



# Annual Report

30 June 2010

# GIRALIA RESOURCES NL

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# GIRALIA RESOURCES NL

## *Corporate Directory ...*

### *Directors*

Graham D. Riley B. Juris L.L.B. (Chairman)  
Stanley A. Macdonald  
R Michael Joyce B.Sc (Hons) M.Sc

### *Secretary*

Bruce R. Acutt B.Com

### *Principal and Registered Office*

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Website: [www.giralia.com.au](http://www.giralia.com.au)

### *Auditors*

KPMG  
Chartered Accountants  
235 St Georges Terrace  
PERTH WA 6000

### *Share Register*

Security Transfer Registrars Pty Ltd  
PO Box 535  
APPLECROSS WA 6953  
Telephone: (08) 9315 2333  
Facsimile: (08) 9315 2233  
Email: [registrar@securitytransfer.com.au](mailto:registrar@securitytransfer.com.au)  
Website: [www.securitytransfer.com.au](http://www.securitytransfer.com.au)

### *Solicitors*

Allion Legal  
Level 2, 59 Kings Park Road  
WEST PERTH WA 6005

### *Bankers*

Commonwealth Bank of Australia Limited  
Forrest Place  
PERTH WA 6000

### *Home Exchange*

Australian Securities Exchange, Perth  
2 The Esplanade  
PERTH WA 6000  
ASX Code: GIR

# GIRALIA RESOURCES NL

## DIRECTORS' REPORT & CORPORATE GOVERNANCE STATEMENT

The Directors present their report together with the financial report of Giralia Resources NL, being the "Company" or "Giralia" and its controlled entities ("the Group"), for the year ended 30 June 2010, and the auditors' report thereon.

### 1. DIRECTORS

The Directors of the Company at any time during or since the end of the financial year are:

**Name, qualifications and independence status**

Mr Graham Douglas Riley, B.Juris LLB  
Independent Non-Executive Chairman

**Experience, special responsibilities and other directorships**

Director since 30 June 1998. Mr Riley is a qualified legal practitioner, having gained his Bachelor of Laws and Bachelor of Jurisprudence Degrees. After 10 years legal practice as a partner of a commercial firm in Perth, he resigned to pursue private interests in the resources and exploration sector, where he continues to act in various non-executive capacities. Mr Riley is Chairman of Buru Energy Ltd and Gascoyne Resources Ltd.

Mr Rodney Michael Joyce, BSc (Hons),  
MSc., Managing Director

Director since 10 May 2000. Mr Joyce is a geologist with over 20 years experience in mineral exploration, following graduation in 1979 with a BSc (Hons) degree in Geology from Monash University. He also holds a MSc in Mineral Exploration from the Royal School of Mines, University of London, UK. Prior to joining Giralia as Exploration Manager in late 1998, he was the leader of a successful gold exploration team at Aberfoyle Resources Ltd, responsible for significant gold discoveries at Khartoum (Carosue Dam) and Davyhurst in Western Australia. Mr Joyce is a Director of Zinc Co Australia Limited.

Mr Stanley Allan Macdonald  
Executive Director

Director since 12 April 1991. Mr Macdonald is a major shareholder in the Company and has been associated with the mining and exploration industry for over 20 years. Mr Macdonald is a non-executive director of U308 Limited, Zinc Co Australia Limited, and Carpentaria Exploration Ltd.

### 2. COMPANY SECRETARY

Mr Bruce Richard Acutt, B.Com  
Company Secretary

Mr Acutt was appointed to the position of Company Secretary in July 1987. He had previously trained and worked with major accounting firms in the audit and resources sectors. Mr Acutt is Joint Company Secretary of Zinc Co Australia Limited.

# GIRALIA RESOURCES NL

## **Directors' Report & Corporate Governance Statement ...**

### 3. DIRECTORS' MEETINGS

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial year are:-

Director	Number of Board Meetings		Circular Resolutions in Writing	
	A	B	A	B
G D Riley	11	11	1	1
S A Macdonald	11	11	1	1
R M Joyce	10	11	1	1

A – Number of meetings attended.

B – Number of meetings held during the time the Director held office in the year.

### 4. CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations unless otherwise stated.

#### PRINCIPLES OF BEST PRACTICE RECOMMENDATIONS

##### PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

###### Role of Board and Responsibilities

*(ASX CGC Recommendation 1.1)*

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

The relationship between the Board and senior management is critical to the Group's long-term success. The Directors are responsible to the shareholders for the performance of the Group in both the short and longer term, and seek to balance sometimes competing objectives in the best interests of the Group. Their focus is to enhance the interests of shareholders and other key stakeholders, and to ensure the Group is properly managed.

The Board operates in accordance with the broad principles set out in its charter, which is available from the corporate governance information section of the Group website at [www.giralia.com.au](http://www.giralia.com.au). The charter details the Board's composition and responsibilities.

###### Board Responsibilities

The responsibilities of the Board include:

- supervising the Group's framework of control and accountability systems to enable risk to be assessed and managed;
- ensuring the Group is properly managed, for example by:
  - appointing and, where appropriate, removing any Managing Director, Chief Executive Officer (or equivalent) of the Group;
  - ratifying the appointment and, where appropriate, the removal of any Chief Financial Officer and the Company Secretary;
  - formulating short term and long term strategies to enable the Group to achieve its objectives and ensuring that the Group has the resources to meet its strategic objectives;
  - input into and final approval of management's development of corporate strategy and performance objectives;
  - reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;

# GIRALIA RESOURCES NL

## **Directors' Report & Corporate Governance Statement ...**

### 4. CORPORATE GOVERNANCE STATEMENT (cont')

- monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available; and
- establishing, monitoring and determining the powers and duties of any and all of the Company's committees;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- approving the annual budget;
- monitoring the financial performance of the Group;
- approving and monitoring financial and other reporting;
- providing overall corporate governance of the Group, including conducting regular reviews of the balance of responsibilities within the Group to ensure division of functions remain appropriate to the needs of the Group;
- appointing the external auditor and the appointment of a new external auditor when any vacancy arises, provided that any appointment made by the Board must be ratified by shareholders at the next AGM of the Company;
- liaising with the Company's external auditors; and
- monitoring and ensuring compliance with all of the Group's legal obligations, in particular those obligations relating to the environment, native title, cultural heritage and occupational health and safety.

#### **Senior Executive Responsibilities**

The Company is served by two senior executives;

An Exploration Manager and Company Secretary/Chief Financial Officer.

The Exploration Manager is responsible for:-

- Managing all exploration activity including the selection of area to be subject to exploration, determining the nature, type and extent of exploration activity;
- Ensuring that tenements are maintained in good standing with applicable State Authorities;
- Reporting to the Board on exploration activity;
- Reporting to Board on financial activity for exploration;
- Preparation of Exploration Budget;
- Periodical high-level review of key controls to ensure that they are operating as required/designed, particularly occupational health and safety.

The Company Secretary/Chief Financial Officer is responsible for:

- Ensuring the efficient operation of the registered office of the Company;
- Preparation of monthly financial reports
- Preparation of half-year and annual financial statements
- Ensuring compliance with ASX Listing rules and applicable Australian Securities and Investment Commission requirements
- Ensuring the continuous operation of key controls
- Maintenance of Group's risk register
- Maintenance of Group records

The Exploration Manager is accountable to the Board for management of exploration, with authority levels approved by the Board, and is subject to the supervision of the Board.

# GIRALIA RESOURCES NL

## **Directors' Report & Corporate Governance Statement ...**

### 4. CORPORATE GOVERNANCE STATEMENT (cont')

The performance of all Directors is reviewed by the Chairman each year. Directors whose performance is unsatisfactory are to be asked to retire.

#### **Evaluation of Senior Executive Performance**

Senior Executive performance is evaluated by the Board annually at a time approximating contract renewal date. Accordingly, all senior executives were evaluated during the current financial year against the responsibilities identified above and following the process disclosed above.

#### **PRINCIPLE 2 - STRUCTURE OF THE BOARD TO ADD VALUE**

##### **Composition and functions of the Board**

*(ASX CGC Recommendations 2.1, 2.2, 2.3, 2.5)*

The composition of the Board is determined in accordance with the following principles and guidelines:

The Board shall comprise at least three Directors, increasing where additional expertise is considered desirable in certain areas, and

- where possible the Board is to comprise a majority of non-executive directors who are considered by the Board to be independent.
- directors may bring characteristics which allow a mix of qualifications, skill and experience.
- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group, and directors with an external or fresh perspective;
- the size of the Board is conducive to effective discussion and efficient decision-making.

The Board reviews its composition on an annual basis to ensure that it has the appropriate mix of expertise and experience to adequately discharge its responsibilities and duties. Where a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience.

Details of members of the Board, their experience, expertise, qualifications, term of office and independent status are set out in the Directors' Report under the heading "Information on Directors". There is one non-executive Director who is deemed independent under the principles set out below, at the date of signing the Directors' Report.

#### **Term of office**

The Company's Constitution specifies that any Director other than the Managing Director must retire from office no later than the third annual general meeting (AGM) following their last election.

#### **Directors' independence**

*(ASX CGC Recommendation 2.1, 2.6)*

The Board has adopted the specific principles in relation to Directors' independence. These state that to be deemed independent, a director must be a non-executive and:

- not be a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years, not have been employed in an executive capacity by the Company or been a director after ceasing to hold any such employment;
- within the last three years not have been a principal of a material professional advisor or a material consultant to the Group or an employee materially associated with the service provided;

# GIRALIA RESOURCES NL

## **Directors' Report & Corporate Governance Statement ...**

### 4. CORPORATE GOVERNANCE STATEMENT (cont')

- not be a material supplier or customer of the Group or another Group member, or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- must have no material contractual relationship with the Group, other than as a director of the Company;
- be free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Group;
- not have been on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Group.

Each Director has the right to seek independent advice at the Group's expense, however prior approval by the Chairman is required, which will not be unreasonably withheld.

Materiality for these purposes is determined on both quantitative and qualitative bases. An amount of over 10% of the current year operating result of the Group or 10% of the pro forma net assets is considered material for these purposes. In addition, the Group applies materiality based on qualitative assessments including if matters impact on the reputation of the Group and if they involve a related party.

There is one non-executive director who is deemed independent at the date of signing the Directors' Report, as outlined in the Directors' Report under the heading "Information on Directors".

#### **Conflict of interests**

Mr R M Joyce and Mr S Macdonald had business dealings with related party entities (U3O8 Ltd, PacMag Metals Ltd and Zinc Co Australia Ltd) during the year, as described in note 21 to the financial statements. In accordance with the Board charter, the Directors concerned declared their interests in those dealings to the Company and took no part in decisions relating to them or the preceding discussions.

#### **Chairman**

*(ASX CGC Recommendation 2.2, 2.3)*

The Chairman is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the Group's senior executives.

Mr Graham Riley, an independent non executive director, was appointed Chairman by the Board on 30 June 1998.

The Chairperson's responsibilities are set out in the Board Charter, which is available from the corporate governance information section of the Group website at [www.giralia.com.au](http://www.giralia.com.au).

#### **Board committees**

Due to the small size and structure of the Board, there are no separate audit, nomination and remuneration committees. Instead, the Board considers it more appropriate to set aside time at Board meetings to specifically address matters that would ordinarily be considered by audit, nomination or remuneration committees. When considering these matters, the Board functions in accordance with its Audit Committee Charter and Remuneration Committee Charter.

Each written charter sets out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis and are available on the Company website.



# GIRALIA RESOURCES NL

## **Directors' Report & Corporate Governance Statement ...**

### 4. CORPORATE GOVERNANCE STATEMENT (cont')

#### **Nomination committee**

*(ASX CGC Recommendation 2.4)*

There is no separate nomination committee. The Board considers those matters and issues arising that would usually fall to a nomination committee.

When considering nomination matters, the Board operates in accordance with its charter which is available on the Group website at [www.giralia.com.au](http://www.giralia.com.au).

The main responsibilities are to:

- conduct an annual review of the membership of the Board having regard to present and future needs of the Group, and to make recommendations on Board composition and appointments;
- propose candidates for Board vacancies;
- oversee the annual performance assessment program;
- oversee Board succession, including the succession of the Chairman; and
- assess the effectiveness of the induction process.

Candidates for the Board are considered and selected by reference to a number of factors which include, but are not limited to, their relevant experience and skills, compatibility within the Company's scope of activities, and ability to undertake Board duties and responsibilities.

The Board then appoints the most suitable candidate who must stand for election at the next annual general meeting of the Company.

Details of the nomination, selection and appointment processes are available on the Company's website.

Notices of meetings for the election of Directors comply with the ASX Corporate Governance Council's best practice recommendations.

New directors are provided with a letter of appointment setting out the Company's expectations, their responsibilities and rights, and the terms and conditions of their employment. All new directors participate in a comprehensive, formal induction program which covers the operation of the Board and its committees and financial, strategic, operations and risk management issues.

#### **Performance assessment**

*(ASX CGC Recommendation 2.5)*

The Board annually reviews the remuneration packages and policies applicable to executive directors, non-executive directors and senior executives. Remuneration levels are competitively set to attract and retain qualified and experienced directors and senior executives. Where necessary, the Board obtains independent advice on the appropriateness of remuneration packages.

Any Nomination Committee matters are discussed at Board Meetings at least annually. This would include any situation where a director or senior executive's ability to perform their duties was materially affected.

The Chairman undertakes an annual assessment of the performance of the Board, and individual directors. Descriptions of the process for performance assessment of the Board and senior executives, are available on the Company website at [www.giralia.com.au](http://www.giralia.com.au).

# GIRALIA RESOURCES NL

## **Directors' Report & Corporate Governance Statement ...**

### 4. CORPORATE GOVERNANCE STATEMENT (cont')

#### **Commitment**

The Board held eleven board meetings during the year and one circular resolution in writing during the year. Non-executive Directors are expected to prepare for and attend Board and committee meetings and associated activities.

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2010, and the number of meetings attended by each Director, is disclosed in note 3 of the Directors' Report.

It is the Company's practice to allow its executive Director to accept appointments outside the Group with prior written approval of the Board. Mr Graham Riley was appointed as Non-executive Chairman of Gascoyne Resources Limited during the year ended 30 June 2010.

The commitments of non-executive Directors are considered by the nomination committee prior to the Directors' appointment to the Board of the Company and are reviewed each year as part of the annual performance assessment.

Prior to appointment or being submitted for re-election, each non-executive Director is required to specifically acknowledge that they have and will continue to have the time available to discharge their responsibilities to the Group.

#### **PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING**

##### **Code of conduct and trading policy**

*(ASX CGC Recommendation 3.1, 3.2, 3.3)*

The Group has developed a statement of values and a Code of Conduct (the Code) which has been fully endorsed by the Board and applies to all directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Code requires that at all times all Group personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Group policies and that individuals are responsible and accountable for reporting and investigating reports of unethical behaviour.

Directors, employees and contractors are required to comply with the Group's comprehensive Share Trading Policy when dealing in the Company's securities. This policy outlines the law on insider trading and restricts people working for or associated with the Company from dealing in Company securities.

The policy prohibits directors or employees from dealing in Company's securities when they are in possession of price sensitive information that is not generally available to the market.

The Group abides by a policy of continuous disclosure, as required by the ASX Listing Rules.

- The Group has developed a Code of Conduct for directors and officers, and to guide compliance with legal and other obligations to legitimate stakeholders, and it is disclosed on the Company's website.
- The Company has in place a Share Trading Policy concerning trading in Company securities, and it is disclosed on the Company's website.

# GIRALIA RESOURCES NL

## **Directors' Report & Corporate Governance Statement ...**

### 4. CORPORATE GOVERNANCE STATEMENT (cont')

The directors are satisfied that the Group has complied with its policies on ethical standards, including trading in securities.

#### **PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING**

##### **Corporate reporting**

*(ASX CGC Recommendation 4.1)*

The Managing Director (CEO) and Company Secretary (CFO) have made the following certifications to the board:

- that the Group's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Group and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the Group's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

##### **Audit committee**

*(ASX CGC Recommendation 4.1, 4.2, 4.3, 4.4)*

There is no separate audit committee. The Board considers those matters and issues arising that would normally fall to the audit committee.

The Board, acting as the audit committee, has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Group operates.

The Board, acting as the audit committee, operates in accordance with a charter which will be available on the Company website. The main responsibilities are to:

- review, assess and approve the annual report, the half-year financial report and all other financial information published by the Group or released to the market;
- assist the Board in reviewing the effectiveness of the organization's internal control environment covering:
  - effectiveness and efficiency of operations
  - reliability of financial reporting
  - compliance with applicable laws and regulations;
- determine the scope of the internal audit function and ensure that its resources are adequate and used effectively, and assess its performance, including independence;
- oversee the effective operation of the risk management framework;
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance;
- consider the independence and competence of the external auditor on an ongoing basis. Each reporting period, the external auditor provides an independence declaration in relation to the audit;
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence;
- review and monitor related party transactions and assess their propriety;
- report to the Board on matters relevant to the committee's role and responsibilities.

# GIRALIA RESOURCES NL

## **Directors' Report & Corporate Governance Statement ...**

### 4. CORPORATE GOVERNANCE STATEMENT (cont')

In fulfilling its responsibilities, the Board:

- receives regular reports from management and external auditors;
- meets with management and external auditors at least twice a year, or more frequently if necessary;
- reviews the processes the CEO and CFO have in place to support their certifications to the Board;
- discuss external audit plans, identifying significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review external audit fees proposed for the audit work to be performed;
- reviews the half year and annual report prior to lodgment with the ASX, and any significant adjustments required as a result of the auditor's findings;
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved, the adequacy of accounting and financial controls, and to monitor the implementation of any recommendations made;
- provides management and external auditors with a clear line of direct communication at any time to the Chairman of the Board.

The Board, acting as the audit committee, has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

#### **External auditors**

The Group and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration the assessment of performance, existing value and tender costs.

An analysis of fees paid to the external auditor, including a break-down of fees for non-audit services, is provided in the directors' report and in note 7 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

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

#### **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

##### **Continuous disclosure and market communication**

*(ASX CGC Recommendation 5.1, 5.2)*

The Group has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities.

These policies and procedures are designed to ensure that shareholders and the market are provided with equal, timely and balanced access to material information concerning the Group. A summary of these policies and procedures is available on the Company's website.

The Managing Director and the Company Secretary are responsible for interpreting the Group's policy, ensuring compliance with continuous disclosure and informing the Board where necessary.

# GIRALIA RESOURCES NL

## **Directors' Report & Corporate Governance Statement ...**

### 4. CORPORATE GOVERNANCE STATEMENT (cont')

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX) and overseeing and coordinating information disclosure to analysts, brokers, shareholders, the media and the public. All senior management is informed of the Company's continuous disclosure policy and understands the processes involved in relation to the timely disclosure of information.

All information disclosed to the ASX is posted on the Group's website ([www.giralia.com.au](http://www.giralia.com.au)) as soon as possible after it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the Company's web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

#### **PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS**

##### **Shareholder communication**

*(ASX CGC Recommendations 6.1, 6.2)*

The Board's continuous disclosure and communications policies and procedures are designed to encourage effective, timely, balanced and understandable information concerning the Group to its shareholders and the market. Initiatives to facilitate this include making all Company announcements, media briefings, and details of Company meetings, press releases for the last three years and financial reports for the last five years available on the Company's website. All information released to the market and related information (such as information provided to analysts or the media) is placed on the Company's website as soon as possible following the release to the ASX.

The full annual report is sent and provided via the Company's website to all shareholders. A shareholder may specifically request not to receive a physical copy of the annual report. The annual report includes relevant information about the operations and activities of the Company and its subsidiaries during the year, changes in the state of affairs and details of future developments. The half year report contains summarised financial information and a review of operations of the Company and its subsidiaries. This is sent to shareholders upon shareholder request.

The website also includes a feedback mechanism and an option for shareholders to register their email address for direct email updates on Group matters.

Full texts of notices of meetings and explanatory material are placed on the Company's website.

The Group encourages full and effective shareholder participation at general meetings. Shareholders generally participate in these meetings through the appointment of a proxy.

The Group's external auditor attends the annual general meetings to answer shareholder questions in relation to the conduct of the audit, the preparation and content of the audit report, accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

A summary of these policies and procedures is available on the Company's website at [www.giralia.com.au](http://www.giralia.com.au).

# GIRALIA RESOURCES NL

## **Directors' Report & Corporate Governance Statement ...**

### 4. CORPORATE GOVERNANCE STATEMENT (cont')

#### **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

##### **Risk assessment and management**

*(ASX CGC Recommendations 7.1, 7.2, 7.3, 7.4)*

The Board, through the audit committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies are available on the Company's website. In summary, the Group policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisational structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct is required at all times and the Board actively promotes a culture of quality and integrity.

Ultimate responsibility for risk oversight and risk management rests with the full Board. Management is responsible for developing and implementing a sound system of risk management and internal control. Management carries out regular systematic monitoring of control activities and reports to the Board. Detailed control procedures cover management accounting, financial reporting, project appraisal, environment, health and safety, IT security, compliance and other risk management issues.

The Board has required management to design and implement a risk management and internal controls system to manage the Group's material business risks. This has resulted in a register of risks which will be reviewed in accordance with the Group's Risk Management policy. The Group's Risk Management policy forms part of the Corporate Governance Policy and is located on the Company's website.

The Board has obtained a written confirmation from the Managing Director and the Company Secretary, that the statement in relation to s.295A of the Corporation Act, is founded on a sound system of risk management and internal compliance and control and that the system is operating efficiently and effectively in all material respects.

The Board ensures that appropriate controls are in place to effectively manage those risks, which is reviewed at least annually.

#### **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

##### **Remuneration committee**

*(ASX CGC Recommendation 8.1, 8.2, 8.3)*

There is no separate remuneration committee. This is because the Board is of the opinion that the Group is too small to justify the extra expense of forming and running a remuneration committee. Accordingly, the Board considers those matters and issues arising that would usually fall to the remuneration committee.

When considering matters of remuneration, the Board functions in accordance with its Remuneration Committee Charter, which is available on the Company's website. The Remuneration Committee Charter requires the Board to review matters on remuneration and incentive policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

# GIRALIA RESOURCES NL

## **Directors' Report & Corporate Governance Statement ...**

### **4. CORPORATE GOVERNANCE STATEMENT (cont')**

The Board, acting as the remuneration committee, may receive regular briefings from an external remuneration expert on recent developments on remuneration and comparisons of remuneration within the industry.

Non-executive directors' remuneration consists of a fixed amount paid including statutory superannuation. Senior executive remuneration consists of a balance of fixed and incentive pay plus statutory superannuation. Other than statutory superannuation, no directors' or senior executives are entitled to any other retirement benefits.

Senior executives sign a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description.

Further information on directors' and executives' remuneration is set out in the directors' report under the heading "Remuneration report".

The remuneration committee's terms of reference will include responsibility for reviewing any transactions between the organisation and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction are in compliance with the Corporations Act 2001 and are appropriately disclosed.

The remuneration committee's charter will be maintained in the Corporate Governance Policies which will be available on the Company's website.

The Board, acting as the remuneration committee, also assumes responsibility for management succession planning, including the implementation of appropriate executive development program and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

There are no schemes for retirement benefits for non-executive directors other than superannuation.

### **5. PRINCIPAL ACTIVITIES**

The principal activity of the Group during the course of the financial year was mineral exploration. There was no significant change in the nature of the activity of the Group during the year.

### **6. FINANCIAL RESULTS**

The net consolidated profit for the financial year attributable to members of Giralia Resources NL after income tax was \$3,496,755 (2009: profit \$7,554,657).

### **7. REVIEW OF OPERATIONS**

During the year the Group continued its exploration activities in Australia, with a focus on iron ore exploration. In August and September 2009 Giralia announced two important hematite iron ore discoveries within potential trucking distance of Port Hedland.

# GIRALIA RESOURCES NL

## **Directors' Report & Corporate Governance Statement ...**

### 7. REVIEW OF OPERATIONS (cont'd)

The new finds at Daltons-Mt Webber and McPhee Creek have significantly increased Giralia's global direct shipping iron ore resource inventory, and are important near term development projects. The Company continued major resource drilling programs with almost 50,000 metres of drilling completed in the 12 months ending 30 June 2010, leading to JORC resources estimates for 6 of the Company's 7 iron ore projects. Concurrent development studies included the completion of positive Scoping level mining studies, and initiation of Pre-Feasibility activities for the Daltons-Mt Webber and Yerecoin deposits.

- Giralia discovered the main range deposit at McPhee Creek in September 2009, located within potential trucking distance 220 km south-east of Port Hedland. The Inferred Mineral Resource at McPhee Creek has grown rapidly from a maiden estimate in December 2009 of 52.1 million tonnes @ 56.0% Fe, to the current estimate of 210 million tonnes @ 56.2% Fe (at 8 September 2010). A major resource drilling program continues on the new main range discovery.
- An Inferred Mineral Resource of 40 million tonnes @ 57.3% Fe was reported on 14 September 2009 for the Daltons JV's Mt Webber iron ore deposit. The results of an independent Scoping Study on development options were reported in December 2009, with a Base Case of 2Mtpa mining and road haulage to Port Hedland, targeting production by 2nd quarter 2011. Infill RC and diamond drilling was completed to allow upgrade of resource category for the major portion of the Mt Webber deposit, and the new Indicated Mineral Resource for the Main Southern Zone of 28.9 million tonnes @ 57.9% Fe, 6.69% SiO<sub>2</sub>, 1.49% Al<sub>2</sub>O<sub>3</sub>, 0.097% P and 8.17% LOI (63.05% CaFe) was reported on 8 September 2010. This upgraded Main Southern Zone resource will form the basis for Ore Reserve estimation and mine engineering studies as part of the ongoing Pre-Feasibility Study.
- A maiden JORC Inferred Mineral Resource of 186.8 million tonnes @ 30.9% Fe, (DTR Fe 70.1% Fe, 32.8% weight recovery and 2.1% SiO<sub>2</sub>) was reported on 7 July 2010 for the Yerecoin magnetite project, located around 120 kilometres NNE of Perth. The key to the development of the Yerecoin project is its location within 1 kilometre of existing rail access. A positive Scoping Study on development options was delivered in February 2010.
- Giralia has outlined an Inferred Mineral Resource of 52.4 million tonnes @ 56.7% Fe at the Western Creek project, comprising thick zones of near surface Marra Mamba iron ore as a direct extension of BHP Billiton's adjoining Silver Knight-Golden Flag deposit, located only 15 kilometres from railway and train loading facilities at Newman. A follow up RC drilling program in July 2010 at the Homestead prospect, 10 kilometres north of Giralia's current resource at Western Creek, returned strong intersections over around 1.6 kilometres strike in the Marra Mamba Formation, likely to add substantially to the current project JORC resource.
- A 126 hole drilling program was completed in November 2009 at the greenfields Earahedy project. Better intersections include 40 metres @ 50.4% Fe (open at end of hole), 12 metres @ 55.5% Fe within 30 metres @ 51.5% Fe, and 4 metres @ 58.1% Fe.
- A 78 hole drilling program in August 2009 confirmed extensions to the initial JORC hematite resource at the Beebyn-Weld Range deposit in WA's Mid West. At the nearby Beebynganna Hills discovery, promising intersections of hematite and magnetite were returned. Initial DTR tests on magnetite drill samples from Beebynganna Hills returned positive results.



# GIRALIA RESOURCES NL

## **Directors' Report & Corporate Governance Statement ...**

### **7. REVIEW OF OPERATIONS (cont'd)**

- Metallurgical testwork was completed on PQ drill core samples from the Anthiby Well channel iron deposit (initial JORC Inferred Resource 37.6 million tonnes @ 53.6% Fe), 220 kilometres by road from Onslow port. The High Grade composites and the lump fraction of the Upper Low Grade composite produced grades approaching market acceptance.

*The information in this report that relates to Exploration Results, is based on information compiled by R M Joyce, who is a full time employee of the Company and a Member of the Australasian Institute of Mining and Metallurgy. R M Joyce has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which 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'. R M Joyce consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

*The information in the report that relates to in-situ Mineral Resources at Daltons-Mt Webber is based on information compiled by Mr Chris Allen of CSA Global. Chris Allen takes overall responsibility for the Mineral Resource. He is a Member of the Australian Institute of Geoscientists and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code 2004 Edition). Chris Allen consents to the inclusion of such information in this Report in the form and context in which it appears.*

*The information in the report that relates to in-situ Mineral Resources at Western Creek, McPhee Creek, Yerecoin and Anthiby Well is based on information compiled by Mr Grant Louw of CSA Global. Grant Louw takes overall responsibility for the Mineral Resource. He is a Member of the Australian Institute of Geoscientists and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code 2004 Edition). Grant Louw consents to the inclusion of such information in this Report in the form and context in which it appears.*

### **8. DIVIDENDS**

There were no dividends paid or declared by the Group since the end of the previous financial year. The Directors do not recommend the payment of a dividend in respect of the current financial year.

### **9. STATE OF AFFAIRS**

Significant changes in the state of affairs of the Group during the financial year were as follows:

- The Group continued with a high level of exploration activity during the year, with substantial drilling programs completed at the Giralia operated McPhee Creek, Yerecoin, Daltons, Beebyn, Western Creek and Earahedy projects, along with partner-funded drilling in several areas. Operational focus is on the development of the Group's iron ore tenements with promising drilling results reported and scoping studies carried out on the feasibility of transportation and shipping of the iron ore. The Group's total iron ore resource inventory was substantially increased by new discoveries and development studies were reported for two of the Group's more advanced iron ore projects. Please refer to periodic ASX announcements for comprehensive updates of Giralia's exploration activity.
- Giralia and Helix Resources Ltd jointly listed a gold exploration company, Gascoyne Resources Limited, on the Australian Securities Exchange on 11 December 2009. Gascoyne Resources Limited raised \$5.23 million. On 8 February 2010, Giralia shareholders approved of a reduction in capital and in-specie distribution of 14.6 million of its 18.2 million Gascoyne shares to shareholders of Giralia. Giralia continues to hold 5.89% of Gascoyne at the date of this report

# GIRALIA RESOURCES NL

## **Directors' Report & Corporate Governance Statement ...**

### 9. STATE OF AFFAIRS

- The Group sold its shareholding in PacMag Metals Limited, in a takeover by Canadian company, Entrée Gold Inc for \$692,211 in cash and 15,008,441 shares in Entrée Gold Inc.
- The Company exercised 1,700,000 options in Carpentaria Exploration Ltd and sold 1,614,000 on market.

### 10. EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and/or unusual nature likely, in the opinion of the Directors of the Group, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

Since balance date, the aggregate fair value of the Group's investments has increased by \$2,567,907 or 25% due to increases in ASX share prices.

### 11. LIKELY DEVELOPMENTS

The Group will continue to pursue its policy of acquiring and testing attractive mineral properties with a view to developing properties capable of economic mineral production. Joint venture partners will be sought where appropriate.

### 12. DIRECTORS' INTERESTS

The relevant interest of each Director in the share capital of the Company, as notified by the Directors to the ASX in accordance with Section 205G(1) of the Corporations Act 2001 at the date of this report, is as follows:

#### GIRALIA RESOURCES NL

	Fully Paid Ordinary Shares		Options	
	Number Directly Held	Number Beneficially Held	Number Directly Held	Number Beneficially Held
G D Riley	-	3,388,952	-	-
S A Macdonald	6,159,520	210,000	-	-
R M Joyce	-	2,950,000	-	1,000,000

### 13. REMUNERATION REPORT - audited

#### 13.1 Principles of remuneration

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including Directors of the Company and other executives. Key management personnel include specified Directors and specified executives for the Group.

The Board of Directors decides on remuneration policies and packages applicable to the Board members and employees of the Group. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities; and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced key management personnel.

# GIRALIA RESOURCES NL

## **Directors' Report & Corporate Governance Statement ...**

### 13. REMUNERATION REPORT - audited

Remuneration packages include a mix of fixed remuneration and long-term performance-based incentives.

Fixed remuneration – Fixed remuneration consists of base remuneration and statutory superannuation entitlements. Remuneration levels are set by the Board based on industry benchmarking, individual performance and the performance of the Company. The board may from time to time approve of the payment of a short term incentive cash bonus to key management personnel and employees.

Performance-linked remuneration – Performance-linked remuneration includes long-term incentives in the form of options over ordinary shares of the Company. Performance-based remuneration is not based on specific financial indicators such as earnings or dividends as the Group is at the exploration stage and during this period is expected to incur operating losses. There is no separate profit-share plan. Bonuses are paid on an ad-hoc basis and agreed to by the Board.

The key management personnel are also entitled to receive, on termination of employment, their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

#### *Service Contracts*

The service contract outlines the components of compensation paid to the key management personnel but does not prescribe how compensation levels are modified year to year. Compensation levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the senior executive and any changes required to meet the principles of the compensation policy and market conditions.

Graham D Riley	<ul style="list-style-type: none"><li>- Base Salary of \$50,000 per annum</li><li>- Chairman / Non-executive Director</li></ul>
Stanley A Macdonald	<ul style="list-style-type: none"><li>- Executive Director</li><li>- Annually renewable contract</li><li>- Base Salary of \$210,000 per annum</li><li>- Termination is by 3 months notice in writing by either party</li></ul>
R Michael Joyce	<ul style="list-style-type: none"><li>- Managing Director / CEO</li><li>- Annually renewable contract</li><li>- Base Salary \$320,000 inclusive of mandatory superannuation and the periodic review by the board of the share option package</li><li>- Termination is by 3 months notice in writing by either party</li></ul>
Julian Goldsworthy	<ul style="list-style-type: none"><li>- Exploration Manager</li><li>- The agreement is renewable annually for successful performance. To terminate the agreement either party must provide 3 months notice in writing</li><li>- If serious misconduct is committed by the executive, the agreement may be immediately terminated by the Group</li><li>- Base Salary of \$240,000 inclusive of mandatory superannuation and the participation in share options issued by the Group from time to time</li></ul>

# GIRALIA RESOURCES NL

## ***Directors' Report & Corporate Governance Statement ...***

### 13. REMUNERATION REPORT – audited (cont'd)

Bruce Acutt

- Company Secretary / CFO
- Annually renewable contract
- Rate of \$95 per hour plus mandatory superannuation and the participation in share options issued by the Group from time to time
- To terminate the agreement, either party must give 3 months notice in writing. The contract may be terminated if serious misconduct is committed by the executive.

#### *Non executive director*

Total remuneration for all non-executive directors during the year was \$50,000 for the Group, which was paid to the Chairman. The maximum approved remuneration for the Group is \$90,000 per annum. Non-executive directors do not receive bonuses, nor have they been issued options. Directors' fees cover all Board activities.

## GIRALIA RESOURCES NL

### Directors' Report & Corporate Governance Statement ...

#### 13. REMUNERATION REPORT – audited (cont'd)

##### 13.2 Directors and executive officers remuneration (Consolidated)

The following table discloses the remuneration of the key management personnel (as defined in AASB 124 Related Party Disclosures) of the Group.

The key management personnel of the Group includes the directors and the following executive officers, who were also the five highest paid executives of the entity:

CONSOLIDATED		Short-term benefits				Post-employment benefits		Share-based payment	Other long term benefits \$	TOTAL \$	S300A(1)(e)(i) Proportion of remuneration performance related %	S300A(1)(e)(vi) Value of options as proportion of remuneration %
		Salary & fees \$	Short term compensated leave \$	Non-monetary benefits \$	Total	Super-annuation \$	Retirement benefits \$	Options \$				
<b>Executive Directors</b>												
R M Joyce	2010	*330,200	32,910	-	363,110	29,768	-	-	12,600	405,478	13%	-
	2009	261,468	12,540	-	274,008	23,876	-	-	-	297,884	-	-
S A Macdonald	2010	201,665	-	-	201,665	-	-	-	-	201,665	-	-
	2009	#193,000	-	-	193,000	-	-	-	-	193,000	-	-
<b>Non-Executive Directors</b>												
G D Riley	2010	50,000	-	-	50,000	-	-	-	-	50,000	-	-
	2009	50,000	-	-	50,000	-	-	-	-	50,000	-	-
<b>Executives</b>												
B R Acutt	2010	181,390	14,200	-	195,590	16,325	-	-	10,962	222,877	-	-
	2009	163,795	8,840	-	172,635	14,742	-	316,700	2,958	507,035	-	62%
J D Goldsworthy	2010	206,099	11,756	-	217,855	24,736	-	-	4,942	247,533	-	-
	2009	194,640	9,592	-	204,232	23,704	-	801,950	3,793	1,033,679	-	78%

\* This amount includes a one-off cash bonus of \$50,000 plus superannuation, paid to the Managing Director as remuneration which 100% vested immediately. No amount of the bonus was forfeited.

# This amount includes a payment of \$3,000 for the financial year ended 30 June 2008.

## GIRALIA RESOURCES NL

### ***Directors' Report & Corporate Governance Statement ...***

#### 13. REMUNERATION REPORT – audited (cont'd)

##### 13.2 Directors and executive officers remuneration (Consolidated) (cont'd)

The following facts and assumptions were used in determining the fair value of options on grant date.

Grant Date	Option Life	Fair Value of Option	Exercise Price at Grant Date	Price of share on Grant Date	Expected Volatility	Risk Free Interest Rate	Dividend Yield
18/07/2008 *	4 years	\$0.87	\$2.04	\$1.51	82%	6.65%	-
5/06/2009	3 years	\$0.39	\$0.75	\$0.69	89%	4.56%	-

\* These options were cancelled in June 2009

# GIRALIA RESOURCES NL

## **Directors' Report & Corporate Governance Statement ...**

### 13. REMUNERATION REPORT – audited (cont'd)

#### 13.2 Directors and executive officers remuneration (Consolidated) (cont'd)

##### *Equity instruments*

Options were granted in the Group during the year ended 30 June 2009. No options were granted in the year ended 30 June 2010. The Board may offer free options to persons ("Eligible Persons") who are:

- (i) full time or part time employees or contractors (including a person engaged by the Group under a consultancy agreement); or
- (ii) Directors of the Group or any subsidiary based on a number of criteria including contribution to the Group, period of employment, potential contribution to the Group in the future and other factors the Board considers relevant.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is convertible into one ordinary share within fourteen days after the receipt of a properly executed notice of exercise and application monies. The Group will issue to the option holder, the number of shares specified in that notice. The Group will apply for official quotation of all shares issued and allotted pursuant to the exercise of the options.

Options may not be transferred other than to an associate of the holder.

#### 13.3 Options and rights over equity instruments granted as compensation

Details on options over ordinary shares in the Group that were granted as compensation to each key management person during the reporting period, and details on options that were vested during the reporting period, are as follows:

There were no options granted in the Group during or subsequent to the end of the reporting period.

#### 13.4 Modifications of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or prior period, apart from the 1,175,000 options exercisable at \$2.04 which were granted on 18/07/2008 and were cancelled on 5/06/2009.

#### 13.5 Exercise of options granted as compensation

During the reporting period no shares were issued to key management personnel on the exercise of options previously granted as compensation in the Group and its subsidiaries.

#### 13.6 Analysis of options and rights over equity instruments granted as compensation

Details of vesting profiles of the options granted as remuneration to key management personnel of the Group and each of the named Group executives are detailed below:

	Options granted		% vested in year	Cancelled in year	Financial years in which grant vests
	Number	Date			
Directors	-	-	-	-	-

# GIRALIA RESOURCES NL

## Directors' Report & Corporate Governance Statement ...

### 13. REMUNERATION REPORT – audited (cont'd)

#### 13.6 Analysis of options and rights over equity instruments granted as compensation (cont'd)

	Options granted		% vested in year	Cancelled in year	Financial years in which grant vests
	Number	Date			
<b>Executives</b>					
B R Acutt	175,000	10/07/2007	100%	-	01/07/2007
	150,000	31/01/2008	100%	-	01/07/2007
	250,000	5/06/2009	100%	-	01/07/2008
J D Goldsworthy	200,000	10/07/2007	100%	-	01/07/2007
	300,000	31/01/2008	100%	-	01/07/2007
	500,000	23/05/2008	100%	-	01/07/2007
	500,000	5/06/2009	100%	-	01/07/2008

#### 13.7 Analysis of movements in options

Movement during the reporting period, by value, of options over ordinary shares in the Group held by each key management personnel was: J D Goldsworthy exercised 200,000 options at \$0.666 and 500,000 options at \$0.738 after 30 June 2010.

### 14. SHARE OPTIONS

#### Options granted to directors and executives of the Group

During or since the end of the financial year, the Group has not granted options over unissued ordinary shares in the Company to directors or to the most highly remunerated executives of the Group, as part of their remuneration.

#### Unissued shares under options

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

#### GROUP

Date options granted	Expiry date	Exercise price of options	Number under option
29/11/2005	29/11/2010	\$0.1935	1,000,000
10/07/2007	30/06/2011	\$0.666	350,000
31/01/2008	30/06/2011	\$0.987	550,000
23/05/2008	31/12/2012	\$1.438	500,000
5/06/2009	30/06/2012	\$0.738	600,000

The exercise price of the options has been reduced due to the in-specie distributions made by the Group.

These options do not entitle the holder to participate in any share issue of the Group or any other body corporate.



# GIRALIA RESOURCES NL

## **Directors' Report & Corporate Governance Statement ...**

### 14. SHARE OPTIONS (cont'd)

#### Shares issued on exercise of options

During or since the end of the financial year, the Company has issued ordinary shares as a result of the exercise of options.

During the financial year: 75,000 shares at \$0.75 each  
45,000 shares at \$0.738 each  
5,000 shares at \$0.987 each

Since the end of the financial year: 530,000 shares at \$0.738 each  
95,000 shares at \$0.987 each  
200,000 shares at \$0.666 each  
1,000,000 shares at \$0.1435 each

### 15. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

#### Insurance premiums

During the financial year the Group has indemnified or made a relevant agreement to indemnify an officer of the Group or of any related body corporate against liability incurred by an officer but not an auditor. In addition, the Group has paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer but not an auditor.

The Group has paid insurance premiums in respect of directors' and officers' liability and legal expenses insurance contracts, for current officers including senior executives of the Group and directors, senior executives and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcomes; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

The premiums were paid in respect of the following officers of the Group:

G D Riley  
R M Joyce  
S A Macdonald  
B R Acutt  
J D Goldsworthy

No indemnification or insurance has been paid for the auditors.

# GIRALIA RESOURCES NL

## **Directors' Report & Corporate Governance Statement ...**

### 16. ENVIRONMENTAL REGULATION

The Group's operations are subject to environmental regulations in relation to its exploration activities. The directors are not aware of any significant breaches during the period covered by this report.

### 17. NON AUDIT SERVICES

During the year KPMG, the Group's auditor, has not performed any other services in addition to their statutory duties.

Remuneration paid to the Auditors of the Group, KPMG Australia, during the reporting period is as

	2010	2009
<b>AUDITORS' REMUNERATION</b>	\$	\$
Audit services:		
Auditors of the Group - KPMG Australia audit and review of Group reports	109,500	74,000
Under-provision for prior year	7,500	35,000
	<u>117,000</u>	<u>109,000</u>

A copy of the lead auditors' independence declaration, as required under Section 370C of the Corporations Act, is included in the Directors' Report.

Dated at Perth this 30<sup>th</sup> day of September 2010

Signed in accordance with a resolution of the Directors.



**G D RILEY**  
Chairman



***Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001***

To: the directors of Giralia Resources NL

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

*KPMG.*

KPMG

R Gambitta  
*Partner*

Perth

30 September 2010

## GIRALIA RESOURCES NL

### GIRALIA RESOURCES NL AND ITS CONTROLLED ENTITIES CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2010

		2010 \$	2009 \$
Revenue for services rendered	Note 21	96,000	96,000
Gain on disposal of property, plant and equipment		5,200	3,409
Underwriting fee	21	97,500	63,307
Gain on disposal of tenements	23	1,321,374	-
Impairment loss on exploration expenditure	12	(347,502)	(2,992,904)
Director's fees		(251,665)	(243,000)
Employee benefits expense		(573,209)	(2,130,583)
Depreciation expense	5	(58,671)	(51,563)
Other operating expenses		(761,317)	(722,351)
		<hr/>	<hr/>
Results from operating activities		(472,290)	(5,977,685)
		<hr/>	<hr/>
Financial income		6,601,545	21,048,770
Financial expenses		(661,179)	(3,636,871)
		<hr/>	<hr/>
Net financing income	4	5,940,366	17,411,899
		<hr/>	<hr/>
Profit before income tax expense		5,468,076	11,434,214
Income tax expense	8	(1,971,321)	(3,879,557)
		<hr/>	<hr/>
Profit for the period		3,496,755	7,554,657
		<hr/>	<hr/>
<b>Other comprehensive income</b>			
Net change in fair value of available-for-sale financial assets		1,726,880	(12,613,880)
		<hr/>	<hr/>
<b>Total comprehensive income/(loss) for the period attributable to owners of the Company</b>		5,223,635	(5,059,223)
		<hr/>	<hr/>
Earnings per share:			
Basic earnings per share	6	0.020	0.042
		<hr/>	<hr/>
Diluted earnings per share	6	0.020	0.042
		<hr/>	<hr/>

The Consolidated Statement of Comprehensive Income is to be read in conjunction with the notes to the Consolidated Financial Statements

# GIRALIA RESOURCES NL

## GIRALIA RESOURCES NL AND ITS CONTROLLED ENTITIES CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 30 June 2010

	Note	2010 \$	2009 \$
<b>Current Assets</b>			
Cash and cash equivalents		56,930,957	67,120,768
Receivables	9	3,152,772	2,038,612
Other financial assets	13	567,342	586,905
<b>Total Current Assets</b>		60,651,071	69,746,285
<b>Non-Current Assets</b>			
Other financial assets	13	9,802,157	4,102,766
Plant and equipment	10	259,305	264,298
Exploration and evaluation expenditure	12	20,848,982	13,295,393
<b>Total Non-Current Assets</b>		30,910,444	17,662,457
<b>Total Assets</b>		91,561,515	87,408,742
<b>Current Liabilities</b>			
Payables	14	1,456,147	186,751
Employee benefits	15	343,645	272,477
Current tax payable	8	-	3,792,410
<b>Total Current Liabilities</b>		1,799,792	4,251,638
<b>Non-Current Liabilities</b>			
Employee benefits	15	182,780	148,324
Deferred tax liabilities	11	7,309,533	4,591,400
<b>Total Non-Current Liabilities</b>		7,492,313	4,739,724
<b>Total Liabilities</b>		9,292,105	8,991,362
<b>Net Assets</b>		82,269,410	78,417,380
<b>Equity</b>			
Issued capital	16	27,968,740	29,340,345
Fair value reserve	17	2,719,757	992,877
Retained earnings		51,580,913	48,084,158
<b>Total Equity</b>		82,269,410	78,417,380

The Consolidated Statement of Financial Position is to be read in conjunction with the notes  
to the Consolidated Financial Statements

## GIRALIA RESOURCES NL

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2010

	Issued Capital \$	Retained Earnings \$	Fair Value Reserve \$	Total \$
<b>Balance at 1 July 2008</b>	28,283,437	38,843,099	13,606,757	80,733,293
<b>Total comprehensive income for the period</b>				
Profit for the period	-	7,554,657	-	7,554,657
<i>Other comprehensive income</i>				
Change in fair value of financial assets available for sale (net of tax)	-	-	(12,613,880)	(12,613,880)
<i>Total other comprehensive income</i>	-	-	(12,613,880)	(12,613,880)
Total comprehensive income for the period	-	7,554,657	(12,613,880)	(5,059,223)
<b>Transactions with owners, recorded directly in equity</b>				
Issue of share capital	1,060,000	-	-	1,060,000
Share issue expenses (net of tax)	(3,092)	-	-	(3,092)
Share based payments	-	1,686,402	-	1,686,402
Total transactions with owners	1,056,908	1,686,402	-	2,743,310
<b>Balance at 30 June 2009</b>	29,340,345	48,084,158	992,877	78,417,380
<b>Balance at 1 July 2009</b>	29,340,345	48,084,158	992,877	78,417,380
<b>Total comprehensive income for the period</b>				
Profit for the period	-	3,496,755	-	3,496,755
<i>Other comprehensive income</i>				
Change in fair value of financial assets available for sale (net of tax)	-	-	1,726,880	1,726,880
<i>Total other comprehensive income</i>	-	-	1,726,880	1,726,880
Total comprehensive income for the period	-	3,496,755	1,726,880	5,223,635
<b>Transactions with owners, recorded directly in equity</b>				
Share issue expenses (net of tax)	(6,000)	-	-	(6,000)
Exercise of options	94,395	-	-	94,395
In-specie distribution of: - Gascoyne Resources Ltd shares	(1,460,000)	-	-	(1,460,000)
Total transactions with owners	(1,371,605)	-	-	(1,371,605)
<b>Balance at 30 June 2010</b>	27,968,740	51,580,913	2,719,757	82,269,410

The Consolidated Statement of Equity is to be read in conjunction with the notes to the Consolidated Financial Statements

# GIRALIA RESOURCES NL

## GIRALIA RESOURCES NL AND ITS CONTROLLED ENTITIES CONSOLIDATED STATEMENTS OF CASH FLOWS for the year ended 30 June 2010

	2010 \$	2009 \$
	Note	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash paid to suppliers and employees	(791,008)	(2,239,766)
Interest received	2,303,942	4,174,406
Income tax paid	(3,785,708)	(2,521,113)
Receipts for service agreements	96,000	96,000
	<hr/>	<hr/>
Net cash used in operating activities	ii) (2,176,774)	(490,473)
	<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of financial assets	358,019	18,503,331
Acquisition of plant and equipment	(53,678)	(252,474)
Payments for exploration expenditure	(7,382,298)	(4,225,888)
Payments for purchase of tenements	(150,579)	(2,241,193)
Receipts from farm-in agreement	198,804	65,050
Acquisition of investments	(1,174,400)	(382,986)
Proceeds on disposal of property, plant & equipment	5,200	3,409
Receipts from Underwriting agreement	97,500	63,307
	<hr/>	<hr/>
Net cash from/(used in) investing activities	(8,101,432)	11,532,556
	<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of options	94,395	-
Share issue costs	(6,000)	(4,417)
	<hr/>	<hr/>
Net cash from financing activities	88,395	(4,417)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(10,189,811)	11,037,666
Cash and cash equivalents at 1 July	67,120,768	56,083,102
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	i) 56,930,957	67,120,768
	<hr/> <hr/>	<hr/> <hr/>

The Consolidated Statement of Cash Flows are to be read in conjunction with the notes to the Consolidated Financial Statements

# GIRALIA RESOURCES NL

## GIRALIA RESOURCES NL AND ITS CONTROLLED ENTITIES CONSOLIDATED STATEMENTS OF CASH FLOWS for the year ended 30 June 2010

	2010	2009
	\$	\$
<b>NOTE TO THE STATEMENT OF CASH FLOWS</b>		
<b>i) RECONCILIATION OF CASH FLOWS</b>		
For the purposes of the Statement of Cash Flows, cash includes cash on hand and at the bank and short term deposits at call. Cash and cash equivalents as at the end of the financial year comprises of the following:		
Cash on hand and at bank	529,747	107,361
Deposits on call	401,210	2,600,730
Fixed Deposits	56,000,000	64,412,677
	<u>56,930,957</u>	<u>67,120,768</u>
<b>ii) RECONCILIATION OF OPERATING PROFIT AFTER INCOME TAX TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Operating profit after income tax	3,496,755	7,554,657
Add/(less) non-cash items:		
Gain on sale of plant and equipment	(5,200)	(3,409)
Impairment of exploration expenditure (Note 12)	347,502	2,992,904
Depreciation	58,671	51,563
Profit on disposal of tenements	(1,321,374)	-
Share based payment (Note 5)	-	1,686,402
Gain on disposal of financial asset (Note 4)	(3,763,280)	(16,649,002)
Change in fair value on distribution (Note 4)	292,000	-
Change in fair value of financial assets at fair value through profit or loss (Note 4)	<b>69,951</b>	123,157
Impairment loss on available for sale financial assets (Note 4)	299,228	3,513,714
Tax expense (Note 8)	1,971,321	3,879,557
Net cash from/(used in) operating activities before change in assets and liabilities	<u>1,445,574</u>	<u>3,149,543</u>
Change in assets and liabilities during the financial year:		
Increase in receivables	(1,114,160)	(842,725)
(Decrease)/increase in payables	1,269,396	(290,002)
Increase in provisions	105,624	77,131
	<u>1,706,434</u>	<u>2,093,947</u>
Tax paid	(3,785,708)	(2,521,113)
Underwriting income for investments	(97,500)	(63,307)
Net cash used in operating activities	<u>(2,176,774)</u>	<u>(490,473)</u>

The Consolidated Statement of Cash Flows are to be read in conjunction with the notes to the Consolidated Financial Statements



# GIRALIA RESOURCES NL

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

### 1: REPORTING ENTITY

Giralia Resources NL (the "Group") is a company domiciled in Australia. The consolidated financial report of the Group for the year ended 30 June 2010 comprises the Company and its subsidiaries (together referred to as the "Group"). The financial report was authorised for issue by the Board of Directors on 30<sup>th</sup> September 2010. The address of the Company's registered office is Level 2, 33 Ord Street, West Perth. The Group is involved in mining and exploration activities.

### 2: BASIS OF PREPARATION

#### (a) Statement of compliance

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standard Board (AASB) and the Corporations Act 2001.

The consolidated financial report of the Group and the financial report of the Group comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

#### (b) Basis of measurement

The consolidated financial report is prepared on the historical cost basis except that certain derivative financial instruments, financial instruments at fair value through profit or loss and available for sale financial assets are stated at their fair value.

#### (c) Functional and presentation currency

The financial report is presented in Australian dollars which is the Company's functional currency and the functional currency of all entities within the Group.

#### (d) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with AASBs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and judgements that may have a significant impact on the carrying amount of assets and liabilities are discussed below.

##### • Impairment of exploration and evaluation assets

The ultimate recoupment of the value of exploration and evaluation assets is dependent on successful development and commercial exploitation or alternatively, sale, of the underlying mineral exploration properties. The Group undertakes at least on an annual basis, a comprehensive review for indicators of impairment of the assets. Should an impairment indicator exist, the area of interest is tested for impairment. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of estimation and judgement in determining recoverable amounts include:

- reserves and resource estimates;
- environmental issues that may impact the underlying tenements;

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 2: BASIS OF PREPARATION (cont'd)

- independent valuations of underlying assets that may be available;
- fundamental economic factors such as the metals prices, metals exchange rates and current and anticipated operating costs in the industry;
- the Group's market capitalisation compared to its net assets.

Information used in the review process is rigorously tested to externally available information, as appropriate.

#### (e) Changes in accounting policies

Starting as of 1 July 2009, the Group has changed its accounting policies in the following areas:

- determination and presentation of operating segments [refer note 3(s)]
- presentation of financial statements [refer note 3(u)].

#### (f) Corporations Act amendments

During the year, the Company adopted the recent changes to the Corporations Act, opting not to disclose parent company financial statements.

### 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial report. The accounting policies have been applied consistently by all entities in the Group.

#### (a) Revenue

Revenue from services rendered is recognised in the consolidated statement of comprehensive income in proportion to the services provided.

#### (b) Financial Income

##### *Financial Income*

Financial income includes gain on re-measurement of financial assets at fair value through profit or loss and gains or disposal of available for sale financial assets.

Interest income is recognised in the consolidated statement of comprehensive income as it accrues, using the effective interest method.

##### *Finance Expenses*

Finance expenses include loss on re-measurement of financial assets at fair value through profit or loss.

#### (c) Other Income

##### *Sale of Non-current Assets*

Profit on sale of tenements is recognised at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

#### (d) Plant and equipment

Items of plant and equipment are stated at their cost less accumulated depreciation (see below) and impairment losses (see accounting policy 3(p)).

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 3: SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### *Acquisitions of assets*

All assets acquired, including plant and equipment, are initially recorded at their cost of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

#### *Depreciation*

Depreciation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation is charged to the profit or loss.

Items of plant and equipment are depreciated over their estimated useful lives. The estimated useful lives for each class of asset for the current and previous years are as follows:

	Period	Method
- Plant and equipment	3-10 yrs	Straight line
- Office furniture and fittings	10 yrs	Straight line

The straight line method of depreciation is used. Assets are depreciated from the date of acquisition. The residual value, if not significant, is reassessed annually.

#### (e) Operating Leases

Payments made under operating leases are expensed on a straight line basis over the term of the lease.

#### (f) Exploration and evaluation assets

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Group has obtained the legal rights to explore an area are recognised in the consolidated statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

- (i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- (ii) activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount [see impairment accounting policy 3(p)]. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit is never larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 3: SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (g) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on 60-day terms.

#### (h) Employee Benefits

##### *Wages, Salaries and Annual Leave*

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

##### *Long Service Leave*

The provision for employee benefits to long service leave is the amount of future benefit that employees have earned in return for their services in the current and prior periods.

The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to Commonwealth government bonds at reporting date which most closely match the terms of maturity of the related liabilities.

##### *Defined Contribution Superannuation Funds*

The Group contributes to a defined contribution plan. Contributions are recognised as an expense in the consolidated statement of comprehensive income as incurred.

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

The fair value of options granted by the Board to employees is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

#### (i) Share Capital

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

#### (j) Foreign Currency

##### *Foreign currency transactions*

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to Australian dollars at the foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on retranslation are recognised in the consolidated statement of comprehensive income.

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 3: SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (k) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). 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 are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### (l) Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

##### *Restoration*

Provisions are made for estimated costs relating to the remediation of soil, groundwater and untreated waste as soon as the need is identified.

#### (m) Financial instruments

##### *Investments in equity securities*

Financial instruments classified as held at fair value through profit and loss (including held for trading) are stated at fair value, with any resultant gain or loss recognised in the consolidated statement of comprehensive income.

Financial instruments classified as being available-for-sale are stated at fair value, with any resultant gain or loss recognised directly in equity, except for impairment losses (see accounting policy 3(p)). When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

The fair value of financial instruments classified as held for trading and available-for-sale is their quoted bid price at the balance sheet date.

Financial instruments classified as held for trading and available-for-sale investments are recognised/derecognised by the Group on the date it commits to purchase/sell the investments.

#### (n) Receivables

Receivables are stated at their amortised cost less impairment losses.

#### (o) Cash and Cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of six months or less.

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 3: SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (p) Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of comprehensive income unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the consolidated statement of comprehensive income.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

#### *(i) Calculation of recoverable amount*

The recoverable amount of the Group's investments in receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

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

#### *(ii) Reversals of impairment*

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### *(iii) Derecognition of financial assets and liabilities*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;

# **GIRALIA RESOURCES NL**

**Notes to the Consolidated Financial Statements  
for the year ended 30 June 2010 (cont'd)**

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 3: SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party; or
- the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

#### (q) Basis of Consolidation

##### *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements, less impairment losses [see accounting policy 3(p)].

##### *Transactions eliminated on consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

##### *Gain/(loss) on dilution and disposal*

Any gain/(loss) on dilution of controlling stake in a controlled entity is recognised in equity on the date control is diluted for the Group. Upon disposal, this is transferred to the consolidated statement of comprehensive income.

##### *In-specie distribution*

In-specie distributions are recognised at fair value on the date of distribution.

##### *Jointly controlled operations and assets*

The interest of the Group in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its consolidated financial statements the assets it controls, the liabilities that it incurs, the expenses it incurs and share of income that it earns from the sale of goods or services by the joint venture.

#### (r) Earnings Per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares which comprise share options granted to employees.



# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 3: SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (s) Segment Reporting

As of 1 July 2009, the Group determines and presents operating segments based on the information provided to the Board of Directors who collectively are the Group's Chief Operating Decision Maker. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standards. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The above change has had no impact on disclosure or comparative financial information.

#### (t) Taxation

Income tax on the consolidated statement of comprehensive income for the periods presented comprises current and deferred tax. Income tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### *Tax consolidation*

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Giralia Resources NL.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 3: SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

#### (u) Presentation of financial statements

The Group applies revised AASB 101 *Presentation of Financial Statements* (2007), which became effective as of 1 July 2009 for the Group. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

#### (v) New standards and interpretations adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They were available for early adoption at 30 June 2010, but not adopted and have now been applied in preparing this financial report.

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.
- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

## GIRALIA RESOURCES NL

### Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

4: NET FINANCING INCOME	2010	2009
	\$	\$
<b>Finance Income</b>		
Gain on disposal of available for sale financial assets	(i) 3,763,280	16,649,002
Interest income	2,838,265	4,399,768
Finance income	<u>6,601,545</u>	<u>21,048,770</u>
<b>Finance Expenses</b>		
Change in fair value on in-specie distribution	(ii) (292,000)	-
Net change in fair value of financial assets designated at fair value through profit or loss	(69,951)	(123,157)
Impairment loss on financial assets	(iii) (299,228)	(3,513,714)
Finance expenses	<u>(661,179)</u>	<u>(3,636,871)</u>
<b>Net financing income</b>	<u><u>5,940,366</u></u>	<u><u>17,411,899</u></u>

(i) During the 2010 year, the Group sold its shareholding in PacMag Metals Ltd to listed Canadian company, Entrée Gold Inc, for \$692,211 cash and 15,008,441 shares in Entrée Gold Inc.

(ii) The change in fair value on distribution represents the changes in value of Gascoyne Resources Ltd shares between the date of approval of distribution by shareholders and the distribution date.

(iii) The impairment loss represents a significant and prolonged decline in fair value of listed financial investments, below their acquisition costs.

5: OTHER EXPENSES	2010	2009
	\$	\$
Depreciation of:		
- plant and equipment	(50,343)	(47,775)
- furniture and fittings	(8,328)	(3,788)
Amounts set aside to provision for:		
- employee benefits	(105,624)	(77,131)
Operating lease rental expenses	(117,499)	(103,212)
Contribution to defined contribution superannuation funds	(116,468)	(82,202)
Equity settled share based payment transactions	-	(1,686,402)
	<u><u>-</u></u>	<u><u>(1,686,402)</u></u>

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 6: EARNINGS PER SHARE

#### *Basic earnings per share*

The calculation of basic earnings per share at 30 June 2010 was based on the profit attributable to ordinary shareholders of \$3,496,755 (2009: profit of \$7,554,657) and a weighted average number of ordinary shares outstanding of 178,215,992 (2009: 177,565,992), calculated as follows:

	2010 \$	2009 \$
Profit attributable to ordinary shares	3,496,755	7,554,657
Weighted average number of ordinary shares (in thousands of shares)	No. of Shares '000	No of Shares '000
Issued ordinary shares at 1 July	178,185	176,185
Effect of shares issued on exercise of options	31	-
Effect of shares issued for mineral tenement Oct 08	-	1,381
Weighted average number of ordinary shares at 30 June	178,216	177,566

#### *Diluted earnings per share*

The calculation of diluted earnings per shares at 30 June 2010 was based on the profit attributable to ordinary shareholders of \$3,496,755 (2009: profit of \$7,554,657) and a weighted average number of ordinary shares outstanding of 181,778,171 (2009: 178,994,693), calculated as follows:

	2010 No. of Shares '000	2009 No. of Shares '000
Weighted average number of ordinary shares (diluted) (in thousands of shares)		
Weighted average number of ordinary shares (basic)	178,216	177,566
Effect of share options on issue	3,562	1,429
Weighted average number of ordinary shares (diluted) at 30 June	181,778	178,995

### 7: AUDITORS' REMUNERATION

Audit services:

Auditors of the Group - KPMG Australia  
audit and review of Group reports

Under-provision for prior year

	2010 \$	2009 \$
Auditors of the Group - KPMG Australia audit and review of Group reports	109,500	74,000
Under-provision for prior year	7,500	35,000
	117,000	109,000

## GIRALIA RESOURCES NL

### Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

	2010	2009
	\$	\$
<b>8: INCOME TAX EXPENSE</b>		
<i>Current tax expense/(benefit)</i>		
Current year	(i) -	3,792,410
Adjustments for prior periods	(6,721)	(54,601)
	(6,721)	3,737,809
 <i>Deferred tax expense/(benefit)</i>		
Origination and reversal of temporary differences	1,954,252	161,111
Adjustment for prior periods	23,790	(19,363)
	1,978,042	141,748
 Total income tax expense in income statement	1,971,321	3,879,557

(i) The current year balance represents the amount payable for tax in respect of the current year amounting to \$nil (2009: \$3,792,410).

	2010	2009
	\$	\$
<i>Numerical reconciliation between tax expense and pre-tax accounting profit</i>		
Profit before tax	5,468,076	11,434,214
Income tax using the corporate tax rate of 30% (2009: 30%)	1,640,423	3,430,264
<u><i>Increase in income tax expense due to:</i></u>		
Share based payments	-	505,921
Non-deductible expenditure	2,169	3,107
Return of capital	311,668	-
<u><i>Decrease in income tax expense due to:</i></u>		
Investment allowance	-	(10,438)
Foreign losses	-	(14,059)
Over provision in prior year	17,061	(35,238)
 Income tax expense on pre-tax net profit	1,971,321	3,879,557
 <i>Deferred tax recognised directly in equity</i>		
Fair value adjustments on assets classified as available for sale	740,091	(5,405,946)
Capital raising costs	-	(1,326)
	740,091	(5,407,272)

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

<b>9: RECEIVABLES</b>	<b>2010</b>	<b>2009</b>
	\$	\$
<b>Current</b>		
Interest receivable	1,720,133	1,185,810
Prepayment	-	500,000
Receivable on disposal of PacMag shares	692,211	-
GST receivable	387,726	112,719
Others	352,702	240,083
	3,152,772	2,038,612
<b>10: PLANT AND EQUIPMENT</b>	<b>2010</b>	<b>2009</b>
	\$	\$
<b>Plant and Equipment</b>		
At cost	409,997	367,826
Accumulated depreciation	(174,697)	(124,354)
	235,300	243,472
<b>Office Furniture and Fittings</b>		
At cost	56,876	45,369
Accumulated depreciation	(32,871)	(24,543)
	24,005	20,826
Total - net book value	259,305	264,298
<b>Reconciliations</b>		
Reconciliations of the carrying amounts for each class of plant and equipment are set out below:		
<b>Plant and Equipment</b>		
Carrying amount at beginning of year	243,472	58,063
Additions	42,171	233,184
Disposals	-	-
Depreciation	(50,343)	(47,775)
Carrying amount at end of year	235,300	243,472

## GIRALIA RESOURCES NL

### Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

#### 10: PLANT & EQUIPMENT (cont'd)

Office Furniture and Fittings	2010	2009
	\$	\$
Carrying amount at beginning of year	20,826	5,324
Additions	11,507	19,290
Disposals	-	-
Depreciation	(8,328)	(3,788)
Carrying amount at end of year	24,005	20,826

(i) During the year, an asset was sold for \$5,200. As this asset was previously written down to zero, there was no impact on the accounts, other than a gain on disposal of \$5,200.

#### 11: DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2010	2009	2010	2009	2010	2009
Accrued income	-	-	571,077	354,068	571,077	354,068
Plant and equipment	-	-	6,533	424	6,533	424
Capital raising costs	(19,535)	(26,354)	-	-	(19,535)	(26,354)
Other financial assets	-	-	1,686,536	267,353	1,686,536	267,353
Exploration expenditure	-	-	6,202,804	3,988,649	6,202,804	3,988,649
Other creditors	(29,478)	(16,500)	-	-	(29,478)	(16,500)
Provisions	(157,928)	(126,240)	-	-	(157,928)	(126,240)
Prepayments	-	-	-	150,000	-	150,000
Tax Losses	(950,476)	-	-	-	(950,476)	-
Net tax (assets)/liabilities	(1,157,417)	(169,094)	8,466,950	4,760,494	7,309,533	4,591,400
Set-off tax	1,157,417	169,094	(1,157,417)	(169,094)	-	-
Net tax (assets) liabilities	-	-	7,309,533	4,591,400	7,309,533	4,591,400

## GIRALIA RESOURCES NL

### Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

#### 11: DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

*Movement in temporary differences during the period*

	Balance 1 July 09	Recognised in income	Recognised in equity	Balance 30 June 10
Plant and equipment	424	6,109	-	6,533
Capital raising costs	(26,354)	6,819	-	(19,535)
Accrued income	354,068	217,009	-	571,077
Other financial assets	267,353	679,092	740,091	1,686,536
Exploration expenditure	3,988,649	2,214,155	-	6,202,804
Other creditors	(16,500)	(12,978)	-	(29,478)
Provisions	(126,240)	(31,688)	-	(157,928)
Prepayments	150,000	(150,000)	-	-
Tax Losses	-	(950,476)	-	(950,476)
	<u>4,591,400</u>	<u>1,978,042</u>	<u>740,091</u>	<u>7,309,533</u>

*Movement in temporary differences during the period*

	Balance 1 July 08	Recognised in income	Recognised in equity	Balance 30 June 09
Plant and equipment	(2,743)	3,167	-	424
Capital raising costs	(35,512)	10,484	(1,326)	(26,354)
Accrued income	288,135	65,933	-	354,068
Other financial assets	7,121,213	(1,447,914)	(5,405,946)	267,353
Exploration expenditure	2,610,522	1,378,127	-	3,988,649
Other creditors	(21,591)	5,091	-	(16,500)
Provisions	(103,100)	(23,140)	-	(126,240)
Prepayments	-	150,000	-	150,000
	<u>9,856,924</u>	<u>141,748</u>	<u>(5,407,272)</u>	<u>4,591,400</u>

#### Unrecognised deferred tax assets (liabilities)

There are no unrecognised deferred tax assets (liabilities).



# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

12: EXPLORATION AND EVALUATION EXPENDITURE	2010 \$	2009 \$
Opening balance	13,295,393	8,826,266
Expenditure capitalised	7,901,091	7,462,031
Less: Impairment losses	(i) (347,502)	(2,992,904)
	<u>20,848,982</u>	<u>13,295,393</u>

(i) Impairment loss on exploration expenditure denotes expenditure on tenements relinquished during the year and expenditure on unsuccessful areas of interest.

Exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence of or otherwise of economically recoverable reserves. The ultimate recoupment of costs carried forward for exploration and evaluation is dependent upon the successful development and commercial exploitation, or sale of the respective areas of interest at an amount greater than the carrying value.

13: OTHER FINANCIAL ASSETS	2010 \$	2009 \$
<b>Current</b>		
Financial assets at fair value through profit or loss	567,342	586,905
	<u>567,342</u>	<u>586,905</u>
<b>Non-current</b>		
Available for sale financial assets	9,802,157	4,052,378
Financial assets at fair value through profit or loss	-	50,388
	<u>9,802,157</u>	<u>4,102,766</u>

14: PAYABLES	2010 \$	2009 \$
Trade creditors and accrued expenses	1,456,147	186,751
	<u>1,456,147</u>	<u>186,751</u>

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

15: EMPLOYEE BENEFITS	2010	2009
	\$	\$
<b>Current</b>		
Employee benefits: Liability for annual leave	343,645	272,477
<b>Non-current</b>		
Employee benefits: Liability for long service leave	182,780	148,324

The present value of employee entitlements not expected to be settled within twelve months of reporting date have been calculated using the following weighted averages:

	2010	2009
	\$	\$
Assumed rate of increase in wage and salary rates	4%	4%
Discount rate	4.50%	4.50%
Settlement term (years)	15	15

### Share Based Payments

#### *Issue of Incentive Options*

The Board may offer free options ("Plan Options") to persons ("Eligible Persons") who are:

- (i) full-time or part-time employees (including a person engaged by the Group under a consultancy agreement); or
- (ii) Directors,

of the Company or any subsidiary based on a number of criteria including contribution to the Company, period of employment, potential contribution to the Company in the future and other factors the Board considers relevant.

Upon receipt of such an offer, the Eligible Person may nominate an associate to be issued with the Plan Options.

#### *Number of Plan Options*

The maximum number of Plan Options that may be issued at any one time is 10% of the total number of Shares on issue in the Company. Subject to the requirements of Corporations Act and the Listing Rules, the Board may from time to time increase this percentage.

#### *Terms of Plan Options*

Each Plan Option entitles the holder, on exercise, to one ordinary fully paid Share.

There is no issue price for the Plan Options. The exercise price for the Plan Options will be such price as determined by the Board (in its discretion) on or before the date of issue provided that in no event may the exercise price be less than the weighted average sale price of Shares sold on ASX during the five Business Days prior to the date of issue or such other period as determined by the Board (in its discretion).

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 15: EMPLOYEE BENEFITS (cont'd)

#### *Terms of Plan Options (cont'd)*

Shares issued on exercise of Plan Options will rank equally with other ordinary shares of the Company.

Plan Options may not be transferred other than to an associate of the holder. Quotation of Plan Options on ASX will not be sought. However, the Company will apply to ASX for official quotation of Shares issued on the exercise of Plan Options.

A Plan Option may only be exercised after it has vested and any other conditions imposed by the Board on exercise have been satisfied. The Board may determine the vesting period (if any). A Plan Option will lapse upon the first to occur of the expiry date, the holder acting fraudulently or dishonestly in relation to the Company, the employee ceasing to be employed by the Company or on certain conditions associated with a party acquiring a 90% interest in the shares of the Company.

If, in the opinion of the Board, any of the following has occurred or is likely to occur, the Company entering into a scheme of arrangement, the commencement of a takeover bid for the Company's Shares, or a party acquiring a sufficient interest in the Company to enable them to replace the Board, the Board may declare a Plan Option to be free of any conditions of exercise. Plan Options that are so declared may, subject to the lapsing conditions set out above, be exercised at any time on or before their expiry date and in any number.

#### Participation by Directors

Although Directors are eligible to be offered Plan Options, none may be granted by the Company until Shareholder approval has been obtained the requirements of the ASX Listing Rules and the Corporations Act.

During the year ended 30 June 2010 the Group recognised an expense of \$Nil related to the fair value of options granted (30 June 2009: \$1,686,402). Options previously issued with a recognised expense of \$1,247,089 were cancelled during the year ended 30 June 2009.

The number and weighted average exercise prices of share options are as follows:

Giralia Resources NL	Weighted average exercise price \$	Number of options	Weighted average exercise price \$	Number of options
	2010	2010	2009	2009
<i>In options</i>				
Outstanding at the beginning of the period	0.62	4,950,000	0.74	4,200,000
Exercised/Cancelled during the period	0.76	(125,000)	2.04	(1,175,000)
Granted during the period	-	-	1.20	1,925,000
Outstanding at the end of the period	0.60	4,825,000	0.62	4,950,000
Exercisable at the end of the period	0.60	4,825,000	0.62	4,950,000

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 15: EMPLOYEE BENEFITS (cont'd)

The options outstanding in the Company at 30 June 2010 have an exercise price in the range of \$0.1435 to \$1.438 and a weighted average contractual life of 2 years.

During the financial year, 125,000 share options were exercised (2009: Nil). The weighted average share price at the dates of exercise was \$0.76 (2009: Nil).

The terms and conditions of the grants made during the year ended 30 June 2010 were as follows; all option exercises are settled by physical delivery of shares:

	2010	2009
Shares granted	-	1,925,000
Fair value at measurement date	-	\$0.39 - \$0.87
Valuation model	-	Black Scholes
Share price	-	\$0.87 - \$2.14
Exercise price	-	\$0.75 - \$2.04
Expected life (years)	-	3-4 years
Group volatility	-	82% - 89%
Risk free interest rate	-	4.56% - 6.65%
Value at measurement date	-	\$1,686,402

The fair values of services received in return for share options granted to employees is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black Scholes formula. The contractual life of the option is used as an input into this formula. Expectations of early exercise are incorporated into the Black Scholes formula.

Share options are granted under a service condition. There are no market conditions associated with the share option grants.

The expected volatility has been based on the historical volatility of the Company and similar companies involved in the mineral exploration industry over periods of up to three to four years.

### 16: ISSUED CAPITAL

	2010	2009
	\$	\$
a) Issued and paid-up share capital 178,310,170 (2009: 178,185,170 )		
ordinary shares fully paid	27,968,740	29,340,345
<i>Movements in Ordinary Share Capital</i>		
Balance at beginning of the financial year 178,185,170 (2009: 176,185,170)	29,340,345	28,283,437

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

<b>16: ISSUED CAPITAL (cont'd)</b>	2010	2009
	\$	\$
<i>Movements in Ordinary Share Capital (cont'd)</i>		
Shares Issued:		
In-specie distribution of 14,600,000 Gascoyne Resources Ltd shares at 10 cents each	(1,460,000)	-
75,000 shares at \$0.75 cents each, being the exercise of options	56,250	-
45,000 shares at \$0.738 cents each, being the exercise of options	33,210	
5,000 shares at \$0.987 cents each, being the exercise of options	4,935	
2,000,000 shares at \$0.53 each issued for the purchase of a mineral tenement	-	1,060,000
Issue costs	(6,000)	(3,092)
	27,968,740	29,340,345

The Company does not have authorised capital or par value in respect of its issued shares.

### *Terms and conditions*

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholder's meetings.

## 17: FAIR VALUE RESERVE

The fair value reserve includes the net revaluation increments and decrements arising from the revaluation of the investment in listed entities, measured at fair value net of tax.

## 18: SUBSIDIARIES

The following companies are controlled entities of Giralia Resources NL:

Subsidiaries	Principal Activity	Country of Incorporation	Interest Ownership	
			2010	2009
Talling Resources Pty Ltd	Exploration	Australia	100%	100%
Carlinga Mining Pty Limited	Exploration	Australia	100%	100%
Minera Atacamana Limitada	Exploration	Chile	100%	100%
Wheelbarrow Prospecting Pty Ltd	Exploration	Australia	100%	100%
PM Gold Asia Pty Ltd	Exploration	Australia	100%	100%

The investments in the controlled entities are by way of investments in the ordinary shares of the entities.

## 19: FINANCIAL RISK MANAGEMENT

### Overview

This note presents information about the Group's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 19: FINANCIAL RISK MANAGEMENT (cont'd)

The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Group through regular reviews of the risks.

#### 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.

Presently, the Group undertakes exploration and evaluation activities exclusively in Australia. At the balance sheet date there were no significant concentrations of credit risk.

#### *Cash and cash equivalents*

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

#### *Trade and other receivables, and other financial assets*

As the Group operates in the mineral exploration sector, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures. Based on available evidence, management does not expect any counterparty to fail to meet its obligations.

#### Exposure to credit risk

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

	Consolidated Carrying Amount	
<i>Note</i>	2010	2009
	\$	\$
Cash and cash equivalents	56,930,957	67,120,768
Receivables	9      3,152,772	2,038,612
	60,083,729	69,159,380

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 19: FINANCIAL RISK MANAGEMENT (cont'd)

#### Impairment losses

None of the Group's other receivables are past due (2009: Nil).

#### 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.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows. The Group does not have any external borrowings.

The Company does not anticipate a need to raise additional capital in the next 12 months to meet forecasted operational and exploration activities.

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

#### 30 June 2010

	Carrying Amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Payables	1,456,147	(1,456,147)	(1,456,147)	-	-	-	-

#### 30 June 2009

	Carrying Amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Payables	186,751	(186,751)	(186,751)	-	-	-	-

#### Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, 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.

#### Currency risk

The Group is exposed to currency risk and at balance sheet date the Group holds financial assets which are exposed to foreign currency risk.

#### Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures.

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 19: FINANCIAL RISK MANAGEMENT (cont'd)

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short terms deposit at interest rates maturing over 30-180 day rolling periods.

#### Profile

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

	Carrying Amount	
	2010 \$	2009 \$
<b>Fixed rate instrument</b>		
Cash and cash equivalents	56,000,000	64,412,677
	56,000,000	64,412,677
	56,000,000	64,412,677
<b>Variable rate instruments</b>		
Cash and cash equivalents	930,957	2,708,091
	930,957	2,708,091
	930,957	2,708,091

#### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. The analysis is performed on the same basis for 2009.

	Profit or loss	
	100bp Increase \$	100bp Decrease \$
<b>30 June 2010</b>		
Cash and cash equivalents	9,310	(9,310)
	9,310	(9,310)
	9,310	(9,310)
<b>30 June 2009</b>		
Cash and cash equivalents	27,081	(27,081)
	27,081	(27,081)
	27,081	(27,081)



# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 19: FINANCIAL RISK MANAGEMENT (cont'd)

#### Fair values

#### Fair values versus carrying amounts

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

	30 June 2010		30 June 2009	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Available-for-sale financial assets	9,802,157	9,802,157	4,102,766	4,102,766
Financial assets at fair value through profit or loss	567,342	567,342	586,905	586,905
Cash and cash equivalents	56,930,957	56,930,957	67,120,768	67,120,768
Receivables	3,152,772	3,152,772	2,038,612	2,038,612
Payables	(1,456,147)	(1,456,147)	(186,751)	(186,751)
	<u>68,997,081</u>	<u>68,997,081</u>	<u>73,662,300</u>	<u>73,662,300</u>

The basis for determining fair values is disclosed in note 3 (m).

#### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

	Level 1	Level 2	Level 3	Total
<b>30 June 2010</b>				
Available-for-sale financial assets	9,802,157	-	-	9,802,157
Financial assets designated at fair value through profit or loss	567,342	-	-	567,342
	<u>10,369,499</u>	-	-	<u>10,369,499</u>
<b>30 June 2009</b>				
Available-for-sale financial assets	4,102,766	-	-	4,102,766
Financial assets designated at fair value through profit or loss	586,905	-	-	586,905
	<u>4,689,671</u>	-	-	<u>4,689,671</u>

There have been no transfers between Levels during the year ended 30 June 2010 or 2009.

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 19: FINANCIAL RISK MANAGEMENT (cont'd)

#### Other Market Price Risk

Other Equity price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

Investments are managed on an individual basis and material buy and sell decisions are approved by the Board of Directors. The primary goal of the Group's investment strategy is to maximise investment returns.

The Group's investments are solely in equity instruments. These instruments are classified as available-for-sale or at fair value through profit or loss and are carried at fair value, with fair value changes recognised directly in equity or profit and loss until derecognised.

#### Sensitivity analysis

The Group's equity investments are listed on the Australian Stock Exchange. A 3% increase in stock prices at 30 June 2010 would have increased equity by \$294,065 (2009: \$121,571) and profit or loss by \$17,020 (2009: \$19,119); an equal change in the opposite direction would have decreased equity profit or loss by an equal but opposite amount.

#### Commodity Price Risk

The Group operates primarily in the exploration and evaluation phase and accordingly the Group's financial assets and liabilities are subject to minimal commodity price risk.

#### Capital Management

The Group's objectives when managing capital are to safeguard the its ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets for in-specie distributions.

The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities. The Group monitors capital on the basis of the gearing ratio, however there are no external borrowings as at balance date. Capital includes accumulated profits and fair value reserve.

The Group encourages employees to be shareholders through the issue of free share options to employees.

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.

### 20: COMMITMENTS

	2010 \$	2009 \$
Operating Lease Commitments		
Future operating lease rentals not provided for in the financial statements and payable:		
Not later than one year	102,350	12,068
Later than one year but not later than five years	17,200	-
	<u>119,550</u>	<u>12,068</u>

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 20: COMMITMENTS (cont'd)

Operating leases relate to premises. The leases typically run for a period of 3 years, with an option to renew the lease after that date. Lease payments are increased every 1 to 2 years to reflect market rentals. The Group does not have an option to purchase leased assets at the expiry of their lease period.

#### Exploration expenditure commitments

The Group has certain obligations to perform minimum exploration work and expend minimum amounts on works on mining tenements in order to retain its interests in these tenements, which would be approximately \$3,013,246 (Group) [(2009: \$2,324,860 (Group))] during the next 12 months.

These obligations may be varied from time to time, subject to approval, and are expected to be fulfilled in the normal course of operations of the Group.

### 21: RELATED PARTIES

The following were key management personnel of the Group during the reporting period:-

#### Key management personnel

##### *Giralia Resources NL*

Executive Directors:	R M Joyce (Managing Director) S A Macdonald
Non-Executive Director:	G D Riley (Chairman)
Executives:	B R Acutt (Group Secretary) J D Goldsworthy (Exploration Manager)

#### Key management personnel compensation

The key management personnel compensation included in 'employee benefits' prior to capitalisation to exploration expenditure is as follows:

	2010	2009
	\$	\$
Short-term employee benefits	969,354	862,903
Short term compensated absences	58,866	30,972
Post-employment benefits	70,829	62,322
Other long term benefits	28,504	6,751
Share based payments	-	1,118,650
	<hr/>	<hr/>
	1,127,553	2,081,598
	<hr/>	<hr/>

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 21: RELATED PARTIES (cont'd)

#### Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation is provided in the Remuneration Report section of the Directors' report in Section 13.

#### *Options and rights over equity instruments in Giralia Resources NL*

The movement during the reporting period in the number of options over ordinary shares in Giralia Resources NL held directly, indirectly or beneficially by each specified director and specified executive, including their personally-related entities, is as follows:

	Held at 1 July 2009	Granted as remuneration	Exercised/ Cancelled	Held at 30 June 2010	Vested and exercisable at 30 June 2010
<b>Directors</b>					
G D Riley	-	-	-	-	-
R M Joyce	2,000,000	-	-	2,000,000	2,000,000
S A Macdonald	-	-	-	-	-
<b>Executives</b>					
B R Acutt	575,000	-	-	575,000	575,000
J Goldsworthy	1,500,000	-	-	1,500,000	1,500,000

No options held by specified directors or executives are vested but not exercisable.

	Held at 1 July 2008	Granted as remuneration	Exercised/ Cancelled	Held at 30 June 2009	Vested and exercisable at 30 June 2009
<b>Directors</b>					
G D Riley	-	-	-	-	-
R M Joyce	2,000,000	-	-	2,000,000	2,000,000
S A Macdonald	-	-	-	-	-
<b>Executives</b>					
B R Acutt	325,000	500,000	(250,000)	575,000	575,000
J Goldsworthy	1,500,000	500,000	(500,000)	1,500,000	1,500,000

#### *Movements in shares in Giralia Resources NL*

The movement during the reporting period in the number of ordinary shares in Giralia Resources NL held directly, indirectly or beneficially by each specified director, including their personally-related entities, is as follows:

	Held at 1 July 2009	Purchases	Received on exercise of options	Sales	Held at 30 June 2010
<b>Directors</b>					
G D Riley	3,388,952	-	-	-	3,388,952
R M Joyce	2,100,000	-	-	-	2,100,000
S A Macdonald	6,369,520	-	-	-	6,369,520
<b>Executives</b>					
B R Acutt	734,500	-	-	-	734,500
J D Goldsworthy	-	-	-	-	-

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 21: RELATED PARTIES (cont'd)

	Held at 1 July 2008	Purchases	Received on exercise of options	Sales	Held at 30 June 2009
<b>Directors</b>					
G D Riley	3,385,015	3,937	-	-	3,388,952
R M Joyce	2,100,000	-	-	-	2,100,000
S A Macdonald	6,369,520	-	-	-	6,369,520
<b>Executives</b>					
B R Acutt	734,500	-	-	-	734,500
J D Goldsworthy	-	-	-	-	-

No shares were granted to key management personnel in the Group during the reporting period as compensation in 2009 or 2010. No shares were held by related parties of key management personnel.

#### *Other transactions with the Company or its controlled entities*

From time to time, specified directors and specified executives of the Company or its controlled entities, or their personally-related entities, may purchase goods from the Group. These purchases are on terms and conditions no more favourable than those entered into by unrelated customers and are trivial or domestic in nature.

#### **Non-key management personnel**

The classes of non-director related parties are:

- wholly-owned and partly-controlled entities
- Directors of related parties and their director-related entities

No interest was charged on this loan during the year. The loan is unsecured and repayable at call.

Giralia holds shares and options in PacMag Metals Limited, U3O8 Limited, Zinc Co Australia Limited and Carpentaria Exploration Limited and have common directors on their Boards. Giralia had a signed service agreement with PacMag Metals Limited to provide office and secretarial services for \$8,000 per month, which expired on 30 June 2010. The amount paid to Giralia by PacMag for the year ended 30 June 2010 was \$96,000 (2009: \$96,000). PacMag Metals Limited was taken over by a Scheme of Arrangement by Canadian listed entity, Entrée Gold Inc on 30 June 2010.

The Company has an interest (49%) in the Blue Rose Joint Venture with PacMag Metals Limited (51%).

The Company received an underwriting fee of \$97,500 from Gascoyne Resources Ltd, a related party, during the year, but which was not a related party at 30 June 2010, due to an in-specie distribution. In the prior year, the Company received an underwriting fee from U3O8 Limited of \$67,307.

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 22. INTEREST IN JOINT VENTURES

Joint venture interests at 30 June 2010 are as follows:

Joint Ventures	Managers	Giralia's Interest	Principal Activity (Exploration)
Blue Rose	PacMag Metals Ltd	49% (2009: 49%)	Copper
Kathleen Valley/ Mt Harris	Jubilee Mines Ltd	13.3% diluting (2009: 13.3%)	Gold, Nickel
Lake Frome	Heathgate Resources Pty Ltd	25% Free Carried (2009: 25%)	Uranium
Cardinals	Zinc Co Australia Ltd (earning 75%)	100% (2009: 100%)	Zinc
Daltons	Giralia (Holder Haoma Mining NL)	75% (2009: 75%)	Nickel & Iron Ore
Cork Tree	PacMag Metals Ltd, earning 51%	100% (2009: 100%)	Copper
Cookes Creek	Hazelwood Resources Ltd (earning 70%)	30% (2009: 30%)	Gold
Conquistador	Zinc Co Australia Ltd (earning 75%)	100% (2009: 100%)	Zinc

The Group's interest in assets employed in the above joint ventures includes capitalised exploration and evaluation expenditure totaling \$2,257,295 (2009: \$1,280,028). These amounts are included under the capitalised exploration and evaluation expenditure in note 12.

Receivables from Joint Venture partners amount to \$198,804 (2009: \$42,822) and arose in the normal course of business.

### 23: GAIN ON SALE OF TENEMENTS & IN-SPECIE DISTRIBUTION

Giralia and Helix Resources Ltd jointly listed a gold exploration company, Gascoyne Resources Limited, on the Australian Securities Exchange on 11 December 2009. Gascoyne Resources Limited raised \$5.23 million. On 8 February 2010, Giralia shareholders approved of a reduction in capital and in-specie distribution of 14.6 million of its 18.2 million Gascoyne shares to shareholders of Giralia. Giralia continues to hold 5.89% of Gascoyne at the date of this report.

This resulted in a gain on disposal of tenements of \$1,321,374.

### 24: SEGMENT INFORMATION

The Group is involved in exploration activity on mining tenements predominantly situated in Australia and Indonesia. All revenue and expenditure relates predominantly to the Group's Australian activities.

# GIRALIA RESOURCES NL

## Notes to the Consolidated Financial Statements for the year ended 30 June 2010 (cont'd)

### 25: EVENTS SUBSEQUENT TO BALANCE DATE

Since balance date, the aggregate fair value of the Group's investments has increased by \$2,567,907 or 25% due to increases in ASX share prices.

### 26. COMPARATIVE INFORMATION

Prior year comparatives have been reclassified to conform to the current year's presentation.

### 27. PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 30 June 2010, the parent company of the Group was Giralia Resources NL.

	Note	2010	Company 2009
<b>Result of parent entity</b>			
Profit for the period		3,540,286	7,507,263
Other comprehensive income		1,726,880	(12,613,880)
Total comprehensive income for the period		5,267,166	(5,106,617)
<b>Financial position of parent entity at year end</b>			
Current assets		60,651,071	69,746,285
Total assets		90,459,032	86,279,094
Current liabilities		1,799,792	4,251,638
Total liabilities		8,193,485	7,909,108
<b>Total equity of the parent entity comprising of:</b>			
Share capital		27,968,740	29,340,345
Fair value reserve		2,719,757	992,877
Retained earnings		51,577,050	48,036,764
<b>Total Equity</b>		<b>82,265,547</b>	<b>78,369,986</b>

### Parent Entity Commitments

The parent entity has various mineral titles which require a minimum exploration expenditure of approximately \$2,354,931 (2009: \$1,801,960) in the next financial year. Refer to Note 20 for the parent entity's commitments to leases held. The parent entity has no other commitments or guarantees.

# GIRALIA RESOURCES NL

## **Directors' Declaration ...**

- 1: In the opinion of the Directors of Giralia Resources NL ("the Company"):
  - a. the financial statements and notes (and the remuneration disclosures that are contained in Sections 13.1-13.7 of the Remuneration report in the Directors' Report & Corporate Governance Statement), set out on pages 2 to 24, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the financial position of the Group 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 annual consolidated financial report also complies with International Financial Reporting Standards, as disclosed in Note 2(a); and
  - c. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2: The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director (who performs the Chief Executive Officer's function) and Company Secretary (who performs the Chief Financial Officer's function) for the financial year ended 30 June 2009.

Dated at Perth this 30<sup>th</sup> day of September 2010.

Signed in accordance with a resolution of the Directors.



G D RILEY  
Chairman





## **Independent auditor's report to the members of Giralia Resources NL**

### **Report on the financial report**

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

#### *Directors' responsibility for the financial report*

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal 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 2, 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.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

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 the Group is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Group'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 2.

### **Report on the remuneration report**

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

### *Auditor's opinion*

In our opinion, the remuneration report of Giralia Resources NL for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

*KPMG.*

KPMG

R Gambitta  
*Partner*

Perth

30 September 2010