riviera resources LIMITED

Annual Report

Year ended 30 June 2010

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CORPORATE DIRECTORY

This financial statements covers Riviera Resources Limited ("the Company" or "Riviera Resources") during the year ended the 30 June 2010. The Company's functional and presentation currency is AUD ($)

OFFICERS		
	Mr Mark Foster	(Chairman)
	Mr Philip Re	(Managing Director/Secretary)
	Mr Paul Lloyd	(Non-Executive Director)
	Mr Nicholas Revell	(Non-Executive Director)
REGISTERED OFFICE	C/Parkinson Corporate Pty Ltd Level 1, 322 Hay Street SUBIACO WA 6008	
SOLICITORS	Steinepreis Paganin Lawyers and Consultants Level 4, The Read Buildings 16 Milligan Street PERTH WA 6000	
AUDITORS	Bentleys Level 1, 12 Kings Park Road WEST PERTH WA 6005	
SHARE REGISTRY	Advanced Share Registry Ltd Unit 2, 150 Stirling Highway NEDLANDS WA 6009 Telephone: (08) 9389 8033 Facsimile: (08) 9389 7871	
PRINCIPAL PLACE OF BUSINESS		
	Level 1, 322 Hay Street SUBIACO WA 6008 Telephone: (08) 9388 9744 Facsimile: (08) 9388 9755	
WEBSITE	www.rivieraresources.com.au	
ASX CODES	RVE RVEO	

DIRECTOR'S REPORT

riviera resources LIMITED

ABN: 27 128 806 977

Your directors present their report together with the financial statements of Riviera Resources Limited for the financial year ended the 30 June 2010.

Directors

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

Mark Foster (Chairman)

Philip Re (Managing Director)

Paul Lloyd (Non-Executive Director)

Nicholas Revell (Non- Executive Director)

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

Company Secretary

Mr Philip Re held the position of company secretary at the end of the financial year and for all of the financial year:

Mr Philip Re was appointed company secretary on 6 December 2007.

Principal Activities

The company principal activity is mineral exploration and evaluation.

On 22 October 2009 Riviera issued an underwritten non-renounceable entitlement issue prospectus to existing shareholders to raise $1,300,000. The issue was one share for every one share held at an issue price of $0.05 per share, together with one free option exercisable at $0.10 on or before 31 December 2014. On 26 November 2009 the Company issued 26,000,000 ordinary fully paid shares and 26,000,000 options.

On 22 December 2009 Riviera raised a further $500,000 following shareholder approval at the Annual General Meeting and issued 10,000,000 fully paid shares and 10,000,000 options on the same term as the options issued under the rights issue.

On 24 March 2010 Riviera announced that it entered into a Heads of Agreement to acquire South American Ferro Metals Limited which owns 100% of the mineral rights and property at Ponte Verde, located in the heart of the Iron Ore Quadrilateral, some 40 kilometres from the town of Belo Horizonte in Minas Gerais State, Southern Brazil. The notice of meeting has been sent to shareholders and is to be held on 13 September 2010 to approve the transaction.

Further exploration of the Three Sisters Gold Project in Queensland has been put on hold pending the settlement of the Brazilian Iron Ore Project.

There were no other significant changes in the nature of the Company's principal activities during the financial year.

Review of operations

During the year the Company continued exploration of the 100% owned Three Sisters Gold Project located 250 km south of Charters Towers in Central Eastern Queensland. A Reverse Circulation (RC) drill program commenced with the aim to further define and confirm previously completed field exploration that identified a 'Gold Corridor'. A total of 23 holes for 1,501 metres were completed. All results were received with no significant results reported. Further drilling was planned in an area still open indicating a geochemical anomalous trend. Exploration of the project was placed on hold pending the execution and settlement of an agreement to purchase of the Ponte Verde Iron Ore Project in Brazil.

Competent Persons: The information within this report relating to exploration activities on the Company's projects is based on information compiled by Nicholas Revell who is a member of the Australasian Institute of Mining and Metallurgy. Mr Revell 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'. Mr Revell has consented to the inclusion in the report of the information on the Three Sisters Project in the form and context represented above.

Operating Results

The loss for the year ended 30 June 2010 after providing for income tax amounted to $565,064 (2009: $355,025).

Dividends Paid or Recommended

No dividends were paid or declared for payment.

Financial Position

The net assets of the Company have increased to $3,531,191 in 2010 (2009: $2,449,416). This increase has largely resulted from the following factors:

- Successful capital raising from the Entitlement Issue Prospectus dated the 22 October 2009 to raise $1,300,000.
- Successful raising of $500,000 from the placement to sophisticated investor through CPS Securities Pty Ltd.

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

Significant Changes in State of Affairs

There no Significant Changes in State of Affairs.

After Balance Date Events

Riviera signed a share sale agreement with South American Ferro Metals Limited ("SAFM") to acquire 100% of the mineral rights, management and property at Ponte Verde, located in the heart of the Iron Ore Quadrilateral, some 40 kilometres from the town of Belo Horizonte in Minas Gerais State, Southern Brazil.

Riviera issued a notice of general meeting dated the 11 August 2010 seeking shareholder approval on the change to nature and scale of activity, the issue of shares to vendors of SAFM, variation of class rights, consolidation of capital, a capital raising, issue of options to CPS securities and change of name. The details of the notice are lodged on the ASX. The results of the general meeting will be available on the 13 September 2010 which is the date the shareholder meeting will be held. Riviera has the potential to create significant shareholder value with the SAFM Iron Ore project given the well established Brazilian iron ore industry.

Due to the material nature of the acquisition, the acquisition of SAFM will be deemed a reverse acquisition for accounting purposes. Riviera has 62,000,000 ordinary shares on issue as at 30 June 2010 and will issue 167,955,934 ordinary shares on settlement for the acquisition of SAFM. For accounting purposes, SAFM is the acquirer and Riviera is the legal parent.

The financial effect of this transaction will not be determined until shareholder approval is obtained.

Environmental Issues

The Directors believe that the Company has, in all material respects complied with all particular and significant environmental regulations relevant to its operations. The company's operations will be subject to environmental regulation under the law of the Commonwealth and State.

The majority of the activities will involve low level disturbance associated with exploration programs. Approvals, licenses leasing and other regulatory requirements are performed by the operators of each permit or lease on behalf of the Company.

The Company considered the NGER Act and based on the current position is satisfied that it will not impact on the Company's compliance.

Information on Directors

Mark Foster	—	Chairman
Qualifications	—	Mr Foster has practised as a corporate lawyer since 1996 having graduated from the University of Western Australia with a Bachelor of Laws and Commerce (majoring in accounting).
Experience		He is currently a partner with corporate law firm Steinepreis Paganin. Mr Foster has significant experience in corporate and resources law having advised on numerous initial public offers and secondary capital raisings, all forms of acquisition and mergers (including takeovers and schemes of arrangement) and project acquisition and divestments generally. Mr Foster is also a member of FINSIA (formerly the Securities Institute of Australia).
Interest in Shares and Options	—	1,382,000 Ordinary Shares in Riviera Resources Limited. 691,000 Options in Riviera Resources Limited exercisable at 10 cents on or before 31 December 2014.
Directorships held in other listed entities		None

Philip Re	—	Managing Director
Qualifications	—	Mr Re holds a Bachelor of Business, is a Chartered Accountant, a Chartered Secretary and holds a Certificate of Public Practice. Mr Re has also completed a Graduate Diploma in Company Secretarial Practice.
Experience		In recent years Mr Re has been involved as a director and company secretary for a number of public companies involving transactions in the mineral exploration industry. Recently Mr Re was a director and the company secretary for ASX Listed Meridian Minerals Limited and Transit Holdings Limited. He is currently the company secretary for Promesa Limited. Mr Re is one of the founders of the charity organisation "The Better Life Foundation WA", where he currently acts as Chairman. Mr Re is also a director of Parkinson Chartered Accountants.
Interest in Shares and Options	—	3,410, 000 Ordinary Shares in Riviera Resources Limited.. 1,705,000 Options in Riviera Resources Limited exercisable at 10 cents on or before 31 December 2014.
Directorships held in other listed entities	—	None

Paul Lloyd	—	Non-Executive Director
Qualifications	—	Paul Lloyd is a Chartered Accountant with over 25 years' commercial experience.
Experience	—	Mr Lloyd operates his own corporate consulting business, specialising in the area of corporate, financial and management advisory services. After commencing his career with an international accounting firm, he was employed for approximately 10 years as the General Manager of Finance for a Western Australian based international drilling contractor working extensively in Asia and Africa.
Interest in Shares and Options	—	1,900,000 Ordinary Shares in Riviera Resources Limited. 950,000 Options in Riviera Resources Limited exercisable at 10 cents on or before 31 December 2014.
Directorships held in other listed entities	—	Mr. Lloyd is Chairman of ASX listed Beacon Minerals Limited and Non-Executive Director of Target Energy Limited.

Nicholas Revell	—	Non-Executive Director
Qualifications	—	Nicholas Revell has 19 years' experience in mine and exploration geology.
Experience		He established an independent consultancy 7 years ago and specialises in mine development, due diligence and property valuation at all stages of development. He has wide experience in a number of commodities including gold, base metals and iron ore and qualifies as a Competent Person as defined by the VALMIN Code and JORC Code. Mr. Revell was previously Chief Geologist at Macarthur Minerals Limited and International Gold Mining Limited, both of which are companies listed on the Toronto Stock Exchange. In addition Nick Revell held roles as Chief Geologist at Fortescue Metals Group and worked for Crescent Gold Limited (formerly Apollo Gold Mining Limited), Auriongold Limited (formerly Goldfields Limited), North Limited, Renison Goldfields Limited and St Barbara Limited (formerly St Barbara Mines Limited).
Interest in Shares and Options	—	800,000 Ordinary Shares in Riviera Resources Limited. 400,000 Options in Riviera Resources Limited exercisable at 10 cents on or before 31 December 2014.
Directorships held in other listed entities	—	Executive Director of Australasia Consolidated Limited (AAO) and Non-Executive Director of Mayan Iron Corporation Limited (MYN).

REMUNERATION REPORT

The information provided in the remuneration report includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited.

Principles used to determine the nature and amount of remuneration
The Board determines the appropriate nature and amount of remuneration. The Board ensures that the executive reward satisfies the following criteria for good reward governance practice:
• competitiveness and reasonableness;
• acceptability to shareholders;
• alignment of executive remuneration to performance;
• transparency; and
• capital management.
The framework provides a mix of fixed and variable pay.

Non-executive Directors and executive Director
Fees and payments to non-executive directors and the executive Director reflect the demands which are made on, and the responsibilities of, the directors. Non executive directors' fees and payments are reviewed annually by the Board.

Directors' fees
Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum pool limit currently stands at $300,000 per annum and will be approved at the next Annual General Meeting.

Retirement allowances
Superannuation contributions required under the Australian superannuation guarantee Legislation are deducted from the directors' overall fee entitlements

Key Management Personnel Remuneration Policy

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

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future.

The employment conditions of the managing director, Philip Re and other key management personnel are formalised in letters of employment. Other than the managing director, all other key management personnel are the Non Executive Directors of Riviera Resources Limited, Mark Foster, Paul Lloyd and Nicholas Revell.

The letter of employments of the Non-Executive and Executives Directors formalise the appointment, independence and remuneration terms. There is no requirements in regards to period of notice or termination amount payable stipulated in the contracts.

Key Management Personnel Remuneration

2009

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash, salary and commissions	Cash profit share	Non-cash benefit	Other (accrual)	Super-annuation
	$	$	$	$	$
Philip Re (*)	25,000	-	-	-	2,250
Mark Foster(**)	25,000	-	-	-	2,250
Paul Lloyd	25,000	-	-	-	2,250
Nicholas Revell	25,000	-	-	-	2,250
	100,000	**-**	**-**	**-**	**9,000**

2009 (continued)

Key Management Person	Other Long-term Benefits	Share-based Payment		Total	Performance Related
	Other	Equity	Options		
	$	$	$	$	%
Philip Re(*)	-	-	-	27,250	-
Mark Foster(**)	-	-	-	27,250	-
Paul Lloyd	-	-	-	27,250	-
Nicholas Revell	-	-	-	27,250	-
	-	**-**	**-**	**109,000**	**-**

(*) Parkinson Corporate Pty Ltd, a company Mr Re has an interest in, receives fees from Riviera Resources Limited for corporate, accounting and secretarial services. The allocation of fees received have been disclosed under related party transactions under note 16.

(**)Steinepreis Paganin , a company Mr Foster has an interest in, receives fees from Riviera Resources Limited for legal services. The allocation of fees have been disclosed under related party transactions under note 16.

2010

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash, salary and commissions	Cash profit share	Non-cash benefit	Other (accrual)	Super-annuation
	$	$	$	$	$
Philip Re (*)	30,000	-	-	-	2,700
Mark Foster(**)	30,000	-	-	-	2,700
Paul Lloyd	30,000	-	-	-	2,700
Nicholas Revell	30,000	-	-	-	2,700
	120,000	**-**	**-**	**-**	**10,800**

2010 (continued)

Key Management Person	Other Long-term Benefits	Share-based Payment		Total	Performance Related
	Other	Equity	Options		
	$	$	$	$	%
Philip Re(*)	-	-	-	32,700	-
Mark Foster(**)	-	-	-	32,700	-
Paul Lloyd	-	-	-	32,700	-
Nicholas Revell	-	-	-	32,700	-
	-	**-**	**-**	**130,800**	**-**

(*) Parkinson Corporate Pty Ltd, a company Mr Re has an interest in, receives fees from Riviera Resources Limited for corporate, accounting and secretarial services. The allocation of fees received have been disclosed under related party transactions under note 16.

(**)Steinepreis Paganin , a company Mr Foster has an interest in, receives fees from Riviera Resources Limited for legal services. The allocation of fees have been disclosed under related party transactions under note 16.

Performance income as a proportion of total remuneration

Executive directors and executives were not paid performance based bonuses.

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

No options were issued to directors and executives as part of their remuneration.

Meetings of Directors

During the financial year, 7 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number eligible to attend	**Number attended**
Mark Foster	7	7
Philip Re	7	7
Paul Lloyd	7	7
Nicholas Revell	7	7

Indemnification and insurance of Directors and Officers

During or since the end of the financial year the company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has paid premiums to insure each of the following current and former directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was $7,150 for all directors.

Mark Foster

Philip Re

Paul Lloyd

Nicholas Revell

Options

At the date of this report, the unissued ordinary shares of Riviera Resources Limited under option are as follows:

Grant Date	Date of expiry	Exercise price	Number under options
25 November 2009	31 December 2014	$0.10	36,000,000
			36,000,000

During the year ended 30 June 2010, no ordinary shares of Riviera Resources Limited were issued on the exercise of options granted under the Riviera Resources Limited Employee Option Plan.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Future Developments

Other than as referred to in this report, further information as to likely developments in the operations of the Company and expected results of those operations would, in the opinion of the Directors, be speculative and prejudicial to the interests of the Company and its shareholders.

Non-audit Services

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

- all non-audit services are reviewed and approved by the board of directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid/payable to the external auditors for non-audit services during the year ended 30 June 2010:

Investigating Accountants Report	$10,000
	$10,000

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 19 of the directors' report.

This report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Philip Re

Managing Director

Dated this 31st day of August 2010

CORPORATE GOVERNANCE STATEMENT

The board of Directors is responsible for the corporate governance of the Company. The Board guides and monitors business activities and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with company's needs. The Corporate Governance Statement has been structured with reference to ASX Corporate Governance Council's ("council") "Principles of Good Corporate Governance and Best Practise Recommendations" to the extent that they are applicable to the Company.

Information about the Company's corporate governance practises are set out below.

Board of Directors

Role of the board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for the overall corporate governance of the entity including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

Board Processes

The Board has established a framework for the management of the entity including a system of internal control, a business risk management process and appropriate ethical standards.

The full Board schedules meetings, including strategy meetings and any extraordinary meetings, as necessary to address any specific significant matters that may arise. The agenda for meetings is prepared in conjunction with the Chairman and Company Secretary. Standing items include the management report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance.

The entity is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of separate board committees, including a Nomination Committee, Remuneration Committee or an Audit Committee. Accordingly, all matters that may be considered by such committees are dealt with by the full Board. Details of the Board's procedures in respect to each of these areas are further outlined within the Corporate Governance Statement below - see Nomination Committee, Remuneration Committee and Audit committee respectively.

Director Education

The company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the entity concerning performance of directors. Directors also have the opportunity to visit entity facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

Independent Professional Advice and Access to Company Information

Each Director has the right of access to all relevant company information and to the Company's executives and, subject to prior consultation with the chairman, may seek independent professional advice from a suitably qualified adviser at the entity's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the chairman's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the board.

Composition of the Board

The names of the Directors of the Company in office at the date of this report are set out in the Directors' Report on page 6 to 7.

CORPORATE GOVERNANCE STATEMENT

The composition of the Board is determined using the following principles:

- A minimum of three directors, with a broad range of expertise both nationally and internationally
- Directors having extensive knowledge of the Company's industries, and those which do not, have extensive expertise in significant aspects of auditing and financial reporting, or risk management and financing of public companies
- The roles of Chairman and Managing Director are not to be exercised by the same individual.

Board members have experience in the management of public companies. The board currently does not have a majority of independent directors as recommended by the ASX Corporate Governance Council. The directors consider that, given the current size and stage of development of the Company, the current number of independent directors in the Company is appropriate for the effective execution of the board's responsibilities. The directors periodically monitor the need to appoint additional independent directors.

Mr Paul Lloyd and Mr Nicholas Revell are considered "Independent Directors" in terms of ASX Recommendations as they do not hold a substantial amount of shares in the Company.

Chairman

The Company is not currently considered to be of a size, nor is its affairs of such complexity to justify the need for an independent Chairman. The Chairman has been selected to bring specific skills and industry experience relevant to the company.

Nomination Committee

The board considers that a formally constituted Nomination Committee is not appropriate as the board, as part of its usual role, oversees the appointment and induction process for directors, and the selection, appointment and succession planning process of the Company's executive officers. The board considers the appropriate skill mix, personal qualities, expertise and diversity of each position. When a vacancy exists or there is a need for particular skills, the board determines the selection criteria based on the skills deemed necessary. The board identifies potential candidates and may take advice from an external consultant. The board then appoints the most suitable candidate. Board candidates must stand for election at the next general meeting of shareholders.

The chairman of the board continually reviews the effectiveness of the board, individual directors, and senior executives. The other directors have an opportunity to contribute to the review process. The reviews generate recommendations to the board, which votes on them. Directors displaying unsatisfactory performance are required to retire.

Remuneration Committee

The board considered that a formally constituted Remuneration Committee is not appropriate as the board, as part of its usual role, oversees the appointment and remuneration of directors and the Company's executive officers. Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The board may seek independent advice on the appropriateness of remuneration packages, given trends in comparative companies both locally and internationally. Remuneration packages include a mix of fixed remuneration, performance-based remuneration, and equity-based remuneration.

The remuneration structures explained below are designed to attract suitably qualified candidates, and to affect the broader outcome of maximising the Company's profitability. The remuneration structures take into account:

- Overall level of remuneration for each director and executive;
- The executive's ability to control the performance of the relevant area; and
- The amount of incentives within each executive's remuneration.

Shares and options can only be issued to Company Directors under a resolution at a general meeting of shareholders.

Non executive Directors may receive a base fee and can be remunerated by way of share and option issues approved under a resolution at a general meeting of shareholders.

The board has no established retirement or redundancy schemes.

Audit committee

The company is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of a separate Audit Committee. Whilst the Company does not have a formally constituted Audit Committee, the board, as part of its usual role, undertakes audit related responsibilities including:

- Reviewing the annual and interim financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholders needs;
- Assessing corporate risk assessment processes;
- Assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. The external auditor provides an annual declaration of independence which is consistent with Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board;
- Addressing any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Securities Exchange and financial institutions;
- Reviewing the nomination and performance of the external auditor. The external audit engagement partner will be rotated every five years;
- Assessing the adequacy of the internal control framework and the Company's code of ethical standards;
- Monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements.

The directors review the performance of the external auditors on an annual basis and normally meet with them during the year to:

- Discuss the external audit plans, identify any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements and to review the fees proposed for the audit work to be performed;
- Review the annual and half-year reports prior to lodgement with the ASX, and any significant adjustments required as a result of the auditor's findings, prior to announcement of the result.

The board monitors the need to form an Audit Committee on a periodic basis.

Risk Management

Overview of the Risk Management System

The Board adopts practices designed to identify significant areas of business risk and to effectively manage those risks in accordance with the Company's risk profile. This includes assessing, monitoring and managing operational, financial reporting, and compliance risks for the company. The company is not of a size nor is its affairs of such complexity to justify the establishment of a formal system for reporting risk management and associated compliance and controls. Instead, a director, in accordance with company policy, approves all expenditure, is intimately acquainted with all operations and reports all relevant issues to the other directors at the directors' meetings. The company secretary has declared to the board, that the aforementioned system is working efficiently and effectively. The operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively. All risk assessments covered the entire part of the financial year that the Company operated and the period up to the signing of the annual financial report for all material operations in the company.

Risk Profile

The company is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of a separate Risk Management Committee. Instead, the board, as part of its usual role and through direct involvement in the management of the Company's operations ensures risks are identified, assessed and appropriately managed. Where necessary, the board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

Major risks arise from such matters as actions by competitors, government policy changes, difficulties in sourcing raw materials, the robustness of the technologies being used or proposed to be used, environment, occupational health and safety, financial reporting and the purchase, development and use of information systems.

Risk Management, Compliance and Control

The board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities.

Practices have been established to ensure:

- Capital expenditure and revenue commitments above a certain size obtain prior board approval;
- Financial exposures are controlled, including the potential use of derivatives;
- Occupational health & safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- Business transactions are properly authorised and executed;
- The quality and integrity of personnel (see below);
- Financial reporting accuracy and compliance with the financial reporting regulatory framework (see below); and
- Environmental regulation compliance (see below).

Quality and Integrity of Personnel

The Company conducts a comprehensive review of the ability and experience of potential employees prior to appointment. Informal appraisals will be conducted regularly with continuous feedback and on the job monitoring and training for all employees. Formal appraisals will be conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews will create an environment of co-operation and constructive dialogue with employees and senior management.

Financial Reporting

The company secretary has declared, to the board that the Company's financial statements are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Following the reporting year, monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.

Environmental Regulation

The Company's operations are subject to significant environmental regulation in relation to its operational activities. The Company is committed to achieving a high standard of environmental performance. The board is responsible for the regular monitoring of environmental exposures and compliance with environmental regulations.

Internal Audit

The Company does not have a formally established internal audit function. The board ensures compliance with the internal controls and risk management procedures previously mentioned.

Ethical Standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

Conflict of Interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned is not present at the meeting whilst the item is considered.

Code of conduct

The Company has established a Code of Conduct (Code) which aims to develop a consistent understanding of, and approach to, the desired standards of conduct and behaviour of the directors, officers, employees and contractors (collectively, the employees) in carrying out their roles for the Company. Through this Code, the Company seeks to encourage and develop a culture of professionalism, honesty and responsibility in order to maintain and enhance our reputation as a valued employer, business operator and "corporate citizen". The Code is designed to broadly outline the ways in which the Company wishes to conduct its business. The Code does not cover every possible situation that employees may face, but is intended to provide employees with a guide to taking a commonsense approach to any given situation, within an overall framework.

Trading in the Company's securities by directors and employees

The Company has established a Security Trading Policy that is provided to all Directors and employees on commencement.

The constitution permits directors to acquire shares in the Company. Company policy prohibits directors from dealing in shares whilst in possession of price sensitive information. Directors must notify the company secretary once they have bought or sold shares in the Company or exercised options over ordinary shares. In accordance with the provisions of the Corporations Act 2001 and the Listing Rules of the Australian Securities Exchange, the Company on behalf of the directors must advise the Australian Securities Exchange of any transactions conducted by them in shares and / or options in the Company.

Communication with Shareholders

The board has formally documented the Company's continuous disclosure procedures and established a Compliance policy. The board, as part of its usual role, provides shareholders with information using comprehensive continuous disclosure processes which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX and issuing media releases.

In summary, the continuous disclosure processes operate as follows:

- The chairman and the company secretary are responsible for all communications with the ASX. Matters that may have an effect on the price of the Company's securities are advised to the ASX on the day they are discovered. Senior executives monitor all areas of the Company's internal and external environment;

- The full annual financial report is made available to all shareholders, and includes relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments;

- The half-yearly report contains summarised financial information and a review of the operations of the Company during the period. The half-year reviewed financial report is lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests it;

- Proposed major changes in the Company which may impact on share ownership rights are submitted to a vote of shareholders;

- All announcements made to the market, and related information (including information provided to analysts and the media), are released to the ASX; and

- The external auditor attends the Annual General Meeting to answer any questions concerning the audit and the content of the Auditor's Report.

The board encourages full participation of shareholders at the Annual General Meeting, to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions.

The shareholders are requested to vote on the appointment and aggregate remuneration of directors, the granting of options and shares to directors and changes to the constitution. Copies of the constitution are available to any shareholder on request

Other Information

Further information relating to the company's corporate governance practices and policies has been made publicly available on the company's web site at www.rivieraresources.com.au.

Bentleys
Thinking ahead

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To The Board of Directors

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

This declaration is made in connection with our audit of the financial report of Riviera Resources Limited for the year ended 30 June 2010 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 31st day of August 2010

FINANCIAL STATEMENTS

INCOME STATEMENT FOR YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
Revenue	2	101,822	80,986
Administration Expense		(60,000)	(55,000)
Employee Benefit Expense		(130,800)	(109,000)
Financial Administration and Compliance Expense		(160,246)	(153,090)
Legal Expense		(53,042)	(27,007)
Project Evaluation Expense		(133,656)	(19,300)
Travel and Accommodation Expense		(110,030)	(47,105)
Other Expense		(19,112)	(25,509)
Loss before income tax	3	(565,064)	(355,025)
Income tax expense	4	-	-
Loss from continuing operations		(565,064)	(355,025)
Loss per share			
Basic loss per share (cents per share)	7	(1.45)	(1.50)

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	$	$
Loss for the year	(565,064)	(355,025)
Other comprehensive income	-	-
Total comprehensive income for the year	(565,064)	(355,025)
Total comprehensive income attributable to:		
• Members of the parent entity	(565,064)	(355,025)
	(565,064)	(355,025)

riviera resources LIMITED
ABN: 27 128 806 977

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	2010 $	2009 $
CURRENT ASSETS			
Cash and cash equivalents	8	2,996,268	2,015,449
Trade and other receivables	9	22,734	9,294
Other assets		11,683	1,107
TOTAL CURRENT ASSETS		3,030,685	2,025,850
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	10	678,056	548,132
TOTAL NON-CURRENT ASSETS		678,056	548,132
TOTAL ASSETS		3,708,741	2,573,982
CURRENT LIABILITIES			
Trade and other payables	11	177,550	124,566
TOTAL CURRENT LIABILITIES		177,550	124,566
TOTAL LIABILITIES		177,550	124,566
NET ASSETS		3,531,191	2,449,416
EQUITY			
Issued capital	12	4,458,028	2,811,189
Accumulated losses		(926,837)	(361,773)
TOTAL EQUITY		3,531,191	2,449,416

FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2010

	Note	Issued Capital	Accumulated Losses	Total
		$	$	$
Balance 1 July 2008		213,166	(6,748)	206,418
Loss for the year		-	(355,025)	(355,025)
Other comprehensive income		-	-	-
Total comprehensive income		**-**	(355,025)	(355,025)
Transactions with owners recorded directly in equity				
Shares issued during the year	12	2,740,000	-	2,740,000
Capital Raising Costs		(141,977)	-	(141,977)
Balance at 30 June 2009		2,811,189	(361,773)	2,449,416
Balance 1 July 2009		2,811,189	(361,773)	2,449,416
Loss for the year		-	(565,064)	(565,064)
Other comprehensive income		-	-	-
Total comprehensive income		**-**	(565,064)	(565,064)
Transactions with owners recorded directly in equity				
Shares issued during the year	12	1,800,000	-	1,800,000
Capital Raising Costs		(153,161)	-	(153,161)
Balance at 30 June 2010		4,458,028	(926,837)	3,531,191

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS FOR YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(564,256)	(319,046)
Interest received		101,822	80,986
Payment for deferred exploration expenditure		(203,586)	(166,932)
Net cash used in operating activities	14	(666,020)	(404,992)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of prospects		-	(130,000)
Net cash used in investing activities		-	(130,000)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		1,800,000	2,500,000
Payment for raising capital		(153,161)	(200,531)
Net cash provided by financing activities		1,646,839	2,299,469
Net increase in cash held		980,819	1,764,477
Cash at beginning of financial year		2,015,449	250,972
Cash at end of financial year	8	2,996,268	2,015,449

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

NOTE 1 : STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the financial statements and notes of Riviera Resources Limited an Australian listed public company incorporated in Western Australia.

Basis of Preparation

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

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

a. **Business Combination**

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (ie parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

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

b. **Income Tax**

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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

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

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

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

c. **Exploration and Development Expenditure**

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

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

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

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

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

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

d. **Financial Instruments**

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

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

Classification and Subsequent Measurement

i. *Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. *Loans and receivables*

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

iii. *Held-to-maturity investments*

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

iv. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

e. **Impairment of Assets**

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

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

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

f. **Provisions**

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

g. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

h. **Revenue and Other Income**

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

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

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

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

i. **Trade and Other Payable**

Trade and other payables represent the liability outstanding at the end of the reporting period for good and services

Received by the company during the reporting period that remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

j. **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

All other borrowing costs are recognised in income in the period in which they are incurred.

k. **Goods and Services Tax (GST)**

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

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

l. **Comparative Figures**

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

Critical Accounting Estimates and Judgments

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

Key Estimates — Impairment

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Key Estimates — Exploration and evaluation costs

Acquisition, exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not at balance sheet 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 relating to, the area of interest are continuing.

Key Estimates – Income tax

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Key Judgement – Environmental issues

Balances disclosed in the financial statements and notes thereto not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the companies development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Adoption of New and Revised Accounting Standards

During the current year the Company adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Riviera Resources Limited.

AASB 8: Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Company's financial statements.

Measurement impact

Identification and measurement of segments — AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total Company operations, as this is how they are reviewed by the chief operating decision maker.

Disclosure impact

AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Company's financial statements.

Disclosure impact

Terminology changes — the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements

Reporting changes in equity — the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity

Statement of comprehensive income — the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement

The Company's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

New Accounting Standards for Application in Future Periods

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

- AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

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

  The changes made to accounting requirements include:

  — simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;

  — simplifying the requirements for embedded derivatives;

  — removing the tainting rules associated with held-to-maturity assets;

  — removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

  — allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and

  — reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:

    a. the objective of the entity's business model for managing the financial assets; and

    b. the characteristics of the contractual cash flows.

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

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

- AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

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

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

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

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

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

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

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

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

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

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

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

  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

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

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

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

The financial report was authorised for issue on 31 August 2010 by the board of directors.

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

NOTE 2: REVENUE

	Note	2010 $	2009 $
Other revenue			
— interest received	2a	101,822	80,986
Total Revenue		101,822	80,986
a. Interest revenue from:			
— other persons		101,822	80,986
Total interest revenue		101,822	80,986

NOTE 3: LOSS FOR THE YEAR

	2010 $	2009 $
Significant expenses :		
Accounting, Bookkeeping and Compliance Fees	69,622	74,091
Audit Fees	22,270	24,000
Bank Charges	1,339	743
Corporate Secretarial	60,000	55,000
Insurance	9,521	7,748
Share Registry	8,355	6,282

NOTE 4 INCOME TAX

		2010 $	2009 $
(a) **Income tax expense**			
Current tax		-	-
Deferred tax		-	-
		-	-
Deferred income tax expense included in income tax expense comprises:			
- (Increase) in deferred tax assets	4(c)	(86,417)	(47,440)
- Increase in deferred tax liabilities	4(d)	86,417	47,440
		-	-

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

			2010 $	2009 $
(b)	**Reconciliation of income tax expense to prima facie tax payable**			
	The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
	Prima facie tax on operating profit at 30% (2009:30%)		(169,519)	(106,508)
	Add / (Less)			
	Tax effect of:			
	Other non-allowable items		334	571
	Deferred tax asset not brought to account		169,185	105,937
	Income tax attributable to operating loss		-	-
	The applicable weighted average effective tax rates are as follows:		-	-
	Balance of franking account at year end		-	-
(c)	**Deferred tax assets**			
	Provisions and Accrual		4,045	10,632
	Other		82,372	36,808
			86,417	47,440
	Set-off deferred tax liabilities	4(d)	(86,417)	(47,440)
	Net deferred tax assets		-	-
(d)	**Deferred tax liabilities**			
	Exploration expenditure		86,417	47,440
			86,417	47,440
	Set-off deferred tax assets	4(c)	(86,417)	(47,440)
	Net deferred tax liabilities		-	-
(e)	Tax losses			
	Unused tax losses for which no deferred tax asset has been recognised		385,951	178,894

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2010 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

i. The company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;

ii. The company continues to comply with conditions for deductibility imposed by law; and

iii. No changes in tax legislation adversely affect the company in realising the benefit from the deductions for the loss and exploration expenditure.

iv. Subsequent to balance date, should the transaction described in Note 15 be approved by shareholders, it is likely this will result in unused tax losses of $385,951 being quarantined and consequently unavailable.

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

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

Names and positions held of Company key management personnel in office at any time during the financial year are:

Key Management Person	Position
Mark Foster	Chairman
Philip Re	Managing Director
Paul Lloyd	Non Executive Director
Nicholas Revell	Non Executive Director

Number of Options Held by Key Management Personnel

	Opening 1.07.09	Granted as part of remuneration	Exercised during the year	Other changes during the year*
Mark Foster	-	-	-	691,000
Philip Re	-	-	-	1,705,000
Paul Lloyd	-	-	-	950,000
Nicholas Revell	-	-	-	400,000
Total	**-**	**-**	**-**	**3,746,000**

*Other changes during the year are a result from the issue of free options attached to the $0.05 shares issued as disclosed in Note 12 a. in the Annual Report.

Number of Options Held by Key Management Personnel

	Balance 30.6.2010	Total Vested 30.6.2010	Total Exercisable 30.6.2010	Total Unexercisable 30.6.2010
Mark Foster	691,000	-	691,000	-
Philip Re	1,705,000	-	1,705,000	-
Paul Lloyd	950,000	-	950,000	-
Nicholas Revell	400,000	-	400,000	-
Total	**3,746,000**	**-**	**3,746,000**	**-**

All transactions involving equity instruments were in term and condition no more favourable then would be expected if dealing at arms length.

Number of Shares Held by Key Management Personnel (Directly and indirectly)

	Balance 1.7.2009	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2010
Mark Foster	691,000	-	-	691,000	1,382,000
Philip Re	1,705,000	-	-	1,705,000	3,410,000
Paul Lloyd	950,000	-	-	950,000	1,900,000
Nicholas Revell	400,000	-	-	400,000	800,000
Total	**3,746,000**	**-**	**-**	**3,746,000**	**7,492,000**

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

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

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

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

	2010 $	2009 $
Short-term employee benefits	120,000	100,000
Post-employment benefits	10,800	9,000
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	-
	130,800	109,000

NOTE 6: AUDITORS' REMUNERATION

	2010 $	2009 $
Remuneration of the auditor for:		
— auditing or reviewing the interim financial report	9,100	8,000
— auditing of 2010 financial report	13,170	-
— auditing of 2009 financial report	-	12,000
— auditing of 2008 financial report	-	4,000
— Investigating Accountant Report	10,000	-
	32,270	24,000

NOTE 7: LOSS PER SHARE

		2010 $	2009 $
a.	Reconciliation of earnings to profit or loss		
	Loss used to calculate basic EPS	(565,064)	(355,025)
		No.	No.
b.	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	38,978,904	23,521,370
		38,978,904	23,521,370

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

NOTE 8: CASH AND CASH EQUIVALENTS

	Note	2010 $	2009 $
Cash at bank and in hand		777	4,733
Short-term bank deposits		2,995,491	2,010,716
		2,996,268	2,015,449

The effective interest rate on short-term bank deposits was varying between 3.25% and 4.50% (2009: 6.55% to 7.05%).

Reconciliation of cash

Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:

	2010	2009
Cash and cash equivalents	2,996,268	2,015,449
	2,996,268	2,015,449

NOTE 9: TRADE AND OTHER RECEIVABLES

	2010 $	2009 $
CURRENT		
GST receivable	22,734	9,294

NOTE 10: EXPLORATION AND EVALUATION EXPENDITURE

	2010 $	2009 $
Exploration expenditure capitalised		
— Tenement acquisition	390,000	390,000
— Exploration and Evaluation expenditure	288,056	158,132
	678,056	548,132

The value of the Company's interest in exploration expenditure is dependent upon:

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

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

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

NOTE 11: TRADE AND OTHER PAYABLES

	Note	2010 $	2009 $
CURRENT			
Trade payables		34,817	5,397
Sundry payables and accrued expenses		22,415	13,231
Accounts payable and accrued expenses to key management personnel related entities		120,318	105,938
		177,550	124,566

* Terms of trades are in line with normal commercial terms (usually 30 to 60 days).

NOTE 12: ISSUED CAPITAL

	2010 $	2009 $
62,000,000 (2009: 26,000,000) fully paid ordinary shares	4,849,300	3,049,300
Less Capital Raising Costs	(391,272)	(238,111)
	4,458,028	2,811,189

The company has issued share capital amounting to 62,000,000 ordinary shares of no par value.

	2010 No.	2009 No.
a. **Ordinary shares**		
At the beginning of reporting year	26,000,000	12,300,000
Shares issued during the year		-
— 25 August 2008	-	1,200,000
— 5 September 2008	-	12,500,000
— 25 November 2009 (i)	26,000,000	-
— 22 December 2009 (ii)	10,000,000	-
At reporting date	62,000,000	26,000,000

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

i) On the 25 November 2009 the company issued 26,000,000 shares at $0.05 each to shareholders on the basis of one share for every share held following a successful Capital Raising from the Entitlement Issue Prospectus dated the 22 October 2009.

ii) On the 22 December 2009 the company issued 10,000,000 shares at $0.05 each to sophisticated investors following shareholder approval at the Annual General Meeting.

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

NOTE 12: ISSUED CAPITAL

		2010 No.	2009 No.
b. Options			
At the beginning of reporting year		-	-
Options issued during the year			
—	25 November 2009	26,000,000	-
—	22 December 2009	10,000,000	-
At reporting date		36,000,000	-

c. Capital risk management

The Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Company's capital risk management is the current working capital position against the requirements of the Company to meet exploration programmes and corporate overheads. The Company's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Company at 30 June 2010 and 30 June 2009 are as follows:

	2010 $	2009 $
Cash and cash equivalents	2,996,268	2,015,449
Trade and other receivables	24,417	10,401
Trade and other payables	(177,550)	(124,566)
Working capital position	2,843,135	1,901,284

NOTE 13: OPERATING SEGMENTS

Segment Information

The Company has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Company is managed primarily on the basis of mining exploration and treasury activities. Operating segments are therefore determined on the same basis.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics.

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

Types of reportable segments:

(i)Tenement exploration and evaluation:

The exploration of current projects and the evaluation of new ones are reported in this segment

Segment assets, including acquisition costs of exploration licenses and all expenses related to the tenements are reported in this segment.

(ii) Treasury

The reporting relating to income from cash holdings is reported in this segment.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

Segment assets

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

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

Segment liabilities

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

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments, as they are not considered part of the core operations of any segment:

- net gains on disposal of available-for-sale investments;
- impairment of assets excluding exploration assets and other non-recurring items of revenue or expense;
- income tax expense;
- deferred tax assets and liabilities;
- trade payable and other trade payables

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

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

(i) Segment performance - 30 June 2010:

	Exploration and evaluation	Treasury	Total
	$	$	$
Interest Revenue	-	101,822	101,822
Total segment revenue	**-**	**101,822**	**101,822**
Reconciliation of segment revenue to company revenue			
Inter-segment elimination	-	-	-
Total segment revenue	**-**	**-**	**101,822**
Segment net Profit (loss) before tax	**(133,656)**	**101,822**	**(31,834)**

Reconciliation of segment result to company net profit/ (loss) before tax:
Accounts reviewed by the Board but not included in segment result:

Administration Expense	(60,000)
Employees Benefits Expenses	(130,800)
Financial Administration and Compliance Expense	(160,246)
Legal Expense	(53,042)
Travel and Accommodation Expense	(110,030)
Other Expense	(19,112)
Company net profit (loss) before tax	**(565,064)**

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

(i) Segment performance - 30 June 2009:

	Exploration and evaluation	Treasury	Total
	$	$	$
Interest Revenue	-	80,986	80,986
Total segment revenue	**-**	**80,986**	**80,986**
Reconciliation of segment revenue to company revenue			
Inter-segment elimination	-	-	-
Total segment revenue	**-**	**-**	**-**
Segment net profit before tax	**(19,300)**	**80,986**	**61,686**

Reconciliation of segment result to company net profit/ (loss) before tax:
Accounts reviewed by the Board but not included in segment result:

Administration Expense	(55,000)
Employees Benefits Expenses	(109,000)
Financial Administration and Compliance Expense	(153,090)
Legal Expense	(27,007)
Travel and Accommodation	(47,105)
Other Expense	(25,509)
Company net profit (loss) before tax	**(355,025)**

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

(ii) Segment assets - 30 June 2010

	Exploration and evaluation	Treasury	Total
	$	$	$
Segments assets	678,056	2,996,268	3,674,324
Segment asset increases for the period:			
Capital expenditure	129,924	-	129,924
Cash increase	-	980,819	980,819
	129,924	980,819	1,110,743

Reconciliation of segment assets to company assets	
Inter-segment elimination	
Unallocated assets	
Trade and other receivables	22,734
Other assets	11,683
Total company assets from continuing operations	**3,708,741**

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

(ii) Segment assets - 30 June 2009

	Exploration and evaluation	Treasury	Total
	$	$	$
Segments assets	548,132	2,015,449	2,563,581
Segment asset increases for the period:			
Capital expenditure	138,132	-	138,132
Capital acquisition	390,000	-	390,000
Cash increase	-	1,764,477	1,764,477
	528,132	1,764,477	2,292,609

Reconciliation of segment assets to company assets

Inter-segment elimination	
Unallocated assets	
Trade and other receivables	9,294
Other assets	1,107
Total company assets from continuing operations	**2,573,982**

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

(iii) Segment liabilities - 30 June 2010

	Exploration and evaluation	Treasury	Total
	$	$	$
Segments liabilities			
Segment liabilities increases for the period:	-	-	-
	-	-	-

Reconciliation of segment liabilities to company liabilities

Inter-segment elimination	
Unallocated liabilities	177,550
Total company liabilities from continuing operations	**177,550**

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

(iii) Segment liabilities - 30 June 2009

	Exploration and evaluation	Treasury	Total
	$	$	$
Segments liabilities			
Segment liabilities increases for the period:	-	-	-
	-	-	-
Reconciliation of segment liabilities to company liabilities			
Inter-segment elimination			
Unallocated liabilities			-
Trade and other payable			124,566
Total company liabilities from continuing operations			**124,566**

NOTE 14: CASH FLOW INFORMATION

		2010 $	2009 $
a.	**Reconciliation of Cash Flow from Operations with Loss after Income Tax**		
	Loss after income tax	(565,064)	(355,025)
	Cash flows excluded from loss attributable to operating activities		
	Exploration cost capitalised	(129,924)	(158,132)
	Changes in assets and liabilities		
	Increase/(decrease) in trade payables and accruals	42,985	118,566
	Increase/(decrease) in GST payable	(13,440)	(9,294)
	Increase/(decrease) in prepayment	(577)	(1,107)
	Cash flow from operations	(666,020)	(404,992)

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

NOTE 15: EVENTS AFTER THE BALANCE SHEET DATE

In July 2010 Riviera signed a share sale agreement with South American Ferro Metals Limited ("SAFM") to acquire 100% of the mineral rights, management and property at Ponte Verde, located in the heart of the Iron Ore Quadrilateral, some 40 kilometres from the town of Belo Horizonte in Minas Gerais State, Southern Brazil.

Riviera issued a notice of general meeting dated the 11 August 2010 seeking shareholder approval for the below resolutions. The meeting will be held on 13 September 2010. Refer to company announcements for a copy of the notice.

Resolution 1 – Change to Nature and Scale of Activities

Resolution 2 – Issue of Shares to Vendors of South American Ferro Metals Limited and Variation of Class Rights

Resolution 3 - Consolidation of Capital

Resolution 4 – Capital Raising

Resolution 5 – Issue of Options to CPS Securities

Resolution 6 – Change of Name

Due to the material nature of the acquisition, the acquisition of SAFM will be deemed a reverse acquisition for accounting purposes. Riviera has 62,000,000 ordinary shares on issue as at 30 June 2010 and will issue 167,955,934 ordinary shares on settlement for the acquisition of SAFM. For accounting purposes, SAFM is the acquirer and Riviera is the legal parent.

The financial effect of this transaction will not be determined until shareholder approval is obtained.

NOTE 16: RELATED PARTY TRANSACTIONS

	2010 $	2009 $
Transactions with related parties:		
Parkinson Corporate Pty Ltd, a Company which Mr Philip Re has an interest in and is a director was paid rent, company secretarial, corporate advisory, bookkeeping, telephone, travel, administration and compliance fees. A summary of the total fees paid during the year is as follows:		
Company secretarial fees	60,000	55,000
Company accounting fees, bookkeeping and administrative fees	50,000	74,090
Rent, office administration and secretarial support	60,000	55,000
Capital raising and administration costs	5,125	9,500
Project evaluation costs	40,000	
Legal fees paid to Steinepreis Paganin. Mark Foster has an interest in Steinepreis Paganin	63,408	34,220
Consulting fees to Ruby Rich Pty Limited. Nick Revell has an interest in Ruby Rich Pty Ltd	Nil	3,500
Consulting fees to Coral Brook Pty Ltd. Paul Lloyd has an interest in Coral Brook Pty Ltd	22,241	18,000

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

NOTE 17: COMMITMENTS

Tenement Expenditure Commitments:

The Company will be required to maintain current rights of tenure for tenements, which require outlay of expenditure.

Commitments on EPM 14588 and 15517 will be as follows:

Rent Payable:	2010 $	2009 $
– not later than 12 months	2,212	4,485
– between 12 months and 5 years	7,601	1,869
	9,813	6,354

Program of work for EPM 14588 and 15517 required by the exploration Permit:	2010 $	2009 $
Program of work expenditure:		
– not later than 12 months	122,500	133,333
– between 12 months and 5 years	700,000	133,333
	822,500	266,666

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

NOTE 18: CONTINGENCIES

Riviera Resources Limited signed a Heads of Agreement on the 23 March 2010 with South American Ferro Metal Limited. Under this agreement a corporate advisory fee of $70,000 is payable to a corporate adviser when the Share Sale and Purchase agreement is signed and a fee of $100,000 is due on settlement of transaction.

NOTE 19 : SHARE BASED PAYMENTS

There were no share based payments in the 2010 financial year.

NOTE 20 : FINANCIAL RISK MANAGEMENT

a. **Financial Risk Management Policies**

The company's financial instruments consist mainly of deposits with banks.

The main purpose of non-derivative financial instruments is to raise finance for company operations.

The Company does not speculate in the trading of derivative instruments.

i. Treasury Risk Management

The board meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The board's overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board on a regular basis.

ii. Financial Risk Exposures and Management

Market risk

Interest rate risk

The company exposure to financial risk is limited to interest rate risk arising from assets and liabilities bearing variable interest rates. The weighed average interest rate on cash holdings is 4 % at the 30 June 2010. All other assets and liabilities are non interest bearing. The net fair value of the company's financial assets and liabilities approximate their carrying value.

The company holds cash deposits with Australian banking financial institutions, namely the Commonwealth bank. The Commonwealth bank has an A-1+ rating with Standard & Poors.

Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Company. Due to the nature of the Company's activities, being mineral exploration, the Company does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Company's current and future funding requirements, with a view to initiating appropriate capital raisings as required. The financial liabilities of the Company and the parent entity are confined to trade and other payables as disclosed in the Statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date. The board manages liquidity risk by monitoring forecast cash flows against actual liquidity level on a regular basis.

There are no unused borrowing facilities from any financial institution.

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

Credit risk

There no material amounts of collateral held as security at balance date.

Credit risk is reviewed regularly by the board. It arises through deposits with financial institutions.

The board monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

— only banks and financial institutions with an 'A' rating are utilised;

The company only invests in listed available-for-sale financial assets that have a minimum 'A' credit rating. Unlisted available-for-sale financial assets are not rated by external credit agencies. These are reviewed regularly by the company to ensure that credit exposure is minimised.

The credit risk for counterparties included in trade and other receivables at balance date is nil.

The company holds cash deposits with Australian banking financial institutions, namely the Commonwealth bank. The Commonwealth bank has an A-1+ rating with Standard & Poors.

Price risk

The company is not exposed to commodity price risk as it is still operating at the exploration level.

b. **Financial Instruments**

i. **Derivative Financial Instruments**

Derivative financial instruments are not used by the company.

The company does not enter into swap contracts.

ii. **Financial instrument composition and maturity analysis:**

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity. The Financial instruments are all classified as current.

	Weighted Average Effective Interest Rate		**Floating Interest Rate**	
	2010 %	**2009 %**	**2010 $**	**2009 $**
Financial Assets:				
Cash and cash equivalents	4%	4.81%	2,996,268	2,015,449
Total Financial Assets			2,996,268	2,015,449
Financial Liabilities:				
Trade and sundry payables	-	-	177,550	124,566
Total Financial Liabilities			177,550	124,566

iii. **Net Fair Values**

The net fair values of all financial assets and financial liabilities approximate their carrying value.

riviera resources LIMITED
ABN: 27 128 806 977

DIRECTOR'S DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 20 to 50 are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards and the Corporations Regulations 2001;
   b. are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1 to the financial statements; and
   c. give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company ;
2. The Chief Executive Officer and Chief Finance Officer have each declared that:
   a. the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
   b. the financial statements and notes for the financial year comply with the Accounting Standards; and
   c. the financial statements and notes for the financial year give a true and fair view;
3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Philip Re
Managing Director

Dated this 31st day of August 2010

Bentleys
Thinking ahead

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Independent Auditor's Report

To the Members of Riviera Resources Limited

We have audited the accompanying financial report of Riviera Resources Limited ("the Company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Company.

Directors Responsibility for the Financial Report

The directors of Riviera Resources Limited 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 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

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

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Auditor's Opinion

In our opinion:

a. The financial report of Riviera Resources Limited is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the company'sfinancial position as at 30 June 2010 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

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

Auditor's Opinion

In our opinion the Remuneration Report of Riviera Resources Limitedfor the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 31st day of August 2010

ADDITIONAL INFORMATION FOR LISTED COMPANIES

The following additional information is required by the Australian Securities Exchange Ltd in respect of listed public companies only.

1. **Shareholding**

a. **Distribution of Shareholders**

Category (size of holding)	Number Holders	Number Ordinary
1 – 1,000	2	472
1,001 – 5,000	10	40,262
5,001 – 10,000	38	367,300
10,001 – 100,000	314	12,820,527
100,001 – and over	94	48,771,439
	458	62,000,000

b. The number of shareholdings held in less than marketable parcels is 2.

c. The names of the substantial shareholders listed in the holding company's register as at 22 August 2010 are:

	Shareholder	Number Ordinary	%
1	Benjamin Giustiniano	8,130,000	13.11
2	Philip Re	3,410,000	5.5

d. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

— Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

Redeemable and converting preference shares

— These shares have no voting rights.

e. **20 Largest Shareholders — Ordinary Shares**

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1	TRADITIONAL SECURITIES GROUP LTD<LPR FAMILY A/C>	3,000,000	4.84
2	BENCH GROWTH PTY LTD<BCG FAMILY A/C>	2,650,000	4.28
3	CELTIC CAPITAL PTY LTD<THE CELTIC CAPITAL A/C>	2,556,850	4.12
4	GREENLAND MINERALS AND ENERGY LIMITED	2,400,000	3.87
5	LAKECREST NOMINEES PTY LTD	1,930,000	3.11
6	MR ANDREW DAVID WILSON + MRS JILLIAN GAE WILSON <WILSON FAMILY A/C>	2,049,334	3.31
7	MR PAUL GEOFFREY LLOYD + MRS SHARON MARIE LLOYD<LLOYD SUPER FUND A/C>>	1,900,000	3.06

riviera resources LIMITED

ABN: 27 128 806 977

ADDITIONAL INFORMATION FOR LISTED COMPANIES

e. 20 Largest Shareholders — Ordinary Shares (continued)

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
8	BENJAMIN (WA) PTY LTD <BENJAMIN SUPER FUND A/C>	1,875,000	3.02
9	PARETO NOMINEES PTY LTD<THE DAMELLE A/C>	1,450,000	2.34
10	LAKECREST NOMINEES PTY LTD<TRUST A/C>	1,400,000	2.26
11	FAIRFIELD CAPITAL PTY LTD<FAIRFIELD CAPITAL A/C>	1,280,000	2.06
12	MR STEWART DAVID LLOYD	1,095,000	1.77
13	KIORAKU PTY LTD <KIORAKU A/C>	1,060,000	1.71
14	MELEISHA FOSTER	1,000,000	1.61
15	MITCHELL GRASS HOLDINGS PTY LTD <WOOD FAMILY A/C>	1,000,000	1.61
16	BEAURAMA PTY LTD <PHILLIPS INVESTMENT A/C>	1,000,000	1.61
17	RIVERGRADE PTY LTD <RIVERGRADE A/C>	790,000	1.27
18	GIUSTINIANO NOMINEES PTY LTD <GIUSTINIANO FAMILY A/C>	700,000	1.13
19	BACK PADDOCK INVESTMENTS PTY LTD <BINDOON A/C>	665,000	1.07
20	STRONSAY PTY LTD <STRONSAY SUPER FUND A/C>	610,000	0.98
		30,411,184	49.03

f.. 20 Largest Option holders

	Name	Number of Options Held	% Held of Options
1	CELTIC CAPITAL PTY LTD<THE CELTIC CAPITAL A/C>	2,306,850	6.41
2	LAKECREST NOMINEES PTY LTD	1,700,000	4.72
3	TRADITIONAL SECURITIES GROUP PTY LTD<LPR FAMILY A/C>	1,500,000	4.17
4	BENCH GROWTH PTY LTD<BCG FAMILY A/C>	1,325,000	3.68
5	GREENLAND MINERALS AND ENERGY LIMITED	1,200,000	3.33
6	RIVERGRADE PTY LTD <RIVERGRADE A/C>	1,095,000	3.04
7	MR ANDREW DAVID WILSON + MRS JILLIAN GAE WILSON <WILSON FAMILY A/C>	1,037,500	2.88
8	MITCHELL GRASS HOLDINGS PTY LTD <WOOD FAMILY A/C>	1,000,000	2.78
9	MR STEWART DAVID LLOYD	977,500	2.72
10	MR PAUL GEOFFREY LLOYD + MRS SHARON MARIE LLOYD<LLOYD SUPER FUND A/C>>	950,000	2.64
11	MR LINDSAY RUSSEL STAGOLL + MRS JULIE STAGOLL <THE STAGOLL SUPER FUND A/C>	800,000	2.22
12	MRS HELEN LEWIS	775,000	2.15

ADDITIONAL INFORMATION FOR LISTED COMPANIES

	Name	Number of Options Held	% Held of Options
13	MCILLREE GROUP	750,000	2.08
	MR RODERICK CLAUDE MCILLREE <MCILLREE FAMILY A/C>		
	UPPER MANTLE INVESTMENTS PTY LTD <MCILLREE SUPER FUND A/C>		
	MR RODERICK CLAUDE MCILLREE		
14	BACK PADDOCK INVESTMENTS PTY LTD <BINDOON A/C>	715,000	1.99
15	GIUSTINIANO NOMINEES PTY LTD <GIUSTINIANO FAMILY A/C>	700,000	1.94
16	FAIRFIELD CAPITAL PTY LTD <FAIRFIELD CAPITAL ACCOUNT>	640,000	1.78
17	MAOYI INVESTMENTS PTY LTD	600,000	1.67
18	MR MARK BATTAGLIA	600,000	1.67
19	JOMIMA PTY LTD	550,000	1.53
20	DOLPHIN PTY LTD <THE DOLPHIN A/C>	550,000	1.53
		19,771,850	54.93

2. The name of the company secretary is Mr. Philip Re

3. The address of the principal registered office in Australia is.

   C/- Parkinson Corporate Pty Ltd
   Level 1
   322 Hay Street
   SUBIACO WA 6008

   Telephone 08 9388 9744

4. Registers of securities are held at the following addresses

   Western Australia Unit 2 150 Stirling Hwy
   NEDLANDS
   WA 6009
   Australia

5. **Securities Exchange Listing**

   Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

6. **Unquoted Securities**

   There are no unquoted securities.