	**704,383**	-	-	**704,383**

Note 26: Financial Risk Management - continued

Economic Entity
30 June 2009

	Average interest rate %	Floating interest rate $	Fixed interest rate maturing in: < 1 year	1-5 years	Non-interest bearing	Total
Financial assets						
Cash and cash equivalents	4.40	-	1,930,706	-	-	1,930,706
Trade and other receivables	4.40	-	37,218	-	-	37,218
	4.40	**-**	**1,967,924**	**-**	**-**	**1,967,924**
Financial liabilities						
Trade and other payables	-	-	248,611	-	-	248,611
	-	**-**	**248,611**	**-**	**-**	**248,611**
Net financial assets	**-**	**-**	**1,719,313**	**-**	**-**	**1,719,313**

Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's and the Group's interest-bearing financial instruments was:

	Economic Entity 2010 $	Economic Entity 2009 $
Floating rate instruments		
Financial assets	1,088,562	1,930,706
Financial liabilities	-	-
Total	**1,088,562**	**1,930,706**

The Group's cash at bank and on hand and short term deposits had a weighted average floating interest rate at year end of 3.13%. The Group currently does not engage in any hedging or derivative transactions to manage interest rate risk.

Interest rate sensitivity

A sensitivity of 10 per cent has been selected as this is considered reasonable given the current level of both short term and long term interest rates. A 10% movement in interest rates at the reporting date would have increased (decreased) equity and profit and loss by the amount shown below, this analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Note 26: Financial Risk Management - continued

Interest rate risk

	Profit or loss		Equity	
	10% increase $	10% decrease $	10% increase $	10% decrease $
2010				
Group				
Cash and cash equivalents	3,407	(3,407)	3,407	(3,407)

	Profit or loss		Equity	
	10% increase $	10% decrease $	10% increase $	10% decrease $
2009				
Group				
Cash and cash equivalents	16,058	(16,058)	16,058	(16,058)

Fair values

Fair values versus carrying amounts

The fair value of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Consolidated	30 June 2010		30 June 2009	
	Carrying amount $	Fair value $	Carrying Amount $	Fair value $
Available-for-sale financial assets:				
Loans and receivables	329,982	329,982	37,218	37,218
Cash and cash equivalents	1,088,562	1,088,562	1,930,706	1,930,706
Trade and other payables	(689,161)	(689,161)	(248,611)	(248,611)
Total	**729,383**	**729,383**	**1,719,313**	**1,719,313**

The basis for determining fair value is disclosed in note 1.

Foreign currency risk

As a result of activities overseas, the Company's and Group's consolidated statement of financial position can be affected by movements in exchange rates.

The Group also has transactional currency exposures. Such exposure arises from transactions dominated in currencies other than the functional currency of the entity.

The Group currently does not engage in any hedging or derivative transactions to manage foreign currency risk.

The Group's exposure to foreign currency risk throughout the current year primarily arose from the Group's controlling interest in Pacific Corporation East Africa Limited ("PCEA") and Tancoal Energy Limited whose functional currencies are Tanzanian Schillings. Foreign currency risk arises on translation of the net assets of PCEA to Australian dollars. The foreign currency gains or losses arising from this risk are recorded through the foreign currency translation reserve. There is no hedging of this risk.

Sensitivity Analysis for foreign currency risk

A sensitivity of 10% has been selected as this is considered reasonable given historic and potential future changes in foreign currency rates. This has been applied to the net assets of the parent entity. This sensitivity analysis is prepared at reporting date.

A 10% strengthening/weakening of the Australian dollar against the US Dollar at 30 June 2010 would have decreased/increased the net liabilities of Pacific Corporation East Africa Limited by AUD $8,476.

Note 26: Financial Risk Management - continued

There would be no impact on profit or loss arising from these changes in the currency risk variables as all changes in value are taken to a reserve.

The above analysis assumes that all other variables, in particular interest rates and equity prices, remain constant.

Other price risk

The Group is not exposed to any other price risks.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence. There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Note 27: Parent Entity Disclosures

Financial Position

	Parent Entity 2010 $	Parent Entity 2009 $
ASSETS		
Current Assets		
Cash and cash equivalents	974,209	1,919,019
Trade and other receivables	52,428	26,618
Other assets	59,149	27,350
Total Current Assets	**1,085,786**	**1,972,987**
Non-Current Assets		
Other assets	7,062	-
Exploration expenditure	250,750	1,699,985
Property, plant and equipment	77,173	31,118
Investment in subsidiaries	1,805,927	1,805,927
Total Non-Current Assets	**2,140,912**	**3,537,030**
TOTAL ASSETS	**3,226,698**	**5,510,017**
Current Liabilities		
Trade and other payables	675,946	74,451
Provisions	21,324	53,848
TOTAL LIABILITIES	**697,270**	**128,299**
NET ASSETS	**2,529,428**	**5,381,718**
EQUITY		
Issued capital	16,907,500	12,784,514
Shares to be issued	399,900	-
Reserves	1,173,220	1,002,262
Accumulated losses	(15,951,192)	(8,405,058)
Total equity attributed to equity holders of the Company	**2,529,428**	**5,381,718**
TOTAL EQUITY	**2,529,428**	**5,381,718**

Note 27: Parent Entity Disclosures - continued

The ultimate recovery of the investment and loan to the subsidiary is dependent on the successful development and commercial exploitation or sale of the subsidiary's exploration assets.

FINANCIAL PERFORMANCE

Loss for the year	(7,546,134)	(3,394,300)
Other comprehensive income	-	-
Total comprehensive income	**(7,546,134)**	**(3,394,300)**

The parent entity has not entered into any guarantees in relation to debts of its subsidiaries, has no contingent liabilities and has no commitments for acquisition of property, plant and equipment.

The parent entity is committed to ensure minimum exploration commitments are maintained by its subsidiary companies – refer note 19.

DIRECTORS' DECLARATION

In the director's opinion:

(a) the financial statements and notes set out on pages 37 to 72 are in accordance with the *Corporations Act 2001* including:

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

(ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the financial position as at 30 June 2010 and of their performance for the financial year ended on that date; and

(iii) the financial report complies with International Financial Reporting Standards as disclosed in Note 1.

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

(c) the audited remuneration disclosures set out on pages 21 to 28 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and

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

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

Mr Alastair Walker
Director

Dated this 30th day of September 2010

Stantons International

ABN 41 103 088 697

LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ATOMIC RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Atomic 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 cashflows for the year ended on that date, a summary of significant accounting policies and 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 Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Atomic Resources Limited is in accordance with the *Corporations Act 2001*, including:

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Inherent Uncertainty Regarding Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matters:

As referred to in Note 1 to the financial statements, the financial statements have been prepared on the going concern basis. At 30 June 2010 the consolidated entity had working capital of $695,668 and had incurred a loss for the year of $6,687,918. The ability of the consolidated entity to continue as a going concern is subject to the successful recapitalisation of the Group. In the event that the Board is not successful in recapitalising the Group and in raising further funds, the consolidated entity may not be able to continue as a going concern.

The recoverability of the Group's carrying value of capitalised exploration costs (totalling $2,400,093) is dependent on the successful commercial exploitation of the assets and/or sale of the assets to generate profits at amounts in excess of the book values. In the event that the Group is not successful in commercial exploitation and/or sale of the assets, the consolidated entity may not be able to continue as a going concern and the realisable value of the consolidated entity's assets may be significantly less than their current carrying values.

Report on the Remuneration Report

We have audited the remuneration report included in pages 21 to 28 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Auditor's opinion
In our opinion the remuneration report of Atomic Resources Limited for the year ended 30 June 2010 complies with section 300 A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL
(An Authorised Audit Company)

Stantons International

J P Van Dieren
Director

West Perth, Western Australia
30 September 2010

SHAREHOLDER INFORMATION
For the Year Ended 30 June 2010

Additional information required by the Australian Securities Exchange Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below.

1. Shareholdings

The issued capital of the Company as at 31 August 2010 is 114,999,530 ordinary fully paid shares. There are 28,900,000 listed options ($0.25, 31 August 2011).

Ordinary shares	No. of Holders	No. of Shares
1 - 1,000	9	3,538
1,001 - 5,000	55	187,502
5,001 – 10,000	140	1,183,826
10,001 - 100,000	450	19,057,420
100,001 and over	158	94,567,244
	812	114,999,530
Number holding less than a marketable parcel	11	7,013

Listed Options - $0.25, 31 August 2011	No. of Holders	No. of Options
1 - 1,000	8	5,609
1,001 - 5,000	59	218,391
5,001 - 10,000	56	504,240
10,001 - 100,000	122	4,523,552
100,001 and over	32	23,648,208
	277	28,900,000
Number holding less than a marketable parcel	0	0

SHAREHOLDER INFORMATION

FOR THE YEAR ENDED 30 JUNE 2010

2. Top 20 Shareholders as at 22 September 2010

	Name	No. of Shares Held	% Held
1	RBC Dexia Investor Services	12,454,319	10.83
2	Mara Superannuation Fund	10,000,000	8.70
3	IGC Resources Inc	6,850,000	5.96
4	Mr David Donald Boyer	5,157,500	4.48
5	ANZ Nominees Limited	2,691,500	2.34
6	Melbourne Capital	1,900,000	1.65
7	Ouro Pty Ltd	1,638,093	1.42
8	Mr Peter Tsegas	1,637,708	1.42
9	Gilpin Park Pty Ltd	1,466,666	1.28
10	P Hayes & M J Armitage	1,400,000	1.22
11	Red Puma Pty Ltd	1,340,000	1.17
12	Arredo Pty Ltd	1,330,000	1.16
13	Murray John Dean Brownlie	1,204,655	1.05
14	Mara Superannuation Fund	1,199,000	1.04
15	Mingenew Holdings Pty Ltd	1,111,278	0.97
16	Mr Robert Gemelli	1,100,000	0.96
17	M J Gorey	1,100,000	0.96
18	DJ and M A Schwartz	1,065,099	0.93
19	H Sklarz	1,009,548	0.88
20	Geneva Gold SA	1,000,000	0.87
	Total	**56,655,366**	**49.27**

3. Substantial Shareholders as at 22 September 2010

		No. of Shares Held	% Held
1	Clive Hartz and his associated entities	18,664,000	16.23%
2	RBC Dexia Investor Services	12,454,319	10.83%

3. Top 20 Option holders ($0.25, 31 August 2011) as at 22 September 2010

	Name	No. of Options Held	% Held
1	IGC Resources Inc	7,250,000	25.09
2	Mr David Donald Boyer	2,537,500	8.78
3	Mr Robert Gemelli	2,483,141	8.59
4	Mara Superannuation Fund	1,171,682	4.05
5	ANZ Nominees Limited	1,102,475	3.81
6	Mr Clinton Cain	1,000,000	3.46
7	Mr Peter Tsegas	1,000,000	3.46
8	Mr Peter Hamilton Hayes	868,500	3.01
9	Calama Holdings Pty Ltd	650,000	2.25
10	Mara Superannuation Pty Ltd	599,500	2.07
11	DS and BS Morgan	444,275	1.54
12	Mr Calogero Collica	425,000	1.47
13	Mrs Maraine Walker	400,000	1.38
14	M J Strong	370,000	1.28
15	Mara Superannuation Fund	363,118	1.26
16	D Holden	300,000	1.04
17	P Michaels	300,000	1.04
18	T L Neff	300,000	1.04
19	S M Ramsay	250,000	0.87
20	Ouro Pty Ltd	200,000	0.69
	Total	**22,015,191**	**76.18**

Schedule of Tenements

Tenement No.	Prospect Area	Status (Granted or Application)	Atomic's Percentage Interest
80/1494	Uaroo	Granted	100% all mineral rights
80/1495	Uaroo	Granted	100% all mineral rights
E69/2215	Eraheedy	Granted	100% Resource Search Pty Ltd
E69/2101	Eraheedy	Granted	100% Resource Search Pty Ltd
E69/2102	Eraheedy	Granted	100% Resource Search Pty Ltd
E69/2183	Eraheedy	Granted	100% Resource Search Pty Ltd
E69/2214	Eraheedy	Granted	100% Resource Search Pty Ltd
E69/2103	Eraheedy	Granted	100% Resource Search Pty Ltd
E69/2218	Eraheedy	Granted	100% Resource Search Pty Ltd
E69/2216	Eraheedy	Granted	100% Resource Search Pty Ltd
E69/2217	Eraheedy	Granted	100% Resource Search Pty Ltd
E08/1660	Ashburton	Granted	100% Resource Search Pty Ltd
E80/3792	Tanamai	Granted	100% Resource Search Pty Ltd
PL 3608/2005	Iramba (Africa)	Granted	100% PCEA Limited
PL 5787/2009	Tunduru (Africa)	Granted	100% PCEA Limited
PL 3543/2005	Iramba (Africa)	Granted	100% PCEA Limited
PL 5957/2009	Iramba (Africa)	Granted	100% PCEA Limited
PL 5956/2009	Iramba (Africa)	Granted	100% PCEA Limited
PL5633/2009	Mbalawala (Africa)	Granted	100% Tancoal Limited
PL5030/2008	Mbuyura/Mkapa (Africa)	Granted	100% Tancoal Limited
HQ-G 16008	Tunduru (Africa)	Pending	0%
HQ-P 20430	Tunduru (Africa)	Pending	0%
HQ-G 16534	Mbinga	Pending	0%
HQ-P 22113	Mbinga	Pending	0%
HQ-G 16440	Mbinga	Pending	0%
HQ-P 21847	Mbinga	Pending	0%