WILDHORSE ENERGY

ABN 98 117 085 748

Financial Report
for the year ended 30 June 2010

CONTENTS

The financial report covers Wildhorse Energy Limited as the consolidated entity consisting of Wildhorse Energy Limited and its subsidiaries. The financial report is presented in the Australian currency.

The financial report was authorised for issue by the directors on 30 September 2010.

CORPORATE DIRECTORY

DIRECTORS
Matt Swinney (Managing Director)
Mark Hohnen (Chairman)
Ian Middlemas (Director)
János Csák (Director)
James Strauss (Director)
Brett Mitchell (Director)

COMPANY SECRETARY
Brett Mitchell

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Perth WA 6000
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1118 Budapest
Hungary
Tel: +36 1 428 7020
Fax: +36 1 428 7029

SOLICITORS TO THE COMPANY
Hardy Bowen
Level 1, 28 Ord Street
West Perth WA 6005

SHARE REGISTRY
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Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000
Tel: +61 8 9323 2000
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AUDITORS
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Directors' Report

The directors present their report on the consolidated entity consisting of Wildhorse Energy Limited and its controlled entities for the year ended 30 June 2010.

All directors have held office for the whole financial year unless otherwise stated.

1. Directors' profiles

Mr Matt Swinney, BBus | *Managing Director*
Appointed 19 February 2010

Experience and expertise: Mr Swinney has 20 years experience in business and project development, project finance and business start-up situations across a number of industries, including the development of greenfield energy projects in emerging markets. Previously in the past three years Mr Swinney has held no directorships in publicly listed companies.

Mr Mark Hohnen | *Chairman*
Appointed 19 February 2010

Experience and expertise: Mr. Hohnen has been involved in the mineral business since the late 1970s. He has had extensive international business experience in a wide range of industries including mining and exploration, property, investment, software and agriculture. He has held a number of directorships in both public and private companies and was founding Chairman of Cape Mentelle and Cloudy Bay wines, as well as the oil and coal company Anglo Pacific Resources Plc. Previously in the past three years Mr Hohnen has been a director of the publicly listed company, Frankland River Olive Company (Jul 2006 - Mar 2009).

Mr Ian Middlemas | *Director*
Appointed 19 February 2010

Experience and expertise: Mr Middlemas is a Chartered Accountant, a member of the Financial Services Institute of Australasia and holds a Bachelor of Commerce degree. He worked for a large international Chartered Accounting firm before joining the Normandy Mining Group where he was a senior group executive for approximately 10 years. He has had extensive corporate and management experience, and is currently a director with a number of publicly listed companies in the resources sector. Mr Middlemas was appointed a Director of the Company on 9 March 2007 and Chairman on 16 May 2007. During the three year period to the end of the financial year, Mr Middlemas has held directorships in Salinas Energy Limited (Nov 1995 - present), OmegaCorp Ltd (Oct 2000 - Aug 2007), Global Petroleum Limited (Apr 2007 - present), Syngas Limited (May 2007 - Feb 2008), Indo Mines Limited (Dec 2006 - present), Mantra Resources Limited (Sep 2005 - present), Newport Mining Limited (Sep 2008 - present), Mavuzi Resources Limited (Jan 2007 - Mar 2008), Odyssey Energy Limited (Sep 2005 - present), Pacific Energy Limited (Jun 2006 - present), QED Occtech Limited (Jul 2001 - present), Sierra Mining Limited (Jan 2006 - present), Sovereign Metals Limited (Jul 2006 - present), Fusion Resources Limited (May 2002 - Mar 2009) and Berkeley Resources Ltd (Jul 2003 - Nov 2006).

Mr János Csák | *Director*
Appointed 26 August 2010

Experience and expertise: Mr Csák has been active in the Central European corporate arena for 20 years in executive, board and advisory capacities. His specific experience includes strategy, finance, and organizational capabilities. He holds an MA in Finance and Sociology (Corvinus University, Hungary), finished the Executive Program (University of Michigan Business School), and The Challenge of Leadership Program (INSEAD, France). He is the Chairman of the Constellation Energy Institute and board member of the Budapest Bank (GE Money Bank, Hungary). He served on boards of public and private companies including MOL Hungarian Oil and Gas Co (Chairman), CreditAnstalt Investment Bank, T-Mobile Hungary (Chairman). Mr Csak was a senior treasury advisor to Ameritech Corp., Chicago in 1996 and a Visiting Fellow at The Heritage Foundation in Washington DC in 2009-10. During the 3 year period to the end of the financial year, Mr Csák has held directorships in Falcon Oil & Gas (Oct 2008 - Oct 2009) and Budapest Bank (GE Money Bank, Hungary) (May 2004 - present).

Directors' Report

Mr James Strauss | *Director*
Appointed 26 August 2010

Experience and expertise: Mr Jamie Strauss has worked for 25 years as a stockbroker in The City of London, specialising in the corporate resource arena. Having left BMO Capital Markets as Managing Director of UK in 2009, Mr Strauss is currently a Director of mining finance boutique, a Director of Extorre Gold Mines (Aug 2010 to present) and Strauss Partners. Mr Strauss has raised in excess of $1bn in recent years for projects spanning the globe in both the energy and mineral world from leading institutions in North America, Australia and Europe. Mr Strauss has been a committee member of the Association of Mining Analysts for the last four years (2006 - present).

Mr Brett Mitchell, B Ec | *Director & Company Secretary*
Appointed 22 April 2009

Experience and expertise: Mr Mitchell has worked for both private and publicly listed entities for the past 18 years as a corporate finance executive. Mr Mitchell holds a Bachelor of Economics degree from the University of Western Australia and has specific experience in the financial markets and resources sectors and is a member of the Australian Institute of Company Directors (ACID). Mr Mitchell is currently executive director and company secretary of Transerv Energy Limited (July 2006 - present), non-executive director of Quest Petroleum NL (May 2007 - present), XState Resources Limited (Aug 2009 - present) and Newland Resources Limited (Oct 2009 - present). Previously in the past three years Mr Mitchell has been a director of the ASX listed company Energy Ventures Limited (Sep 2004 - May 2009).

Mr Richard Pearce BSc, MBA | *Director*
Appointed 10 November 2005, Resigned 26 August 2010

Experience and expertise: Mr Pearce has more than 16 years experience in the minerals industry, working for Rio Tinto Limited and related service companies. He has worked in operational, technical and commercial roles within Rio Tinto Limited. Mr Pearce was a joint founder of Oyster Consulting Pty Ltd, a specialist Minerals Industry Business Consultancy. Mr Pearce received a MBA from the Australian Graduate School of Management. He studied Geophysics at the University of Exeter, UK, graduating with honours. Mr Pearce also studied Project Finance at the Royal School of Mines, Imperial College, London and geostatistics at the Ecole de Geostatistique, Fontainebleau. Previously in the past three years Mr Pearce has been director of Nova Energy Limited.

Mr Craig Burton BJuris, LLB, MAICD | *Director*
Appointed 11 September 2006, Resigned 19 February 2010

Experience and expertise: Mr Burton is an experienced and active investor in emerging projects and businesses, both public listed and private, with a focus on the base metals, oil and gas and mining services sectors. He is a co-founder of two ASX 200 companies – Mirabela Nickel Limited and Panoramic Resources Limited. He has a Bachelor of Laws degree from the University of Western Australia and is a member of the Australian Institute of Company Directors. Mr Burton is currently Chairman of Mirabela Nickel Ltd and a Non-Executive Director of Capital Drilling Limited and Everyday Mining Services Limited.

2. Management profiles

Mr Johan Brand | *In-country UCG Project Director*
Mr Brand was previously an employee of Sasol Limited (Sasol) for 13 years and between the years of 2006 and 2009 held the position of UCG Business Manager. He was responsible for the establishment and management of UCG as a Sasol business unit to supply syngas to the CTL facility. He has extensive coal mining and coal gasification experience and is an internationally recognised leader in the field of UCG. Mr Brand has a degree in mechanical engineering from the University of Pretoria and an MBA from North West University, both in South Africa and is the in-country manager for the Hungarian UCG operations.

Mr András Barabás | *Vice President Wildhorse Energy KFT (Hungary)*
Mr Barabás has over 20 years experience in the uranium mining industry in Hungary, having working for Mecsek Ore Mining Company (the Hungarian uranium mining company) and the Mining Authority of Hungary. Mr Barabás is responsible for the Hungarian operations.

Directors' Report

Mr Malcolm Shannon Jr |*Vice President – Wildhorse Energy Inc (USA)*
Mr Shannon has more than 38 years experience in both management and legal positions with various USA and world-wide uranium and mineral companies. Mr Shannon is responsible for the management of the US operations.

Review of operations

Managing Director's Summary

The last 12 months has been an extremely busy and productive period for the Company. Following a major review of its business operations completed in late 2009 and early 2010, the Company decided to refocus its operations with the aim of becoming a leading energy company focussed on developing underground coal gasification ('UCG') projects in Central Europe.

Company Highlights in 2010

- Widhorse completed the acquisition of Peak Coal Limited, acquiring the rights to substantial coal assets in southern Hungary, which have recognised potential for UCG.
- The Mecsek Hills Gas (UCG) project has a current Exploration Target of 1-1.25 billion tonnes of coal (at 18.8 to 29.3 GJ/t), established by independent geologists CSA Global.
- Completion of a A$22m capital raising through a placement to Institutional and Sophisticated Private Investors through a syndicate of brokers in Australia and the United Kingdom, following the acquisition of the Mecsek Hills Gas (UCG) project.
- Completed a Memorandum of Understanding ('MOU') with Dalkia Energia, one of Europe's leading energy service companies and is owned by major international energy companies EDF Energy and Veolia Environnement. The MOU establishes the key principles and timelines for the further development of the business relationship and specifically outlines the potential for:
    - A strategic equity investment by Dalkia into Wildhorse
    - A 20 year gas sales agreement for Wildhorse's Mecsek Hills Gas (UCG) project
    - Collaboration on the potential supply of UCG syngas to other Dalkia and affiliated power stations in Central Europe
- Strategic changes to the Board and Key Management Personnel, including the appointment of European based Directors with proven capital market success in the development and financing of large scale resource and energy projects.
- Engagement of a world class UCG technical management team consisting of market recognised leading industry players from Sasol, the worlds lead coal gasification company, and Eskom, the major South African energy utility.
- Completion of Mecsek UCG Scoping Study on the development of its Mecsek Hills Gas (UCG) project. The study by Uhde Shedden confirms that substantial financial returns are potentially achievable through the application of UCG to develop syngas as either a gas feedstock for sale to power stations or to be converted into synthetic natural gas (SNG) for distribution into the international pipeline network.
- Commencement of the Mecsek Hills (UCG) project Pre Feasibility Study to further evaluate and define its viability, to select the first commercial option to monetise the value of the UCG syngas and to establish the development path to full scale production.
- Acquired a second major Hungarian UCG coal asset in Hungary through the granting of a coal exploration license over the Izabela UCG Project area, a 47.5 sq km coal deposit in northern Hungary with recognised potential for UCG.
- Commenced confirmation drilling at the Mecsek Hills Gas project to evaluate the resource potential of the proposed 1-1.25billion tonne Exploration Target (at 18.8 to 29.3 GJ /t coal).

Directors' Report

3. Principal activity

The principal activities of the consolidated entity during the course of the financial year was the evaluation of underground coal and gasification projects, and uranium deposits in Europe and United States of America. There was a significant change in the nature of activities of the consolidated entity during the financial year, resulting from the acquisition of Peak Coal.

4. Company particulars

Wildhorse Energy Limited, incorporated and domiciled in Australia, is a public company limited by shares. The address of the registered office and principal place of business is:

Level 21, Allendale Square
77 St Georges Terrace
Perth, WA 6000

5. Results and dividends

The Consolidated Entity reported a loss for the period of $ 10,785,558 (2009: $9,092,087). There was no income tax expense impact in either year. As at 30 June 2010 the Consolidated Entity has $ 18,812,420 (2009: $4,430,578) cash at bank. A detailed operational review is set out in the executive director's Report and Project Overview in this financial report.

No dividend has been paid or declared by the Company during the period ended 30 June 2010.

6. Significant changes in the state of affairs

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

- In February 2010, the Company restructured its Board and Management team. Mr Mark Hohnen was appointed non-executive chairman and Mr Ian Middlemas as non executive director of the Company following the resignation of Mr Craig Burton. Mr Matt Swinney was appointed Managing Director responsible for managing the commercial operations of the business, whilst Brett Mitchell remains on the board as an executive director.
- On the 26 February, the Company acquired Peak Coal Group through the issue of one Wildhorse share for every three Peak Shares. The same ration also applied to Peak options. This resulted in 36,712,600 shares and 3,333,336 options being issued.
- On the 12 March, the Company completed exempt placement to Institutional and Sophisticated Private Investors. The Company allotted 64,131,934 Placement shares at an issue price of A$0.34 per share for gross proceeds of $21,804,858 before costs.
- Wildhorse Energy had 227,104,100 shares on issue as at 30 June 2010.

7. Significant events after the statement of financial position date

Other than as detailed in the Review of Operations and published in ASX market updates, no material matters or circumstances have arisen since the end of the financial year which have significantly affected or may affect the operations, results or state of affairs or the consolidated entity.

8. Future developments

The consolidated entity will continue to pursue its principal activities. It is not expected that the results in future years will be adversely affected by the continuation of these operations. Further disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

9. Environmental regulations

The consolidated entity's operations are subject to significant environmental regulation under international legislation in relation to its conduct of evaluation of uranium deposits. The directors are of the opinion that sufficient procedures and reporting processes have been established to enable the consolidated entity to meet its responsibilities and that the consolidated entity's other business segment operations are not subject to any significant environmental regulations under Australian Law and International Environmental Legislation where applicable.

Directors' Report

10. Dividends

No dividends have been paid or declared by the Company during the financial period ended 30 June 2010.

11. Directors' meetings

The number of meetings of the Company's board of directors held during the period ended 30 June 2010, and the number of meetings attended by each director were:

DIRECTORS' MEETINGS	*Eligible to Attend*	*Attended*
Mr Matt Swinney	1	1
Mr Mark Hohnen	1	1
Mr Ian Middlemas	1	1
Mr Brett Mitchell	4	4
Mr Richard Pearce	4	3
Mr Craig Burton	3	3

There were no separate non-executive director or committee meetings held during the financial year.

12. Remuneration report (Audited)

This information provided in this remuneration report has been audited as a requirement of section 308(3C) of the Corporations Act 2001.

Details of Directors and Key Management Personnel

Directors

Mr Matt Swinney	Managing Director – *appointed 19 February 2010*
Mr Mark Hohnen	Chairman – *appointed 19 February 2010*
Mr Brett Mitchell	Director & Company Secretary
Mr Ian Middlemas	Director – *appointed 21 January 2010*
Mr János Csák	Director – *appointed 26 August 2010*
Mr James Strauss	Director – *appointed 26 August 2010*
Mr Richard Pearce	Director – *resigned 26 August 2010*
Mr Craig Burton	Director – *resigned 19 February 2010*

Key Management Personnel – Executives

Mr Johan Brand	UCG Project Director
Mr András Barabas	Vice President – Hungarian Operations
Mr Malcolm Shannon Jr	Vice President – Wildhorse Energy Inc (USA)

Compensation of Key Management Personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate to attract and retain experienced Directors and Executives. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. As a result of the evaluation and development nature of the Company's activities, the overall level of compensation does not focus on the earnings of the Company.

Compensation is provided by the Company to its Executives by way of base salary, short-term bonus, performance shares, granting employee options, superannuation and health benefits. Non-executive directors are remunerated by way of fees, granting options and statutory superannuation. The Chairman is also eligible to receive performance shares.
Given the nature of the Company's business it continues to review and redesign the overall compensation plan for all employees.

Directors' Report

Directors' Fees

Fees payable to non-executive directors was a base of $21,900 inclusive of superannuation with an additional fee component for services provided. Due to the growth in operations during the year the annual fee was revised to $70,000 for the Chairman and $36,000 to other non executive directors per annum with an additional fee component for services provided.

Executive Pay

The executive pay and reward framework has three components:
- Base pay and benefits, including superannuation and health;
- Short-term bonus; and
- Long-term incentives through participation in the Company Employee Option Plan and performance shares.

The combination of these comprise the executive's total remuneration.

Base Pay

Structured as a total employment cost package which is delivered as a combination of cash, superannuation and in the USA, health benefits.

A competitive base pay is calculated on a total cost basis and includes any FBT charges related to employee benefits, which comprises the fixed component of pay and rewards, necessary to attract and retain talented, qualified and effective executives.

Performance- linked compensation

The consolidated entity currently has no fixed formula for the cash component of performance based remuneration built into director or executive remuneration packages. Compensation levels are reviewed by the Board through a process that considers individual and overall performance of the consolidated entity. There is no direct link between shareholder wealth and performance linked compensation.

The Board has the discretion to approve payment of bonuses and issue of options.

Company Employee Option Plan

The consolidated entity believes encouraging its executives and other employees to become shareholders is a significant method of aligning their interests with those of shareholders. Equity participation is accomplished through the Company's employee option plan. Options are granted to employees taking into account a number of factors including the amount and term of options previously granted, base salary, performance and competitive factors.

There is no specific performance criteria required to be met to issue options. The issue of options is at the discretion of the Board.

There are no performance criteria, other than continued employment, required to be met to exercise options.

The consolidated entity does not currently have a policy to limit risk associated with the option holdings of key management personnel.

Information on the Employee Share Option Plan is set out under Note 27 Share Based Payments. During the financial year, a number of options were granted to attract and retain high calibre executives.

Directors' Report

Consequences of performance on shareholder wealth

In considering the consolidated entity's performance and benefits for shareholders wealth, the directors regard the following indices in respect of the current financial year and previous financial year:

	2010 $	2009 $	2008 $	2007 $
Company loss	(10,785,558)	(9,092,097)	(8,350,911)	(6,182,425)
Dividend	-	-	-	-
Change in share price	(0.05)	(0.10)	(2.20)	(2.03)

Although market capitalisation and change in share price are monitored by the directors, they do not form targets in setting STI and LTI. The remuneration policy has been tailored to increase goal congruence between shareholders and directors and executives. Currently, this is facilitated through the issue of options to directors and executives to encourage the alignment of personal and shareholder interests. There are currently no financial targets set for the performance related remuneration.

The reduction in share price and associated decline in capitalisation are due primarily to market factors associated with the global economic conditions and uranium industry which are outside the direct control of management.

(i) Details of remuneration

Compensation of Key Management Personnel for the year ended 30 June 2010

	Short-Term Benefits			Post Employment		Share Based Payment	Total	
	Salary and fees	Cash Bonus	Non monetary benefits	Superannuation	Termination	Options		% Share Based
Directors	AUD	AUD	AUD	AUD	AUD	AUD	AUD	Payment
Mark Hohnen	25,258	-	-	-		473,667	498,925	95%
Mat Swinney	213,333	-	-	7,500		550,667	771,500	71%
Brett Mitchell	120,000	50,000	-	-		380,000	550,000	69%
Richard Pearce	46,500	-	-	2,250		-	48,750	-
Ian Middlemas	15,000	-	-	-		-	15,000	-
Craig Burton	14,533	-	-	-		-	14,533	-
Henry Neugebauer	11,244	-	-	-	36,289	-	47,533	-
Key Management Personnel								
Johan Brand	102,872	-	9,969	-		321,417	434,258	74%
András Barabás	45,497	-	6,501	12,715		-	64,713	-
Malcolm Shannon Jr	118,394	-	35,499	6,504		-	160,396	-
	712,630	50,000	51,969	28,968	36,289	1,725,751	2,605,607	

(i) Refer to Directors' profile for appointment and resignation dates on page 3.
(ii) No performance related share based payments in 2010 (2009 Nil).

Directors' Report

Compensation of Key Management Personnel for the year ended 30 June 2009

	Short-Term Benefits		Post Employment	Share Based Payment	Total	
	Salary and fees	Non monetary benefits	Superannuation	Options		% Share Based
Directors	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**Payment**
Brett Mitchell	40,000	-	-	-	40,000	-
Craig Burton	25,450	-	1,800	7,149	34,399	21%
Richard Pearce	185,385	13,852	16,685	21,446	237,368	9%
Henry Neugebauer	113,472	-	-	14,297	127,769	11%
Mark Hughes	40,000	-	3,600	14,297	57,897	25%
Bruce Larson	16,276	-	5,524	7,149	28,949	25%
Key Management Personnel						
Malcolm Shannon Jr	253,418	44,619	8,175	50,721	356,933	14%
András Barabás	47,331	11,744	13,726	31,700	104,501	30%
Ian Gregory	51,038	-	-	7,149	58,187	12%
	772,370	70,215	49,510	153,908	1,046,003	

(ii) Contracts for Services

On appointment to the Board, all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the terms, including compensation, relevant to the office of the director.

Remuneration and other terms of employment for the Executive Directors and other key management personnel are also formalised in service agreements. Each of these agreements provide for the provision of bonuses, other benefits including health and superannuation, and participation in the Company Employee Option Plan. Other major provisions of the agreement relating to remuneration are set out below (expressed in AUD unless otherwise stated).

Directors' Report

Contracts for Services (continued)

Directors and Key Personnel	Terms of contract	Period	Amount
Matt Swinney			
Managing Director	-Base salary inclusive of superannuation	1 Mar - 30 June 10	$272,500
	-Termination benefit 3 months Executive Remuneration Package		
Mark Hohnen			
Chairman	-No fixed term, subject to re-election as required by constitution	19 Feb - 30 June 10	$70,000
	-No termination benefit is specified in the agreement		
Ian Middlemas			
Director	-No fixed term, subject to re-election as required by constitution	19 Feb - 30 June 10	$36,000
	-No termination benefit is specified in the agreement		
Brett Mitchell			
Director	-No fixed term, subject to re-election as required by constitution	1 Jul - 30 Jun 10	$120,000
Company Secretary	-No termination benefit is specified in the agreement		
Johan Brand			
UCG Project Director	-Base Salary plus Employee Benefits	1 Feb - 30 Jun 10	€255,000
	-Termination benefit 6 months Executive Remuneration Package		
András Barabás			
Vice President – Hungary Operations	-On going contract	1 Jul - 30 Jun 10	HUF 11,179,770
	-Current base salary inclusive of medical, dental plan and pension scheme		
	-No termination benefit is specified in the agreement		
Malcolm Shannon			
Vice President - Wildhorse Energy Inc (USA)	-On going contract, revised at 1 December 2008		
	-Current base salary inclusive of medical, dental plan and pension scheme	1 Jul - 31 Aug 09	USD 212,282
	-Current base salary inclusive of medical, dental plan and pension scheme	1 Sep - 30 Jun 10	USD 135,567
	-This arrangement may be terminated by either party giving 60 days notice in writing		

(iii) Options Granted and Vested During the Year

Directors	Year granted	Vested %	Forfeited %	Financial years in which options may vest	Maximum total value of grant yet to vest
Mark Hohnen	2010	-	-	2011	411,000
	2010	-	-	2012	434,500
	2010	-	-	2013	415,500
Matthew Swinney	2010	-	-	2011	463,667
	2010	-	-	2012	488,667
	2010	-	-	2013	513,333
Brett Mitchell	2010	100%	-	-	-
Key Management Personnel					
Johan Brand	2010	25%	-	-	-
	2010	-	-	-	280,000
	2010	-	-	-	306,000
	2010	-	-	-	336,000

Directors' Report

(iv) Options and rights over equity instruments granted as compensation

	Number of options granted during 2010	Grant Date	Fair value per option at grant date	Exercise price per option	Expiry date	Number of options vested during 2010
Directors						
Mark Hohnen	1,000,000	26/02/10	0.1990	$0.50	26/2/14	Nil
Mark Hohnen	1,000,000	26/02/10	0.2120	$0.50	26/2/14	Nil
Mark Hohnen	1,000,000	26/02/10	0.2360	$0.50	26/2/14	Nil
Mark Hohnen	500,000	26/02/10	0.1930	$0.60	26/2/14	Nil
Mark Hohnen	500,000	26/02/10	0.2040	$0.60	26/2/14	Nil
Mark Hohnen	500,000	26/02/10	0.2270	$0.60	26/2/14	Nil
Mark Hohnen	500,000	26/02/10	0.1880	$0.70	26/2/14	Nil
Mark Hohnen	500,000	26/02/10	0.1970	$0.70	26/2/14	Nil
Mark Hohnen	500,000	26/02/10	0.2190	$0.70	26/2/14	Nil
Matthew Swinney	1,000,000	26/02/10	0.1990	$0.50	26/2/14	Nil
Matthew Swinney	1,000,000	26/02/10	0.2120	$0.50	26/2/14	Nil
Matthew Swinney	1,000,000	26/02/10	0.2360	$0.50	26/2/14	Nil
Matthew Swinney	666,667	26/02/10	0.1930	$0.60	26/2/14	Nil
Matthew Swinney	666,667	26/02/10	0.2040	$0.60	26/2/14	Nil
Matthew Swinney	666,666	26/02/10	0.2270	$0.60	26/2/14	Nil
Matthew Swinney	666,667	26/02/10	0.1880	$0.70	26/2/14	Nil
Matthew Swinney	666,667	26/02/10	0.1970	$0.70	26/2/14	Nil
Matthew Swinney	666,666	26/02/10	0.2190	$0.70	26/2/14	Nil
Brett Mitchell	1,000,000	26/02/10	0.1930	$0.50	26/2/14	1,000,000
Brett Mitchell	500,000	26/02/10	0.1890	$0.60	26/2/14	500,000
Brett Mitchell	500,000	26/02/10	0.180	$0.70	26/2/14	500,000
Key Management Personnel						
Johan Brand	2,000,000	1/06/10	0.1380	$0.50	1/6/14	2,000,000
Johan Brand	2,000,000	1/06/10	0.1400	$0.60	1/6/14	Nil
Johan Brand	2,000,000	1/06/10	0.1530	$0.70	1/6/14	Nil
Johan Brand	2,000,000	1/06/10	0.1680	$0.70	1/6/14	Nil

No options for Key Management Personnel that vested during the year were exercised.

The assessed fair value at grant date of options granted to individuals is allocated equally over the period from grant date to vesting date. The fair value at grant date is independently determined using the binomial or black scholes method of valuing options that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Directors' Report

The following table lists the inputs to the model used for the year ended 30 June 2010. No options were issued for year ended 30 June 2009.

	22.5c Options	34c Options	50c Options	50c Options	60c Options	60c Options
Dividend yield (%)	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility (%)	115%	115%	115%	125%	125%	115%
Risk-free interest rate (%)	4.71%	4.46%	5.14%	5.04%	5.04%	5.14%
Expected life of option (years)	4	2	4	4	4	4
Option exercise price ($)	$0.2250	$0.34	$0.50	$0.50	$0.60	$0.60
Weighted average share price at grant date ($)	$0.22	$0.26	$0.36	$0.26	$0.26	$0.36

	60c Options	70c Options	70c Options	90c Options	$1.20 Options	$1.50 Options
Dividend yield (%)	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility (%)	115%	125%	115%	115%	115%	115%
Risk-free interest rate (%)	4.54%	5.04%	5.14%	5.14%	5.14%	5.14%
Expected life of option (years)	1.8	4	4	4	4	4
Option exercise price ($)	$0.60	$0.70	$0.70	$0.90	$1.20	$1.50
Weighted average share price at grant date ($)	$0.38	$0.26	$0.36	$0.36	$0.36	$0.36

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

(v) Share-based Compensation: Options

Further details relating to options are set out below.

Name	Year Granted	Remuneration Consisting of options $	Value at grant date $	Value at exercise date $	Value at lapse date $
Mark Hohnen	2010	82%	1,261,000	-	-
Mat Swinney	2010	41%	1,465,667	-	-
Brett Mitchell	2010	69%	380,000	-	-
Ian Middlemas	-	-	-	-	-
Craig Burton	-	-	-	-	-
Richard Pearce	-	-	-	-	-
Henry Neugebauer	-	-	-	-	-
Johan Brand	2010	74%	1,198,000	-	-
Malcolm Shannon Jr	-	-	-	-	-
András Barabás	-	-	-	-	-

A = The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B = The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.

C = The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options at that date.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year. Lapsed options refer to options that vested but expired unexercised.

Directors' Report

(vi) Shareholdings of Key Management Personnel (Consolidated Entity)

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

Shares held in Wildhorse Energy Ltd (number)

30 June 2010	Balance 1 July 2009	Granted as Remuneration	On Exercise of Options	Net Other Changes	Balance 30 June 2010
Directors					
Mark Hohnen	-	-	-	666,667	666,667
Mat Swinney	-	-	-	66,667	66,667
Brett Mitchell	-	-	-	-	-
Richard Pearce	3,810,875	-	400,000	(14,500)	4,196,375
Ian Middlemas	5,000,000	-	-	100,000	5,100,000
Craig Burton	5,316,250	-	250,000	-	5,566,250
Henry Neugebauer	7,939,750				7,939,750
					-
Key Management Personnel					-
Johan Brand	-				-
András Barabás	-				-
Malcolm Shannon Jr	20,000	-	-	-	20,000
	22,086,875	-	650,000	818,834	23,555,709

(vii) Options Holdings of Key Management Personnel (Consolidated Entity)

Details of options and rights held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

30 June 2010	Balance at beginning of year 1 July 2009	Granted as Remuneration	Net Other Changes	Balance at end of year 30 June 2010	Total	Not Exercisable
Directors						
Mark Hohnen	-	6,000,000	-	6,000,000	6,000,000	6,000,000
Mat Swinney	-	7,000,000	1,500,000	7,000,000	7,000,000	7,000,000
Brett Mitchell	-	2,000,000	-	2,000,000	2,000,000	-
Richard Pearce	750,000	-	(750,000)	-	-	-
Ian Middlemas	-	-	-	-	-	-
Craig Burton	250,000	-	(250,000)	-	-	-
Henry Neugebauer	500,000	-	(500,000)	-	-	-
Key Management Personnel						
Johan Brand	-	8,000,000	1,000,000	9,000,000	9,000,000	6,000,000
András Barabás	562,500	-	-	562,500	562,500	-
Malcolm Shannon Jr	1,100,000	-	-	1,100,000	1,100,000	-
	3,162,500	23,000,000	1,000,000	25,662,500	25,662,500	19,000,000

End of audited Remuneration Report

Directors' Report

13. Shares under option

Unissued ordinary shares of the Company under option at the date of this report are as follows**:**

Grant Date	Exercise price (A$)	Expiry date	Number of options
02-Feb-07	$1.78	02-Feb-11	3,650,000
07-May-07	$1.88	07-May-11	310,000
02-Jul-07	$1.97	02-Jul-11	1,039,000
01-Jun-08	$0.90	20-May-11	562,630
24-Feb-10	$0.60	31-Dec-11	3,333,336
26-Feb-10	$0.50	26-Feb-14	8,333,332
26-Feb-10	$0.60	26-Feb-14	8,633,332
26-Feb-10	$0.70	26-Feb-14	4,000,000
26-Feb-10	$0.60	16-Feb-14	666,666
26-Feb-10	$0.90	16-Feb-14	333,333
26-Feb-10	$1.20	16-Feb-14	333,333
26-Feb-10	$1.50	16-Feb-14	333,333
01-Jun-10	$0.34	01-Jun-12	3,206,597
01-Jun-10	$0.50	01-Jun-14	2,200,000
01-Jun-10	$0.60	01-Jun-14	2,200,000
01-Jun-10	$0.70	01-Jun-14	4,600,000
30-Jun-10	$0.23	30-Jun-14	2,000,000
Total			45,734,892

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity. During the year 1,720,000 options were exercised. (2009: Nil).

Insurance of officers

During the year the Company paid a premium to insure directors and officers of the Company and its subsidiaries.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

14. Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor (BDO Audit (WA) Pty Ltd) for non- audit services are provided below.

The Board of Directors has considered the position and is satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the directors to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Appointments*.

Directors' Report

During the year BDO Corporate and International Tax (WA) Pty Ltd received a fee of $2,565 for the provision of tax services.

Auditors independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 17.

15. Proceedings on behalf of the Company

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

The Directors' Report is made in accordance with a resolution of the Board.

Signed in accordance with a resolution of the directors:

____

Brett Mitchell
Executive Director

Dated this 30 day of September 2010

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

30 September 2010

Board of Directors
Wildhorse Energy Limited
Level 21 Allendale Square
Perth WA 6000

Dear Sirs,

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF WILDHORSE ENERGY LIMITED

As lead auditor of Wildhorse Energy Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Wildhorse Energy Limited and the entities it controlled during the period.

Brad McVeigh
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

Directors' declaration

In the opinion of the directors of Wildhorse Energy Limited:

a the financial statements comprising of the statement of comprehensive income, statement of financial position, statement of cashflow, statement of change in equity and accompany notes, are in accordance with the Corporations Act 2001 and:

- **i** give a true and fair view of the financial position as at 30 June 2010 and of their performance, for the financial year ended on that date of the consolidated entity.

- **ii** complying with Accounting Standards and the Corporations Regulations 2001.

b there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

c the remuneration disclosures included in the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2010, comply with section 300A of the *Corporations Act 2001*.

d The directors have been given the declarations required to be made in accordance with Section 295A of the Corporations Act 2001.

e The consolidated entity has included in the notes to the financial statement an explicitly and unreserved statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Brett Mitchell
Executive Director

Dated this 30 day of September 2010

Statement of Comprehensive Income
For the year ended 30 June 2010

		CONSOLIDATED ENTITY	
		30-Jun-10	30-Jun-09
	Notes	AUD	AUD
Revenue from continued operations	6	491,316	245,466
Employee Benefits	9	(2,653,194)	(2,330,312)
Professional costs	8	(852,460)	(1,230,342)
Premises		(181,720)	(167,794)
Travel		(155,352)	(228,828)
Depreciation and amortisation		(85,677)	(324,998)
Other costs	7	(452,688)	(730,423)
Other taxes		(459)	(510)
Impairment expense goodwill, Peak Coal acquisition	18	(5,401,448)	-
Impairment of exploration expense	17	(1,099,240)	(588,567)
Operating profit/(loss)		(10,390,923)	(5,356,308)
Net financial income/(expense)	10	(31,075)	14,185
Net profit/(loss) before tax		(10,421,998)	(5,342,123)
Tax expense		-	-
Profit/(loss) from continuing operations		(10,421,998)	(5,342,123)
Discontinued Operation			
Loss from discontinued operation (net of income tax)	28	(363,562)	(3,749,964)
Profit/(loss) for the period		(10,785,560)	(9,092,087)
Loss attributable to:			
Members of the parent entity		(10,614,117)	(9,092,087)
Non-Controlling interest		(171,439)	-
		(10,785,560)	(9,092,087)
Other comprehensive income/(loss)			
Foreign currency translation		(1,784,608)	2,392,548
Other comprehensive loss for the period, net of income tax		(1,784,608)	2,392,548
Total Comprehensive loss for the period		(12,570,168)	(6,699,539)
Comprehensive loss attributable to:			
Members of the parent entity		(12,398,729)	(6,699,539)
Non-Controlling interest		(171,439)	-
		(12,570,168)	(6,699,539)
Basic loss per share (cents per share)	5	(8.6)	(9.8)

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

Statement of Financial Position
For the year ended 30 June 2010

		CONSOLIDATED ENTITY	
	Notes	30-Jun-10 AUD	30-Jun-09 AUD
CURRENT ASSETS			
Cash and cash equivalents	*12*	18,812,420	4,430,578
Trade and other receivable	*14*	484,894	237,276
Deposits held	*13*	1,118,552	107,671
Assets held for sale	*15*	78,442	397,367
TOTAL CURRENT ASSETS		20,494,308	5,172,892
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	*17*	29,339,853	13,520,963
Property, plant and equipment	*16*	145,290	290,449
Intangible assets	*16*	1,460,423	-
TOTAL NON-CURRENT ASSETS		30,945,566	13,811,412
TOTAL ASSETS		51,439,874	18,984,304
CURRENT LIABILITIES			
Trade and other payables	*19*	706,499	193,927
Provisions	*20*	13,657	2,000
Short-term borrowings	*21*	-	11,545
TOTAL CURRENT LIABILITIES		720,156	207,472
NON-CURRENT LIABILITIES			
Deferred tax liability	11	2,055,510	-
TOTAL NON-CURRENT LIABILITIES		2,055,510	-
TOTAL LIABILITIES		2,775,666	207,472
NET ASSETS		48,664,208	18,776,832
EQUITY			
Contributed equity	*22*	74,064,858	38,112,258
Reserves	*23*	8,090,582	6,146,050
Accumulated losses		(36,095,597)	(25,481,476)
TOTAL EQUITY ATTIBUTABLE TO SHAREHOLDERS OF THE COMPANY		46,059,843	18,776,832
Non controlling interest		2,604,365	-
TOTAL EQUITY		48,664,208	18,776,832

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

Statements of changes in equity
For the year ended 30 June 2010

CONSOLIDATED	Contributed equity AUD	Foreign currency translation reserve AUD	Share based payments reserves AUD	Accumulated losses AUD	Non Controlling Interest AUD	Total equity AUD
At 1 July 2009	38,112,258	2,365,968	3,780,082	(25,481,476)	-	18,776,832
Comprehensive loss for the period						
Loss for period	-		-	(10,614,121)	(171,439)	(10,785,560)
Other comprehensive income/(loss)						
Foreign currency translation reserve	-	(1,784,608)	-	-	-	(1,784,608)
Total other comprehensive income/(loss)	-	(1,784,608)	-	-	-	(1,784,608)
Total comprehensive loss for period	-	(1,784,608)	-	(10,614,121)	(171,439)	(12,570,168)
Transactions with equity holders in their capacity as equity holders						
Issue of share capital net of transaction costs	35,952,600	-	-	-	-	35,952,600
Share based payments	-	-	3,729,140	-	-	3,729,140
Recognition of non controlling interest on acquisition of Peak Coal group	-	-	-	-	2,775,804	2,775,804
Total contribution by and distributions to owners	35,952,600	-	3,729,140	-	2,775,804	42,457,544
At 30 June 2010	74,064,858	581,360	7,509,222	(36,095,597)	2,604,365	48,664,208

CONSOLIDATED	Contributed equity AUD	Foreign currency translation reserve AUD	Share based payments reserves AUD	Accumulated losses AUD	Total equity AUD
At 1 July 2008	35,379,058	(26,580)	3,255,947	(16,389,389)	22,219,036
Comprehensive loss for the period					
Loss for period	-	-	-	(9,092,087)	(9,092,087)
Other comprehensive income/(loss)		-			
Foreign currency translation reserve	-	2,392,548	-	-	2,392,548
Total other comprehensive income/(loss)	-	2,392,548	-	-	2,392,548
Total comprehensive loss for period	-	2,392,548	-	(9,092,087)	(6,699,539)
Transactions with equity holders in their capacity as equity holders					
Issue of share capital net of transaction costs	2,733,200	-	-	-	2,733,200
Share based payments		-	524,135		524,135
Total contribution by and distributions to owners	2,733,200	-	524,135	-	3,257,335
At 30 June 2009	38,112,258	2,365,968	3,780,082	(25,481,476)	18,776,832

The above statements of changes in equity should be read in conjunction with the accompanying notes.

Statements of Cash Flow
For the year ended 30 June 2010

		CONSOLIDATED ENTITY	
	Notes	30-Jun-10 AUD	30-Jun-09 AUD
Cash flows from operating activities			
Cash paid to exploration and evaluation		(4,227,718)	(5,163,774)
Cash paid to suppliers and employees		(2,386,818)	(2,535,930)
Interest received		277,069	211,193
Net cash used in operating activities	24	(6,337,467)	(7,488,511)
Cash flows from investing activities			
Cash acquired on acquisition of Peak Coal		39,595	(1,000)
Payments for intangible assets		(712,623)	(476)
Payments for plant and equipment		(97,970)	-
Proceeds from sale of plant and equipment		20,941	71,713
Loans advanced to related entities repaid		172,045	-
Net cash provided by/used in investing activities		(578,012)	70,237
Cash flows from financing activities			
Proceeds from issue of shares		22,643,903	2,936,596
Payments for share issues		(1,211,830)	(203,396)
Repayment of loans		(109,765)	-
Net cash provided by financing activities		21,322,308	2,733,200
Net (decrease) / increase in cash and cash equivalents		14,406,829	(4,685,074)
Foreign exchange movement on cash		(24,987)	-
Cash and cash equivalents at the being of the period/year		4,430,578	9,115,652
Cash and cash equivalents at the end of the period	12	**18,812,420**	**4,430,578**

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

Notes to the Financial Statements
For the year ended 30 June 2010

1. Summary of significant accounting policies

Wildhorse Energy Limited is a company domiciled in Australia.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statement report includes Wildhorse Energy Limited and its subsidiaries as the consolidated entity. Separate financial statements for Wildhorse Energy Limited, as an individual entity, are no longer required as a consequence of a change to the Corporation Act. Financial information for Wildhorse Energy Limited as an individual entity is included in Note 29.

(a) Basis of Preparation
These general purpose financial statements have been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001.*

Compliance with IFRSs
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFR's ensures that the financial statements and notes of Wildhorse Energy Limited comply with International Financial Reporting Standards (IFRSs).

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, and certain classes of property, plant and equipment.

Critical accounting estimates
The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity accounting policies (note 3).

(b) Principles of Consolidation Subsidiaries
*The consolidated financial s*tatements incorporate the assets and liabilities of all subsidiaries of Wildhorse Energy Limited (Company) as at 30 June 2010 and the results of all subsidiaries for the year then ended. Wildhorse Energy Limited and its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the consolidated entity.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of financial posit respectively.

(c) Business Combinations
A revised AASB 3 Business Combinations became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes, however these changes have no impact on the Company's financial report.

Notes to the Financial Statements
For the year ended 30 June 2010

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(d) Segment Reporting
The group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standards require a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reportable in a manner that is consistent with the internal reporting provided to the chief operating maker, which has been identified as Hungary Coal, Hungary Uranium, United States of America and Central Europe.

(e) Foreign Currency Translation
Functional and presentation currency
Items included in the financial statements of the consolidated entity are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Australian dollars, which is Wildhorse Energy Limited's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Consolidated entity companies
The results and financial position of the consolidated entity (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions): and
- all resulting exchange differences are recognised as a separate component of equity.

Notes to the Financial Statements
For the year ended 30 June 2010

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxed paid. Revenue is recognised for the major business activities as follows:

Interest Income
Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the consolidated entity reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

Services Income
Services revenue relates to income generated from office sharing arrangements in both Australia and Hungary. Services income is recognised in the accounting period in which the services are rendered.

(g) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changed in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determines using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probably that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities are offset when the entity has a legally enforceable right to offset and intends either to settle on a new basis, or to realise the asset and settle the liability simultaneously.

Notes to the Financial Statements
For the year ended 30 June 2010

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, respectively. In this case, the tax is also recognised in after the comprehensive income, or directly in equity respectively.
Wildhorse Energy Limited and its wholly-owned Australian controlled entities have not implemented the tax consolidation legislation.

(h) Leases
The leases of property, plant and equipment where the consolidated entity has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(i) Acquisition of Assets
The purchase method of accounting is used to account for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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

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

(j) Impairment of Assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Cash and Cash Equivalents
For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Financial Statements
For the year ended 30 June 2010

(l) Trade Receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive statement.

(m) Investments and Other Financial Assets
The Company's classification of its investments depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the statement of financial position.

Purchases and sales of investments are recognised on trade-date, the date on which the consolidated entity commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.
Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity in the available-for-sale investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the consolidated entity establishes fair value by using valuation techniques, instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

(n) Fair Value Estimation
The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the consolidated entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

Notes to the Financial Statements
For the year ended 30 June 2010

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

(o) Plant and Equipment
Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on plant and equipment assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Plant and equipment *2 - 6 years*

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(p) Exploration and Evaluation Expenditure
Exploration, evaluation and development expenditure incurred may be accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

(i) such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
(ii) exploration and evaluation activities in the area have not, at balance date, reached a stage which permit a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the year in which the decision to abandon the area is made. 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.

Notwithstanding the fact that a decision not to abandon an area of interest has been made, based on the above, the exploration and evaluation expenditure in relation to an area may still be written off if considered appropriate to do so.

Notes to the Financial Statements
For the year ended 30 June 2010

(q) Intangible Assets
Intellectual Property
Intellectual property having a finite life is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of intellectual property over the estimated useful life which is five years.

(r) Trade and Other Payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(s) Borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(t) Borrowing Costs
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

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

Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Share-based payments
Share-based compensation benefits are provided to employees via the Wildhorse Energy Limited Employee Option Plan. Information regarding this scheme is set out in note 27.

The fair value at grant date is independently determined using the binomial or black scholes method of valuing of options that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable.

Notes to the Financial Statements
For the year ended 30 June 2010

(v) Bonus plans
The consolidated entity recognises a provision for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Dividends
Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

(w) Earnings per Share
Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary 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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(x) Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the net asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(y) Adoption of New and Revised Accounting Standards
During the current year the Group 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 of the adoption of these standards and interpretations has had on the financial statements of Wildhorse Energy Limited.

AASB 3: Business Combinations

In March 2008 the Australian Accounting Standards Board revised AASB 3 and as a result, some aspects of business combination accounting have changed. These changes apply only to business combinations which occur from 1 July 2009.

Recognition and measurement impact

Recognition of acquisition costs – The revised version of AASB 3 requires that all costs associated with a business combination be expensed in the period in which they were incurred. Previously such costs were capitalised as part of the cost of the business combination.

Measurement of contingent considerations – The revised AASB 3 requires that contingent considerations associated with a business combination be included as part of the cost of the business combination. They are recognised at the fair value of the payment calculated having regard to probability of settlement. Any subsequent changes in the fair value or probability of payment are recognised in the statement of comprehensive income except to the extent where they relate to conditions or events existing at acquisition date, in which case the consideration paid is adjusted. The previous version of AASB 3 allowed such changes to be recognised as a cost of the combination impacting goodwill.

Measurement of non-controlling interest – For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at the fair value of the non-controlling interest (the *full goodwill method*) or

Notes to the Financial Statements
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at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Under the previous version of AASB 3 only the latter option was permitted.

Recognition of contingencies – The revised AASB 3 prohibits entities from recognising contingencies associated with a business combination, unless they meet the definition of a liability.

Business combinations achieved in stages – The revised AASB 3 requires that where a business combination is achieved in stages, any previously held equity interest is to be remeasured to fair value and the resulting gain or loss, being the difference between fair value and historical cost, is to be recognised in the statement of comprehensive income. The previous version of AASB 3 accounted for each exchange transaction separately, using cost and fair value information at the date of each exchange to determine the amount of any goodwill associated with the acquisition. It was therefore possible to compare the cost of each individual investment with the fair value of identifiable net assets acquired at each step.

Disclosure Impact

The revised AASB 3 contains a number of additional disclosure requirements not required by the previous version of AASB 3. The revised disclosures are designed to ensure that users of the Group's financial statements are able to understand the nature and financial impact of any business combinations on the financial statements.

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 Group'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 on 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 the inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.
Impairment testing of the segment's goodwill
AASB 136: Impairment of Assets, paragraph 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.
Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

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.

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For the year ended 30 June 2010

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 Group'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 required 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 Group'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.

(z) New standards and interpretations not yet adopted

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

Notes to the Financial Statements
For the year ended 30 June 2010

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 2009-8 (issued July 2009)	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions	Clarifies the scope and accounting for group cash-settled share-based payment transactions in the individual financial statements of an entity receiving the goods/services when that entity has no obligation to settle the share-based payment transaction. Supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 – Group and Treasury Share Transactions.	Periods beginning on or after 1 January 2010	There will be no impact as there are no share-based payment transactions where the entity receives goods or services with no corresponding obligation to settle the share-based payment transaction.
AASB 9 (issued December 2009)	Financial Instruments	Amends the requirements for classification and measurement of financial assets	Periods beginning on or after 1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 30 June 2014 year end, the entity has not yet made an assessment of the impact of these amendments.
AASB Interpretation 19 (issued December 2009)	Extinguishing Financial Liabilities with Equity Instruments	Equity instruments issued to a creditor to extinguish all or part of a financial liability are ‘consideration paid’ to be recognised at the fair value of the equity instruments issued, unless their fair value cannot be measured reliably, in which case they are measured at the fair value of the debt extinguished. Any difference between the carrying amount of the financial liability extinguished and the ‘consideration paid’ is recognised in profit or loss.	Periods beginning on or after 1 July 2010	There will be no impact as the entity has not undertaken any debt for equity swaps.

Notes to the Financial Statements
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STANDARDS LIKELY TO HAVE A DISCLOSURE IMPACT ONLY

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 124 (issued December 2009)	Related Party Disclosures	Simplifies disclosure requirements for government-related entities and clarifies the definition of a related party.	Annual reporting periods commencing on or after 1 January 2011.	No impact
AASB 107	Statement of Cash Flows	Clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities.	Periods commencing on or after 1 January 2010	Initial adoption of this amendment will have no impact as the entity only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position.

2. Financial risk management

The consolidated entity's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity does not engage in any hedging or derivative financial instruments. The consolidated entity uses sensitivity analysis in the case of interest rate and foreign exchange risks and aging analysis for credit risk, to measure different types of risk to which it is exposed. Risk management is carried out by the board of directors.

The consolidated entity hold the following financial instruments.

Carrying value of the financial instruments

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
FINANCIAL ASSETS		
Current financial assets		
Cash and cash equivalents	18,812,421	4,430,577
Trade and other receivables	307,585	237,276
Deposits Held	1,118,552	107,671
	20,238,558	4,775,524
FINANCIAL LIABILITIES		
Current financial liabilities		
Trade and other payables	706,499	193,927
Interest-bearing borrowings	-	11,545
	706,499	205,472

(a) Market risk

Foreign Exchange Risk

The consolidated entity operate internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Hungarian Forint, Czech Koruna and Euro.

Notes to the Financial Statements
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Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The risk is measured using sensitivity analysis and cash flow forecasting.

The consolidated entity has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency. The Board manages the purchase of foreign currency to meet operational requirements.

The consolidated entity's exposure to foreign currency risk at the reporting date was as follows:

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
Trade receivables in denomination currency:		
Trade receivables – USD	4,697	13,634
Trade receivables – HUF	209,631	-
Trade receivables – CZK	177	-
Trade payables in denomination currency:		
Trade payables – USD	31,232	8,232
Trade payables – HUF	241,618	736,422
Trade payables – CZR	5,773	929
Deposits held in denomination currency:		
Deposits held – USD	79,725	99,776
Deposits held – HUF	1,038,827	7,894

Consolidated entity sensitivity

Exchange rates per AUD as at 30 June:

	Reporting Date spot rate	
	30-Jun-10	30-Jun-09
USD	0.8567	0.8045
HUF	201.6320	157.9220
CZK	18.1047	14.8639

A 10% increase or decrease in the value of Australian dollar against the above currencies at 30 June would have the following effect:

	CONSOLIDATED		CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD	30-Jun-10 AUD	30-Jun-09 AUD
	Profit/(loss)	**Profit/(loss)**	**Profit/(loss)**	**Profit/(loss)**
	10 % increase	10% increase	10% decrease	10% decrease
USD	5,319	10,518	(4,835)	(9,562)
HUF	100,684	(72,853)	(91,531)	66,230
CZK	(560)	(93)	509	84
Total	105,443	(62,428)	(95,858)	56,753

Price risk
The consolidated entity and Company have no exposure to equity securities price risk as there are no financial assets. Neither the consolidated entity nor the Company are exposed to commodity price risk.

Notes to the Financial Statements
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Cash flow and fair value interest rate risk
The consolidated entity's only interest rate risk arises from cash and cash equivalents held. Deposits and current accounts held with variable interest rates expose the consolidated entity to cash flow interest rate risk. A change in interest rates of 100 basis points would result in a movement in the profit and loss and equity of $92,004 (2009: $44,305) for the consolidated entity.
The consolidated entity currently does not engage in any hedging or derivative transactions to manage interest rate. Management oversees cash investing activities of the consolidated entity.

(b) Credit Risk
Credit risk is managed on a consolidated entity basis. Credit risk arises from fluctuating interest rates for cash and cash equivalents, deposits with bank as well as credit exposures for outstanding receivables and committed transactions.

All cash balances are held at internationally recognised institutions with the majority of cash being held with an A rated Australian Bank. The receivables held are within terms. Receivables are primary held with related parties there is no minimum credit rating required.

The maximum exposure to credit risk at reporting date is the carrying amount of the financial assets as summarised under the *Carrying value of the financial instruments* heading in this note.

(c) Liquidity Risk
Liquidity risk arises from the management of cash and cash equivalent resources. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The consolidated entity manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

At reporting date the consolidated entity had sufficient cash reserves to meet its requirements. The consolidated entity therefore had no credit standby facilities or arrangement for further funding in place.

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
Cash and cash equivalents		
6 months	18,812,420	4,430,578
Trade and other receivables		
6 months	484,894	237,276
Deposits Held		
6-12 months	1,118,552	107,671
	20,415,866	4,775,525

The only financial liabilities the consolidated entity had at reporting date were trade payables incurred in the normal course of the business. These were non interest bearing and due within the normal 30 days terms of creditor payments and the contractual cashflows equals their carrying value.

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
Trade and other payables - due within:		
6 months	706,499	193,927
	706,499	193,927
Borrowings - due within:		
6 months	-	11,545
	-	11,545
	706,499	205,472

Notes to the Financial Statements
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(d) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes. The fair value of financial instruments that are not traded in an active market such as unlisted investments and subsidiaries is determined using valuation techniques where applicable. Where this is unable to be done they are held at cost.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature.

3. Critical accounting estimates

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 consolidated entity.

Key Estimates – Impairment

The consolidated entity assesses impairment at each reporting date by evaluating conditions specific to the consolidated entity 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.

Exploration and evaluation expenditure

The consolidated entity's accounting policy for exploration and evaluation expenditure is set out in Note 1(p). The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been found.

As at 30 June 2010, $1,099,240 of exploration and evaluation expenditure was impaired and is recognised in the comprehensive statement of income (refer to Note 17 Exploration and evaluation expenditure)

Share based payments

The consolidated entity's accounting policy for share based payments is set out in Note 1(u). The application of this policy requires certain assumptions to be made in relation to the value of options.

Business Combination

The consolidated entity recognised the acquisition cost of Peak Coal Group by its fair value, which was calculated using an independent valuation of the Hungarian UCG coal project asset and the net assets of the Group as at 28 February 2010. (Refer to note 18)

Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy, the consolidated entity concludes that it is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income.

4. Segment information

Management has determined that the operating segments are based on reports reviewed by the Chief Operating Decision Marker, the Managing Director, which are used to monitor performance and make strategic decisions. The business is considered from both a geographic and functional perspective and has identified four reportable segments: Hungary Coal and Hungary Uranium, United States and Central Europe.

Management assesses the performance of the operating segments based on a measure of contribution. This measure excludes items such as the effects of equity settled share based payments, and unrealised gains and losses on financial instruments. Interest income, corporate expenses, as well as other centralised expenses not attributable to segments.

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Segment Report - 2010

	HUNGARY COAL 30-Jun-10 AUD	HUNGARY URANIUM 30-Jun-10 AUD	UNITED STATES OF AMERICA 30-Jun-10 AUD	CENTRAL EUROPE 30-Jun-10 AUD	TOTAL SEGMENT 30-Jun-10 AUD	UNALLOCATED/ ELIMINATIONS AND CORPORATE 30-Jun-10 AUD	CONSOLIDATED 30-Jun-10 AUD
Results							
Segment Result	(1,446,765)	(666,637)	(1,242,986)	(61,121)	**(3,417,508)**	(4,592,246)	**(8,009,754)**
Loss for the period	(1,446,765)	(666,637)	(1,242,986)	(61,121)	**(3,417,508)**	(4,592,246)	**(8,009,754)**
Comprehensive loss for the period	(955,479)	(600,170)	(908,481)	99,384	**(2,364,746)**	(5,494,444)	**(10,223,936)**
Segment assets	10,403,379	2,507,277	11,369,276	296,628	**24,576,560**	26,863,314	**51,439,874**
Total assets	10,403,379	2,507,277	11,369,276	296,628	**24,576,560**	26,863,314	**51,439,874**
Liabilities							
Segment liabilities	3,030,769	2,723,806	16,228,804	1,086,393	**23,069,772**	(20,294,106)	**2,775,666**
Total liabilities	3,030,769	2,723,806	16,228,804	1,086,393	**23,069,772**	(20,294,106)	**2,775,666**
Other Segment Information							
Depreciation and amortisation	20,976	32,609	26,884	981	**81,450**	4,227	**85,677**
Impairment or exploration	25,432	-	1,073,808	-	**1,099,240**	-	**1,099,240**

Segment Report - 2009

	HUNGARY URANIUM 30-Jun-09 AUD	UNITED STATES OF AMERICA 30-Jun-09 AUD	CENTRAL EUROPE 30-Jun-09 AUD	TOTAL SEGMENT 30-Jun-09 AUD	UNALLOCATED/ ELIMINATIONS AND CORPORATE 30-Jun-09 AUD	CONSOLIDATED 30-Jun-09 AUD
Results						
Segment Result	(923,923)	(2,761,412)	(306,044)	**(3,991,379)**	(5,100,708)	**(9,092,087)**
Loss for the period	(923,923)	(2,761,412)	(306,044)	**(3,991,379)**	(5,100,708)	**(9,092,087)**
Segment assets	1,285,675	12,871,231	338,824	**14,495,730**	4,488,574	**18,984,304**
Total assets	1,285,675	12,871,231	338,824	**14,495,730**	4,488,574	**18,984,304**
Liabilities						
Segment liabilities	1,781,237	17,168,957	1,244,034	**20,194,228**	(19,986,756)	**207,472**
Total liabilities	1,781,237	17,168,957	1,244,034	**20,194,228**	(19,986,756)	**207,472**
Other Segment Information						
Depreciation and amortisation	32,424	89,783	1,133	**123,340**	201,658	**448,338**
Impairment or exploration	588,567	-	-	**588,567**	3,749,964	**4,338,531**

Notes to the Financial Statements
For the year ended 30 June 2010

5. Earnings per share

(a) Basic earnings per share
Basic earnings per share are calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

(b) 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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares. Diluted earnings per share is the same as basic earnings per share in 2010 and 2009 as the Consolidated Entity is in a loss position.

The following reflects the income and share data used in the basic and diluted earnings per share computations

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
Loss attributable to ordinary equity holders of the Parent from continuing operations	(10,614,119)	(9,092,087)
Loss attributable to Non controlling interest	(171,439)	-
	(10,785,558)	(9,092,087)

	NUMBER OF SHARES	
	30-Jun-10	30-Jun-09
Weighted average number of ordinary shares (excluding reserved shares) for basic earnings per share	122,749,387	93,081,000
Basic earnings per share (cents)	(8.6)	(9.8)

As earning per share (EPS) is a loss per share, any potential ordinary share would be anit-dilutive. As a result per share is identical for basic and diluted EPS calculation.

Notes to the Financial Statements
For the year ended 30 June 2010

6. Revenue from continuing operations

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
Revenue from continuing operations		
Interest Income	487,098	211,193
Fee Income	2,738	34,273
Other Income	1,480	-
	491,316	245,466

7. Other costs

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
Corporate costs	87,518	98,096
Other operating expenses	365,170	632,327
	452,688	730,423

8. Professional costs

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
Audit fees	58,905	56,632
Taxation advice	21,956	12,020
Legal Fees	285,957	241,973
Other professional fees	485,642	919,717
	852,460	1,230,342

Auditor's remuneration

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
Audit services		
Auditors of the Company - BDO Audit (WA) Pty Ltd		
Audit of the financial report	58,905	50,008
Other services		
Auditors of the Company - BDO Corporate and International Tax (WA) Pty Ltd		
Tax services	2,565	1,500
	2,565	1,500
Non BDO Audit (WA) Pty Ltd audit firms		
Audit and other assurance services	8,163	6,624

Notes to the Financial Statements
For the year ended 30 June 2010

9. Employee benefits

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
Wages and salaries	648,117	1,504,708
Superannuation	64,566	92,313
Share-based payments	1,822,089	524,135
Other employee benefits	118,422	209,155
	2,653,194	2,330,311

10. Net financial income

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
Interest Expense	1,158	(7,184)
Realised FX Gain/(Loss)	29,917	(17,746)
Unrealised FX Gain/(Loss)	-	39,115
Net financial income/(expense)	31,075	14,185

Notes to the Financial Statements
For the year ended 30 June 2010

11. Income tax expense

	CONSOLIDATED 30-Jun-10 AUD	30-Jun-09 AUD
(a) Income tax expense		
Deferred income tax asset	-	-
Deferred income tax liability	-	-
	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit / (Loss) from continuing operations before income tax expense	(10,785,558)	(9,092,087)
Tax at the Australian tax rate of 30%	(3,235,667)	(2,727,626)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	1,980,266	164,580
Unused tax lossses and temporary differences not recognised as deferred tax assets	1,255,401	2,563,046
Effective tax rate	-	-
(c) Unused tax losses and credits		
Opening balance	5,031,278	2,468,232
Movement	1,364,310	2,563,046
Closing balance	6,395,588	5,031,278
(d) Deferred tax assets		
Deferred tax assets recognised		208,775
Deferred tax liabilities	(2,055,510)	(208,775)
	(2,055,510)	-
(e) Unrecognised deferred tax assets arising on timing differences and losses		
Timing differences	166,555	168,908
Tax losses - revenue	6,395,588	3,972,651
Tax losses - capital	-	-
	6,562,143	4,141,559
Offset against deferred tax assets recognised	-	(208,775)
Deferred tax assets not brought to account	6,562,143	3,932,784

The Company has estimated income tax losses of $7,590,068 (2009: $4,141,559) available to be offset against future taxable income. A deferred tax asset in relation to the losses has not been recognised by the consolidated entity on the basis that it is not probable that there will be future taxable income available against which the tax losses can be utilised.

The Company has not and is unable to consolidate for tax purposes.

The tax rate in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared to the previous reporting period.

Notes to the Financial Statements
For the year ended 30 June 2010

12. Cash and cash equivalents

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
Cash on hand	3,878	19,198
Cash at bank	214,331	2,774,505
Cash on deposit	18,594,211	1,636,875
	18,812,420	4,430,578

Cash at Bank and on Hand
Of the cash at bank and on hand, $3,878 (2009: $42,987) is non-interest bearing. Of the cash at bank, $18,808,542 (2009: $2,731,518) is interest bearing at a floating interest rates of between 3.0% and 6.25% (2009: between 2.0% and 6.8%).

Deposits at Call
The deposits have a weighted average interest rate 5.29% (2009:4.1%). These deposits have an average period to repricing of 145 days (2009:90 days).

13. Deposits held

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
Mining Deposits Held	1,118,552	107,671
	1,118,552	107,671

The cash deposits held at bank for the Hungarian tenements and with the mining authorities for the United States of American tenements.

14. Trade and other receivable

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
Trade Receivables	71,089	207,856
Prepayments	25,317	27,922
Other receivables	388,488	1,498
	484,894	237,276

Other receivables
Other receivables arise from transactions outside the usual operating actives of the consolidated entity. None of the receivables are impaired or past due.

Foreign exchange and interest rate risk
Information about the consolidated entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables in provided in note 2.

Fair value and credit risk
Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables as mentioned above. Refer to note 2 for more information on the risk management policy of the consolidated entity and the credit quality of the entity's trade receivables.

Notes to the Financial Statements
For the year ended 30 June 2010

15. Asset held for sale

Part of equipment in the consolidated entity's US operation is presented as assets held for sale. During the previous financial year, due to cessation of Paraguay operation, the consolidated entity classified $363,562 of equipment as assets held for sale. These assets were fully impaired during the current financial year.

Assets classified as held for sale - carrying value	**30-Jun-10 AUD**	**30-Jun-09 AUD**
Equipment - US operation	78,442	-
Equipment - Paraguay operation (discontinued)	-	363,562
	78,442	363,562

Assets classified as held for sale - movement	**30-Jun-10 AUD**	**30-Jun-09 AUD**
At 1 July	363,562	-
Equipment classified as held for sale - continued operations	78,442	-
Equipment classified as held for sale - discontinued operation	-	363,562
Impaired during the year - discontinued operation	(363,562)	-
At 30 June	78,442	363,562

16. Property, plant and equipment & Intangible assets

	CONSOLIDATED	
	30-Jun-10 AUD	**30-Jun-09 AUD**
Property, plant and equipment - at cost	269,207	520,554
Property, plant and equipment - accumulated depreciation	(123,917)	(230,105)
	145,290	290,449

Notes to the Financial Statements
For the year ended 30 June 2010

Reconciliation of movement in Property, plant and equipment

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
Movement in Property, plant and equipment		
Plant and equipment - at cost		
At 1 July	502,541	1,407,843
Additions	97,035	1,000
Disposals	(151,678)	(502,744)
Movement to assets held for sale	(142,667)	(566,579)
Foreign currency movement	(57,543)	163,021
At 30 June	247,688	502,541
Plant and equipment - accumulated depreciation		
At 1 July	(215,482)	(276,818)
Depreciation	(79,350)	(320,626)
Disposals	100,438	231,221
Movement to assets held for sale	64,226	169,213
Foreign currency movement	21,803	(18,472)
At 30 June	(108,365)	(215,482)
	139,323	287,059
Intellectual property - at cost		
At 1 July	18,013	19,179
Additions	8,686	476
Disposals	-	-
Foreign currency movement	(5,180)	(1,642)
At 30 June	21,519	18,013
Intellectual property - accumulated depreciation		
At 1 July	(14,623)	(11,574)
Amortisation	(5,582)	(4,372)
Disposals	-	-
Foreign currency movement	4,653	1,323
At 30 June	(15,552)	(14,623)
	5,967	3,390
Carrying value at 1 July	290,450	1,138,630
Carrying value at 30 June	145,290	290,449

Intangible assets

	CONSOLIDATED	
	30-Jun-10 AUD	**30-Jun-09 AUD**
Intangible asset – at cost	1,460,423	-
Intangible asset accumulated amortisation	-	-
	1,460,423	-

Notes to the Financial Statements
For the year ended 30 June 2010

Reconciliation of movement in intangible assets

	CONSOLIDATED	
	30-Jun-10 AUD	**30-Jun-09 AUD**
Intangible assets - at cost		
At 1 July	-	-
Additions	1,460,423	-
At 30 June	1,460,423	-

The intangible asset classified above is the at cost value attributed to the acquisition from African Carbon Energy Pty Ltd of which is a specialist UCG technology intellectual property that is expected to significantly reduce the cost and time value to Wildhorse's design, planning and feasibility requirements for developing the Mecsek Hill Gas (UCG) Project and fast-track its development schedule.

17. Exploration and evaluation expenditure

Reconciliation of movement in Exploration and evaluation expenditure

	CONSOLIDATED	
	30-Jun-10 AUD	**30-Jun-09 AUD**
Exploration and evaluation expenditure	29,339,853	13,520,963
Movement in Exploration and evaluation expenditure		
At 1 July	13,520,963	12,931,367
Acquisition	14,829,998	-
Additions during the period	3,521,773	3,005,314
Disposals during the period	-	-
Impaired during the year	(1,099,240)	(588,567)
Discontinued operations	-	(3,749,964)
Foreign currency movement	(1,433,641)	1,922,813
At 30 June	29,339,853	13,520,963

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, the sale of the respective areas of interest.

18. Business combination

On 22 February 2010 the parent entity acquired 100% of the issued capital of Peak Coal Limited, providing the Company with the rights to substantial coal assets in southern Hungary which have recognised potential for underground coal gasification (UCG). The acquisition enhances the Company's strategy of becoming a significant energy project developer in central Europe.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration:

Consideration paid by the Company:	**AUD**
Issue of 36,712,600 shares of Wildhorse Energy Limited to acquire shares in the controlled entity	14,134,351
Issue of 3,333,336 options of Wildhorse Energy Limited to acquire shares in the controlled entity	1,268,683
	15,403,034

Notes to the Financial Statements
For the year ended 30 June 2010

The value of the Wildhorse Energy Limited shares issued as consideration for the purchase of shares in the controlled entity was determined using the market value of Wildhorse Energy Limited shares at 22 February 2010 of $0.385 per share.

The assets and liabilities recognised as a result of the acquisition as a result of the acquisitions are as follows:

	Fair Value AUD
Cash	39,595
Trade and other receivables	1,368,255
Property, plant and equipment	8,494
Exploration and evaluation expenditure	14,829,999
	16,246,343
Trade and other payables	(358,623)
Short-term borrowings	(116,755)
Financial Liabilities	(938,124)
Deferred tax liability	(2,055,510)
	(1,413,502)
Net Assets	**12,777,331**
Less non controlling interest	(2,775,745)
Net assets acquired	**10,001,586**
Recognised on acquisition	
Goodwill	5,401,448
	15,403,034

The Company recognised goodwill on acquisition totalling $5,401,448 which has been fully impaired as there is no cash flows earnings currently in the Peak Coal group.

The Company obtained an independent valuation of the Peak Coal Limited's Mecsek Coal Gasification Project which increased the value of the capitalised exploration by $6,851,701. The consolidated entity has recognised a deferred tax liability, of 30% of the $6,851,701 totalling $2,055,510.

The Company incurred acquisition costs of $91,959 for legal advice that has been included in the statement of comprehensive income.

Non controlling interests
In accordance with the accounting policy set out in note 1(b) the consolidated entity elected to recognise the non controlling interest at its proportionate share of the acquired fair value of net assets.

Revenue and profit distribution
The acquired business contributed revenues of $44,248 and net loss of $1,446,766 to the consolidated entity for the period 1 March 2010 to 30 June 2010.

If the acquisition had occurred on 1 July 2009, consolidated revenue and consolidated loss for the year ended 30 June 2010 would have been $532,859 and $12,228,010 respectively. These amounts have been calculated using the group's accounting policies.

Notes to the Financial Statements
For the year ended 30 June 2010

Acquisition-related costs
Acquisition-related costs of $112,248 in relation to legal and compliance costs are included in other expenses in the comprehensive statement of income and in the operating cash flows in the statement of cash flows.

19. Trade and other payables

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
Trade Creditors	465,524	86,770
Other payables and accruals	240,975	107,157
	706,499	193,927

All payables are interest free and expected to be settled within the next 12 months.

20. Provisions

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
Statutory employee entitlements	13,657	2,000

Annual leave provision, entitles are expected to be paid within in the next 12 months.

21. Borrowings

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
Hire purchase liability	-	11,545

The hire purchase liability was secured by a motor vehicle. The interest rate for this facility was 8.53%.

22. Contributed equity

	NUMBER OF SHARES		AMOUNT ($)	
	30-Jun-10	30-Jun-09	30-Jun-10	30-Jun-09
Ordinary Shares on Issue	227,107,100	122,446,957	76,797,581	39,242,587
Cost of Capital	-	-	(2,732,723)	(1,130,329)
	227,107,100	122,446,957	74,064,858	38,112,258

Notes to the Financial Statements
For the year ended 30 June 2010

Movement in ordinary share capital

2010	Date	Number	Issue price	Value
Opening balance	01-Jul-09	122,446,957	-	39,242,587
Options converted to shares	11-Sep-09	20,000	0.20	4,000
Options converted to shares	23-Sep-09	250,000	0.50	125,000
Options converted to shares	25-Sep-09	900,000	0.50	450,000
Options converted to shares	30-Sep-09	50,000	0.20	10,000
Options converted to shares	30-Sep-09	500,000	0.50	250,000
Issue to Peak Coal Ltd 1WHE:3PC	26-Feb-10	36,712,600	0.385	14,134,351
Sophisticated Investor Placement	12-Mar-10	64,131,934	0.340	21,804,858
Share issue	24-Mar-10	100	0.340	34
Share issue to Azure Capital	01-Jun-10	621,887	0.445	276,740
Share issue	17-Jun-10	34	0.340	12
Share issue to African Carbon	30-Jun-10	1,470,588	0.340	500,000
Less Costs of issue				
Opening cost of issue				(1,130,329)
Current year costs				(1,602,394)
		227,104,100		74,064,858

2009	Date	Number	Issue price	Value
Opening balance	01-Jul-08	93,081,000	-	36,305,991
Share Issue	30-Jun-09	29,365,957	0.10	2,936,596
Less Costs of issue				
Opening cost of issue				(926,933)
Current year costs				(203,396)
Closing Balance		122,446,957		38,112,258

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and upon a poll each share is entitled to one vote.

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

Capital risk management

The consolidated entity's and Company's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity shown in the statement of financial position plus net debt. As the Company is currently in the exploration and development phase, the gearing ratio has been maintained at 0% throughout the year.

Notes to the Financial Statements
For the year ended 30 June 2010

Options on issue

As at 30 June 2010, the Company has 45,734,892 (2009: 8,131,630) options over ordinary shares on issue, details of which are disclosed in the table below. Information on the Employee Share Option Plan is set out in Note 27 - Share Based Payments.

Options on issue as at 30 June 2010:

Grant Date	Exercise price (A$)	Expiry date	Number of options
02-Feb-07	$1.78	02-Feb-11	3,650,000
07-May-07	$1.88	07-May-11	310,000
02-Jul-07	$1.97	02-Jul-11	1,039,000
01-Jun-08	$0.90	20-May-11	562,630
24-Feb-10	$0.60	31-Dec-11	3,333,336
26-Feb-10	$0.50	26-Feb-14	8,333,332
26-Feb-10	$0.60	26-Feb-14	8,633,332
26-Feb-10	$0.70	26-Feb-14	4,000,000
26-Feb-10	$0.60	16-Feb-14	666,666
26-Feb-10	$0.90	16-Feb-14	333,333
26-Feb-10	$1.20	16-Feb-14	333,333
26-Feb-10	$1.50	16-Feb-14	333,333
01-Jun-10	$0.34	01-Jun-12	3,206,597
01-Jun-10	$0.50	01-Jun-14	2,200,000
01-Jun-10	$0.60	01-Jun-14	2,200,000
01-Jun-10	$0.70	01-Jun-14	4,600,000
30-Jun-10	$0.23	30-Jun-14	2,000,000
Total			45,734,892

Options on issue as at 30 June 2009:

Grant Date	Exercise price (A$)	Expiry date	Number of options
29-Sep-06	$0.50	29-Sep-09	2,500,000
01-Oct-06	$0.20	01-Oct-09	70,000
02-Feb-07	$1.78	02-Feb-11	3,650,000
07-May-07	$1.88	07-May-11	310,000
02-Jul-07	$1.97	02-Jul-11	1,039,000
01-Jun-08	$0.90	20-May-11	562,630
Total			8,131,630

Notes to the Financial Statements
For the year ended 30 June 2010

Movement in the options on issue during the year

At 1 July 2009	Granted during the year	Exercise price (A$)	Expiry Date	Exercised During the year	Lapsed during the year	At 30 June 2010
2,500,000	-	$0.50	29-Sep-09	(1,650,000)	(850,000)	-
70,000	-	$0.20	01-Oct-09	(70,000)	-	-
3,650,000	-	$1.78	02-Feb-11	-	-	3,650,000
310,000	-	$1.88	07-May-11	-	-	310,000
1,039,000	-	$1.97	02-Jul-11	-	-	1,039,000
562,630	-	$0.90	20-May-11	-	-	562,630
-	3,333,336	$0.60	31-Dec-11	-	-	3,333,336
-	8,333,332	$0.50	26-Feb-14	-	-	8,333,332
-	8,633,332	$0.60	26-Feb-14	-	-	8,633,332
-	4,000,000	$0.70	26-Feb-14	-	-	4,000,000
-	666,666	$0.60	16-Feb-14	-	-	666,666
-	333,333	$0.90	16-Feb-14	-	-	333,333
-	333,333	$1.20	16-Feb-14	-	-	333,333
-	333,333	$1.50	16-Feb-14	-	-	333,333
-	3,206,597	$0.34	01-Jun-12	-	-	3,206,597
-	2,200,000	$0.50	01-Jun-14	-	-	2,200,000
-	2,200,000	$0.60	01-Jun-14	-	-	2,200,000
-	4,600,000	$0.70	01-Jun-14	-	-	4,600,000
-	2,000,000	$0.23	30-Jun-14	-	-	2,000,000
8,131,630	40,173,262			(1,720,000)	(850,000)	45,734,892

At 1 July 2008	Granted during the year	Exercised During the year	Lapsed during the year	At 30 June 2009
2,500,000	-	-	-	2,500,000
70,000	-	-	-	70,000
3,650,000	-	-	-	3,650,000
310,000	-	-	-	310,000
1,039,000	-	-	-	1,039,000
562,630	-	-	-	562,630
8,131,630	-	-	-	8,131,630

Notes to the Financial Statements
For the year ended 30 June 2010

23. Reserves

	CONSOLIDATED	
	30-Jun-10 AUD	**30-Jun-09 AUD**
Share-based Payments Reserve		
At 1 July	3,780,082	3,255,947
Movement	3,729,140	524,135
At 30 June	7,509,222	3,780,082
Foreign Currency Translation Reserve		
At 1 July	2,365,968	(26,580)
Movement	(1,784,608)	2,392,548
At 30 June	581,360	2,365,968
	8,090,582	6,146,050
Reserves		
Share-based Payments Reserve	7,509,222	3,780,082
Foreign Currency Translation Reserve	581,360	2,365,968
	8,090,582	6,146,050

Nature and purpose of reserves

(i) *Share-based payments reserve*

The share based payments reserve is used to recognise the fair value of options issued to employees but not exercised.

(ii) *Foreign Currency Translation Reserve*

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(e). The reserve is recognised in profit and loss when the net investment is disposed of.

24. Reconciliation of loss after income tax to net cash used in operating activities

For the purposes of the cash flow statements, cash and cash equivalents consist of cash on hand, cash at bank and net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statements is reconciled to the related items in the statement of financial position as follows:

	30-Jun-10 AUD	**30-Jun-09 AUD**
Loss after income tax	(10,614,119)	(9,092,087)
Depreciation and amortisation	85,677	324,998
Unrealised foreign exchange gains	(1,070)	(695,918)
Share based payments	1,822,089	524,135
Impairment expense	6,500,688	-
Gain (loss) on disposal of property, plant and equipment	400,149	183,066
	(1,806,586)	(8,755,806)
Changes in Assets and Liabilities		
(Increase)/Decrease in receivables	(2,888,433)	(31,676)
Increase/(Decrease) in payables	27,000	(1,069,206)
Increase/(Decrease) in provisions	11,657	(24,371)
Increase/(Decrease) in reserves	(1,681,105)	2,392,548
		-
Net cash used in operating activities	(6,337,467)	(7,488,511)

Notes to the Financial Statements
For the year ended 30 June 2010

Non-Cash Financing Activities

The following were the significant non-cash financing activities of the consolidated entity during the financial year ended 30 June 2010:

(i) The Company acquired the Peak Coal Group for a consideration of $15,403,034. The acquisition was settled in full by issue of Wildhorse Energy shares and options (Refer to Note 17 for further details)
(ii) The consolidated entity acquired an intangible asset, the purchase of which was settled in cash and by issue of share and options. The non-cash component of consideration was $747,800.
(iii) Broker fees of $390,563 incurred in relation to the capital raising were settled by issue of options.

There were no non-cash financing activities during the period ended 30 June 2009.

25. Related parties

Directors and Specified Executives
Disclosures relating to Directors and Key Management Personnel are set out in the Directors' Report under the section entitled Remuneration Report and Note 26.

Wholly Owned Group
The wholly owned Group consists of the Company and its wholly owned controlled entities as set out below:

		Ordinary capital held	
	Country of incorporation	30-Jun-10 %	30-Jun-09 %
Ultimate parent entity:			
WildHorse Energy Limited	Australia		
Subsidiaries:			
Peak Coal Pty Ltd (i)	Australia	100	-
White Coal Pty Ltd (i)	Australia	100	-
White Coal Holding Ltd (i)	Hong Kong	100	-
White Coal Energy Ltd (i)	Hong Kong	75	-
White Coal Energy Kft (i)	Hungary	75	-
White Coal Resources Kft (i)	Hungary	75	-
WildHorse Energy Holdings USA Inc	USA	100	100
WildHorse Energy Inc	USA	100	100
WildHorse Resources Inc	USA	100	100
WildHorse GE Holdings Inc (iii), (iv)	USA	100	100
Golden Eagle Unranium LLC (iii), (iv)	USA	90	90
WildHorse Energy Exploration SA	Ecuador	100	100
WildHorse Energy Kft	Hungary	100	100
WildHorse Resources Kft	Hungary	100	100
WildHore Energy Australia Pty Ltd	Australia	100	100
WildHorse Energy Poland	Poland	100	100
WildHorse Energy CZ, s.r.o. (v)	Czech Republic	100	100
Wildhorse Energy South Africa (ii)	South Africa	100	-
WildHorse Energy Canada Corp (vi)	Canada	-	100
WildHorse Energy S.A. (vii)	Paraguay	100	100
WildHorse (BVI) Inc (viii)	British Virgin Islands	100	100

Notes to the Financial Statements
For the year ended 30 June 2010

Related parties (continued)

(i) These entities where acquired on 26 February 2010. These entities are subsidiaries of Peak Coal Pty Ltd.
(ii) This entity was established 4 August 2010
(iii) These entities are subsidiaries of WildHorse Energy Holdings USA Inc.
(iv) These entities are subsidiaries of WildHorse Energy Australia Pty Ltd.
(v) These entities were established on 1 May 2008.
(vi) This entity was disolved on 21 July 2009.
(vii) This entity was established on 11 July 2007.
(vii) This entity was established on 17 October 2007 and is a subsidiary of WildHorse (BVI) Inc.
(viii) This entity was established on 11 October 2007.

Other related parties

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

		Transactions value For the year ended		Receivable from the related Party as at	
Related party		**30-Jun-10**	**30-Jun-09**	**30-Jun-10**	**30-Jun-09**
Quest Petroleum Ltd	*(i)*	14,968	-	5,286	-
Transerv Energy Ltd	*(ii)*	59,302	-	4,576	-
Pearl Mining & Metals Pty Ltd	*(iii)*	-	172,863	-	172,863
Wellard Group Holdings	*(iv)*	3,001	65,141	-	1,339

		Transactions value For the year ended		Payable to the related Party as at	
Related party		**30-Jun-10**	**30-Jun-09**	**30-Jun-10**	**30-Jun-09**
Kalahari Minerals Plc	*(v)*	27,150	-	10,751	-

(i) Quest Petroleum Ltd (QPN) a company associated with Mr Brett Mitchell, is currently a director of QPN. The transactions were reimbursement from QPN for some corporate administration costs incurred during the office that the Company operates from, including overhead and wage costs incurred in the ordinary course of business.
(ii) Transerv Energy Ltd (TSV) a company associated with Mr Brett Mitchell, is currently a director of TSV. The transactions were reimbursement from TSV for some corporate administration costs incurred during the office that the Company operates from, including overhead and wage costs incurred in the ordinary course of business.
(iii) Pearl Mining & Metals Pty Ltd is a company associated with Mr Richard Pearce. The charges to Pearl Mining & Metals were for reimbursement for travel and overhead costs incurred in the ordinary course of business.
(iv) Wellard Group Holdings is a company associated with Mr Richard Pearce. The charges to Wellard Group were for reimbursement of overhead and wages costs incurred in the ordinary course of business and a sale of furniture and fittings to the related entity upon moving from the shared premises.
(v) Kalahari Minerals P|L a company associated with Mr Mark Hohnen, is currently a director of. The transactions were reimbursement to Kalahari Minerals for shared corporate administration and travel costs incurred in the ordinary course of business.

The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms-length basis.

Notes to the Financial Statements
For the year ended 30 June 2010

26. Key management personnel disclosures

(a) Key Management Personnel Compensation

	CONSOLIDATED 2010 AUD	CONSOLIDATED 2009 AUD
Short-term employee benefits	814,599	842,585
Post Employment	65,259	49,510
Share-based payments	1,725,751	153,908
	2,605,607	1,046,003

Further information regarding the identity of key management personnel and their compensation can be found in the Audited Remuneration Report contained in the directors' report on pages 3 to 16 of this financial report.

(b) Options Holdings of Key Management Personnel (Consolidated Entity)
Details of options and rights held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

30 June 2010	Balance at beginning of year 1 July 2009	Granted as Remuneration	Net Other Changes	Balance at end of year 30 June 2010	Total	Not Exercisable
Directors						
Mark Hohnen	-	6,000,000	-	6,000,000	6,000,000	6,000,000
Mat Swinney	-	7,000,000	1,500,000	7,000,000	7,000,000	7,000,000
Brett Mitchell	-	2,000,000	-	2,000,000	2,000,000	-
Richard Pearce	750,000	-	(750,000)	-	-	-
Ian Middlemas	-	-	-	-	-	-
Craig Burton	250,000	-	(250,000)	-	-	-
Henry Neugebauer	500,000	-	(500,000)	-	-	-
Key Management Personnel						
Johan Brand	-	8,000,000	1,000,000	9,000,000	9,000,000	6,000,000
András Barabás	562,500	-	-	562,500	562,500	-
Malcolm Shannon Jr	1,100,000	-	-	1,100,000	1,100,000	-
	3,162,500	23,000,000	1,000,000	25,662,500	25,662,500	19,000,000

30 June 2009	Balance at beginning of year 1 July 2008	Granted as Remuneration	Net Other Changes	Balance at end of year 30 June 2009	Total	Not Exercisable
Directors						
Brett Mitchell	-	-	-	-	-	-
Craig Burton	250,000	-	-	250,000	250,000	-
Richard Pearce	750,000	-	-	750,000	750,000	-
Henry Neugebauer	500,000	-	-	500,000	500,000	-
Mark Hughes	500,000	-	(500,000)	-	-	-
Bruce Larson	250,000	-	(250,000)	-	-	-
Key Management Personnel						
Malcolm Shannon Jr	1,100,000	-	-	1,100,000	1,100,000	-
András Barabás	562,500	-	-	562,500	562,500	-
Ian Gregory	250,000	-	(250,000)	-	-	-
Total	4,162,500	-	(1,000,000)	3,162,500	3,162,500	-

Notes to the Financial Statements
For the year ended 30 June 2010

Details of options provided as remuneration can be found in the Remuneration Report contained in the Directors' Report designated as audited.

(c) Shareholdings of Key Management Personnel (Consolidated Entity)

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by key management personnel and their related parties are as follows:

Shares held in Wildhorse Energy Ltd (number)

30 June 2010	Balance 1 July 2009	Granted as Remuneration	On Exercise of Options	Net Other Changes	Balance 30 June 2010
Directors					
Mark Hohnen	-	-	-	666,667	666,667
Mat Swinney	-	-	-	66,667	66,667
Brett Mitchell	-	-	-	-	-
Richard Pearce	3,810,875	-	400,000	(14,500)	4,196,375
Ian Middlemas	5,000,000	-	-	100,000	5,100,000
Craig Burton	5,316,250	-	250,000	-	5,566,250
Henry Neugebauer	7,939,750				7,939,750
					-
Key Management Personnel					-
Johan Brand	-				-
András Barabás	-				-
Malcolm Shannon Jr	20,000	-	-	-	20,000
	22,086,875	-	650,000	818,834	23,555,709

30 June 2009	Balance 1 July 2008	Granted as Remuneration	On Exercise of Options	Net Other Changes	Balance 30 June 2009
Directors					
Brett Mitchell	-	-	-	-	-
Craig Burton	4,253,000	-	-	1,063,250	5,316,250
Richard Pearce	3,054,500	-	-	756,375	3,810,875
Henry Neugebauer	6,351,800	-	-	1,587,950	7,939,750
Mark Hughes	1,029,000	-	-	(1,029,000)	-
Bruce Larson	125,000	-	-	(125,000)	-
					-
Key Management Personnel					-
Malcolm Shannon Jr	20,000	-	-	-	20,000
Ian Gregory	62,500	-	-	(62,500)	-
Total	14,895,800	-	-	2,191,075	17,086,875

No other key management personnel held shares during the year ended 30 June 2010.

27. Share-based payments

Options are granted under the Company Employee Share Incentive Option Plan which was approved by the Directors on 11 September 2006. All staff are eligible to participate in the plan.

Options are granted under the plan for no consideration. Options are granted for a three year period and 100 per cent of each new tranche becomes exercisable after one year of the date of grant. Entitlements to the options are vested as soon as they become exercisable and performance conditions have been met. There are no cash settlement alternatives. Options granted under the plan carry no dividend or voting rights.

The expense recognised in the statement of comprehensive income in relation to share-based payments is disclosed in Note 9.

Notes to the Financial Statements
For the year ended 30 June 2010

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of any movements in share options issued during the year:

	No 2010	WAEP 2010	No 2009	WAEP 2009
Outstanding at the beginning of the year	8,131,630	$0.71	8,131,630	$1.34
Granted during the year	40,173,262	-	-	-
Forfeited during the year	(850,000)	-	-	-
Exercised during the year	(1,720,000)	-	-	-
Outstanding at the end of the year	45,734,892	$0.71	8,131,630	$1.34

Options exercisable as at 30 June 2010 was 22,268,226 (2009: 8,131,630)

The outstanding balance of options over ordinary shares as at 30 June 2010 represented by:

Grant Date	Exercisable	Expiry date	Exercise price	Number of options
02-Feb-07	02-Feb-08	02-Feb-11	$1.78	3,650,000
07-May-07	07-May-08	07-May-11	$1.88	310,000
02-Jul-07	21-Aug-08	02-Jul-11	$1.97	1,039,000
01-Jun-08	01-Jun-09	20-May-11	$0.90	562,630
24-Feb-10	24-Feb-10	31-Dec-11	$0.60	3,333,336
26-Feb-10	26-Feb-10 to 26-Feb-12	26-Feb-14	$0.50	8,333,332
26-Feb-10	26-Feb-10 to 26-Feb-13	26-Feb-14	$0.60	8,633,332
26-Feb-10	26-Feb-10 to 26-Feb-14	26-Feb-14	$0.70	4,000,000
26-Feb-10	26-Feb-10	16-Feb-14	$0.60	666,666
26-Feb-10	26-Feb-10	16-Feb-14	$0.90	333,333
26-Feb-10	26-Feb-10	16-Feb-14	$1.20	333,333
26-Feb-10	26-Feb-10	16-Feb-14	$1.50	333,333
01-Jun-10	01-Jun-10	01-Jun-12	$0.34	3,206,597
01-Jun-10	01-Jun-10 to 01-Jun 14	01-Jun-14	$0.50	2,200,000
01-Jun-10	01-Jun-10 to 01-Jun 14	01-Jun-14	$0.60	2,200,000
01-Jun-10	01-Jun-10 to 01-Jun 14	01-Jun-14	$0.70	4,600,000
30-Jun-10	30-Jun-10	30-Jun-14	$0.23	2,000,000
Total				45,734,892

The outstanding balance of options over ordinary shares as at 30 June 2009 represented by:

Grant date	Exercisable	Expiry date	Exercise price	Number of options
29-Sep-06	3-Nov-08	29-Sep-09	$0.50	2,500,000
1-Oct-06	1-Oct-08	1-Oct-09	$0.20	70,000
2-Feb-07	2-Feb-08	2-Feb-11	$1.78	3,650,000
7-May-07	7-May-08	7-May-11	$1.88	310,000
11-Dec-07	21-Aug-08	21-Aug-11	$1.97	1,039,000
1-Jun-08	1-Jun-09	20-May-12	$0.90	562,630
				8,131,630

No options were issued during year ended or since the year end.

Notes to the Financial Statements
For the year ended 30 June 2010

The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is between one and four years. The range of exercise prices for options outstanding at the end of the year was A$0.225 – A$1.97 (2009: $0.20 – A$1.97)

Fair value of options granted
Options granted during the year ended 30 June 2010; the fair values of options granted during the financial year were $0.1218 and $0.65 with a weighted average of $0.226. The fair value at grant date is independently determined using the binomial method of valuing options that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The following table lists the inputs to the model used for valuation of options:

	22.5c Options	**34c Options**	**50c Options**	**50c Options**	**60c Options**	**60c Options**
Dividend yield (%)	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility (%)	115%	115%	115%	125%	125%	115%
Risk-free interest rate (%)	4.71%	4.46%	5.14%	5.04%	5.04%	5.14%
Expected life of option (years)	4	2	4	4	4	4
Option exercise price ($)	$0.2250	$0.34	$0.50	$0.50	$0.60	$0.60
Weighted average share price at grant date ($)	$0.22	$0.26	$0.36	$0.26	$0.26	$0.36

	60c Options	**70c Options**	**70c Options**	**90c Options**	**120c Options**	**150c Options**
Dividend yield (%)	Nil	Nil	Nil	Nil	Nil	Nil
Expected volatility (%)	115%	125%	115%	115%	115%	115%
Risk-free interest rate (%)	4.54%	5.04%	5.14%	5.14%	5.14%	5.14%
Expected life of option (years)	1.8	4	4	4	4	4
Option exercise price ($)	$0.60	$0.70	$0.70	$0.90	$1.20	$1.50
Weighted average share price at grant date ($)	$0.38	$0.26	$0.36	$0.36	$0.36	$0.36

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily by the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

28. Discontinued Operations

The consolidated entity ceased operation in Paraguay during the previous financial year. The carrying value of plant and equipment of the discontinued operation was classified as assets held for sale, while the capitalised exploration and evaluation expenditure was fully impaired as at 30 June 2009. During the year ended 30 June 2010, the assets held for sale were fully impaired. The comparative statement of comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

The effect of the discontinued operations in the comprehensive statement of income

Notes to the Financial Statements
For the year ended 30 June 2010

Discontinued Operations (continued)

	30-Jun-10 AUD	30-Jun-09 AUD
Results from discontinued operation		
Impairment expense	(363,562)	(3,749,964)
Results from operating activities	(363,562)	(3,749,964)
Income tax	-	-
Loss for the year	(363,562)	(3,749,964)
Basic loss per share (cents)	(0.3)	(4.0)
Diluted loss per share (cents)	(0.3)	(4.0)

The loss from discontinued operation of $363,562 (2009: $3,749,964) is attributable entirely to the owners of the Consolidated entity.

Cash flows from/(used in) discontinued operation
There were no cash flows from or used in the discontinued operation during the year 30 June 2010 and the comparative period.

Effect of disposal on the financial position of the consolidated entity

	30-Jun-10 AUD	30-Jun-09 AUD
Exploration and evaluation expenditure	-	(3,749,964)
Assets held for sale	(363,562)	-
Net assets and liabilities	(363,562)	(3,749,964)

29. Parent Disclosures

	30-Jun-10 AUD	30-Jun-09 AUD
Current Assets	30,352,769	16,554,037
Non-Current Assets	18,718,286	2,047,712
Total Assets	49,071,055	18,601,749
Current Liabilities	441,229	104,138
Total Liabilities	441,229	104,138
Contributed equity	74,064,858	38,112,258
Reserves	7,509,218	3,780,082
Accumulated losses	(32,944,250)	(23,394,729)
Total Equity	48,629,826	18,497,611

	30-Jun-10 AUD	30-Jun-09 AUD
Loss for the year	(9,549,522)	(9,918,029)
Total Comprehensive loss for the period	**(9,549,522)**	**(9,918,029)**

Notes to the Financial Statements
For the year ended 30 June 2010

Commitments of parent company:

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
Payable:		
Within one year	229,142	-
Later than one year but not later than five years	576,380	-
	805,522	-

There are no know contingent liabilities or assets at report date.

30. Commitments

(a) *Contracted and uncontracted Commitments*

Capital expenditure contracted and uncontracted to maintain mining licenses and contracted costs in relation to the purchase of the intellectual property at the reporting date but not recognised as liabilities is as follows:

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
Payable:		
Within one year	6,494,999	375,000
Later than one year but not later than five years	1,419,870	375,000
	7,914,869	750,000

(b) Lease Commitments

The Company's lease commitments are the following:

(i) to maintain its rights and tenure over its two main US uranium projects Sweetwater and Bison Basin.
(ii) motor vehicles leases over a 5 year period.
(iii) Hungarian commercial property leases.

The leasing agreements for motor vehicles are over 5 year period.

Future lease commitments at the reporting date but not recognised as liabilities are as follows:

	CONSOLIDATED	
	30-Jun-10 AUD	30-Jun-09 AUD
Lease Commitments		
Payable:		
Within one year	259,191	211,623
Later than one year but not later than five years	102,823	-
	362,014	211,623

(c) Bank Guarantees
As at 30 June 2010 the consolidated entity had bank guarantees issued to mining leases $1,118,852 (2009: 107,671) secured by cash and in relation to the corporate visa card for $75,000 (2009:Nil).

Notes to the Financial Statements
For the year ended 30 June 2010

31. Contingencies

There are no know contingent liabilities or assets as at report date.

32. Subsequent events

No matters or circumstance have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years other than disclosed in the directors' report.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF WILDHORSE ENERGY LIMITED

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion:

(a) the financial report of Wildhorse Energy Limited is in accordance with the *Corporations Act 2001*, including:
    (i) giving a true and fair view of the financial position of Wildhorse Energy Limited and consolidated entities at 30 June 2010 and of their 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(a).

Report on the Remuneration Report

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

Auditor's Opinion

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

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh
Director

Perth, Western Australia
Dated this 30th day of September 2010

Corporate Governance Statement

OVERVIEW

In March 2003, the Australian Securities Exchange (ASX) Corporate Governance Council published its Principles of Good Corporate Governance and Best Practice Recommendations ("Recommendations").

In August 2007, the ASX Corporate Governance Council published a revised Principles and Recommendations (2^{nd} Edition) to ensure that these remain relevant to the Australian business and investment communities. The Company's Corporate Governance Statement is structured below with reference to the ASX Corporate Governance Council's Principles and Recommendations (2^{nd} Edition). The Company's Board of Directors has reviewed the recommendations. In many cases the Company was already achieving the standard required. In a limited number of instances, the Company has determined not to comply with the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a Company of this size. Recommendations which the Company does not comply with are highlighted in this report.

Further information on the Company's corporate governance policies is located on the website: wildhorse.com.au

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

1.1 Companies should establish and disclose the respective roles and responsibilities of board and management.

- **Recommendation 1.1:** Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.
- **Recommendation 1.2:** Companies should disclose the process for evaluating the performance of senior executives.
- **Recommendation 1.3:** Companies should provide the information indicated in the Guide to reporting on Principle 1.

1.2 The Company's practice:

The Board considers that the essential responsibility of directors is to oversee the Company's activities for the benefit of its shareholders, employees and other stakeholders and to protect and enhance shareholder value. Responsibility for management of the Company's business is delegated to the Executive Director, who is accountable to the Board.

Further, the Board takes specific responsibility for:-

- Contributing to the development of and approving corporate strategy;
- Appointing, assessing the performance of and, if necessary removing the Executive Director;
  Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- Overseeing and monitoring:
    - Organizational performance and the achievement of strategic goals and objectives
    - Compliance with the Company's code of conduct
    - Progress of major capital expenditures and other corporate projects including acquisitions, mergers and divestments;
- Monitoring financial performance including approval of the annual, half yearly and quarterly reports and liaison with the auditor;
- Ensuring there are effective management processes in place, including reviewing and ratifying systems of risk identification and management, ensuring appropriate and adequate internal control processes, and that monitoring and reporting procedures for these systems are effective;
- Enhancing and protecting the Company's reputation;
- Approving major capital expenditure, capital management, acquisitions and divestments;
- Reporting to shareholders;
- Appointment of directors; and
- Any other matter considered desirable and in the interest of the Company.

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The Board is responsible for the overall Corporate Governance of the Company including the strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Company has a formal Board Charter which is on the Company's website and summarised above. In broad terms, the Board is accountable to the shareholders and must ensure that the Company is properly managed to protect and enhance shareholders' wealth and other interests. The Board Charter sets out the role and responsibilities of the Board within the governance structure of the Company and its related bodies corporate (as defined in the Corporations Act).

Senior executives are responsible for the ongoing management of the Company's operations and report to the Board. They are accountable for all functions that are necessary to the operations of the Company and not specifically reserved to the Board. Senior Executives performance is reviewed on a regular basis by the Board.

Based on the above information the Company believes it is fully compliant with Recommendations 1.1, 1.2 and 1.3.

2. PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

2.1 Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

- **Recommendation 2.1:** A majority of the board should be independent directors.
- **Recommendation 2.2:** The chair should be an independent director.
- **Recommendation 2.3:** The roles of chair and chief executive officer should not be exercised by the same individual.
- **Recommendation 2.4:** The board should establish a nomination committee.
- **Recommendation 2.5:** Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.
- **Recommendation 2.6:** Companies should provide the information indicated in the Guide to reporting on Principle 2.

2.2 The Company's practice:

Independence

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of unfettered and independent judgement. In accordance with this definition, the Company has two independent Directors, with the Board comprising of a non-executive Chairman, an Executive Director and one non-executive director.

Composition

The directors have been chosen for their particular expertise to provide the company with a competent and well-rounded decision-making body and which will assist the company and shareholders in meeting their objectives.

The term in office held by each director in office at the date of this report is as follows and details of the professional skills and expertise of each of the directors are set out in the Directors' Report.

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Name	Position	Term in Office
Mr Matt Swinney	Managing Director	7 Months
Mr Mark Hohnen	Chairman	7 Months
Mr János Csák	Director	1 Month
Mr James Strauss	Director	1 Month
Mr Ian Middlemas	Director	8 Months
Mr B Mitchell	Director	1 Year

The directors meet frequently, both formally and informally, so that they maintain a mutual, thorough understanding of the Company's business and to ensure that the Company's policies of corporate governance are adhered to.

Education

The Company has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the Company's expectations concerning the performance of directors. Directors are given access to and encouraged to participate in 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 advisor at the consolidated 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 board members.

Nomination committee

The Company does not currently have a separate nomination committee and as such has not complied with Recommendation 2.4. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full board, given the size and nature of the Company's activities and as such, the Board does not believe that any marked efficiencies or enhancements would be achieved by the creation of a separate nomination committee.

Monitoring of Board Performance

The performance of all Directors is reviewed by the Chairman on an ongoing basis and any Director whose performance is considered unsatisfactory is asked to retire. The Chairman's performance is reviewed by the other Board members.

The Company has established firm guidelines to identify the measurable and qualitative indicators of the Director's performance during the course of the year. Those guidelines include:

- Attendance at all Board meetings. Missing more than three consecutive meetings without reasonable excuse will result in that Director's position being reviewed,
- Attendance at the Company's Shareholder Meetings. Non-attendance without reasonable excuse will result in that Director's position being reviewed.

Based on the above information the Company believes it is fully compliant with Recommendations 2.1, 2.2, 2.3, 2.5 and 2.6. The Company is not compliant with Recommendation 2.4 as outlined.

3. PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

3.1 Companies should actively promote ethical and responsible decision-making.

- **Recommendation 3.1**: Companies should establish a code of conduct and disclose the code or a summary of the code as to:

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  - the practices necessary to maintain confidence in the company's integrity
  - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
  - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices
- **Recommendation 3.2**: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.
- **Recommendation 3.3:** Companies should provide the information indicated in the Guide to reporting on Principle 3.

3.2 The Company's practice:
Ethical Standards

The Company has a formal Code of Conduct as per Recommendation 3.1. This code outlines how directors and employees of the Company and its related bodies corporate are to behave when conducting business. A full copy of this Code of Conduct is available on the Company's website.

The Company is committed to the highest level of integrity and ethical standards in all business practices. Directors and employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation. In addition, the Board subscribes to the Statement of Ethical Standards as published by the Australian Institute of Company Directors.

All Directors 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.

Directors Dealings in Company Shares
The Company has a securities trading policy in place that applies to its directors, employees and contractors. The trading policy prohibits directors, employees and contractors from dealing in shares of the Company whilst in possession of price sensitive information.

General trading in the Company's securities is prohibited:

- whilst in possession of unpublished price sensitive information;
- where officers are engaging in the business of active dealing;
- two weeks before and 24 hours after the release of the Company's quarterly, half yearly or annual report to the ASX; and
- two weeks before lodgement and during the period that a disclosure document including a prospectus is open for applications except to the extent that a director or employee is applying for securities pursuant to that disclosure document.

The policy requires directors to notify the Board and employees to notify the Executive Director in advance of any transactions involving the Company's securities.

In addition, Directors must notify the Australian Securities Exchange of any acquisition or disposal of shares by lodgement of a Notice of Director's Interests.

Conflicts of Interest

In accordance with the Corporations Act and the Company's constitution Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exist the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Based on the above information the Company believes it is fully compliant with Recommendations 3.1, 3.2 and 3.3.

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4. PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1 Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

- **Recommendation 4.1:** The board should establish an audit committee.
- **Recommendation 4.2**: The audit committee should be structured so that it:
  - consists only of non-executive directors
  - consists of a majority of independent directors
  - is chaired by an independent chair, who is not chair of the board
  - has at least three members.
- **Recommendation 4.3:** The audit committee should have a formal charter.
- **Recommendation 4.4:** Companies should provide the information indicated in the Guide to reporting on Principle 4.

4.2 The Company's practice:

Audit Committee

The Board has not established a separate audit committee and as such has not complied with Recommendation 4.1 & 4.2. The duties and responsibilities typically delegated to such a committee are the responsibility of the full Board, due to the size and current operations of the Company.

The processes the Board applies in performing this function include:-

- reviewing internal control and recommending enhancements;
- monitoring compliance with Corporations Act 2001, Securities Exchange Listing Rules, matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investment Commission and financial institutions;
- improving the quality of the accounting function, personnel and processes;
- reviewing external audit reports to ensure that where major deficiencies or breakdowns in controls or procedures have been identified, appropriate and prompt remedial action is taken by management;
- liaising with the external auditors and ensuring that the annual audit and half-year review are conducted in an effective manner; and
- reviewing the performance of the external auditors on an annual basis and nomination of auditors is at the discretion of the Board.

Audit and Compliance Policy

The Board imposes stringent policies and standards to ensure compliance with all corporate financial and accounting standards. Where considered appropriate, the Company's external auditors, professional advisors and management are invited to advise the Board on these issues and the Board meets quarterly to consider audit matters prior to statutory reporting.

The Company requires that its auditors must not carry out any other major area of service to the Company and should have expert knowledge of both Australian and international jurisdictions.

The Board assumes responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information. The Board maintains responsibility for a framework of internal control and ethical standards for the management of the consolidated entity.

The board, consisting of members with financial expertise and detailed knowledge and experience of the mineral exploration and evaluation business, advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Executive Director and Company Secretary declared in writing to the Board that the Company's financial reports for the year ended 30

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June 2008 present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This statement is required annually.

Based on the above information the Company believes it is fully compliant with Recommendations 4.3 and 4.4. The Company is not compliant with Recommendations 4.1 and 4.2 as outlined.

5. PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

5.1 Companies should promote timely and balanced disclosure of all material matters concerning the company.

- **Recommendation 5.1**: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.
- **Recommendation 5.2:** Companies should provide the information indicated in the Guide to reporting on Principle 5.

5.2 The Company's practice:

Continuous Disclosure Policy

The Company has a formal Continuous Disclosure Policy as required by Recommendation 5.1. This policy was introduced to ensure the Company achieves best practice in complying with its continuous disclosure obligations under the Corporations Act and ASX Listing Rules and ensuring The Company and individual officers do not contravene the Corporations Act or ASX Listing Rules. A full copy of this policy can be found on the Company's website.

The Company is required to immediately tell the ASX once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

Therefore to meet this obligation the Company undertakes to:

(a) Notify the ASX immediately it becomes aware of any information that a reasonable person would expect to have a material effect on the price and value of the companies securities, unless that information is not required to be disclosed under the listing rules;
(b) Disclose notifications to the ASX on the Company website following confirmation of the publishing of the information by the ASX; and
(c) Not respond to market speculation or rumour unless the ASX considers it necessary due to there being, or likely to be, a false market in the Company's securities.

The Executive Director & Company Secretary is responsible for co-ordinating the disclosure requirements. To ensure appropriate procedure all directors, officers and employees of the Company coordinate disclosures through the Company Secretary**,** including:

(d) Media releases;
(e) Analyst briefings and presentations; and
(f) The release of reports and operational results.

Based on the above information the Company believes it is fully compliant with Recommendations 5.1 and 5.2.

6. PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Corporate Governance Statement

- **Recommendation 6.1:** Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.
- **Recommendation 6.2:** Companies should provide the information indicated in the Guide to reporting on Principle 6.

6.2 The Company's practice:

Shareholder Communication
It is the policy of the Company to communicate effectively with its shareholders by giving them ready access to balanced and understandable information about the Company and making it easier for them to participate in general meetings.

The Board encourages full shareholder participation at the Annual General Meeting as it provides shareholders an opportunity to review the Company's annual performance. Shareholder attendance also ensures a high level of accountability and identification with the Company's strategy and goals.

The shareholders are responsible for voting on the appointment of directors, approval of the maximum amount of directors' fees and the granting of options and shares to directors. Important issues are presented to the shareholders as single resolutions.

The Company's auditor is required to be present, and be available to shareholders, at the Annual General Meeting.
Information is communicated to shareholders through:-

- the Annual Report which is distributed to all shareholders;

- Half-Yearly Reports, Quarterly Reports, and all Australian Securities Exchange announcements which are posted on the Company's website;
- the Annual General Meeting and other meetings so called to obtain approval for Board action as appropriate; and
- compliance with the continuous disclosure requirements of the Australian Securities Exchange Listing Rules.

The Company's full policy on shareholder communication can be found on our website.

Based on the above information the Company believes it is fully compliant with Recommendations 6.1 and 6.2.

7. PRINCIPLE 7: RECOGNISE AND MANAGE RISK

7.1 Companies should establish a sound system of risk oversight and management and internal control.

- **Recommendation 7.1:** Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.
- **Recommendation 7.2:** The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.
- **Recommendation 7.3:** The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.
- **Recommendation 7.4:** Companies should provide the information indicated in the Guide to reporting on Principle 7.

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7.2 The Company's practice:

RISK MANAGEMENT

Recognise and Manage Risk

Risk oversight, management and internal control are dealt with on a continuous basis by management and the Board, with differing degrees of involvement from various Directors and management, depending upon the nature and materiality of the matter.

The Board has established a formal policy to effectively recognise and manage risk as required by Recommendation 7.1. The Company's policy is to achieve levels of operation that balance risk and reward with the ultimate aim of optimising shareholder value. The Risk Management and Internal Control policy is detailed in full on our website.

Oversight of the risk management system

The Board takes a proactive approach to risk management. The Board is responsible for oversight of the processes whereby the risks, and also opportunities, are identified on a timely basis and that the Company's objectives and activities are aligned with the risks and opportunities identified by the Board. This oversight encompasses operational, financial reporting and compliance risks.

The Company believes that it is crucial for all Board members to be a part of the process, and as such the Board has not established a separate risk management committee. The Board oversees the establishment, implementation and annual review of the Company's risk management policies as part of the Board approval process for the strategic plan, which encompasses the Company's vision and strategy, designed to meet stakeholder's needs and manage business risks.

The Executive Director and Company Secretary has declared, in writing to the Board and in accordance with section 295A of the Corporations Act, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. All risk assessments

covered the whole financial year and the period up to the signing of the annual financial report for all material operations in the Company.

Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that deals with:

- Financial reporting - there is a comprehensive budgeting system with an annual budget, updated on a regular basis approved by the Board. Monthly actual results are reported against these budgets.
- Investment appraisal - the Company has clearly defined guidelines for capital expenditure including annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses or assets are being acquired or divested.
- Quality and integrity of personnel - the Company's policies are detailed in an approved induction manual. Formal appraisals are conducted annually for all employees.

Based on the above information the Company believes it is fully compliant with Recommendations 7.1, 7.2, 7.3 and 7.4.

8. PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

8.1 Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

- **Recommendation 8.1**: The board should establish a remuneration committee.
- **Recommendation 8.2**: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

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- **Recommendation 8.3:** Companies should provide the information indicated in the Guide to reporting on Principle 8.

8.2 The Company's practice:

Remuneration committee

The Company does not currently have a separate remuneration committee and as such has not complied with Recommendation 8.1. The duties and responsibilities typically delegated to such a committee are considered to be the responsibility of the full board, given the size and nature of the Company's activities.

Remuneration policies

Remuneration of Directors are formalised in service agreements. The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the Executive Director and the executive team.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and senior executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Board links the nature and amount of executive directors' and senior executives emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

1. Retention and Motivation of senior executives
2. Attraction of quality management to the Company
3. Performance incentives which allow executives to share the rewards of the success of the Company

Remuneration of non-executive directors is determined by the Board with reference to comparable industry levels and, specifically for directors' fees, within the maximum amount approved by shareholders. There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

For details on the amount of remuneration and all monetary and non-monetary components for all directors refer to the Remuneration Report on pages 6 to 11 of the Annual Report. In relation to the payment of bonuses,

options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

Based on the above information the Company believes it is fully compliant with Recommendation 8.2 and is not compliant with Recommendation 8.1 as outlined.