VICTORIAN GOLD MINES NL
ABN 82 139 255 771

Financial Report
for the 3 months and 27 days ended 31 December 2009

CORPORATE DIRECTORY

Board of Directors
Kevin Nichol (Chairman)
Douglass Cahill (Managing Director)
Peter Avery (Non-Executive Director)

Company Secretary
Michael Trifunovic

Registered Principle Office
Victorian Gold Mines NL
7-9 View Point
Bendigo, Victoria 3550
Telephone: (03) 5441 5678
Facsimile: (03) 5442 5038

Place of Business
Victorian Gold Mines NL
7-9 View Point
Bendigo, Victoria 3550

Auditor
Andrew Frewin Stewart
61-65 Bull Street
Bendigo, Victoria 3550

Share Registry
Advanced Share Registry Services Limited
150 Stirling Highway
Nedlands, Western Australia, 6909
Telephone: (08) 9389 8033
Fax: (08) 9389 7871

Stock Exchange Listing
Home Exchange is Melbourne
ASX Code Shares: VGM

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DIRECTORS' REPORT

The Directors of Victorian Gold Mines NL submit herewith the financial report for the period from 3 September 2009 (incorporation) to 31 December 2009. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

DIRECTORS

The names of the Company's Directors in office during or since the end of the Period are:

Name	
Mr. Kevin Nichol	Chairman
Mr. Douglass Cahill	Managing Director
Mr. Peter Avery	Non-Executive Director

REVIEW OF OPERATIONS

Corporate

The Company net loss after income tax for the half year was $125,121.

Cash reserves at end of December 2009 stood at $1,995,891 with no secured debt.

Operations

Victorian Gold Mines N.L.(VGM) which listed on the ASX 17 December 2009 has been developing three Victorian based projects with the objective of producing high grade gold bearing ore. The company is pleased to provide the following maiden update report on its activities.

The Wedderburn Project;

The Wedderburn project, located 75 kilometres from Bendigo has gone through a redevelopment phase. Over the last few months the main shaft has been re timbered and sunk deeper to be in contact with the main reef system. VGM has prepaid expenses for the electricity grid to be extended to the site. This will soon reduce the cost of production by replacing the need for diesel-fired power. The electricity is now on site and will be commissioned over the next couple of days.

Now that the re timbering of the main shaft has been completed, the three man mining team are pressing ahead with their drive along the known reef system that VGM has targeted as potentially holding profitable gold mineralisation. This drive is currently 35 metres below the surface. It is anticipated to intersect the target mineralisation in the next two weeks.

Over 100 tonnes of low-grade material has already been stockpiled since listing, ready for blending once high grade mineralised material has been intersected. The work team are currently extracting approximately 8 tonne off material per day. VGM has decided to continue to fund the current works plan for the next 2 months before any decision can be made to expand or contract operations on this tenement. Geological survey and analysis work supports this view.

Sheep's Head Project;

The Sheep's Head project, located 10 kilometres southeast of Bendigo has progressed quickly. The shaft has been re timbered and the 2 man mining team is expected to be into the mineralised quartz reef in the next 8 days. VGM will fund the current mine works plan till the end of March in order to allow the mine the best opportunity to become profitable.

Expenditure has been kept to a conservatively lower cost range. A plant that is owned by the company is operational on site and will be used to process gold bearing ore once the mine delivers economic grade production.

DIRECTORS' REPORT (CONT'D)

The Bright Project;

The Bright project is approximately 200 kilometres north east of Melbourne. VGM is planning to initially extend the audit where government approvals would take a minimum of six to eight weeks. Trial mining should be feasible within the first six months from the completion of the approvals.

Over the last six weeks, the company has carried out a clean up and sampling exercise and has, through that process, exposed a gold bearing reef system that is accessible to the company for immediate trial mining via the current access audit. Work plan approvals still need to be completed which will take 6 to 8 weeks. This gold bearing system is an extension of the Victoria reef.

The Victoria reef was historically mined at a grade exceeding one ounce per tonne. The initial expenses to have the electrical grid extended to the site have been already prepaid using the seed money raised before listing. Environmental studies are complete and a processing solution exists. VGM will fast track and bring trial mining forward on material in the exposed reef. The company will continue its plan and extend the current audit allowing further mineralization to be accessed.

VGM is keen to develop and expand the Bright project area and will keep shareholders informed as results come to hand.

Mobile Plant;

VGM own one fixed gold processing plant and has an option over one mobile processing plant. The company also rents another plant and is in discussions with future ownership of that plant. VGM are considering repairing and re commissioning a concentrate plant on its Bright lease as one possible solution to its production requirements.

New Projects

VGM has been in discussions with other parties concerning the possible acquisition of other projects that will fit into the company's corporate philosophy. The company has not purchased or entered into any new arrangements at this point.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration under s.307C of the *Corporation Act 2001* in relation to the review of the period is included on page 5.

Signed in accordance with a resolution of the Directors made pursuant to *s.306(3)* of the *Corporations Act 2001.*

On behalf of the Directors

Mr. Douglas Cahill
Managing Director

18 February 2010

AFS
partners in success
Chartered Accountants & Business Advisors

PO Box 454
Bendigo VIC 3552
61-65 Bull Street
Bendigo VIC 3550
Phone (03) 5443 0344
Fax (03) 5443 5304
afs@afsbendigo.com.au
www.afsbendigo.com.au
ABN 51 061 795 337

Auditor's Independence Declaration to the Directors of Victorian Gold Mines NL

In relation to our review of the half-year financial report of Victorian Gold Mines NL for the half-year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Graeme Stewart
Auditor

ANDREW FREWIN & STEWART
61-65 Bull Street
Bendigo, Victoria

Dated this 19th Day of February 2010

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Independent Review Report to the Members of Victorian Gold Mines NL

Scope

We have reviewed the accompanying half-year financial report of Victorian Gold Mines NL which comprises the condensed statement of financial position as at 31 December 2009, the condensed statement of comprehensive income, the condensed statement of changes in equity, the condensed statement of cash flows for the half-year ended on that date, the accounting policies and other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year 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 half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of the company for the half-year ended 31 December 2009 included on the website of Victorian Gold Mines NL. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on the company's website.

Independence

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

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Victorian Gold Mines NL is not in accordance with *Corporations Act 2001*, including:

i. giving a true and fair view of the entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

ii. complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Graeme Stewart
Auditor

ANDREW FREWIN & STEWART
61-65 Bull Street
Bendigo, Victoria
Dated this 19th day of February 2010

DIRECTORS DECLARATION

The Directors declare that:

a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of The Company.

Signed in accordance with a resolution of the Directors made pursuant to *s.303(5)* of the *Corporations Act 2001.*

On behalf of the Directors

Mr. Douglas Cahill
Managing Director

18 February 2010

CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2009

	Period to 31 December 2009
	$
Interest revenue	7
Corporate expenses	(68,329)
Depreciation and amortisation	(5,252)
Employment expenses	(28,064)
Administration expenses	(23,483)
Loss before tax for the period	(125,121)
Income tax expense	-
Loss for the period	(125,121)
Other comprehensive income net of tax	-
Total Comprehensive income for the period	**(125,121)**
	Cents per share
Earnings/(Loss) per Share	
Basic earnings/(loss) per share	(0.94)
Diluted earnings/(loss) per share	(0.94)

This statement is to be read in conjunction with the notes to the financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Note	31 December 2009 $
Current Assets		
Cash and cash equivalents		1,995,891
Trade and other receivables		79,825
Other current assets		32,353
Total Current Assets		2,108,069
Non-Current Assets		
Property, plant and equipment		532,774
Other non-current assets		384,520
Total Non-Current Assets		917,294
Total Assets		3,025,363
Current Liabilities		
Trade and other payables		270,667
Provisions		5,736
Total Current Liabilities		276,403
Total Liabilities		276,403
Net Assets		**2,748,960**
Equity		
Issued capital	4	2,874,081
Accumulated losses		(125,121)
Total Equity		**2,748,960**

This statement is to be read in conjunction with the notes to the financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2009

	Issued Capital (Note 4)	Accumulated Losses	Total
Equity as at incorporation	3	-	3
Loss for the year	-	(125,121)	(125,121)
Total comprehensive income for the period	-	(125,121)	-
Issue of shares	3,103,200	-	3,103,200
Costs of capital raising	(229,122)	-	(229,122)
Equity as at 31 December 2009	**2,874,081**	**(125,121)**	**2,748,960**

This statement is to be read in conjunction with the notes to the financial statements.

CONDENSED COMPANY STATEMENT CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2009

	Period ended 31 December 2009
	$
Cash flows from operating activities	
Interest received	7
Payments to suppliers and employees	(90,651)
Payments for bank guarantee	(20,000)
Net cash used in operating activities	(110,644)
Cash flows from investing activities	
Payments for exploration expenditure	(259,520)
Payments for plant and equipment	(508,026)
Net cash used in investing activities	(767,546)
Cash flows from financing activities	
Proceeds from issue of equity securities	3,103,203
Payment for share issue costs	(229,122)
Net cash used in financing activites	2,874,081
Net (Decrease)/Increase in cash and cash equivalents	**1,995,891**
Cash and cash equivalents at incorporation date	-
Cash and cash equivalents at the end of the financial year	**1,995,891**

This statement is to be read in conjunction with the notes to the financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Corporate Information
Victorian Gold Mines NL (the "Company") is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

Statement of compliance
The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001* and AASB 134: *Interim Financial Reportin*g. Compliance with AASB134 ensured compliance with International Financial Reporting Standard IAS34: *Interim Financial Reporting*.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 19 February 2010.

Basis of preparation
The condensed financial statements have been prepared on the basis of historical costs, except for the revaluation of selected non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

Adoption of new and revised Accounting Standards
In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current half-year reporting period.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Group include:

AASB8: Operating Segments
AASB101: Presentation of Financial Statements

The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements in the following areas:

- Presentation of the financial statements. Previously, in addition to the statement of financial position (formerly termed the "balance sheet"), the income statement and the cash flow statement, the Group presented a statement of recognised income and expenses. As a consequence of the adoption of AASB101 Presentation of Financial Statements (2007) and its associated amending standards, the Group no longer presents a statement of recognised income and expenses, but presents in addition to the statements listed above, a statement of comprehensive income and a statement of changes in equity.

- Information about the Group's segments. The adoption of AASB 8: *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* has resulted in no change to the Company's reporting segments and disclosures (refer to Note 3).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

Critical Accounting Judgments and Key Sources of Estimation Uncertainty

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

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

Refer to Note 2 for a discussion of critical judgements in applying the Group's accounting policies and key sources of estimation uncertainty.

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the half year financial report:

(a) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amount of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at date of acquisition.

(b) Financial instruments issued by the company

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Issued Capital

Ordinary shares are classified as equity, for further information see Note 4.

(c) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

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

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

(d) Impairment of assets

At each reporting date or more frequently if events or changes in circumstances indicate a possible impairment, the entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are largely independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset excluding goodwill (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(e) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or taxable loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the company is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Current and deferred tax for the period

The Company does not currently book deferred tax assets on its tax losses. The taxation benefits of tax losses and temporary differences not brought to account 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 losses to be realised.

ii) the Company continues to comply with the conditions for deductibility imposed by law, and

iii) no change in tax legislation adversely affects the Company in realising the benefits from deducting the losses.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

(f) Exploration Expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

(i) the rights to tenure of the area of interest are current; and

(ii) at least one of the following conditions is also met:

the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(a) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating unit(s) to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any) using the same accounting policy as stated in Note 1(d). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

(g) Financial Assets

Financial assets can be classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group holds no financial assets 'at fair value through profit or loss', 'held-to-maturity investments' or 'available-for-sale' financial assets.

<u>Investments</u>

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company financial statements as the fair value cannot be reliably determined.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method less impairment.

Effective Interest Rate Method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate method for debt instruments other than those financial assets at 'fair value through profit and loss.'

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial assets the estimated future cash flows of the investment have been impacted.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account.

When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(h) Share-Based Payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a Black-Scholes-Merton model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

(i) Plant and Equipment

Plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

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

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

Depreciation

The depreciable amount of all plant and equipment including capitalised lease assets is depreciated on a straight-line basis over their useful lives to the company commencing from the time the asset is held for use.

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

Class of Fixed Asset	*Depreciation*
Plant and equipment	30%
Motor Vehicles	40%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

(j) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(k) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Consideration is given to expected future wage and salary rates, expected employee departures and expected periods of service. Expected future payments are discounted using government bond rates, that match as closely as possible the terms and maturity of expected future cash outflows.

(l) Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Interest Revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(m) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Key Sources of Estimation Uncertainty

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

Estimation of useful lives of Plant and Equipment

The estimation of useful lives of plant and equipment has been based on historical experience as well as manufacturers' warranties (for plant and equipment). Adjustments to useful lives are made when considered necessary and reviewed at each balance date as stated in Note 1(i). Depreciation charges as well as estimated lives are included in Notes 1(i).

3. SEGMENT INFORMATION

The Company operated predominately as an explorer for gold mineralisation within Australia.

The Company has adopted AASB 8 Operating Segments with effect from 1 January 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the Company that are regularly reviewed by the chief decision maker in order to allocate resources to the segment and to assess its performance. The board reviews the company as a whole in the business segment of mineral exploration within Australia. This segment reporting was previously reported under AASB 114 as Primary Reporting – Business Segments and its segment analysis has been conducted for the current half-year.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (CONT'D)

4. ISSUED CAPITAL

	As at 31 December 2009
28,134,003 fully paid ordinary shares	**2,874,081**

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

Changes to corporations law abolished the authorised capital and par value concept in relation to the Share Capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	Period ended 31 December 2009	
	No.	$
(a) Fully paid ordinary shares		
Balance at incorporation	3	3
Issue of shares to founding shareholders	9,000,000	900
Issue of shares to seed capital shareholders	4,830,000	241,500
Issue of shares through prospectus	13,554,000	2,710,800
Issue of vendor shares	750,000	150,000
Less: Costs of capital raising	-	(229,122)
Balance at end of financial year	**28,134,003**	**2,874,081**

5. COMMITMENTS

Exploration Tenements – Commitments for Expenditure

In order to maintain current rights of tenure to exploration tenements, the Company and economic entity is required to outlay rentals and to meet the minimum expenditure requirements of the State Mines Departments. Minimum expenditure commitments may be subject to renegotiation and with approval may otherwise be avoided by sale, farm out or relinquishment. These obligations are not provided in the accounts and are payable:

	31 December 2009 $
Not later than 1 year	150,726
Later than one year but not later than five	236,374
Later than 5 years	-
	387,100

6. SUBSEQUENT EVENTS

There has been no matter or circumstance which has arisen since the date of this report which has significantly affected, or may significantly affect, the operations of The Company other than:

- On 5 February 2010 the Company issued 6,300,000 options at an issue price of 1 cent each exercisable at 20 cents and expiring at 5:00 pm (AEST) on 31 March 2014. 4,200,000 options were issued immediately with the remaining 2,100,000 being proposed at the Company's general meeting to be held on 26 March 2010.
- On 5 February 2010 the Company announced that it intends to undertake a capital raising comprising of a 1 for 2 pro-rata non-renounceable rights issue of options to shareholders. The non-renounceable rights issue seeks to raise $140,670.01.