BLACKWOOD
CORPORATION

ANNUAL REPORT 2011

ENERGY TO GROW


Townsville
Pentland
Project Areas
Mackay
Emerald
Rockhampton
Roma
Miles
Dalby
Brisbane
Goondiwindi
Gold Coast

ABOUT BLACKWOOD CORPORATION (ASX:BWD)

BLACKWOOD'S COAL PORTFOLIO

Blackwood, through its wholly owned subsidiary Matilda Coal Pty Ltd, has an impressive portfolio of 48 granted Exploration Permits for Coal (EPC) covering over 5,800km^2. A further 22 EPC applications cover an additional 1,600km^2 in the major coal basins of Queensland. Blackwood has designated priority project areas in the Bowen, Galilee and Surat Basins, based on the prospectivity for high quality export coal and proximity to export infrastructure. Blackwood has also established a pipeline of secondary exploration projects that provide long term growth opportunities.

5,800km^2

OF EXPLORATION PERMITS

VISION

Our strategy for development

EXPLORE – Our priority Queensland projects, aiming to fast track JORC resource confirmation, accelerate coal to market and establish project pipeline

ENHANCE – Our tenement portfolio, through rationalisation of existing tenements, and accumulation of prospective tenements

EXPAND – Our business through M&A opportunities and present synergies, utilising accumulated value and complimentary assets to Blackwood's projects

ACQUIRE – High value international coal prospects for market diversification and growth

"WE INTEND TO AGGRESSIVELY EXPLORE OUR TENEMENTS, LOCATED IN WORLD CLASS AUSTRALIAN COAL BASINS, WITH THE AIM OF IDENTIFYING JORC COMPLIANT COAL RESOURCES."

18
PROJECT AREAS

100%
OWNED BY BLACKWOOD

ABOUT BLACKWOOD CORPORATION (ASX:BWD) continued

COAL SECTOR OUTLOOK

The future for the coal sector is strong. It is forecast that demand levels for coal will remain firm underpinned by rising demand for energy and steel. Further capacity is likely to be required to satisfy customers. This should translate into consistent prices received by coal producers. This situation presents an exciting business opportunity for Blackwood, and the broader coal sector.

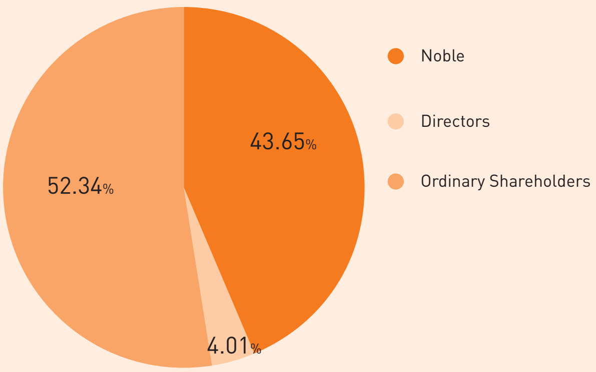
CORPORATE SUPPORT

The company is supported by Noble Group Limited (Noble Group), and is one of the few coal exploration entities that has major backing from a globally recognised partner. Noble Group, in addition to its position as one of the world's largest coal trading businesses, provides Blackwood with technical, corporate and marketing support, enabling the Company to focus on its primary purpose of discovering and confirming resources.

43.65% SHAREHOLDING IN BLACKWOOD

SHAREHOLDER STRUCTURE

Through its associated subsidiaries, Noble Group has a shareholding in Blackwood of 43.65%.



BLENDING YOUTH AND EXPERIENCE

The board of Blackwood Corporation contains industry-recognised individuals, with over 100 years combined experience in the resources sector. The company's management has over 75 years combined experience in the coal industry, yet are youthful, fresh and enthusiastic to take Blackwood forward.

CHAIRMAN'S REPORT

THE PAST 12 MONTHS HAS SEEN A WONDERFUL TRANSFORMATION OF BLACKWOOD CORPORATION AND THE OUTLOOK FOR THE FORESEEABLE FUTURE IS EXCELLENT.

Dear Shareholder

Your Company began in mid 2008 as an early-stage explorer with the aspiration to become a coal exploration and development company of scale. Today we have a clear and funded exploration program across a group of high prospectivity tenements, an effective leadership team and strong corporate partners.

In December 2010, Blackwood (formerly Matilda Minerals Ltd) was relisted on the Australian Securities Exchange ("ASX") after a $12m recapitalisation (60m shares @ $0.20). The relisting was supported by the Noble Group Ltd ("Noble"), which subscribed for 30.8m shares or 51% of the raising to become Blackwood's largest shareholder with a direct holding of 22%. Blackwood also entered into a Technical Services Agreement ("TSA") whereby Noble would provide various technical services to Blackwood to the value of $2.32m in the first year and $2.62m in the second year. Payment by Blackwood for these services is to be made through the issue of 11.6m shares for year one and 13.1m shares in year two. The recapitalisation of Blackwood was fully underwritten by RBS Morgans. The recapitalisation cash ($12m) and the cash equivalent of the TSA ($4.94) provided Blackwood with $16.94m to diligently advance its exploration activities in Queensland and its other business opportunities.

Mr. Barry Bolitho
Non-Executive Chairman

Blackwood has a very significant tenement portfolio in Queensland; with 48 Exploration Permits for Coal (EPC) covering 5,800 km^2 of granted territory, and a further 22 under application. This makes us one of the largest and best placed of the junior/mid tier ASX listed coal companies. Blackwood's extensive tenements are located in the world-class coal basins of the Bowen, Galilee, Surat and Clarence Moreton basins. We firmly believe that Blackwood's exploration portfolio can generate substantial exploration success leading to excellent production potential and commercial opportunities.

Drilling at South Pentland (Galilee Basin) commenced before June 30, with Rolleston starting up in July after delays caused by various factors including extremely poor weather. Blackwood engaged Ellemby Resources Pty Ltd to undertake our early stage exploration management and our sincere thanks goes to Ellemby's Sam Reich and his team for a commendable effort in undertaking a myriad of tasks to enable commencement of a well-planned exploration programme.

The board was very pleased to appoint Todd Harrington as Chief Executive Officer of Blackwood from August 2011. Todd has had extensive experience in the Queensland coal industry and most recently was employed by Xstrata for many years as Manager – Geological Services Queensland. Todd has assembled an impressive management team with wide-ranging skills including vast experience in the coal basins of Queensland and international coal exploration. The board now considers Blackwood to have one of the best management teams in the coal exploration sector and we are confident that the exploration and development results delivered by this team will be very impressive.

In conjunction with Ellemby and other consultants (that have worked closely with Blackwood), the management team has completed a strategic technical review of Blackwood's tenements and early exploration results and has revised the exploration programme. 18 project areas have been designated with seven of these classified as primary targets, each capable of hosting commercially valuable coal deposits. Early exploration results from South Pentland have highlighted the great potential contained within Blackwood's Galilee Basin tenements f or substantial open cut and underground coal deposits. Initial results at Rolleston are also encouraging. Exploration of the other primary areas will commence late in 2011 and early 2012.

The planned exploration programme for the second half of 2011 is exciting. Blackwood now has the management team and financial capacity to deliver exploration results that could transform Blackwood into a substantial commercial entity.

I take this opportunity of thanking all at Blackwood, including the board, for their belief, enthusiasm and contribution this year and as chairman of Blackwood, I look forward to 2012 and beyond with great confidence.

Sincerely

Barry Bolitho
Chairman

CEO'S REPORT

THE BREADTH OF THE BLACKWOOD PORTFOLIO IS HARD TO MATCH, FROM THE PERSPECTIVE OF NUMBER OF PERMITS, GROUND COVERED AND THE PROVEN COAL BASINS IN WHICH THEY ARE LOCATED.

Dear Shareholder,

It was with great pleasure that I took up the role as Chief Executive Officer of Blackwood Corporation on 1 August 2011. With support from Barry Bolitho and the Blackwood board, I believe we have begun to pull together a quality team of people and portfolio of resource opportunities to turn Blackwood into a great Australian coal company.

Blackwood is a great opportunity for all involved. The management team is backed by a board of experienced resource specialists, who have proven success in resource identification and transformation to high value producing assets. Their expertise in the industry is second to none. I believe their guidance and support will see Blackwood become a major Australian coal company.

The backing of Noble group is a particular strength for Blackwood. Very few peers have such strong, credible support from a globally recognised partner. We are fortunate to benefit from their technical, corporate and marketing support; areas which are important, but often limit the development of junior explorers. Noble gives us a great platform to deliver on shareholder expectations, and I acknowledge their strong support for Blackwood.

Mr. Todd Harrington
Chief Executive Officer.

Finally, I believe that our portfolio is world class. We possess a large number of tenements across all of the major Queensland coal basins. Many of these tenements are located close to existing deposits, mines and infrastructure. The breadth of the Blackwood portfolio is hard to match, from the perspective of number of permits, ground covered and the proven coal basins in which they are located.

I have set about building the Blackwood team with one focus in mind; to recruit what I believe is one of the strongest management teams of all junior to mid-tier Australian listed coal companies. We have hit the ground running, and look forward to delivering on 2012 expectations.

CORPORATE REVIEW

The past year has been a challenging one for the company, mainly due to inadequate resources in the first half of 2011 and difficult drilling conditions. The exploration industry has been in a boom, limiting access to rigs and people. Wet weather and drill rig availability hampered operations across most of Blackwood's territory, with operations commencing in South Pentland in June 2011. It is acknowledged that the company has been slow with its exploration so far, and resources have been added, optimised and directed to ensuring that programs are aggressively expanded as quickly as possible.

A key step in optimising our efforts and fast tracking our project development was the completion of a strategic review and desktop assessment of the entire Blackwood portfolio. This was carried our in detail by project, capturing the key inputs for evaluation such as coal rank, seam thickness, depth, mining type and tenure size. This has enabled Blackwood to estimate the likelihood of exploration success, calculate potential coal resources, and gauge the asset development potential. We believe this will help to accelerate coal to market through our primary targets, and establish a significant Project Pipeline through our secondary targets.

It has been a challenging twelve months on the financial markets. Since floating, Blackwood has not escaped this volatility, with significant share price fluctuations. However, our current cash position (and cash equivalents as provided under the Noble Technical Services Agreement) is healthy. The company has no debt and is very well positioned to aggressively explore its world-class tenement portfolio in the 2011-2012 period.

The company has established good relationships with its contractors. All contractors have been formally inducted into Blackwood's demanding safety and health systems, ensuring compliance with company standards.

CEO'S REPORT continued

LEGISLATION

The Queensland Government has changed many elements of the land access and compensation laws for mining and exploration companies in the past year. Blackwood has been an active participant in conferences and workshops aimed at understanding these changes, ensuring the process of conducting operations is carried out in a correct legal matter. The company is also undergoing reviews of tenements that are affected by proposed legislation such as Urban Areas and Strategic Cropping Land. We aim to work with the government to achieve a favourable outcome for all parties involved. The company also notes federal policy such as the proposed Carbon Tax and Mineral Resources Rent Tax (MRRT), and will consider these in relation to all financial feasibility studies.

SUSTAINABLE DEVELOPMENT

Blackwood Corporation recognises that sustainable exploration and development underpins everything we do. We are proud to be a part of the communities in which we operate, and seek to give something back to the local community. Community engagement and consultation is a cornerstone of Blackwood's business to ensure the company and community can maximise the synergies between them.

ENVIRONMENT

We recognise our responsibility to the community to be an upstanding member of it through the rehabilitation of all work sites to the same or better condition than they were found in. The company strives to build strong relationships that will last numerous project phases and years. Trust and respect are cornerstone values of Blackwood and are without compromise. We are also aware of our obligations to Cultural Heritage and work in partnership with local traditional land owners to ensure positive outcomes are found.

"THROUGH ENGAGEMENT AND CONSULTATION WITH ALL STAKEHOLDERS IN OUR BUSINESS, WE WILL GROW TOGETHER."

"SOLID FOUNDATIONS BEING BUILT TO ESTABLISH PROJECT PIPELINE, AND ACCELERATE FLAGSHIP PROJECTS TO MARKET."

7 PRIORITY PROJECTS

11 PIPELINE PROJECTS

HEALTH AND SAFETY

'Zero Harm' embodies Blackwood's attitude to safety. It is a core value of the company, and is reflected in the way in which it operates to ensure that all employees, contractors and direct stakeholders are injury and illness free. We have a strong and robust Safety & Health Management System (SHMS) implemented across all projects and workers. Our Senior Site Executive leads by example in this regard, not only maintaining and overseeing the implementation of the SHMS and driving a risk based culture, but is also regularly on site to challenge testing systems and processes for compliance.

THE FUTURE

The objective our management effort during this period, is to define and significantly expand our resource base in the next year. This will build a solid foundation for company growth, and will be the first step in fast tracking our flagship 'priority' projects to market. This includes three separate and significant opportunities in the Galilee Basin (North Hughenden, South Pentland & North Carmichael), three Bowen Basin projects (Dingo, Capella, and North Rolleston), and one in the Surat Basin (Taroom).

On behalf of the management team, I'd like to express our passion and commitment to the shareholders of Blackwood for the coming year. Our programs are intended to accelerate the development of quality coal opportunities.

We now have a team of strong coal people with local knowledge and resources engaged to deliver success for Blackwood. It is clear the new team has hit the ground running with immediate impact. We possess a strong balance sheet, a globally recognised partner, a skilled and industry recognised board, and a youthful yet experienced executive team that has the 'Energy to Grow' Blackwood into a world class, Australian coal company.

Sincerely

Todd Harrington
Chief Executive Officer

BOARD OF DIRECTORS

Mr Barry Bolitho

(B App Sc, Dip App Chem, FAusIMM)

Non-Executive Chairman

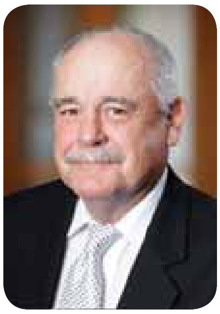
Mr Bolitho has many years experience in senior executive roles in the resources industry, including experience as chairman, executive and non-executive directorships on ASX and TSX listed companies. He has tertiary qualifications in metallurgy and chemistry, and has extensive operational experience in a number of metals, including base metals, mineral sands and precious metals.

Mr William Randall

(B Bus)

Non-Executive Director

Mr Randall is currently Group Head – Coal & Coke for Noble Group. Mr Randall started his career with Noble in their Australian operations, transferring to Asia in 1999 where he established Noble's mining, operations and supply chain management businesses for coal. Following his appointment as Director – Noble Energy Inc in 2001, Mr Randall continued to build the Group's global Coal & Coke marketing network and asset pipeline. In 2006, Mr Randall was appointed Global Head of Coal & Coke and to Noble Group's Executive Board.

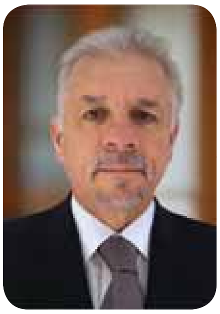


Mr Andrew Simpson

(Grad Dip Bus, MAICD)

Non-Executive Director

Mr Simpson is a senior corporate executive, with extensive global marketing and business development experience in the resources industry, including more than 30 years in international marketing and distribution of minerals and metals. He is a professional company director and is also the managing director of Resource & Technology Marketing Services Pty Ltd, a company providing specialist marketing and business assessment advisory to the mineral resources and technology industries, both in Australia and internationally.



Mr Rex Littlewood

(B Sc [Geology], MAICD)

Non-Executive Director

Mr Littlewood has more than 30 years experience in the international coal market, and well versed in all aspects of the mining industry; from exploration, development and production, through to export and delivery to customer. As Vice President of Noble Energy, a subsidiary of Noble Group, Mr Littlewood was responsible for their Asian coal & coke platform, developing mines as well as mining and export infrastructure. Mr Littlewood is a highly respected coal industry figure, who currently consults in most facets of the industry through his company, Australian Carbon Assets.

SENIOR MANAGEMENT

Mr Todd Harrington

(B Sc [Geology] {Hons}, MBA, MAusIMM)

Chief Executive Officer

Mr Harrington has extensive experience in the Australian coal industry. He was formerly Manager – Geological Services for Xstrata Coal Queensland, responsible for exploration activities and mining operations with annual exploration expenditure exceeding $80 million. He added over 3 billion tonnes of JORC compliant coal resources to Xstrata's portfolio. Previous roles at Xstrata included Principal Geologist – Operations, and Geology Superintendent at Newlands Collinsville Abbot Point Coal, including authorization as competent person on coal resource statements.

Mr Harrington has also had exposure to a number of international coal prospects and projects, and is a former Chairman of the Bowen Basin Geology Group.

Mr Mark Winsley

(B Sc [Geology], MAusIMM)

General Manager Queensland – Exploration

Mr Winsley has been closely involved with the Queensland coal industry for the past 16 years. Most recently, he was Exploration Manager for Hancock Coal, where he was responsible for the design and implementation of all exploration programmes and was also a member of the Executive Management team for pre-feasibility, and bankable feasibility studies.

Prior to this role, he was Principal Exploration Geologist with Salva Resources where he was integral to the rapid growth of this organisation. For 3 years, he developed the exploration team and managed several large exploration programmes leading to the discovery of substantial commercial coal resources.

Dr Joel Yago

(B Sc [Geology], M Sc [Geology], PhD [Geology])

Principal Geologist – International

Dr Yago has extensive coal exploration and development experience including recent management and supervisory roles, principally in Queensland. For the past 7 years, he has been Manager – Exploration and Mining for GeoConsult; a leading geoscience organisation where he was responsible for more than 46 geologists working on a variety of coal projects.

Prior to this, he was with the CSIRO Queensland Centre for Advanced Technology for 5 years, where he was involved with generating the 3D sedimentological and structural "Super Model" for the western limb of the Bowen Basin, plus a number of other coal related detailed research projects.

Mr Brendan Schilling

(B Bus, M Mktg, AMAMI)

General Manager – Business Development

Mr Schilling joined Noble Resources Australia in 2007, having previously worked in marketing, brand and business development for an international consumer goods company. He was involved in Noble's marketing, planning and logistics activities, specialising in coal. During 2009, Mr Schilling was transferred to Singapore as Vice President – Energy Coal Marketing, responsible for the origination, execution and marketing of Noble Resources East Kalimantan coal operations.

FINANCIAL REPORT

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Blackwood Corporation Limited ("the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2011.

DIRECTORS

The following persons were directors of Blackwood Corporation Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Mr Barry Bolitho (Chairman)
- Mr Roger Hobbs (resigned 8 November 2010)
- Mr Andrew Simpson
- Brendan McPherson (appointed 8 November 2010; resigned 6 July 2011)
- William Randall (appointed 8 November 2010)
- Rex Littlewood (appointed 6 July 2011)

PRINCIPAL ACTIVITY

The principal activity of the Company during the financial year was coal exploration in Australia.

REVIEW OF OPERATIONS AND ACTIVITIES

The operating loss after income tax of the Group for the year was $1,531,012 (2010: loss $1,125,363). The loss reflects the nature of the Group's principal activity of exploration for coal in Queensland. The company has commenced exploration on its tenements, with drilling started on Galilee and Bowen Basin projects. The company expects to continue to increase exploration activity over the next year, in association with reviewing and refining its asset portfolio.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The company entered into Administration on 20 October 2008 and deed of company arrangement ("DOCA") on 4 May 2009. On 29 October 2010, the company changed its name from Matilda Minerals Limited to Blackwood Corporation Limited.

On 29 October 2010, the company issued 5,000,000 fully paid ordinary shares to the Trustee of the Creditors' Trust that was established under the Creditors' Trust Deed, which was a condition of releasing the company from the Deed of Company Arrangement.

In December 2010 the company issued 60,000,000 fully paid ordinary shares at $0.20 per share to raise an additional $12,000,000 pursuant to a prospectus to recapitalise the company.

The company entered into a Technical Services Agreement pursuant to which Noble Group Limited through their subsidiary Janvel Pty Ltd will provide the Company with technical services and strategic advice and will result in the issue of 24,700,000 shares to Janvel Pty Ltd over a two year period as consideration for services to be provided. Janvel Pty Ltd will assist the Company by providing the following services under the Technical Services Agreement, subject at all times to the direction and approval of the Company's board of directors:

a) plan, design and manage the Company's coal exploration program;

b) manage the evaluation of exploration results;

c) communicate with the Board of Directors of the Company regarding exploration results (and their interpretation) and ongoing strategy (and adjustments to that strategy) as exploration results evolve;

d) provide strategic advice and direction regarding opportunities to exploit potential mineralisation; and

e) provide the Company with office space in Brisbane for the purpose of conducting its business activities.

The company issued 4,200,000 fully paid ordinary shares to directors and employees as consideration for services contributed in achieving the recapitalisation and removal from administration as well as for services provided during the administration period.

The company was reinstated to quotation on the Australian Securities Exchange on 16 December 2010.

DIVIDEND

The directors do not recommend the payment of a dividend. No dividend was paid or provided during the year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

At the date of this report there are no matters or circumstances which have arisen since 30 June 2011 that have significantly affected, or may significantly affect:

- the Group's operations in future financial years, or
- the results of those operations in future financial years, or
- the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS FROM OPERATIONS

There are no likely developments in the operations of the Group that are expected to significantly affect the results of the Group in future years.

ENVIRONMENTAL REGULATION

The Group is subject to significant environmental regulation in respect of its exploration activities in Australia and is committed to undertaking all its operations in an environmentally responsible manner.

To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation and are not aware of any breach of those requirements during the financial year and up to the date of the directors' report.

INFORMATION ON DIRECTORS

MR BARRY BOLITHO, NON-EXECUTIVE CHAIRMAN

BAppSc, Dip App Chem, FAusIMM

Expertise and experience

Mr Bolitho holds tertiary qualifications in chemistry and metallurgy. He has been a director of a number ASX listed resource companies and has considerable operational, project and corporate management experience.

Special responsibilities

Chairman of the Board

Chairman of Remuneration and Nomination Committee

Member of Audit and Risk Management Committee

Other directorships

During the past three years Mr Bolitho has served as a director and/or chairman of other listed companies as follows:

Andean Resources Ltd	From:	1 August 2006
	To:	1 November 2010
Industrial Minerals Ltd	From:	10 March 2011
Brightstar Resources Ltd	From:	4 April 2011
Jabiru Metals Ltd	From:	1 November 2005
	To:	1 May 2011
Red 5 Limited	From:	10 March 2010
	To:	1 November 2011
Sub Sahara Resources NL	From:	1 March 2007
	To:	26 August 2009
Olympia Resources Limited	From:	17 June 2008
	To:	4 May 2009

Interest in shares and options

5,568,323	ordinary shares
Nil	options

MR RODGER HOBBS, NON-EXECUTIVE DIRECTOR

B.A. Geophys. and Geol., M AusIMM

Date of resignation: 8 November 2010

Expertise and experience

Mr Hobbs has been active in mineral exploration and development for over 30 years and has wide experience in the exploration for and development of, various commodities including precious metals, mineral sands and coal. During this time as a consultant to QIT and Rio Tinto from 1989 to 1999, he completed a comprehensive survey of all the known and potential mineral sands deposits and provinces in Australia. Most recently Mr Hobbs was Exploration Manager for Magnetic Minerals Ltd.

Special responsibilities

None

Other directorships

No other listed company directorships in the past three years.

Interest in shares and options as at date of resignation

4,918,772	ordinary shares
Nil	options

MR ANDREW SIMPSON, NON-EXECUTIVE DIRECTOR

Grad Dip Bus and Admin, MAICD

Expertise and experience

Mr Simpson is a senior corporate executive, with extensive global marketing and business development experience in the resource industry, including more than 30 years in international marketing and distribution of minerals and metals. He is a professional company director and is also the managing director of Resource & Technology Marketing Services Pty Ltd, a company providing specialist marketing and business assessment advisory to the mineral resources and technology industries, both in Australia and Internationally.

Special responsibilities

Chairman of Audit and Risk Management Committee

Member of Remuneration and Nomination Committee

Other directorships

During the past three years Mr Simpson has served as a director/and or chairman of other listed companies as follows:

Territory Resources Limited	From:	25 Sept 2007
India Resources Limited	From:	21 August 2006

Swick Mining Services Ltd	From: 24 Oct 2006
Vital Metals Limited	From: 23 Feb 2005
ABM Resources NL	From: 12 May 2007 To: 23 November 2009

Interest in shares and options

1,000,000	ordinary shares
Nil	options

MR WILLIAM RANDALL, NON-EXECUTIVE DIRECTOR

B Business

Date of appointment: 8 November 2010

Expertise and experience

Mr Randall is the Group Head of the Coal & Coke Division for Noble Group. Mr Randall holds a Bachelor's degree in Business, majoring in international marketing. He commenced his career at Noble in Australia, transferring to Asia in 1999 where he established Noble's coal operations, mining and supply chain management businesses. Following his appointment as Director, Noble Energy Inc in 2001, Mr Randall continued to build the global coal and coke marketing network and asset pipeline. He was appointed global head of Coal & Coke in 2006, and became a member of the Noble Group Executive Board in 2006.

Special responsibilities

None

Other directorships

Gloucester Coal Limited	From: 17 June 2009
East Energy Resources Limited	From: 20 July 2010

Interest in shares and options

Mr Randall does not hold ordinary shares or options.

MR BRENDAN MCPHERSON, NON-EXECUTIVE DIRECTOR

B Economics, Harvard Program for Management Development

Date of appointment: 8 November 2010
Date of resignation: 6 July 2011

Expertise and experience

Mr McPherson was previously the Senior Vice President – Asset Development & Operations of Noble Resources Australia Pty Ltd. Mr McPherson was also Chief Executive Officer and Director of Donaldson Coal, and a Director of the Newcastle Coal Infrastructure Group. As CEO of Donaldson Coal, Mr McPherson has overseen the approval and development of three mines within the Donaldson Mining Complex. Prior to joining Donaldson Coal in 1999, Mr McPherson was the Chief Finance Officer of Multinet Gas, and Ikon Energy, Mr McPherson has also worked with the Gas & Fuel Corporation of Victoria, the State Bank of Victoria and the Electricity Trust of South Australia. Mr McPherson holds a Bachelor of Economics degree from Adelaide University, and completed the Program for Management Development at the Harvard Business School in 1996.

Special responsibilities

None

Other directorships

No other listed company directorships in the past three years.

Interest in shares and options as at date of resignation

Mr McPherson did not hold ordinary shares or options.

MR REX LITTLEWOOD, NON-EXECUTIVE DIRECTOR

B Science (Geology), MAICD

Date of appointment: 6 July 2011

Expertise and experience

Mr Littlewood has more than 30 years experience in the international coal market, being well versed in all aspects of the mining industry; from exploration, development and production, through to export and delivery to customer. As Vice President of Noble Energy, a subsidiary of Noble Group, Mr Littlewood was responsible for their Asian coal & coke platform, developing mines as well as mining and export infrastructure for the company's Australian operations.

Mr Littlewood is a highly respected coal industry figure, who currently consults in most facets of the coal industry through his company, Australian Carbon Assets.

Mr Littlewood possesses a Bachelor of Science Degree (Geology), as well as tertiary qualifications in Analytical Chemistry and Coal Technology. Mr Littlewood is a Member of the Australian Institute of Company Directors.

Special responsibilities

None

Other directorships

East Energy Resources Limited	From: 20 July 2011

Interest in shares and options

Mr Littlewood does not hold ordinary shares or options.

DIRECTORS' REPORT continued

MEETINGS OF DIRECTORS

The numbers of meetings of the company's Board of Directors and of each Board committee held during the year ended 30 June 2011, and the numbers of meetings attended by each director were:

	Full Meetings of Directors		Meetings of Nomination and Remuneration Committee		Meetings of Audit and Risk Management Committee	
	A	B	A	B	A	B
B Bolitho	4	4	2	2	1	1
R Hobbs	–	–	–	–	–	–
A Simpson	4	4	2	2	1	1
B McPherson	2	4	–	–	–	–
W Randall	3	4	2	2	1	1
R Littlewood	–	–	–	–	–	–

A Number of meetings attended
B Number of meetings held during the time the director held office or was a member of the committee during the year.

INFORMATION ON COMPANY SECRETARY

MS SHANNON ROBINSON, COMPANY SECRETARY
LLB, BCom (Accounting)

Expertise and experience

Ms Robinson is a corporate advisor for Grange Consulting Group Pty Ltd (Grange Consulting) where she specialises in corporate advisory and company secretarial services. Ms Robinson has significant corporate experience practicing law for a reputable legal firm and is a member of AMPLA and WA Law Society and an affiliate member of the Chartered Secretaries Australia. Ms Robinson is company secretary to two other ASX listed companies.

Ms Robinson was appointed to the position of company secretary on 8 November 2007.

On 1 September 2011, Ms Robinson resigned as company secretary. On the same day Sarah Smith and Emma McCormack were appointed as joint company secretaries.

Remuneration report (Audited)

This remuneration report sets out remuneration information for Blackwood Corporation Limited's non-executive directors, executive directors and other key management personnel of the Group and the company.

DIRECTORS AND EXECUTIVES DISCLOSED IN THIS REPORT

Name	Position	Date of appointment
	Non-executive and executive directors – see pages 16 to 17 above	
Other key management personnel		
B Schilling	General Manager – Business Development	1 February 2011
S Robinson	Company Secretary	8 November 2007

T Harrington commenced as Chief Executive Officer on 1 August 2011. As he did not commence until after year end no information in the remuneration report relates to Mr Harrington.

Remuneration report (Audited) continued

ROLE OF THE REMUNERATION AND NOMINATION COMMITTEE

The remuneration and nomination committee is a committee of the Board of Directors (the "board"). It is primarily responsible for making recommendations to the board on:

- non-executive director fees;
- executive remuneration (directors and other executives); and
- the over-arching executive remuneration framework and incentive plan policies.

PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The remuneration policy of Blackwood Corporation Limited has been designed to align directors and executive objectives with shareholder and business objectives by providing a fixed remuneration component. The Board of Blackwood Corporation Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Company is set out below.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the remuneration and nomination committee and approved by the Board.

The Company engaged each of the executive directors as consultants, with remuneration and terms stipulated in individual consultancy agreements. These have all expired and the executive director is currently engaged on a monthly basis.

The Board reviews executive packages annually by reference to comparable information from industry sectors and other listed companies in similar industries. Currently there is no link between remuneration and shareholder wealth or company performance. In addition external consultants may be used to provide analysis and advice to ensure the Directors and senior executives' remuneration is competitive in the market place.

Directors and senior executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

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

The Company's policy is to remunerate Directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration and nomination committee determines payments to the Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to directors is subject to approval by shareholders at the Annual General Meeting. Fees for directors are not linked to the performance of the Company. The Directors are not required to hold any shares in the Company under the Constitution of the Company. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

Non-executive directors

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Directors resolved that non-executive directors' fees are $50,000 per annum for each non-executive director and $75,000 per annum for the Chairman. Payment of Directors fees ceased when the Company went into administration. Non-executive Directors may also be remunerated for additional specialised services performed at the request of the Board and reimbursed for reasonable expense incurred by directors on Company business.

Remuneration report (Audited) continued

Directors' fees

The current base fees were last reviewed with effect from 1 July 2011.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum currently stands at $320,000 per annum.

There are no termination benefits or notice periods for Non-executive directors.

The following fees have applied:

Base fees	$
Chair	70,000
Other non-executive directors	50,000

Additional fees

A Director may also be paid fees or other amounts as the Directors determines if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Executive pay

Objective

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- Align the interests of executives with those of shareholders; and
- Ensure total remuneration is competitive by market standards.

Structure

The Company engages each of the executive directors as consultants, with remuneration and terms stipulated in individual consultancy agreements.

Senior management receive a base salary (which is based on factors such as length of service and experience), which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles, as well as employer contributions to superannuation funds.

Details of remuneration

The Board reviews executive packages annually by reference to comparable information from industry sectors and other listed companies in similar industries.

Company Performance, Shareholder Wealth and Directors and Executives Remuneration

There was no link between Company performance and remuneration for Directors and executives for the year ended 30 June 2011. It is noted that there were no options issued to Directors and/or executives during the financial year.

The share price on relisting in December 2010 was 28 cents. Since that time the shares have traded between 36.5 cents and 22.5 cents. The closing price on 30 June 2011 was 23 cents. As a mining exploration entity there is no direct correlation between financial performance and shareholder wealth. Market sentiment in relation to exploration results is the main driver of shareholder wealth. At this time remuneration is not linked to performance or shareholder wealth.

Amounts of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Blackwood Corporation Limited are set out in the following tables.

Remuneration report (Audited) continued

2011	Short-term benefits	Post-employment benefits	Share-based payment		
Name	Cash salary and fees $	Super-annuation $	Shares $	Total $	A %
Non-executive directors					
A Simpson	34,899	–	200,000	234,899	85%
W Randall[1]	–	–	–	–	–
B McPherson[1]	–	–	–	–	–
Sub-total non-executive directors	**34,899**	**–**	**200,000**	**234,899**	
Executive directors					
B Bolitho	163,460	–	300,000	463,460	65%
R Hobbs	368,108	–	200,000	568,108	35%
Key management personnel					
B Schilling	51,606	4,645	–	56,251	–
S Robinson[2]	58,541	–	–	58,541	–
Sub-total executive directors and key management personnel	**641,715**	**4,645**	**500,000**	**1,146,360**	
Total key management personnel compensation (Group)	**676,614**	**4,645**	**700,000**	**1,381,259**	

A Percentage of remuneration that is share-based payment.

1 W Randall and B McPherson did not receive any remuneration during the period.

2 Blackwood has contracted its company secretarial function to Grange Consulting. Shannon Robinson is an employee of Grange Consulting. During the period the company paid Grange Consulting $58,541 in relation to the company secretarial services agreement.

No element of remuneration is linked to performance.

Remuneration report (Audited) continued

2010	Short-term benefits	Post-employment benefits	Share-based payment		
Name	Cash salary and fees $	Super-annuation $	Shares $	Total $	A %
Non-executive director					
A Simpson	–	–	–	–	–
Sub-total non-executive directors	**–**	**–**	**–**	**–**	
Executive directors					
B Bolitho	13,500	–	–	13,500	–
R Hobbs	176,440	–	–	176,440	–
Key management personnel					
S Robinson[1]	–	–	–	–	–
	–	–	–	–	–
Sub-total executive director and key management personnel	**189,940**	**–**	**–**	**189,940**	
Total key management personnel compensation (Group)	**189,940**	**–**	**–**	**189,940**	

A Percentage of remuneration that is share-based payment.

1 The Company Secretary during the year was Shannon Robinson who is employed by Grange Consulting and who is engaged by the Company through a company secretarial services agreement. No consulting fee was paid to Grange Consulting for company secretarial services provided during the year.

No element of remuneration was linked to performance.

There were no other executives of the Group or Company in 2011 and 2010.

SERVICE AGREEMENTS

No formal service agreement has been enacted between non-executive directors and the Company.

Remuneration and other terms of employment for the other key management personnel are also formalised in service agreements. Other major provisions of the agreements relating to remuneration are set out below.

All contracts with executives may be terminated early by either party with 4 months' notice, subject to termination payments as detailed below:

Name	Term of agreement	Base salary including superannuation	Termination benefit
B Schilling	On-going	150,000	Nil
Grange Consulting (S Robinson)	On-going	100,000	Nil

Remuneration report (Audited) continued

SHARE-BASED COMPENSATION

Options

There were no options granted affecting remuneration in the current or a future reporting period. There are currently no options held by directors and other key management personnel.

Shares provided on exercise of remuneration options

No options were exercised by any of the directors or key management personnel during the year under review.

Shares

Shares were issued to directors for services provided during the period the company was under a deed of company arrangement. These were valued using quoted market prices on the day of issue. There were no other performance conditions attaching to these shares. The board's current policy does not allow director and executives to limit their risk exposure in relation to equities or options without the approval of the board.

This is the end of the remuneration report.

SHARES UNDER OPTION

Unissued ordinary shares of Blackwood Corporation Limited under option at the date of this report are as follows:

Date options granted	Vesting status	Expiry date	Exercise price	Number under option
12/10/2007	Vested	11/10/2011	51 cents	750,000
				750,000

No option holder has any right under the options to participate in any other share issue of the company or of any other entity.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

No options were exercised during the year.

INSURANCE OF OFFICERS

During the financial year Blackwood Corporation Limited paid a premium to insure the directors and secretary of the company.

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 the entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a willful breach of duty by the officers or the 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.

The company has not indemnified its auditors.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

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*.

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 are important.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit and Risk Management Committee is satisfied that the provision of the 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 Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2010 $	2011 $
Other assurance services		
Due diligence services	–	12,625
Total remuneration for other assurance services	**–**	**12,625**
Taxation services		
Tax compliance services	–	5,000
Total remuneration for taxation services	**–**	**5,000**
Total remuneration for non-audit services	**–**	**17,625**

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 25. BDO Audit (QLD) Pty Ltd continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

B Bolitho
Chairman

Brisbane, 29 September 2011

AUDITOR'S INDEPENDENCE DECLARATION

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DECLARATION OF INDEPENDENCE BY D P WRIGHT TO THE DIRECTORS OF BLACKWOOD CORPORATION LIMITED

As lead auditor of Blackwood Corporation Limited for the year ended 30 June 2011, 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; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Blackwood Corporation Limited and the entities it controlled during the period.

D P WRIGHT
Director

BDO Audit (QLD) Pty Ltd

Brisbane, 28 September 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2011

	Notes	Consolidated 2011 $	Consolidated 2010 $
Revenue	5	170,084	266,231
Other income	5	1,019,558	32,659
Depreciation and amortisation expenses	9,11	(3,370)	(5,272)
Employee benefits expenses		(250,149)	(273,556)
Write off of capitalized exploration costs		–	(147,536)
Finance costs		(17,331)	(32,821)
Rental expense		(46,346)	(52,278)
Share based payments expense		(840,000)	–
Administration and consulting expenses		(1,563,458)	(912,790)
Loss before income tax		**(1,531,012)**	**(1,125,363)**
Income tax expense	6	–	–
Loss for the year		**(1,531,012)**	**(1,125,363)**
Other comprehensive income			
Other comprehensive income for the year, net of tax		–	–
Total comprehensive loss for the year attributable to members of Blackwood Corporation Limited		**(1,531,012)**	**(1,125,363)**

		Cents	Cents
Loss per share			
Basic loss per share	23	(1.2)	(1.2)
Diluted loss per share	23	(1.2)	(1.2)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2011

	Notes	Consolidated 2011 $	Consolidated 2010 $
Assets			
Current assets			
Cash and cash equivalents	7	9,346,260	6,634,938
Trade and other receivables	8	197,960	502,399
Total current assets		**9,544,220**	**7,137,337**
Non-current assets			
Property, plant and equipment	9	35,030	16,255
Exploration and evaluation assets	10	1,424,602	505,373
Intangible assets	11	6,769	–
Total non-current assets		**1,466,401**	**521,628**
Total assets		**11,010,621**	**7,658,965**
Liabilities			
Current liabilities			
Trade and other payables	12	151,071	8,956,200
Total current liabilities		**151,071**	**8,956,200**
Total liabilities		**151,071**	**8,956,200**
Net assets/(liabilities)		**10,859,550**	**(1,297,235)**
Equity			
Issued capital	13(a)	41,682,005	28,470,297
Shares to be issued under the Technical Services Agreement		476,089	–
Reserves		1,420,254	1,420,254
Accumulated losses		(32,718,798)	(31,187,786)
Total equity		**10,859,550**	**(1,297,235)**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2011

	Issued capital $	Shares to be issued under the Technical Services Agreement $	Share based payment reserve $	Accumulated losses $	Total $
Balance at 1 July 2009	28,470,297	–	1,420,254	(30,062,423)	(171,872)
Total comprehensive income:					
Loss for the year	–	–	–	(1,125,363)	(1,125,363)
Transactions with owners in their capacity as owners:					
Shares issued	–	–	–	–	–
Share-based payments	–	–	–	–	–
Balance at 30 June 2010	**28,470,297**	**–**	**1,420,254**	**(31,187,786)**	**(1,297,235)**
Total comprehensive income:					
Loss for the year	–	–	–	(1,531,012)	(1,531,012)
Transactions with owners in their capacity as owners:					
Shares issued	13,000,000	–	–	–	13,000,000
Share issue costs	(628,292)	–	–	–	(628,292)
Shares earned, yet to be issued	–	476,089	–	–	476,089
Share-based payments	840,000	–	–	–	840,000
Balance at 30 June 2011	**41,682,005**	**476,089**	**1,420,254**	**(32,718,798)**	**10,859,550**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2011

	Notes	Consolidated 2011 $	Consolidated 2010 $
Cash flows from operating activities			
Receipts in the course of operations (inclusive of goods and services tax)		13,334	2,435,738
Payments to suppliers (inclusive of goods and services tax)		(8,304,839)	(2,381,485)
Interest received		170,084	232,524
Finance costs		(17,331)	–
Net cash outflows from operating activities	21	**(8,138,742)**	**286,777**
Cash flows from investing activities			
Payments in relation to exploration assets		(484,486)	(281,925)
Payments for property, plant and equipment		(31,158)	–
Proceeds from sale of plant and equipment		1,000	–
Payments for intangible assets		(7,000)	–
Proceeds from secured deposits		–	257,143
Payments for secured deposits		–	(47,500)
Net cash outflows from investing activities		**(521,644)**	**(72,282)**
Cash flows from financing activities			
Proceeds from share issue		12,000,000	–
Payment of share issue costs		(628,292)	–
Net cash inflows from financing activities		**11,371,708**	**–**
Net increase in cash and cash equivalents		2,711,322	214,495
Cash and cash equivalents at the beginning of the financial year		6,634,938	6,414,951
Effect of exchange rate changes on cash and cash equivalents		–	5,492
Cash and cash equivalents at the end of the financial year	7	**9,346,260**	**6,634,938**

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Blackwood Corporation Limited (the "company") is a company incorporated and domiciled in Australia. The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Blackwood Corporation Limited and its subsidiaries.

The financial statements are presented in Australian dollars which is the company's and consolidated entity's functional and presentation currency.

The Financial Report was authorised for issue by the Directors on 29 September 2011.

(A) BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

The consolidated financial statement of the Blackwood Corporation Limited Group (the Group) complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2010:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project;*
- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions;*
- AASB 2009-10 *Amendments to Australian Accounting Standards – Classification of Rights Issues;*
- AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19; and*
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project.*

The adoption of these standards did not have any material impact on the current period or any prior period and are not likely to affect future periods.

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, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Going concern

The annual financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. Having carefully assessed the uncertainties relating to the likelihood of securing additional funding and the consolidated entity's ability to effectively manage its expenditures and cashflows from operations, the directors believe that the consolidated entity will continue to operate as a going concern for at least the next 12 months from the date of signing of this report and therefore it is appropriate to prepare the financial statements on a going concern basis.

In the event that the assumptions underpinning the basis of preparation do not occur as anticipated, there exists a material uncertainty whether the consolidated entity will continue to operate as a going concern. If the consolidated entity is unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3. Estimates may materially vary from actual results.

(B) PRINCIPLES OF CONSOLIDATION

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Blackwood Corporation Limited at 30 June 2011. Blackwood Corporation Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group 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 Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group 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 Group.

(C) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Management Team that makes strategic decisions.

(D) INCOME TAXES

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 changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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 financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a 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 determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date 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 probable that future taxable amounts will be available to utilise those temporary differences and losses. 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 relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the assets and settle the liability simultaneously.

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. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(E) EXPLORATION AND EVALUATION ASSETS

Pre-license costs are recognised in profit or loss as incurred.

Exploration and evaluation assets , including the costs of acquiring licenses, are capitalised on a project by project basis. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

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

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

(F) PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation, and any impairment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(F) PROPERTY, PLANT AND EQUIPMENT continued

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

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life to the entity. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Plant & equipment	4-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period 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 the carrying amount. These gains or losses are included in the statement of comprehensive income.

(G) INTANGIBLES

Software costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the asset.

(H) CASH AND CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, 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, and bank overdrafts.

(I) ISSUED CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(J) IMPAIRMENT OF ASSETS

The carrying amounts of assets are reviewed at each reporting date to determine if there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated, as discussed below.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the cash-generating unit on a pro-rata basis.

An impairment loss is reversed if there has been an indication that the impairment loss no longer exists and there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. An impairment loss in respect of assets other than goodwill is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

(K) TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. These amounts are unsecured and usually have 30 day payment terms.

(L) 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 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 flows.

(M) 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 the 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.

(N) REVENUE

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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.

(O) EMPLOYEE BENEFITS

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service 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 end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments

Share-based compensation benefits are provided to employees via the Blackwood Corporation Limited Employee Option Plan.

The fair value of options granted under the Blackwood Corporation Limited Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised the proceeds received net of any directly attributable transaction costs are credited directly to equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

(P) BUSINESS COMBINATIONS

The acquisition method of accounting is used to account for all business combinations. 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. 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.

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

The excess of the consideration transferred 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.

(Q) OPERATING LEASES

Payments made under operating leases are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property. Lease incentives are recognised in the profit or loss as an integral part of total lease expense spread over the lease term.

(R) PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity, Blackwood Corporation Limited, disclosed in note 25 has been prepared on the same basis as the consolidated financial statements, except that investments in subsidiaries are recorded at cost.

(S) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013). AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, this standard is expected to have no impact on the Group's financial statements.

(ii) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011). In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, it is expected that this standard will have no impact on any of the amounts recognised in the financial statements.

2. FINANCIAL RISK MANAGEMENT

The Group's overall risk management plan seeks to minimize potential adverse effects due to the unpredictability of financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are credit risk, liquidity risk and cash flow interest rate risk.

The Group holds the following financial instruments:

	Consolidated	
	2011 $	2010 $
Financial assets		
Cash and cash equivalents – variable interest rates	9,346,260	6,634,938
Trade and other receivables – no interest	197,960	502,399
	9,544,220	**7,137,337**
Financial liabilities		
Trade and other payables – no interest	151,071	8,956,200
	151,071	**8,956,200**

Risk management is carried out by the Group's finance function under policies and objectives which have been approved by the Board of Directors. The Managing Director has been delegated the authority for designing and implementing processes which follow the objectives and policies.

The Board receives monthly reports which provide details of the effectiveness of the processes and policies in place.

CREDIT RISK

Credit risk is the risk of loss from a counter-party failing to meet its financial obligations to the company.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provision for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions. For bank and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available).

	Consolidated	
	2011 $	2010 $
Cash at bank and short-term bank deposits		
A-1+ rating	9,346,260	6,634,938

Other than cash and cash equivalents, the most significant other financial assets are trade and other receivables. The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Group. There were no debts over 30 days at balance date requiring consideration of impairment provisions.

2. FINANCIAL RISK MANAGEMENT continued

LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities to meet obligations when due.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows. The Group has financed its operations through capital raisings and not sought alternate funding from external finance facilities.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings.

Contractual maturities of financial liabilities	Less than 6 months $	6–12 Months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Total contractual cash flows $	Carrying amount $
At 30 June 2011							
Trade and other payables	**151,071**	**–**	**–**	**–**	**–**	**151,071**	**151,071**
At 30 June 2010							
Trade and other payables	8,956,200	–	–	–	–	8,956,200	8,956,200

INTEREST RATE RISK

Interest rate risk is managed by constant monitoring of interest rates. The Group's interest rate exposure is limited to its cash and cash equivalent assets. The weighted average interest rate is 2.1% (2010: 5.74%).

A change of 100 basis points (bp) in interest rates at the reporting date would have increased/ (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2010.

	Profit or Loss		Equity	
	100bp Increase	100bp Decrease	100bp Increase	100bp Decrease
30 June 2011				
Cash flow sensitivity	93,463	(93,463)	–	–
30 June 2010				
Cash flow sensitivity	66,349	(66,349)	–	–

FAIR VALUE MEASUREMENTS

The fair value of financial assets and financial liabilities approximates their carrying values as disclosed in the statement of financial position and notes to the financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

KEY JUDGMENTS

(i) Carrying value of exploration and evaluation assets

The Group has capitalised exploration assets of $1,424,602 (2010: $505,373). This amount includes costs directly associated with exploration. These costs are capitalised as an intangible asset until assessment and/or drilling of the permit is complete and the results have been evaluated. These costs include employee remuneration, materials, rig costs, delay rentals and payments to contractors. The expenditure is carried forward until such a time as the area of interest moves into the development phase, is abandoned, sold or sub-blocks relinquished.

Given exploration activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable resources and the difficulty in forecasting cash flows to assess the fair value of exploration expenditure there is uncertainty as to the carrying value of exploration expenditure. The ultimate recovery of the carrying value of exploration expenditure is dependent upon the successful development and commercial exploitation or, alternatively, sale of the interests in the tenements.

4. SEGMENT INFORMATION

IDENTIFICATION OF REPORTABLE SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision maker in assessing performance and determining the allocation of resources.

The Group is managed primarily on the basis of product category. Operating segments are therefore determined on this basis.

DESCRIPTION OF SEGMENTS

Based on the internal reports presented to the key operating decision makers the consolidated entity has only one operating segment; being the exploration for coal in Australia. The financial information of this segment matches that of the Group.

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

	Consolidated	
	2011 $	2010 $
5. REVENUE AND EXPENSES		
Interest	170,084	266,231
	170,084	**266,231**
Other income – foreign exchange gains	–	32,659
Other income – gain on extinguishment of debt (refer (a) below)	1,005,224	–
Other income	14,334	–
	1,019,558	**32,659**
Defined contribution superannuation expense	6,681	–

(A) GAIN ON EXTINGUISHMENT OF DEBT

The release of the company from the Deed of Company arrangement occurred during the period. In consideration for the extinguishment of all liabilities incurred prior to the release, the Company transferred all cash holdings to the Creditors Trust and issued 5,000,000 shares at 20 cents per share.

	Consolidated	
	2011 $	**2010 $**
6. INCOME TAX		
(B) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
Loss before income tax	**(1,531,012)**	**(1,125,363)**
Tax at the Australian tax rate of 30% (2010: 30%)	(459,304)	(337,609)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	252,000	–
Other non-allowable items	–	65
Gain on extinguishment of liability	(301,507)	–
	(508,871)	**(337,544)**
Net adjustment to deferred tax assets and liabilities for tax losses and temporary differences not recognised		
Deferred tax asset not recognised on tax losses	508,871	337,544
Income tax expense	**–**	**–**
(C) DEFERRED TAX LIABILITIES		
Exploration expenditure	427,381	151,612
Timing differences	–	9,798
Deferred tax liabilities 30% (2010: 30%)	**427,381**	**161,410**
Offset of deferred tax liabilities	(427,381)	(161,410)
Recognised deferred tax liabilities	**–**	**–**
(D) DEFERRED TAX ASSETS		
Tax losses	8,483,467	7,866,443
Expenses taken to equity	150,790	41,164
Timing differences	52,335	114,829
Potential deferred tax assets at 30% (2010: 30%)	**8,686,592**	**8,022,436**
Offset of deferred tax liabilities	(427,381)	(161,410)
Net unrecognised deferred tax assets	**8,259,211**	**7,861,026**

In order to recoup carried forward losses in future periods, either the Continuity of Ownership Test (COT) or Same Business Test must be passed. The majority of losses are carried forward at 30 June 2011 under the Same Business Test.

Deferred tax assets which have not been recognised as an asset, will only be obtained if:

(i) the economic entity derives future assessable income of a nature and of an amount sufficient to enable the losses to be realised;

(ii) the economic entity continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the economic entity in realising the losses.

(E) FRANKING CREDITS

The Group has no franking credits available.

	Consolidated 2011 $	2010 $
7. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**9,346,260**	**6,634,938**

RISK EXPOSURE

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

8. TRADE AND OTHER RECEIVABLES

Current	2011 $	2010 $
Trade debtors	–	65,915
Other debtors	47,605	–
Deposits	150,355	436,484
	197,960	**502,399**

As at 30 June 2011 there were no past due or impaired receivables (2010: Nil). The Group's exposure to credit risk is discussed in note 2.

The deposits are held with HSBC and support the bank guarantees required to be given in relation to exploration permits.

9. PLANT AND EQUIPMENT

Consolidated	Plant & Equipment 2011 $	Plant & Equipment 2010 $
At 1 July	16,255	21,527
Additions	31,158	–
Disposals	(9,244)	–
Depreciation charge	(3,139)	(5,272)
At 30 June	**35,030**	**16,255**
At 30 June 2011		
At Cost	40,485	21,527
Accumulated depreciation	(5,455)	(5,272)
Net book amount	**35,030**	**16,255**

	Consolidated	
	2011 $	2010 $

10. EXPLORATION AND EVALUATION ASSETS

	2011 $	2010 $
Mineral properties – cost	**1,424,602**	**505,373**
Reconciliation		
Balance at the beginning of the year	505,373	348,984
Additions	919,229	303,925
Disposals	–	–
Written off	–	(147,536)
Balance at the end of the year	**1,424,602**	**505,373**

Recoverability of the carrying amount of exploration and evaluation assets is dependent on the successful development and commercial exploitation or alternatively sale of the respective area of interest.

11. INTANGIBLE ASSETS

	2011 $	2010 $
Software at cost	7,000	–
Accumulated amortization	(231)	–
	6,769	**–**

12. TRADE AND OTHER PAYABLES

	2011 $	2010 $
Trade payables	83,277	8,955,265
Other payables and accrued expenses	64,423	–
Employee benefits	3,371	935
	151,071	**8,956,200**

13. CONTRIBUTED EQUITY

(A) SHARE CAPITAL

	Consolidated		Consolidated	
	2011 Shares	2010 Shares	2011 $	2010 $
Ordinary shares – Fully paid	160,350,269	91,150,269	41,682,004	28,470,297
	160,350,269	**91,150,269**	**41,682,004**	**28,470,297**

(B) MOVEMENTS IN ORDINARY SHARE CAPITAL:

Details	Number of Shares	Issue Price ($)	$
Balance at the start of the year	91,150,269		28,470,297
Shares issued under the prospectus	60,000,000	0.20	12,000,000
Capital costs associate with shares issued under the prospectus	–		(628,292)
Shares issued to Trustee of the Creditors' Trust	5,000,000	0.20	1,000,000
Shares issued to directors and employees	4,200,000	0.20	840,000
	160,350,269		**41,682,004**

There were no movements in ordinary share capital in the prior year.

(C) 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.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(D) OPTIONS

At balance date 1,100,000 options over ordinary shares of Blackwood Corporation Limited were on issue.

Grant date	Number of options	Exercise price	Expiry date
04/09/2006	350,000	$0.53	01/09/2011
12/10/2007	750,000	$0.51	11/10/2011
	1,100,000		

During the financial year no options were exercised.

(E) CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of equity attributable to equity holders, comprising of contributed equity, reserves and accumulated losses. In order to maintain or adjust the capital structure, the company may issue new shares or adjust the level of activities undertaken by the Group. There are no externally imposed capital requirements. The Group monitors capital on the basis of cash flow requirements for operational, and exploration and evaluation expenditure. The Group's exposure to borrowings as at 30 June 2011 totals $nil (2010: $nil). The Group will continue to use capital market issues and joint venture participant funding contributions to satisfy anticipated funding requirements.

The Group's strategy to capital risk management is unchanged from prior years.

13. CONTRIBUTED EQUITY continued

(F) TECHNICAL SERVICES AGREEMENT

The Group has entered into a Technical services agreement which will result in Janvel Pty Ltd, a subsidiary of Noble Group (formerly Osendo Pty Ltd, a subsidiary of Noble Group) being issued with 24,700,000 shares in consideration for performing services to the value of $2,320,000 in the first year of the agreement and $2,620,000 in the second year of the agreement. At 30 June, Janval Pty Ltd had provided technical services to the value of $476,089. $41,346 of this total was provision of office space by Janval Pty Ltd for the Group to operate in. Should the annuity date be reached without services totaling the full amount as specified in the agreement being performed, cash will be paid to the Group by Janvel Pty Ltd to acquire the remaining shares.

14. RESERVES

NATURE AND PURPOSE OF RESERVES

Share based payments reserve

The share-based payments reserve is used to recognise the grant date fair value of options issued to directors/ contractors but not exercised.

15. DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL DISCLOSURES

(A) DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL COMPENSATION

	Consolidated	
	2011 $	2010 $
Short-term employee benefits	905,144	228,940
Post-employment benefits	4,645	–
Share-based payments	700,000	–
	1,609,789	**228,940**

(B) EQUITY INSTRUMENT DISCLOSURES RELATING TO DIRECTORS AND KEY MANAGEMENT PERSONNEL

(i) Options provided as remuneration and shares issued on exercise of such options

There were no options provided as remuneration nor were any shares issued on exercise of such options during the year (2010: Nil).

(ii) Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of Blackwood Corporation Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2011 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Blackwood Corporation Limited						
Nil	–	–	–	–	–	–
Other key management personnel of the Group						
Nil	–	–	–	–	–	–

There are no options outstanding.

2010 Name	Balance at the start of the year	Granted during the year as compensation	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Blackwood Corporation Limited						
B Bolitho	600,000	–	–	(600,000)	–	–
R Hobbs	600,000	–	–	(600,000)	–	–
Other key management personnel of the Group						
Nil	–	–	–	–	–	–

Other changes occurred as a result of options lapsing.

(iii) Share holdings

The number of ordinary shares in the company held during the financial year by each director of Blackwood Corporation Limited and other key management personnel, including their personally related parties, are set out below.

2011 Name	Balance at the start of the year	Granted as compensation	Other changes during the year	Balance at the end of the year
Directors of Blackwood Corporation Limited				
R Hobbs[1]	3,918,772	1,000,000	(4,918,772)[1]	–
B Bolitho	4,068,323	1,500,000	–	5,568,323
A Simpson	–	1,000,000	–	1,000,000
Other key management personnel				
B Schilling	–	–	25,000[2]	25,000

1 R Hobbs resigned as a director on 8 November 2010 and is no longer required to disclose interests
2 B Schilling purchased shares during the period

2010 Name	Balance at the start of the year	Granted as compensation	Other changes during the year	Balance at the end of the year
Directors of Blackwood Corporation Limited				
R Hobbs	3,918,772	–	–	3,918,772
B Bolitho	4,068,323	–	–	4,068,323
Other key management personnel				
Nil	–	–	–	–

No other key management personnel held shares.

(C) OTHER TRANSACTIONS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL

Transactions with related parties are at arm's length both in terms of prevailing market prices and commercial terms.

	Consolidated	
	2011 $	2010 $
16. REMUNERATION OF AUDITORS		
During the year the following fees were paid or payable for services provided by the auditor, its related practices and non-related audit firms:		
BDO Audit (QLD) Pty Ltd		
Audit services		
Audit and review of financial reports	37,885	24,711
Other services		
Taxation services	–	5,000
Due diligence	–	12,625
Total remuneration	**37,885**	**42,336**
17. CONTINGENT LIABILITIES		
No contingent liabilities have been identified as at 30 June 2011 (2010: Nil).		
18. COMMITMENTS FOR EXPENDITURE		
Exploration commitments		
Commitments for payments under exploration permits for minerals in existence at the reporting date but not recognised as liabilities payable are as follows:		
Within one year	5,244,000	6,597,000
Later than one year but not later than 5 years	15,285,000	21,536,000
Later than 5 years	–	–
Commitments not recognised in the financial statements	**20,529,000**	**28,133,000**

So as to maintain current rights to tenure of various exploration tenements, the Group will be required to outlay amounts in respect of tenement exploration expenditure commitments. These outlays, which arise in relation to granted tenements, are noted above. The outlays may be varied from time to time, subject to approval of the relevant government departments, and may be relieved if a tenement is relinquished.

Exploration commitments total $20,529,000 (2010: $28,133,000). They are calculated on the assumption that each of these tenements will be held for its full term. But, in fact, commitments will decrease materially as exploration advances and ground that is shown to be unprospective is progressively surrendered. Expenditure commitments on prospective ground will be met out of existing funds, joint ventures, farm-outs, and new capital raisings.

19. RELATED PARTIES

(A) SUBSIDIARIES

Interests in subsidiaries are set out in note 20.

(B) KEY MANAGEMENT PERSONNEL

Disclosures relating to key management personnel are set out in note 15.

(C) TRANSACTIONS WITH OTHER RELATED PARTIES

Noble Group Limited has a significant interest in the Group. The Technical Services Agreement has been entered into with a subsidiary of Noble Group Limited.

20. SUBSIDIARIES

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			2011 %	2010 %
Matilda Coal Pty Ltd	Australia	Ordinary	100	100

	Consolidated	
	2011 $	2010 $
21. RECONCILIATION OF LOSS AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES		
Loss after income tax	(1,531,012)	(1,125,363)
Depreciation	3,370	5,272
Write off of capitalized exploration assets	–	147,536
Gain on debt extinguishment	(1,005,224)	–
Loss on sale of plant & equipment	8,244	–
Share based payments	840,000	–
Rent expense under Technical Services Agreement	41,346	–
Foreign currency adjustment	–	(5,492)
GST	–	308,455
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	304,439	2,104,572
Increase/(decrease) in trade and other payables	(6,799,905)	(863,069)
Increase/(decrease) in employee entitlements	–	(274,136)
(Increase)/decrease in prepayments	–	(10,998)
Net cash outflow from operating activities	**(8,138,742)**	**286,777**

(A) NON-CASH FINANCING AND INVESTING ACTIVITIES

On 29 October 2010, the company issued 5,000,000 shares to the Trustee of the Creditors' Trust that was established under the Creditors' Trust Deed, which was a condition of releasing the company from the Deed of Company Arrangement. These shares were issued at 20 cents per share.

Janval Pty Ltd had provided technical services to the value of $476,089 (2010: Nil). $41,346 (2010: Nil) of this total was provision of office space by Janval Pty Ltd for the Group to operate in and the balance was expenditure on exploration and evaluation assets.

22. EVENTS OCCURRING AFTER REPORTING DATE

In the interval between 30 June 2011 and the date of this report, no item has arisen, nor is any transaction or event of a material and unusual nature likely to occur, in the opinion of the directors of the company, that would significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

23. EARNINGS PER SHARE

	2011 Cents	2010 Cents
(A) BASIC EARNINGS PER SHARE		
Profit attributable to ordinary equity holders of the company	(1.2)	(1.2)
(B) DILUTED EARNINGS PER SHARE		
Profit attributable to ordinary equity holders of the company	(1.2)	(1.2)
(C)RECONCILIATION OF EARNINGS USED IN CALCULATING EARNINGS PER SHARE		
Basic earnings per share		
Loss from operations	(1,531,012)	(1,125,363)
Diluted earnings per share		
Loss from operations	(1,531,012)	(1,125,363)

(D) WEIGHTED AVERAGE NUMBER OF SHARES USED AS THE DENOMINATOR

	2011 Number	2010 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	130,487,632	91,150,269
Adjustments for calculation of diluted earnings per share:		
Options	–	–
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**130,487,632**	**91,150,269**

(E) INFORMATION CONCERNING THE CLASSIFICATION OF SECURITIES

Options on issue are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 30 June 2011. These options could potentially dilute basic earnings per share in the future. Details relating to options are set out in note 13(d).

24. SHARE-BASED PAYMENTS

(A) PERFORMANCE RIGHTS PLAN

At the extraordinary general meeting on 29 October 2010 approval was given for the performance rights plan. The purpose of the plan is to provide an incentive to Eligible Participants by enabling them to participate in the future growth of the Company and upon becoming shareholders to participate in the Company's profits and development. Under the Plan Eligible Participants may be granted rights to shares upon the satisfaction of specific performance criteria and specified periods of tenure. No performance rights were issued during the year ended 30 June 2011.

(B) SHARES

At the extraordinary general meeting on 29 October 2010 approval was given for the following share based payments to employees and directors for services provided during the period the Company was under a Deed of Company Arrangement. Shares were valued using quoted market price on the date of issue.

Name	Number of shares issued	Value per share	Total share based payment $
Employees	700,000	$0.20	140,000
B Bolitho	1,500,000	$0.20	300,000
R Hobbs	1,000,000	$0.20	200,000
A Simpson	1,000,000	$0.20	200,000
Total	**4,200,000**		**840,000**

(C) OPTIONS

No options were issued as share based payments in the year ended 30 June 2011 (2010: Nil).

(D) OPTIONS ON ISSUE

The following table illustrates the number and weighted average exercise price and amounts in share options during the year:

	2011 No	2011 Weighted average exercise price	2010 No.	2010 Weighted average exercise price
Outstanding at beginning of year	1,200,000	$0.511	5,460,000	$0.611
Expired	100,000	$0.450	4,260,000	$0.639
Granted	–	–	–	–
Forfeited	–	–	–	–
Exercised	–	–	–	–
Total	**1,100,000**	**$0.516**	**1,200,000**	**$0.511**

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2011

25. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Blackwood Corporation Limited. The information presented has been prepared using accounting policies that are consistent with those presented in note 1.

	2011 $	2010 $
Loss for the year	(1,513,256)	(1,132,435)
Other comprehensive income, net of tax	–	–
Total comprehensive loss for the year	**(1,513,256)**	**(1,132,435)**
Financial position of the parent entity at the end of the year:		
Current assets	10,893,245	7,559,021
Non-current assets	125,490	99,944
Total assets	**11,018,735**	**7,658,965**
Current liabilities	141,429	8,956,200
Non-current liabilities	–	–
Total liabilities	**141,429**	**8,956,200**
Net assets	**10,877,306**	**(1,297,235)**
Contributed equity	41,682,005	28,470,297
Accumulated losses	(32,701,042)	(31,187,786)
Shares to be issued	476,089	–
Share based payment reserve	1,420,254	1,420,254
Total equity	**10,877,306**	**(1,297,235)**

CONTINGENT LIABILITIES

Refer to note 17 for any contingent liabilities at 30 June 2011.

CAPITAL COMMITMENTS

Blackwood Corporation Limited has no commitments to acquire property plant and equipment.

GUARANTEES

Blackwood Corporation Limited has not provided any guarantees in relation to the debts of its subsidiary.

26. ENTITY DETAILS

The registered office and principal place of business of the company are:

Registered Office
945 Wellington Street
West Perth QA 6005

Principal Place of Business
Level 8, 102 Adelaide Street
Brisbane QLD 4000

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 26 to 48 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and

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

(c) The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in note 1; and

(d) The directors have been given the declarations required to be made by the chief executive officer and the chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2011.

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

B Bolitho
Chairman

Brisbane, 29 September 2011

BDO

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GPO Box 457 Brisbane QLD 4001
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Blackwood Corporation Limited

Report on the Financial Report

We have audited the accompanying financial report of Blackwood Corporation Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

Emphasis of Matters on Going Concern and Carrying Value of Exploration Expenditure

Without qualification to the opinion expressed above, we draw attention to the matters set out in Note 1. The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The ability of the company to maintain continuity of normal business activities, to pay their debts as and when they fall due and to recover the carrying value of their areas of interest, is dependent upon the successful raising in the future of necessary funding and/or the successful exploration and subsequent exploitation of their areas of interest through sale or development.

No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the company's plans not eventuate.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 13 of the directors' report for the year ended 30 June 2011. 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.

Opinion

In our opinion, the Remuneration Report of Blackwood Corporation Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (QLD) Pty Ltd

BDO

D P WRIGHT

Director

Brisbane, 29 September 2011

CORPORATE GOVERNANCE STATEMENT

In fulfilling its obligations and responsibilities to its various stakeholders, the Board is a strong advocate of corporate governance. This statement outlines the principal corporate governance procedures of the Company. The Board supports a system of corporate governance to ensure that the management of the Company is conducted to maximise shareholder wealth in a proper and ethical manner.

ASX CORPORATE GOVERNANCE COUNCIL RECOMMENDATIONS

The Board has adopted corporate governance policies and practices consistent with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Principles and Recommendations 2nd Edition") where considered appropriate for company of the Company's size and nature. Such policies include, but are not limited to the Board Charter, Board Committee Charters, Code of Conduct, Security Trading, Continuous Disclosure, Shareholder Communication and Risk Management Policies.

The Company's main corporate governance policies and practices are outlined below:

(A) BOARD OF DIRECTORS

The Company's Board of Directors is responsible for corporate governance of the Company. The Board develops strategies and financial objectives for the Company, reviews strategic objectives and monitors performance against those objectives.

The Board acknowledges its accountability to Shareholders for creating Shareholder value within a framework which protects the rights and interests of Shareholders and ensures the Company is properly managed.

The objective of the Board is to provide an acceptable rate of return to the Company's Shareholders and take into account the interests of its employees, customers, suppliers, lenders and the wider community.

Each of the Directors, when representing the Company, must act in the best interest of Shareholders of the Company and in the best interests of the Company as a whole.

In carrying out the responsibilities and powers set out in the Board Charter, the Board:

(i) recognises its overriding responsibilities to act honestly, fairly, diligently and in accordance with the law in serving the interests of its Shareholders; and

(ii) recognises its duties and responsibilities to its employees, customers and the community.

(B) COMPOSITION OF THE BOARD

Election of Board members is substantially the province of the Shareholders in general meeting.

The composition of the Board is to be reviewed regularly to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction.

The majority of the Board is comprised of Non-executive Directors. Where practical, at least half of the Board will be independent. An independent Director is one who is independent of management and free from any business or other relationship, which could, or could reasonably be perceived to, materially interfere with, the exercise of independent judgement.

The Board is currently comprised of a majority of Non-executive and independent Directors. The Board considers that its current structure is appropriate given the Company is in the early stages of its development and given the size, nature and scope of the Company's activities.

(C) INDEPENDENT PROFESSIONAL ADVICE

The Board or individual Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairperson. A copy of any such advice received is to be made available to all members of the Board.

(D) REMUNERATION ARRANGEMENTS

The total maximum remuneration of Non-executive Directors is the subject of a Shareholder resolution in accordance with the Company's Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of Non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each Non-executive Director. The current limit, which may only be varied by Shareholders in general meeting, is an aggregate amount of $150,000 per annum.

The Board may award additional remuneration to Non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

(E) PERFORMANCE ASSESSMENT

The Board has adopted a formal process for an annual self assessment of its collective performance and the performance of individual directors. The Board is required to meet at least annually with the purpose of reviewing the role of the Board, assessing its performance over the previous 12 months and examining ways in which the Board can better perform its duties. The issues examined in the review include the Board's interaction with management, the type of information provided to the Board by management and management performance in helping the Board meet its objectives.

(F) EXTERNAL AUDIT

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

(G) CODE OF CONDUCT

A formal code of conduct for the Company applies to all directors and employees. The code aims to encourage the appropriate standards of conduct and behaviour of the directors, employees and contractors of the Company. All personnel are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The Directors, managers and employees are expected to act with the utmost integrity and objectivity, observe the highest standards of behaviour and business ethics and strive at all times to enhance the good reputation and performance of the Company by acting in the best interests of the Company, being responsible and accountable for their actions and observing the ethical principles of fairness, honesty and truthfulness, including disclosure of potential conflicts.

(H) AUDIT COMMITTEE

The Company does not have a separate constituted audit committee. The Board, as a whole, serves as an audit committee and acts in accordance with the Audit and Risk Management Committee Charter.

Pursuant to the charter, the audit and risk management responsibilities include:

- overseeing, co-ordinating and appraising the quality of the audits conducted by both the Company's external and internal auditors (if and when appointed);
- determining the independence and effectiveness of the external and internal auditors;
- maintaining open lines of communications among the Board and the internal and external auditors to exchange views and information, as well as confirm of their respective authority and responsibilities;
- serving as an independent and objective party to review the financial information submitted by management to the Board for issue to shareholders, regulatory authorities and the general public; and
- reviewing the adequacy of the reporting and accounting controls of the Company.

(I) NOMINATION AND REMUNERATION COMMITTEE

The Company does not have a separate constituted nomination and remuneration committee. The Board, as a whole, serves as a nomination and remuneration committee and acts in accordance with the Nomination and Remuneration Committee Charter.

Pursuant to the charter, the nomination and remuneration responsibilities include:

- reviewing and recommending the overall strategies in relation to executive remuneration policies;
- reviewing and make recommendations in respect of the compensation arrangements for all non-executive directors, the Chief Executive Officer and all other senior executives;
- reviewing the effectiveness of performance incentive plans;
- reviewing and make recommendations in respect of all equity based remuneration plans;
- reviewing and make recommendations in respect of the Company's recruitment, retention and termination policies and superannuation arrangements;
- reviewing the composition of the Board and ensuring that the Board has an appropriate mix of skills and experience to properly fulfil its responsibilities;
- ensuring that the Board is comprised of directors who contribute to the successful management of the Company and discharge their duties having regard to the law and the highest standards of corporate governance;
- reviewing and make recommendations to the Board in respect of the succession plans of senior executives (other than executive Directors) and ensuring the performance of senior executives is reviewed at least annually; and
- considering nominations for potential candidates to act as Directors.

(J) IDENTIFICATION AND MANAGEMENT OF RISK

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

The Board takes a proactive approach to risk management and have a formal risk management policy to provide further guidance. The identification and proper management of risk within the Company is a priority for the Board.

(K) POLICY FOR TRADING IN COMPANY SECURITIES

Trading in the Company's securities by directors and employees is not permitted when they are in possession of unpublished price sensitive information. Any transactions undertaken must be notified to the Chairman or the Board in advance.

Directors, officers and employees must not buy, sell or subscribe for securities if they are in possession of 'inside information' (information that is not generally available and, if the information were generally available, a reasonable person would expect it to have a material effect on the price or value of securities). The *Corporations Act 2001* (Cth) provides that a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the securities.

Subject to the insider trading restrictions above, it is the Company's policy that Directors, officers and employees will not deal in the Company's securities as a matter of course during:

- in the two weeks prior to the release of the Company's quarterly reports (if appropriate) and for two business days after the release of the report;
- from 1 January until the release of the Company's half year financial results and for two business days after the release of the results;
- from 1 July until the release of the Company's full year financial results and for two business days after the release of the results;
- in any other period when the Company is in possession of unpublished price-sensitive information and for two business days after the release of such information; and
- any time it may be reasonably probable that notification of price-sensitive information is required pursuant to the ASX Listing Rules and for two business days after the release of such information.

The Company's policy also reinforces the Directors' and Company's statutory obligations to notify the ASX of any dealing in the securities which results in a change in the relevant interests of a Director in the securities. As contemplated in the ASX listing rules, each Director provides notice of such dealings to the Company Secretary within five business days of any such dealing to enable the Company to comply with its corresponding obligation to notify the ASX.

Subject to the insider trading restrictions above, Directors may trade outside the specified periods with approval from the Chairman or in the case of the Chairman intending to trade with approval from the Audit Committee Directors.

(L) CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATION

The Company has a formal written policy for the continuous disclosure of any price sensitive information concerning the Company. The Board has also adopted a formal written policy covering arrangements to promote communications with shareholders and to encourage effective participation at general meetings.

The Chairman and the Company Secretary have been nominated as the Company's primary disclosure officers. All information released to the ASX is posted on the Company's web-site as soon as practicable after it is disclosed to the ASX. When analysts are briefed on aspects on the Company's operations, the material used in the presentation is released to the ASX and posted on the Company's web-site.

The Company is committed to providing shareholders and stakeholders with extensive, transparent, accessible and timely communications on the Company's activities, strategy and performance. In addition, the Company makes all market announcements, media briefings, details of shareholders meetings, press releases and financial reports available on the Company's website www.blackmountainresources.com.au.

(M) ETHICAL STANDARDS

The Board is committed to the establishment and maintenance of appropriate ethical standards.

ASX BEST PRACTICE RECOMMENDATIONS

The table below identifies the ASX Corporate Governance Principles and Recommendations (Principles) and whether or not the Company has complied with the recommendations during the reporting period:

	Recommendation	Complied	Note
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	✓	
1.2	Disclose the process for evaluating the performance of senior executives.	✓	
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	✓	
2.1	A majority of the board should be independent directors.	✗	Note 1
2.2	The chair should be an independent director.	✗	Note 2
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	✓	Note 1
2.4	The board should establish a nomination committee.	✗	Note 3
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	✓	
2.6	Provide information indicated in the Guide to reporting on Principle 2.	✓	
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: ▪ the practices necessary to maintain confidence in the company's integrity ▪ the practices necessary to take into account heir legal obligations and the reasonable expectations of their stakeholders ▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	✓	
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	✗	Note 4
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.	✗	Note 4
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	✗	Note 4
3.3	Provide information indicated in the Guide to reporting on Principle 3.	✓	
4.1	Establish an audit committee.	✓	
4.2	Structure the audit committee so that it: ▪ consist 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.	✗	Note 5
4.3	The audit committee to have a formal charter.	✓	

ASX BEST PRACTICE RECOMMENDATIONS continued

	Recommendation	Complied	Note
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	✓	
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	✓	
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	✓	
6.1	Design 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.	✓	
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	✓	
7.1	Establish policies for oversight and management of material business risks and disclose a summary of those policies.	✓	
7.2	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. Disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	✓	
7.3	Disclose whether assurance has been received 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.	✓	
7.4	Provide information indicated in the Guide to reporting on Principle 7.	✓	
8.1	Establish a remuneration committee.	✗	Note 3
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	✓	
8.3	Provide the information indicated in the Guide to reporting on Principle 8.	✓	

NOTE 1:

During the reporting period the majority of directors did not satisfy the test of independence set out in Box 2.1 of the ASX Principles of Good Corporate Governance and Best Practice Recommendations (**Independence Test**).

- Messrs Simpson, Randall and McPherson do not satisfy the Independence Test as they are officers, or otherwise associated directly with, a substantial shareholders of the Company as defined in section 9 of the *Corporations Act 2001*.
- Mr Bolitho was an executive director of the Company within the last 3 years.

The Board considers that its structure is, and will continue to be, appropriate in the context of the Company's recent history, and directors' experience and knowledge of the Company's assets. The Company considers that the non-independent Directors possess the skills and experience suitable for building the Company. The Board intends to reconsider its composition as the Company's operations evolve, and may appoint additional independent directors as it deems appropriate.

NOTE 2:

As noted above, Mr Bolitho does not satisfy the Independence Test as he was an executive director of the Company within the last 3 years.

NOTE 3:

The Principles recommend that companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties and that companies should have a structure to ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

(a) Recommendation 2.4 – Nomination Committee

Recommendation 2.4 of the Principles states that the board should establish a nomination committee that should be structured so that it:

- consists of a majority of independent directors;
- is chaired by an independent director; and
- has at least three members.

The Board does not have a separate nomination committee. The Board, as a whole, serves as a nomination committee and acts in accordance with the Nomination and Remuneration Committee Charter. The Board does not believe any efficiency or other benefits would currently be gained by establishing a separate nomination committee.

The responsibility for the selection of potential directors lies with the full Board of the Company. A separate nomination committee has not been constituted because the Board considers that the size of the current full Board permits it to act as the nomination committee and to regularly review membership. This includes an assessment of the necessary and desirable competencies of Board members, Board succession plans and an evaluation of the Board's performance and consideration of appointments and approvals.

When a Board vacancy occurs, the Board acting as the nomination committee, identifies the particular skills, experience and expertise that will best complement Board effectiveness, and then undertakes a process to identify candidates who can meet those criteria.

Directors are not appointed for specific terms, as their periods in office are regularly reviewed as part of annual performance evaluation processes and they are subject to re election every three (3) years.

(b) 8.1 – Remuneration Committee

Recommendation 8.1 of the Principles states that the board should establish a remuneration committee that should be structured so that it:

- consists of a majority of independent directors;
- is chaired by an independent director; and
- has at least three members.

The Company has established a Remuneration Committee (Committee) which operates in accordance with a written charter. The current members of the Committee are Mr Barry Bolitho (Committee chair) and Mr Andrew Simpson with other Board members and the Chief Executive Officer participating from time to time by invitation.

Due the current structure of the Board, membership of the Committee does not meet all of the recommended guidelines for composition of a remuneration committee. The Committee does not have at least 3 non-executive members and not all of the members of the Committee satisfy the Independence Test. Mr Simpson does not satisfy the Independence Test as he is a director of a substantial shareholder of the Company as defined in section 9 of the *Corporations Act 2001*. Mr Bolitho does not satisfy the Independence Test as he is an executive director of the Company. The Board (in the absence of Messrs Simpson and Bolitho, separately) consider both he Messrs Simpson and Bolitho are capable of and demonstrates that they consistently makes decisions and takes actions which are designed to be in the best interests of the Company.

Given the size of the Board and the Company, the Board considers that this function is efficiently achieved by a committee of 3 non-executive members reporting to the full Board. In circumstances where the size of the Board is expanded as a result of the growth or complexity of the Company, the Board will reconsider the composition of the Committee to ensure compliance with the Principles where possible.

NOTE 4:

The Principles recommends that companies should actively promote ethical and responsible decision-making.

(a) Recommendation 3.2 – Diversity Policy

Recommendation 3.2 states that companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.

The Company recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Company's success is the quality, diversity and skills of its people.

Under the Company's Code of Conduct, employees must not harass, discriminate or support others who harass and discriminate against colleagues or members of the public on the grounds of sex, pregnancy, marital status, age, race (including their colour, nationality, descent, ethnic or religious background), physical or intellectual impairment, homosexuality or transgender. Such harassment or discrimination may constitute an offence under legislation.

Due to the small scale of the Company's operations and the limited number of employees, the Company has not yet established a Diversity Policy. However, as the Company develops the Board will consider adopting such a policy.

(b) Recommendation 3.3 – Measurable Objectives for Achieving Gender Diversity

Recommendation 3.3 of the Principles states that the board should disclose in each annual report the measurable objective for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Given the size of the Company, the Company has not yet set measurable objectives for achieving gender diversity. In addition, the Board will review progress against any objectives identified on an annual basis.

(c) Recommendation 3.4– Annual Report Disclosure

Recommendation 3.4 of the Principles states that the board should disclose in each annual report:

- the proportion of women employees in the whole organisation;
- women in senior executive positions; and
- women on the board.

Given the size of the Board and the Company, the Board considers that this function is efficiently achieved with Ms Shannon Robinson, and since resignation the appointment of Emma McCormack and Sarah Smith as the Company Secretary holding a senior executive position in the Company. The proportion of women employees in the whole organisation is five of eleven, representing 45% of total employees within the organisation, and there are currently 2 women in senior executive positions within the Company, representing 20% of total senior executive positions within the organisation.

NOTE 4:

The Principles recommend that companies should have a structure to independently verify and safeguard the integrity of their financial reporting. Recommendation 4.1 of the Principles states that the board should establish an audit committee.

Recommendation 4.2 of the Principles states that 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; and
- has at least three members.

The Company has established an Audit and Risk Management Committee (Committee) which operates in accordance with a written charter. The current members of the Committee are Mr Andrew Simpson (Committee chair and Mr Barry Bolitho with other Board members and the Chief Financial Officer participating from time to time by invitation.

Due the current structure of the Board, membership of the Committee does not meet all of the recommended guidelines for composition of an audit committee. The Committee does not have at least 3 non-executive members, due to the size of the Board, and not all of the members of the Committee satisfy the Independence Test. Mr Simpson does not satisfy the Independence Test as he is a director of a substantial shareholder of the Company as defined in section 9 of the *Corporations Act 2001*. Mr Bolitho does not satisfy the Independence Test as he was an executive director of the Company within the last 3 years. The Board (in the absence of Messrs Simpson and Bolitho, separately) consider both he Messrs Simpson and Bolitho are capable of and demonstrates that they consistently makes decisions and takes actions which are designed to be in the best interests of the Company.

Given the size of the Board and the Company, the Board considers that this function is efficiently achieved by a committee of 3 non-executive members reporting to the full Board. In circumstances where the size of the Board is expanded as a result of the growth or complexity of the Company, the Board will reconsider the composition of the Committee to ensure compliance with the Principles where possible.

ASX ADDITIONAL INFORMATION

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

1. SHAREHOLDINGS

The issued capital of the Group as at 27 September 2011 is 160,350,269 ordinary fully paid shares, 750,000 unlisted options ($0.51; 11 October 2011). All issued ordinary fully paid shares carry one vote per share.

ORDINARY SHARES

Shares Range	Holders	Units	%
1-1,000	58	29,357	0.02
1,001-5,000	283	905,692	0.56
5,001-10,000	295	2,630,498	1.64
10,001-100,000	764	29,567,897	18.44
100,001-9,999,999	161	127,216,825	79.34
Total	**1,561**	**160,350,269**	**100**

UNMARKETABLE PARCELS

There were 172 holders of less than a marketable parcel of ordinary shares.

2. TOP 20 SHAREHOLDERS AS AT 27 SEPTEMBER 2011

	Name	Number of Shares	%
1	JANVEL PTY LIMITED	35,800,000	22.33
2	TERRITORY MINERAL SANDS PTY LTD	29,974,760	18.69
3	CRAWLEY RESOURCES LIMITED	4,215,000	2.63
4	BOLITHO MINING COMPANY PTY LTD	3,936,323	2.45
5	MR MICHAEL JOHN SUTHERLAND & MRS KARLA LOUISE SOUTHERLAND	1,800,000	1.12
6	ELDON AUSTRALIA PTY LTD	1,756,799	1.10
7	MR KEVIN MICHAEL FINN & MRS SANDA MARRION FINN	1,716,633	1.07
8	MR BARRY BOLITHO	1,500,000	0.94
9	MAGNUM POINT HOLDINGS	1,400,000	0.87
10	MR MICHAEL SUTHERLAND & MRS KARLA SUTHERLAND	1,250,000	0.78
11	HSBC CUSTODY NOMINEES	1,077,507	0.67
12	CLAREMONT SUPERANNUATION PTY LTD	1,000,000	0.62
13	LIANGROVE MEDIA PTY LTD	1,000,000	0.62
14	SOUTHERN SILICON PTY LTD	1,000,000	0.62
15	YELRIF INVESTMENTS PTY LIMITED	1,000,000	0.62
16	YELRIF INVESTMENTS PTY LIMITED	1,000,000	0.62
17	GABA PTY LTD	750,000	0.47
18	MCACTIVITY PTY LTD	750,000	0.47
19	MR HAYDEN ROBERT ASPINALL	700,000	0.44
20	MAGNUM POINT HOLDINGS PTY LTD	700,000	0.44
Total		**92,327,022**	**57.58**

ASX ADDITIONAL INFORMATION continued

3. SUBSTANTIAL SHAREHOLDERS AS AT 27 SEPTEMBER 2011

	Name	Number of Shares	%
1	JANVEL PTY LIMITED	35,800,000	22.33
2	TERRITORY MINERAL SANDS PTY LTD	29,974,760	18.69

4. RESTRICTED SECURITIES SUBJECT TO ESCROW PERIOD

There are no restricted securities subject to escrow.

5. GROUP CASH AND ASSETS

In accordance with Listing Rule 4.10.19, the Group confirms that it has been using the cash and assets it had acquired at the time of admission and for the year ended 30 June 2011 in a conservative manner that is consistent with its business objective and strategy.

CORPORATE DIRECTORY

DIRECTORS

Mr Barry Bolitho
Mr Andrew Simpson
Mr William Randall
Mr Rex Littlewood

SENIOR MANAGEMENT

Mr Todd Harrington – CEO
Mr Mark Winsley – GM Queensland – Exploration
Dr Joel Yago – Principle Geologist International
Mr Brendan Schilling – GM Business Development

COMPANY SECRETARY

Mr Patrick McCole

REGISTERED OFFICE

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102 Adelaide Street
Brisbane, Queensland, 4000
Australia

WEBSITE

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SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth, WA, 6000

AUDITORS

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Brisbane, Queensland, 4000
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ACCOUNTANTS TO THE COMPANY

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Australia

SOLICITORS TO THE COMPANY

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BLACKWOOD
CORPORATION

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