

**FITZROY RESOURCES LTD
AND CONTROLLED ENTITIES
30 JUNE 2011**

**FITZROY RESOURCES LTD
AND CONTROLLED ENTITIES**

ACN: 145 590 110

**Annual Financial Report for the
Period 4 August 2010 to
30 June 2011**

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CORPORATE DIRECTORY

Head Company

Fitzroy Resources Limited

Directors

Tom Henderson –Chairman
Will Dix – Managing Director
Riccardo Vittino - Non-Executive Director

Company Secretary

Simon Robertson

Registered and Principal Office

Level 2, Suite 2,
35-37 Havelock Street,
West Perth WA 6005
Tel: +61 8 9481 7111
Fax: +61 8 9320 7501

Website

www.fitzroyresources.com.au

Share Register

Link Market Services Limited
Ground Floor, 178 St Georges Tce
Perth WA 6000

Auditors

PKF Mack and Co Chartered Accountants
Level 2,
35-37 Havelock Street,
West Perth WA 6005

Solicitors

GTP Legal
Level 1, 28 Ord Street
West Perth WA 6005

Securities Exchange Listing

Australian Securities Exchange
Home Exchange: Perth, Western Australia
Code: FRY

DIRECTORS' REPORT

Your directors present their report on the Company and its controlled entity for the period 4 August 2010 to 30 June 2011.

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

Thomas Henderson –Chairman (appointed 4 August 2010)
William Dix – Managing Director (appointed 4 August 2010)
Riccardo Vittino - Non-Executive Director (appointed 4 August 2010)

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Qualifications, Experience and Special Responsibilities of Directors

TOM HENDERSON — NON-EXECUTIVE CHAIRMAN

Qualifications — B Comm (UWA) CA, FAICD

Mr Henderson has over 20 years experience in corporate finance, has expertise in the provision of advisory services to the resources and services industry and the recapitalisation of listed vehicles.

Mr Henderson is a Chartered Accountant and the former Head of Corporate Finance at Deloitte in Perth. He left the Deloitte partnership in 2006 and is now a Principal of Forrest Capital Pty Ltd, an Australian Financial Services Licence holder providing financial services to wholesale clients.

Mr Henderson currently serves on the board of Every Day Mine Services Limited.

Other Directorships held in other listed entities in the last 3 years — Nil

WILL DIX — MANAGING DIRECTOR

Qualifications — BSc MSc (Geology)

Mr Dix is a geologist with 16 years experience in base metal, uranium and gold exploration and mining. He holds a Bsc and Msc (Geology) from Monash University and is a member of AusIMM. Formerly Exploration Manager for Apex Minerals NL he led a successful exploration team that was responsible for significantly growing gold resources at all of Apex Minerals NL's projects.

Previously, Mr Dix spent 7 years with LionOre Mining International where he was a District Supervising Geologist in Western Australia. During his time with LionOre Mining International, Mr Dix was part of the team that discovered the Waterloo Nickel Mine and delineated the 2 million ounce Thunderbox Gold Project.

Mr Dix has a proven track record of successful project and team management and also has extensive experience in commercial activities including capital raisings, mergers, acquisitions and divestments.

Mr Dix currently serves on the board of Credo Resources Limited

Other Directorships held in other listed entities in the last three years — Nil

RICCARDO VITTINO – NON-EXECUTIVE DIRECTOR

Qualifications – B Comm (UWA) CA, FAICD

Mr Vittino has over 25 years experience in the resources sector with a focus on corporate and financial management. He graduated from the University of Western Australian with a Bachelor of Commerce degree in 1985 and began his career in the mining industry in 1988 as Company Secretary for Helix Resources Limited.

During his 18 year tenure at Helix, Mr Vittino was involved with various IPOs and Joint Ventures both local and International. He left Helix in 2006 as CEO to pursue a role in South Africa as Finance Director of Central Rand Gold Ltd. He was responsible for overseeing Central Rand Gold's listing on the Main Board of the LSE and the JSE in 2007 and subsequent progress to pre-feasibility and commencement of trial mining.

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Mr Vittino returned to Perth in 2008 to focus on personal interests. He has held numerous non-executive Director roles including Diamond Ventures NL and Platinum Australia Limited. He is a Fellow of the Australian Institute of Company Directors.

Mr Vittino currently serves on the board of Credo Resources Limited

Other Directorships held in other listed entities in the last three years — Nil

Interests in the shares and options of the Company

As at the date of this report, the interests of the directors in the shares and options of Fitzroy Resources Ltd were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
Thomas Henderson –Chairman	3,000,000	1,500,000
William Dix – Managing Director	800,005	1,500,000
Riccardo Vittino - Non-Executive Director	400,000	500,000

Company Secretary

SIMON ROBERTSON, B.BUS, CA, M APPL. FIN.

Mr Robertson gained a Bachelor of Business from Curtin University in Western Australia and Master of Applied Finance from Macquarie University in New South Wales. He is a member of the Institute of Chartered Accountants and the Chartered Secretaries of Australia. Mr Robertson has experience as a Company Secretary and in transaction management. He has also been involved in management of the ASX listing process and several specific asset transfers, general accounting for public companies and preparation of financial statements.

Principal Activities

The principal activity of the consolidated group during the financial period was the exploration of mineral tenements in Queensland. There were no significant changes in the nature of the consolidated group's principal activities during the period.

Operating Results

The consolidated loss of the consolidated group after providing for income tax amounted to \$1,587,680.

Review and results of Operations

Fitzroy Resources Limited was incorporated as a public company on 4 August 2010. The company's wholly owned subsidiary, Fitzroy Copper Pty Ltd was incorporated on 23 August 2010.

The company, through its wholly owned subsidiary, acquired tenements comprising the Rookwood and Glentana Projects on 30 August 2010 subject to listing on ASX which occurred on 9 December 2010.

The company's activities are reported in announcements to the ASX.

Work at Rookwood during the period focused on the re-processing and re-interpretation of aeromagnetic and TEM data and the development of initial work programs.

As per the announcement on ASX dated 2 February 2011 Fitzroy Resources Ltd has acquired a tenement EPM16749 in central Queensland from Kangaroo Resources Ltd for a cash consideration of \$50,000.

Financial Position and Significant Changes in the State of Affairs

The net assets of the consolidated group totalled \$5,273,507. The loss for the period was \$1,587,680. Cash on hand at 30 June 2011 totalled \$3,375,345. There have been no significant changes in the state of affairs during the period.

While additional capital raisings may be required, the directors believe the economic entity is in a strong and stable financial position to continue its exploration and development activities.

Dividends Paid or Recommended

No dividend has been declared or paid by the Company. The directors do not recommend the payment of a dividend.

After Balance Date Events

There have been no matters or circumstances that have arisen since the end of the financial period which significantly affected or may significantly affect:

- the consolidated group's operations in future years; or
- the results of those operations in future years; or
- the consolidated entity's state of affairs in future years.

Future Developments, Prospects and Business Strategies

The consolidated group's primary strategy is the discovery and commercialisation of mineral deposits .

The Company intends to continue its current operations of mineral exploration and tenement acquisition with a view to the commercial development of discovered or acquired mineral resources.

The ability of the Company to achieve successful commercial developments will depend upon the success of its exploration and project development programs.

Environmental Regulation and Performance

The consolidated group's activities in Australia are subject to the Native Title Act of the Commonwealth or State. There have been no significant known breaches of the consolidated entity's obligations under these Acts. The consolidated group is not aware of any matters that cannot be resolved through the normal legal process, should they arise.

Share Options

Unissued shares

At the date of this report, the unissued ordinary shares of Fitzroy Resources Ltd under option are as follows

Grant Date	Expiry Date	Exercise Price	Number under option
24 August 2010	31 July 2015	\$0.30	6,000,000
6 December 2010	6 December 2013	\$0.30	5,000,000
			<hr/>
			11,000,000
			<hr/>

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate.

Shares issued as a result of the exercise of options

During the period, no shares have been issued as a result of the exercise of options.

Indemnification and Insurance of Directors and Officers

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

The Company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was \$8,814 exclusive of GST.

Meetings of Directors

The number of formal meetings of directors (including committees of directors) held during the period and the number of meetings attended by each director was as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Thomas Henderson	6	6
William Dix	6	6
Riccardo Vittino	6	6

Proceedings on Behalf of Company

No person has applied for leave of Court 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 any part of those proceedings.

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

Non Audit Services

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

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

The following fees were paid out to PKF Mack & Co for non-audit services provided during the period 4 August 2010 to 30 June 2011:

Accounting services	\$5,000
Taxation compliance services	\$1,350
	<hr/>
	\$6,350

Auditor's Independence Declaration

The auditor's independence declaration for the period 4 August to 30 June 2011 has been received and can be found on page 11.

REMUNERATION REPORT

(Audited)

This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. It also provides the remuneration disclosures required by paragraphs Aus 25.4 to Aus 25.7.2 of AASB 124 *Related Party Disclosures*, which have been transferred to the Remuneration Report in accordance with Corporations Regulation 2M.6.04. For the purposes of this report Key Management Personnel (KMP) of the Group are defined as those persons having the authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and the Company Secretary.

Remuneration Philosophy

The performance of the Company depends upon the quality of its Directors and Executives. To prosper, the Company must attract, motivate and retain highly skilled Directors and Executives.

To this end, the Company embodies the following principles in its remuneration framework:

- Provide competitive rewards to attract high calibre executives
- Link executive rewards to shareholder value
- A portion of executive remuneration may be put 'at risk', dependent on meeting pre-determined performance benchmarks
- Where appropriate, establish performance hurdles in relation to variable executive remuneration

Due to the early stage of development which the Company is in, shareholder wealth is directly affected by the Company's share price, as the Company is not in a position to pay dividends. By remunerating Directors and Executives in part by share based payments, the Company aims to align the interests of Directors and Executives with Shareholder wealth, thus providing individual incentive to perform and thereby improving overall Company performance and associated value.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

NON-EXECUTIVE DIRECTOR REMUNERATION

Objective

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

Structure

The Constitution and the ASX Listing Rules specify that the aggregate directors' fees payable to non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. Shareholders' have approved aggregate directors' fees payable of \$300,000 per year.

The amount of aggregate directors' fees sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board may consider advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each non-executive director receives a fee for being a director of the company. No additional fees are currently paid for directors sitting on Board committees. However, if a director performs extra or special services beyond their role as a director, the Board may resolve to provide additional remuneration for such services.

Fees for directors are not linked to the performance of the economic entity however, to align all directors' interests with shareholder interests, directors are encouraged to hold shares in the Company and may receive options. This effectively links directors' performance to the share price performance and therefore to the interests of shareholders. For this reason there are no performance conditions prior to grant, but instead an incentive to increase the value to all shareholders.

During the period 4 August 2010 to 30 June 2011 the Company granted a total of 2,000,000 options to Non-Executive Directors. The value of options granted is being expensed over the vesting period. Refer table 2 set out on page 9 of this report for full details of the number, fair value and vesting conditions of these options.

The remuneration of non-executive directors for the period 4 August 2010 to 30 June 2011 is detailed in Table 1 on page 9 of this report.

EXECUTIVE REMUNERATION

Objective

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

- Reward executives for Company performance;
- Align the interest of executives with those of shareholders;
- Link reward with the strategic goals and performance of the Company; and
- Ensure total remuneration is competitive by market standards.

Structure

Executive remuneration consists of both fixed and variable elements.

Fixed Remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually or upon renewal of fixed term contracts by the Board and the process consists of a review of Company and individual performance, relevant comparative remuneration in the market and internal policies and practices.

Structure

Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

The remuneration of executive directors for the period 4 August 2010 to 30 June 2011 is detailed in Table 1 on page 9 of this report.

Variable Remuneration

Objective

The objective of variable remuneration provided is to reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth.

Structure

Variable remuneration may be delivered in the form of share options granted.

During the financial period ended 30 June 2011 the Company granted 1,500,000 options to the Managing Director and 500,000 to the Company Secretary. The value of options granted is being expensed over the vesting period.

Refer to Table 2 set out on page 9 of this report for full details of the number, fair value and vesting conditions of these options.

Employment Contracts

Managing Director

The employment conditions of the managing director, Mr Dix, are formalised in a contract of employment for 3 years which commenced on 1 September 2010. The contract of employment stipulate a three month termination period.

Key Management Personnel Remuneration

TABLE 1: REMUNERATION FOR THE PERIOD 4 AUGUST 2010 TO 30 JUNE 2011

	Short Term Salary, Fees & Commissions	Post Employment Superannuation	Other	Share Based Payment Options	Total	Remuneration Consisting of Options
	\$	\$	\$	\$	\$	%
<i>Executive Directors</i>						
W Dix – Managing Director	191,131	17,202	2,644	23,700	234,677	37%
<i>Non- Executive Directors</i>						
T Henderson – Chairman	34,032	3,063	2,644	23,700	63,439	10%
R Vittino	22,688	2,042	2,644	7,900	35,274	22%
<i>Other key management personnel</i>						
S Robertson – Company Secretary	33,200	-	-	7,900	41,100	19%
Total	281,052	22,307	7,932	63,200	374,491	

TABLE 2: COMPENSATION OPTIONS - GRANTED AND VESTED DURING THE PERIOD (CONSOLIDATED)

2011	Granted		Terms & Conditions for each Grant					Vested	Vested
	No.	Grant Date	Fair value per option at grant date	Exercise price per option	Expiry date	First exercise date	Last exercise date	No.	%
Directors			\$	\$					
T Henderson	1,500,000	24-Aug-10	0.0158	0.30	31-Jul-15	6-Dec-12	31-Jul-15	1,500,000	100
W Dix	1,500,000	24-Aug-10	0.0158	0.30	31-Jul-15	6-Dec-12	31-Jul-15	1,500,000	100
R Vittino	500,000	24-Aug-10	0.0158	0.30	31-Jul-15	6-Dec-12	31-Jul-15	500,000	100
Other KMP									
S Robertson	500,000	9-Mar-10	0.0158	0.30	31-Jul-15	6-Dec-12	31-Jul-15	500,000	100
	<u>3,000,000</u>							<u>3,000,000</u>	

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TABLE 3: VALUE OF OPTIONS AWARDED, EXERCISED AND LAPSED DURING THE PERIOD

	Value of options granted during the period \$	Value of options exercised during the period \$	Value of options lapsed during the period \$	Remuneration consisting of options for the period %
DIRECTORS				
T Henderson	23,700	-	-	10%
W Dix	23,700	-	-	37%
R Vittino	7,900	-	-	22%
OTHER KMP				
S Robertson	7,900	-	-	19%

For details on the valuation of the options, including models and assumptions used, please refer to Note 18.

There were no alterations to the terms and conditions of options granted as remuneration since their grant date.

SHARES ISSUED ON EXERCISE OF COMPENSATION OPTIONS (CONSOLIDATED)

All unlisted options exercised were issued as compensation options.

Principles of Compensation

Company performance, shareholder wealth and director and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives by the issue of options to the directors and executives to encourage the alignment of personal and shareholder interests. The company believes this policy will be effective in increasing shareholder wealth.

Signed in accordance with a resolution of the directors.



Tom Henderson
Chairman
23 September 2011

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF FITZROY RESOURCES LIMITED

I declare that to the best of my knowledge and belief, during the period ended 30 June 2011 there have been:

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

PKF MACK & CO

PKF MACK & CO

N A Calder

N A CALDER
PARTNER

23 SEPTEMBER 2011
WEST PERTH,
WESTERN AUSTRALIA

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CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Fitzroy Resources Ltd (the "Company") is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Since the introduction of the ASX Principles of Good Corporate Governance and Best Practice Recommendations ("ASX Guidelines"), the Company has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this report. Commensurate with the spirit of the ASX Guidelines, the Company has followed each Recommendation where the Board has considered the Recommendation to be appropriate. Where, after due consideration, the Company's corporate governance practices depart from the Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

The table below summarises the Company's compliance with the Corporate Governance Council's Recommendations.

	Recommendation	Comply Yes / No	Reference / Explanation
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions .	Yes	Page 13
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes	Page 17
2.1	A majority of the Board should be independent directors.	No	Page 18
2.2	The chairperson should be an independent director.	No	Page 18
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	Yes	Page 14
2.4	The Board should establish a nomination committee.	No	Page 18
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	Page 17
3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: <ul style="list-style-type: none"> - the practices necessary to maintain confidence in the Company's integrity; - the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; - the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	Yes	Page 15
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	Yes	Page 15
4.1	The Board should establish an audit committee.	No	Page 18
4.2	Structure the audit committee so that it consists of: <ul style="list-style-type: none"> - only non-executive directors; - a majority of independent directors; - an independent chairperson, who is not chairperson of the Board; - at least three members. 	No	Page 18
4.3	The audit committee should have a formal charter.	No	Page 18
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	Website
6.1	Design and disclose a communications strategy to promote effective communications with shareholders and encourage effective participation at general meetings and disclose their policy or a summary of that policy.	Yes	Website
7.1	The Board or appropriate Board committee should establish policies on risk oversight and management.	Yes	Page 17
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	Yes	Page 17
7.3	Disclose whether the Board has received assurance from the CEO and CFO that the declaration provided in accordance with CA section 295A 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.	Yes	Page 17
8.1	The Board should establish a remuneration committee.	No	Page 18

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	Recommendation	Comply Yes / No	Reference / Explanation
8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executives.	Yes	Page 17

The Company's corporate governance practices were in place for the period 4 August 2010 to 30 June 2011.

Further information about the Company's corporate governance practices is set out on the Company's website at www.fitzroyresources.com.au In accordance with the recommendations of the ASX, information published on the Company's website includes charters (for the Board and its sub-committees), codes of conduct and other policies and procedures relating to the Board and its responsibilities.

Board of Directors

Role of the Board and Management

The Board represents shareholders' interests in developing and then continuing a successful business, which seeks to optimise medium to long-term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the Group (being Fitzroy Resources Limited and its subsidiaries), is managed in such a way to best achieve this desired result. Given the early development stage of this business, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the Group, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Group.

The Board has sole responsibility for the following:

- Appointing, evaluating, rewarding and removing the Managing Director and Company Secretary;
- Determining the strategic direction and financial objectives of the Group and measuring performance of management against approved strategies and financial objectives;
- Reviewing the adequacy of resources for management to properly carry out approved strategies and business plans;
- Reviewing and approving management's development of corporate strategy and performance objectives;
- Approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
- Adopting operating and capital expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the Group's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the Group's financial affairs;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the Group's objectives and best practice are in place and that the Company and its officers act legally, ethically and responsibly on all matters.

The Board's role and the Group's corporate governance practices are being continually reviewed and improved as the Group's business develops.

Composition of the Board and New Appointments

The Company currently has the following Board members:

Tom Henderson	Non-Executive Chairman
William Dix	Managing Director
Riccardo Vittino	Non-Executive Director

The Company's Constitution provides that the number of Directors shall not be less than three and not more than ten. There is no requirement for any share holding qualification. The Board believes that the individuals on the Board can make, and do make, quality and independent judgments in the best interests of the Company on all relevant issues.

As the Company's activities increase in size, nature and scope, the size of the Board will be reviewed and the optimum number of Directors required for the Board to properly perform its responsibilities and functions assigned.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next annual general meeting. Under the Company's Constitution the tenure of Directors (other than Managing Director, regardless of whether this is a joint or singular position) is subject to reappointment by shareholders not later than the third anniversary following his last appointment. Subject to the requirements of the *Corporations Act 2001*, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. A Managing Director may be appointed for any period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

Committees of the Board

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time including audit, remuneration or nomination committees preferring at this stage to manage the Company through the full board of Directors.

The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

If the Group's activities increase in size, scope and nature, the appointment of separate or special committees will be reviewed by the Board and implemented if appropriate.

Conflicts of Interest

In accordance with the *Corporations Act 2001* and the Company's Constitution, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists the Director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered.

Independent Professional Advice

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. The engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably. If appropriate, any advice so received will be made available to all Board members.

Ethical Standards

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the Group.

Code of Conduct

The Board has adopted a Code of Conduct for Directors, officers, employees and contractors (collectively called Employees for the purposes of the Policy) to promote ethical and responsible decision-making by the Directors.

The principles of the code are:

- Employees must act honestly, in good faith and in the best interests of the Company as a whole.
- Employees have a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
- Employees must recognise that the primary responsibility is to the Company's shareholders as a whole but should, where appropriate, have regard for the interest of all stakeholders of the Company.
- Employees must not take advantage of their position for personal gain or the gain of their associates.
- Employees have an obligation to be independent in judgment and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken as a Board.
- Confidential information received by Employees in the course of the exercise of directorial duties remains the property of the Company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the Company, or the person from whom the information is provided, or is required by law.
- Employees have an obligation at all times, to comply with the spirit, as well as the letter of the law and with the principles of the Code.
- All Employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

In addition to the above principles, the Code of Conduct outlines further principles applicable specifically to Directors. These principles are as follows:

- Directors have a fiduciary relationship with the shareholders of the Company. It is unlawful for directors to improperly use their position to gain advantage for themselves.
- A Director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company.
- A Director must not use information concerning the activities or proposed activities of the Company, which is not public and which could materially affect the Company's share price for any purpose other than valid Company requirements.

An employee that breaches the Code of Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to the Chairman and Company Secretary. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

Dealings in Company Securities

The Company's share trading policy imposes trading restrictions on all Directors, the Company Secretary and employees of the Company.

Directors, the Company Secretary and employees (or their Associates) of Fitzroy Resources Limited:

- must not Deal in any Security of Fitzroy Resources Limited whilst in possession of Inside Information;
- must not engage in short term trading of any Securities of Fitzroy Resources Limited;
- must seek approval in accordance with the company procedure prior to Dealing in any Securities of Fitzroy Resources Limited.
- Must not trade during the Closed Period except in Exceptional Circumstances.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment. Approval is required for all dealings in Fitzroy's securities. A copy of the Securities Trading Policy is located on the Company's

website.

Interests of Other Stakeholders

The Group's objective is to develop and commercialise its exploration tenements to create wealth for shareholders and add value for other stakeholders.

To assist in meeting its objective, the Company conducts its business within the Code of Ethics and Conduct.

Disclosure of Information

Continuous Disclosure to ASX

The continuous disclosure policy requires all executives and Directors to inform the Managing Director or the Company Secretary when the Managing Director is not available, of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information is not material and need not be disclosed if:

- (i) A reasonable person would not expect the information to be disclosed or is material but due to a specific valid commercial reason is not to be disclosed; and
- (ii) The information is confidential; and
- (iii) One of the following applies:
 - (a) It would breach a law or regulation to disclose the information;
 - (b) The information concerns an incomplete proposal or negotiation;
 - (c) The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
 - (d) The information is generated for internal management purposes;
 - (e) The information is a trade secret;
 - (f) It would breach a material term of an agreement, to which the Company is a party, to disclose the information;
 - (g) The information is data that the release of which may benefit the Company's potential competitors.

The Managing Director is responsible for interpreting and monitoring the Company's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

Communication with Shareholders

The Company places considerable importance on effective communications with shareholders.

The Group's communication strategy requires communication with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the Group. The strategy provides for the use of systems that ensure a regular and timely release of information about the Group is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX;
- ASX Quarterly Cash Flow Reports;
- Half Yearly Report;
- Presentations at the Annual General Meeting/General Meetings; and
- Annual Report.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the Group's strategy and goals.

The Company also posts all reports, ASX and media releases and copies of significant business presentations on the Company's website.

Risk Management

Identification of Risk

The Board is responsible for the oversight of the Group's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Group with the Managing Director having ultimate responsibility to the Board for the risk management and control framework.

Areas of significant business risk to the Group are highlighted in the Business Plan presented to the Board by the Managing Director each year.

Arrangements put in place by the Board to monitor risk management include:

- where appropriate the appointment of appropriately skilled consultants to provide independent assessment of operational results and proposals, and to oversee the Company's future operations and manage liaison with other industry participants;
- the Audit and Risk Committee oversees the establishment of policies on risk oversight and management;
- periodic reporting to the Board in respect of operations and the financial position of the Company; and
- annual reports to the Board by the Chairman of each committee.

Integrity of Financial Reporting

The Company's Managing Director and Chief Financial Officer (or equivalent) report in writing to the Board that:

- the consolidated financial statements of the Company and its controlled entity for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Role of Auditor

The Company's practice is to invite the auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Performance Review

The Board has adopted a self-evaluation process to measure its own performance and the performance of its committee during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the Directors of the Company.

Arrangements put in place by the Board to monitor the performance of the Company's executives include:

- a review by the Board of the Company's financial performance; and
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual.

Remuneration Arrangements

The Board has not established a Remuneration Committee responsible for making recommendations to the Board on remuneration arrangements for Directors and executives of the Company.

The broad remuneration policy is to ensure that remuneration properly reflects the relevant person's duties and responsibilities, and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality. The Board believes that the best way to achieve this objective is to provide Executive Directors and executives with a remuneration package consisting of fixed components that reflect the person's responsibilities, duties and personal performance.

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The remuneration of Non-Executive Directors is determined by the Board as a whole having regard to the level of fees paid to Non-Executive Directors by other companies of similar size in the industry, and is subject to shareholder approval.

The aggregate amount payable to the Company's Non-Executive Directors for undertaking their duties as Directors must not exceed the maximum annual amount approved by the Company's shareholders (currently \$250,000).

For a full discussion of the Company's remuneration philosophy and framework, and the remuneration received by directors and executives in the current period, please refer to the Remuneration Report, which is contained within the Directors' Report.

Compliance with ASX Corporate Governance Recommendations

During the Company's period 4 August 2010 to 30 June 2011, the Company complied with the ASX Principles and Recommendations other than in relation to the matters specified below.

Principle Reference	Recommendation Reference	Notification of Departure	Explanation for Departure
2	2.1	The majority of the Board are not independent Directors.	Given the present size and complexity of the Company, the composition of the Board is considered appropriate. The Board will consider the appointment of further independent directors as the Company increases in size and complexity.
2	2.2	Mr Henderson (Chairman) is not an independent director.	Given the present size and complexity of the Company, an independent chairperson has not been appointed. The Board will consider the appointment of further independent directors as the Company increases in size and complexity.
2	2.4	The Board has not established a separate Nomination Committee.	The full Board carries out the role of a Nomination Committee in accordance with its Charter (which is disclosed on the Company's website). The Board considers that at this stage, no efficiencies or other benefits would be gained by establishing a separate Nomination Committee.
4	4.1, 4.2 and 4.3	The Board has not established a separate Audit Committee.	The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.
8	8.1	The Board has not established a separate Remuneration Committee.	The full Board carries out the role of a Remuneration Committee in accordance with its Charter (which is disclosed on the Company's website). Due to the relatively small size of the Board, the Board considers that a separate Remuneration Committee would not add efficiency to the process of determining the level of remuneration for the directors and key executives. When considering matters of remuneration, the Board functions in accordance with the Remuneration Committee Charter which requires that shareholders approve the maximum aggregate remuneration for Non-Executive Directors (after the Board recommends the actual payments to directors) and that Executive remuneration and other terms of employment are reviewed annually by the Remuneration Committee having regard to performance, relevant comparative information and expert advice.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period 4 August 2010 to 30 June 2011

		Consolidated Entity Period 4 Aug 2010 to 30 June 2011
	Note	\$
Revenue	4	134,363
Other income		19,407
Employee benefits expense	5(a)	(402,694)
Administration expenses		(291,291)
Exploration expenses		(1,042,670)
Depreciation and amortisation expense		(4,795)
Loss before income tax		(1,587,680)
Income tax expense	6	-
Loss from continuing operations		(1,587,680)
Other Comprehensive Income		-
Total Comprehensive Loss		(1,587,680)
Loss for the period attributable to members of the parent entity		(1,587,680)
Total Comprehensive Loss for the period attributable to members of the parent entity		(1,587,680)
Basic and diluted loss per share (cents per share)	7	(6.43)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	Consolidate Entity As at 30 June 2011 \$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	9(a)	3,375,345
Trade and other receivables	10	69,226
Other current assets		38,753
TOTAL CURRENT ASSETS		<u>3,483,324</u>
NON-CURRENT ASSETS		
Plant and equipment	11	51,875
Deferred mineral acquisition expenditure	12	1,892,199
TOTAL NON-CURRENT ASSETS		<u>1,944,074</u>
TOTAL ASSETS		<u>5,427,398</u>
CURRENT LIABILITIES		
Trade and other payables	13	134,543
Provisions	14	19,348
TOTAL CURRENT LIABILITIES		<u>153,891</u>
TOTAL LIABILITIES		<u>153,891</u>
NET ASSETS		<u>5,273,507</u>
SHAREHOLDERS' EQUITY		
Issued capital	15	6,457,387
Reserves	16	403,800
Accumulated losses		(1,587,680)
TOTAL SHAREHOLDERS' EQUITY		<u>5,273,507</u>

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period 4 August 2010 to 30 June 2011

	Issued Capital	Accumulated Losses	Option Reserve	Total
	\$	\$	\$	\$
Consolidated Group				
Balance at 4 August 2010	-	-	-	-
<i>Total Comprehensive Income</i>				
Loss attributable to members	-	(1,587,680)	-	(1,587,680)
Other Comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	(1,587,680)	-	(1,587,680)
<i>Transactions with owners recorded directly into equity</i>				
<i>Contributions by and distributions to owners</i>				
Shares issued during the period (net of costs)	6,457,387	-	-	6,457,387
Options expense for the period		-	403,800	403,800
Balance at 30 June 2011	6,457,387	(1,587,680)	403,800	5,273,507

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the period 4 August 2010 to 30 June 2011

	Consolidated Group 4 August 2010 to 30 June 2011
Note	\$
CASH FLOWS FROM OPERATING ACTIVITIES	
Interest received	97,726
Research and Development Rebate	15,337
Payments to suppliers and employees	(366,043)
Payments for exploration expenditure	<u>(1,189,194)</u>
Net cash used in operating activities	9(c) <u>(1,442,173)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of plant and equipment	(56,670)
Purchase of tenements	<u>(83,199)</u>
Net cash used in investing activities	<u>(139,869)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issue of shares	5,425,005
Share issue costs	<u>(467,618)</u>
Net cash provided by financing activities	<u>4,957,387</u>
Net increase in cash held	3,375,345
Cash - 4 August 2010	<u>-</u>
Cash - 30 June 2011	9(b) <u><u>3,375,345</u></u>

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the period 4 August 2010 to 30 June 2011

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Fitzroy for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of Directors on 23 September 2011.

This financial report includes the consolidated financial statements and notes of Fitzroy and controlled entities ('Consolidated Entity' or 'Group'), and the separate financial statements and notes of Fitzroy as an individual parent entity ('Parent Entity').

Fitzroy is a listed public company, trading on the Australian Securities Exchange, limited by shares, incorporated and domiciled in Australia.

The financial report of and controlled entities, and as an individual parent entity comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation and Going Concern Basis

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

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

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

The financial statements have been prepared on the going concern basis. As at 30 June 2011 the consolidated entity had net assets of \$5,278,668 and continues to incur expenditure on its exploration tenements drawing on its cash balances. As at 30 June 2011 the consolidated entity had \$3,375,345 in cash and cash equivalents. The ultimate recoupment of costs carried forward for exploration and evaluation is dependent on the successful development and commercial exploitation or sale of the respective areas of interest. Ultimate exploitation of the assets will depend on raising necessary funding in the future. At this time the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount in the financial report. Accordingly there has been no adjustment in the financial report relating to the recoverability and classification of the asset carrying amounts, or the amounts and classification of liabilities that might be necessary, should the consolidated entity be unable to raise capital as and when required, and the exploitation of the areas of interest not be successful, or the consolidated entity not continue as a going concern.

a. Significant accounting estimates, judgments and assumptions

The preparation of financial statements requires management to make judgments and estimates relating to the carrying amounts of certain assets and liabilities. Actual results may differ from the estimates made. Estimates and assumptions are reviewed on an ongoing basis.

The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next accounting period are:

(i) Share based payment transactions

The consolidated entity measures the cost of equity settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of share options is determined by an external valuer using an appropriate valuation model.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

a. Significant accounting estimates, judgments and assumption (con't)

- (ii) *Impairment of exploration and evaluation assets and investments in and loans to subsidiaries*
The ultimate recoupment of the value of exploration and evaluation assets, the Company's investment in subsidiaries, and loans to subsidiaries is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation assets. Impairment tests are carried out on a regular basis to identify whether the asset carrying values exceed their recoverable amounts. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of judgement and estimation include:

- Recent exploration and evaluation results and resource estimates;
- Environmental issues that may impact on the underlying tenements;
- Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

Exploration and Evaluation Assets

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

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

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

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

An impairment exists when the carrying amount of capitalised exploration and evaluation expenditure relating to an area of interest exceeds its recoverable amount. The asset is then written down to its recoverable amount. Any impairment losses are recognised in the statement of comprehensive income.

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

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

Determination of mineral resources

The determination of mineral resources impacts the accounting for asset carrying values. Fitzroy Resources Ltd estimates its mineral resources in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the 'JORC' Code). The information on mineral resources was prepared by or under the supervision of Competent Persons as defined in the JORC Code. The amounts presented are based on the mineral resources determined under the JORC Code.

There are numerous uncertainties inherent in estimating mineral resources, and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being restated.

**FITZROY RESOURCES LTD
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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 4 AUGUST 2010 TO 30 JUNE 2011**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

b. Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Fitzroy ('Company' or 'parent entity') as at 30 June 2011 and the results of all controlled entities for the year then ended. Fitzroy and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

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

Inter-company 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. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 16 to the financial statements.

c. Income Tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates of (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

d. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

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

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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.

e. Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a diminishing value basis over the asset's useful life to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Plant and equipment	30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

f. Impairment

i. Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised either in the statement of comprehensive income or revaluation reserves in the period in which the impairment arises.

ii. Exploration and Evaluation Assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount at the reporting date.

Exploration and evaluation assets are tested for impairment in respect of cash generating units, which are no larger than the area of interest to which the assets relate.

iii. Non-financial Assets Other Than Exploration and Evaluation Assets

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

The carrying amounts of the Consolidated Entity's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

f. Employee Benefits

i. Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave expected to be settled within one year of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

ii. Superannuation

Contributions are made by the consolidated entity to superannuation funds as stipulated by statutory requirements and are charged as expenses when incurred.

iii. Employee benefit on costs

Employee benefit on costs, including payroll tax, are recognised and included in employee benefits liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

iv. Options

The fair value of options granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date.

The fair value at grant date is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Equity-settled Compensation

The group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

g. Provisions

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

h. Cash and Cash Equivalents

Cash in the balance sheet comprise cash at bank.

For the purposes of the cash flow statements, cash and cash equivalents consist of cash and cash equivalents as defined above.

i. Revenue and other Income

Interest revenue is recognised as it accrues. Dividend revenue is recognised when the right to receive a dividend has been established.

j. Goods and Services Tax (GST)

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

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

k. Trade and other Receivables

Collectability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

l. Trade and other Payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of consideration to be paid in the future for goods and services received, whether or not billed to the company.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

m. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Operating lease payments, where substantially all the risk and benefits remain with the lessor, are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

n. Operating Segments

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regards, such information is provided using similar measures to those used in preparing the Statement of Comprehensive Income and Statement of Financial Position.

**FITZROY RESOURCES LTD
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 4 AUGUST 2010 TO 30 JUNE 2011**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CON'T)

o. EPS

i. Basic earnings per share

Basic earnings per share is determined by dividing the net profit after income tax attributable to members 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.

ii. 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.

p. Contributed Equity

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. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

**FITZROY RESOURCES LTD
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 4 AUGUST 2010 TO 30 JUNE 2011**

q. New Accounting Standards for Application in Future Periods

The AASB has issued the following new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards, and has not yet determined the potential impact on the financial statements from the adoption of these standards and interpretations.

AASB No.	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
9	Financial Instruments	Dec 2010	1 Jan 2013
1053	Application of Tiers of Australian Accounting Standards	Jun 2010	1 Jul 2013
2009 – 10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	Oct 2009	1 Feb 2010
2009 – 12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	Dec 2009	1 Jan 2011
2010 – 2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	Jun 2010	1 Jul 2013
2010 – 3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	Jun 2010	1 Jul 2010
2010 – 4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]	Jun 2010	1 Jan 2011
2010 – 5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	Oct 2010	1 Jan 2011
2010 – 6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	Nov 2010	1 Jul 2011
2010 – 7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	Dec 2010	1 Jan 2013
2010 – 8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	Dec 2010	1 Jan 2012
2010 – 9	Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]	Dec 2010	1 Jul 2011
2010 – 10	Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	Dec 2010	1 Jan 2013
Australian Interpretations			
19	Extinguishing Financial Liabilities with Equity Instruments	Dec 2009	1 Jul 2010

**FITZROY RESOURCES LTD
AND CONTROLLED ENTITIES**

Consolidated Group
4 August
2010 to 30
June
2011
\$

2. REVENUE

Interest revenue from other persons	134,363
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3. LOSS FOR THE PERIOD

(a) Employee benefits expense

Wages and salaries	282,881
Superannuation expense	25,285
Other employee expenses	39,228
Share based payments expense	55,300
	402,694

(b) Other expenses

Depreciation	4,795
Rental expense on operating leases	24,119

4. INCOME TAX

(a) The major components of income tax expense are:

Current income tax

Current income tax benefit	(460,817)
Current income tax benefit not recognised	460,817

Deferred income tax

Relating to the origination and reversal of temporary differences	12,953
Deferred tax assets not brought to account because their realisation is not regarded as probable	(12,953)
Income tax (benefit)/expense reported in the Statement of Comprehensive Income	-

(b) A reconciliation between tax expense and the product of accounting loss before tax multiplied by the Group's applicable income tax rate is as follows:

Accounting loss before income tax	(1,587,680)
At the Group's statutory income tax rate of 30%	(476,304)
Share based payments	28,440
Other non-deductible items	
Deferred tax assets not brought to account as their realisation is not regarded as probable	447,864
Income tax benefit reported in the Statement of Comprehensive Income	-

**FITZROY RESOURCES LTD
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 4 AUGUST 2010 TO 30 JUNE 2011**

<i>(c) Deferred income tax</i>	Statement of Financial Position	Statement of Comprehensive Income
	2011 \$	4 August 2010 to 30 June 2011 \$
Deferred income tax at 30 June relates to the following:		
Consolidated		
<u>Deferred tax liabilities</u>		
Capitalised exploration and evaluation expenditure	(567,660)	567,660
Recognition of losses to offset future taxable income	567,660	(567,660)
	-	-
<u>Deferred tax assets</u>		
Accruals	9,300	(9,300)
Provisions	5,804	(5,804)
Section 40-880 deductions	28,057	(28,057)
Losses available to offset against future taxable income	460,817	(460,817)
Recognition of losses to offset future taxable income	(567,660)	567,660
Deferred tax assets not brought to account as their realisation is not regarded as probable	63,682	(63,682)
	-	-

<i>(d) Tax losses</i>	Note	Consolidated Group 4 August 2010 to 30 June 2011 \$
Tax losses arising in Australia	(i)	1,587,680

(i) Tax losses are available to carry forward indefinitely. The Group has recognised a deferred income tax asset in relation to these losses only to the extent that they offset deferred tax liabilities. Realisation of the balance of these losses is not regarded as probable.

(e) Tax consolidation

Fitzroy Resources Ltd and its 100% owned Australian subsidiary intend to form a tax consolidated group.

5. LOSS PER SHARE

The following reflects income and share data used in the calculation of basic and diluted loss per share.

Net loss	1,587,680
	No.
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	24,700,005

**FITZROY RESOURCES LTD
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 4 AUGUST 2010 TO 30 JUNE 2011**

	Note	Consolidated Group 4 August 2010 to 30 June 2011 \$
6. PARENT ENTITY – FITZROY RESOURCES LIMITED		
Financial Position		
Current assets		3,483,324
Non-current assets		1,944,074
Total Assets		<u>5,427,398</u>
Current Liabilities		153,891
Total Liabilities		<u>153,891</u>
Shareholders' Equity		
Share Capital		6,457,387
Reserves		403,800
Accumulated losses		(1,587,680)
Total Shareholders' Equity		<u>5,273,507</u>
Financial Performance		
Loss for the period		1,587,680
Other Comprehensive Income		-
Total Comprehensive Loss		<u>1,587,680</u>

The Parent Company Fitzroy Resources Ltd has no contingent liabilities as at 30 June 2011.

Operating Lease Commitments

Non-Cancellable Operating leases contracted for but not capitalised in the financial statements

Payable – minimum lease payments

– Not later than 1 year	32,159
– Later than 1 year but not later than 5 years	13,399
	<u>45,558</u>

Mineral Acquisition Exploration Tenements

Minimum expenditure on exploration tenements payable

– Not later than 1 year	-
– Later than 1 year but not later than 5 years	-
	<u>-</u>

**FITZROY RESOURCES LTD
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 4 AUGUST 2010 TO 30 JUNE 2011**

	Consolidated Group 4 August 2010 to 30 June 2011
7. CASH AND CASH EQUIVALENTS	
<i>(a) Cash and cash equivalents in the Statement of Financial Position</i>	\$
Cash at bank and in hand	375,345
Short-term bank deposits	3,000,000
	<u>3,375,345</u>
<i>(b) Reconciliation to the cash flow statement</i>	
Cash at the end of the financial period as shown in the cash flow statement is reconciled to items in the Statement of Financial Position as follows:	
Cash and cash equivalents	<u>3,375,345</u>
<i>(c) Reconciliation of net loss after income tax to cash flows used in operations</i>	
Net loss after income tax	(1,587,680)
<i>Non-cash adjustments</i>	
Depreciation	4,795
Share-based payments	94,800
<i>Changes in assets and liabilities</i>	
(Increase) in receivables	(69,226)
(Increase) in other current assets	(38,753)
Increase/(decrease) in provisions	19,348
Increase/(decrease) in payables	134,543
Net cash used in operations	<u>(1,442,173)</u>

8. TRADE AND OTHER RECEIVABLES

CURRENT

GST receivable	60,056
Other receivable	9,170
	<u>69,226</u>

None of the receivables are past due. Receivables are therefore not impaired and are within initial trade terms.

9. PLANT AND EQUIPMENT

At cost	56,670
Accumulated depreciation	(4,795)
Total Plant and Equipment	<u>51,875</u>

(a) Movements in Carrying Amounts

Movements in carrying amounts for each class of plant and equipment between the beginning and the end of the current financial period.

Balance at the beginning of the period	-
Additions	56,670
Disposals	-
Accumulated depreciation of assets sold	-
Depreciation expense	(4,795)
Balance at the end of the period	<u>51,875</u>

**FITZROY RESOURCES LTD
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 4 AUGUST 2010 TO 30 JUNE 2011**

**10. DEFERRED MINERAL ACQUISITION
EXPENDITURE**

Deferred mineral acquisition expenditure	<u>1,892,199</u>
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The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

11. TRADE AND OTHER PAYABLES

CURRENT

Trade payables and accruals	<u>134,543</u>
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Trade creditors are non interest bearing and are normally settled on 30 day terms.

12. PROVISIONS

CURRENT

Provision for employee benefits	(i) <u>19,348</u>
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(i) The measurement and recognition criteria relating to employee benefits have been included in Note 2 to this report.

13. ISSUED CAPITAL

(a) Ordinary Shares

Issued and fully paid	<u>6,457,387</u>
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Fully paid ordinary shares carry one vote per share and carry the right to dividends

	2011	
	No.	\$
<i>Movement in ordinary shares on issue</i>		
At the beginning of reporting period	-	-
Shares issued	41,000,005	6,925,000
Transaction costs	-	(467,618)
At reporting date	<u>41,000,005</u>	<u>6,457,387</u>

There were options issued to key management personnel during the financial year. For information relating to share options issued to key management personnel during the current and comparative financial year, refer to Note 15 Related Party Disclosures.

(b) Capital Management

The Directors' primary objective is to maintain a capital structure that ensures the lowest cost of capital to the Company. At reporting date the Company has no external borrowings. The Directors have no current plans to raise capital through the issue of additional shares in the Company. The Company is not subject to any externally imposed capital requirements.

**FITZROY RESOURCES LTD
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 4 AUGUST 2010 TO 30 JUNE 2011**

14. SHARE BASED PAYMENTS RESERVE	Consolidated Group
	2011
	\$
Balance 4 August 2010	-
Options based on vendor valuation	309,000
Options based on remuneration valuation	94,800
Balance 30 June 2011	<u>403,800</u>

The share based payments reserve is used to record the value of share based payments provided to employees, including Key Management Personnel, as part of their remuneration. Refer to Note 17 for further details.

The value of options granted during the period was calculated using the Black-Scholes Option Pricing Model and totalled \$403,800. The values and inputs are as follows;

	Vendor Options	Employees, Director & Consultant Options
Options issued	5,000,000	6,000,000
Underlying share value	\$0.20	\$0.10
Exercise price	\$0.30	\$0.30
Risk free interest rate	5%	5%
Share price volatility	70%	70%
Expiration period	3 years	3 years
Valuation per option	\$0.0618	\$0.0158
Total value of options	\$309,000	\$94,800

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

15. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

The key management personnel (KMP) of Fitzroy Resources Ltd during the period were:

Thomas Henderson – Non-Executive Chairman
William Dix – Managing Director
Riccardo Vittino – Non-Executive Director
Simon Robertson – Company Secretary

(b) Compensation for Key Management Personnel

Short term employee benefits	281,052
Post-employment benefits	22,307
Directors and Officers Insurance	7,932
Share based payments	63,200
Total compensation	<u>374,491</u>

Fitzroy Resources Limited has applied the option to transfer KMP disclosures required by AASB 124 *Related Party Disclosures* paragraphs Aus 25.4 to Aus 25.7.2 to the Remuneration Report section of the Directors' Report. These transferred disclosures have been audited.

Since the end of the financial period, no director has entered into a material contract with the Group and no material contracts involving directors' interest existed at 30 June 2011.

**FITZROY RESOURCES LTD
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 4 AUGUST 2010 TO 30 JUNE 2011**

*(c) Option holdings of Key Management Personnel
(Consolidated)*

30 June 2011	Balance at beginning of period	Granted as remuneration	Options exercised	Net change other	Balance at end of period	Vested at 30 June 2011		
						Total	Exercisable	Not exercisable
Directors								
T Henderson	-	1,500,000	-	-	1,500,000	1,500,000	-	1,500,000
W Dix	-	1,500,000	-	-	1,500,000	1,500,000	-	1,500,000
R Vittino	-	500,000	-	-	500,000	500,000	-	500,000
Other KMP								
S Robertson	-	500,000	-	-	500,000	500,000	-	500,000
	-	3,000,000	-	-	3,000,000	3,000,000	-	3,000,000

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Black Scholes Model taking into account the terms and conditions upon which the options were granted.

*(d) Shareholdings of Key Management Personnel
(Consolidated)*

Ordinary shares held in Fitzroy Resources Limited (number)

30 June 2011	Balance 4 August 10	Granted as remuneration	On exercise of options	Net change other	Balance 30 June 11
Thomas Henderson	-	-	-	3,000,000	3,000,000
William Dix	-	-	-	800,005	800,005
Riccardo Vittino	-	-	-	400,000	400,000
Simon Robertson	-	-	-	200,000	200,000
	-	-	-	4,400,005	4,400,005

(e) Loans to Key Management Personnel

There are no loans between the entity and Key Management Personnel.

Note	Consolidated Group
	2011
	\$

16. SHARE BASED PAYMENTS

(a) Recognised share based payment expenses

The expense recognised for consultant services. Tenement acquisition and employee services received during the period is show in the table below:
Expense arising from equity-settled share based payment transactions

5	<u>403,800</u>
---	----------------

The share based payment plans are described below.

**FITZROY RESOURCES LTD
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 4 AUGUST 2010 TO 30 JUNE 2011**

(b) Summary of options granted

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

	2011 No.	2011 WAEP
Outstanding at the beginning of the period	-	-
Granted during the period	11,000,000	\$0.30
Exercised during the period	-	-
Expired during the period	-	-
Outstanding at the end of the period	11,000,000	\$0.30
Exercisable at the end of the period	6,000,000	\$0.30

(i) No options were exercised during the period 4 August 2010 to 30 June 2011.

(d) Weighted average remaining contractual life

The weighted average remaining contractual life of the share options outstanding as at 30 June 2011 is 4.05 years

(e) Range of exercise prices

The exercise price for options outstanding at the end of the period was \$0.30.

(f) Weighted average fair value

The weighted average fair value of options granted during the period was \$0.30.

(g) Option pricing model

The fair value of the equity-settled share options granted is estimated as at the date of grant using a Black Scholes Model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the period 4 August 2010 to 30 June 2011:

	2010
Dividend yield (%)	0%
Expected volatility (%)	70%
Risk free interest rate (%)	5%
Expected life of the option (years)	3.00 – 4.94
Option exercise price (\$)	\$0.30

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

**FITZROY RESOURCES LTD
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 4 AUGUST 2010 TO 30 JUNE 2011**

17. RELATED PARTY DISCLOSURE

(a) Controlled Entities

The consolidated financial statements include the financial statements of Fitzroy Resources Ltd and the following subsidiary:

	% Equity Interest	Investment
	2011	2011
Fitzroy Copper Pty Ltd (incorporated in Australia)	100	1

The Company paid costs of \$1,042,671 on behalf of the subsidiary during the period 4 August 2010 to 30 June 2011. Included in the Company's non-current assets referred to in Note 8, is a loan to the subsidiary of \$1,042,671. The loan is non-interest bearing, unsecured and repayable on demand. In the current period the company made an allowance for impairment of the loan to the subsidiary of \$1,042,671. An allowance for impairment is recognised when the net assets of the controlled entity (excluding the loan payable to the Company) falls below the carrying value of the loan. An allowance for impairment is reversed when the net assets of the controlled entity (excluding the loan payable to the Company) exceed the carrying value of the loan.

(b) Acquisition of Controlled Entities

On 23 August 2010 the parent entity acquired 100% of Fitzroy Copper Pty Ltd, with Fitzroy Resources Ltd entitled to all profits earned from 23 August 2010 for a purchase consideration of \$1.

(c) Key Management Personnel

Details relating to KMP, including remuneration paid, are included in Note 17 and the audited remuneration report section of the directors' report.

(d) Transactions with Other Related Parties

There were no transactions with other related parties during the current financial period.

18. FINANCIAL INSTRUMENTS

(a) Financial Risk Management

The Group's principal financial instruments comprise cash and short term deposits and investments held to maturity.

The main purpose of these financial instruments is to fund capital expenditure on the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. Being at an exploration stage, the Group has limited exposure to risks arising from its financial instruments.

Currently the Group does not have any exposure to commodity price risk or foreign currency risk. As the Group moves into development and production phases, exposure to commodity price risk, foreign currency risk and credit risk are expected to increase. The Board will set appropriate policies to manage these risks dependent on market conditions and requirements at that time.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 2.

	Note	Consolidated Group 2011 \$
<i>(b) Interest rate risk</i>		
At balance date, the Group had the following financial assets exposed to interest rate risk:		
Cash and cash equivalents (i)		3,375,345
Receivables (ii)		69,226
		<u>3,444,571</u>

(i) The weighted average interest rate of cash and cash equivalents is 4.24%

(ii) Receivables are non interest bearing.

None of the Group's financial liabilities are interest bearing.

(c) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Group's maximum exposure to credit risk in relation to each class of financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

**FITZROY RESOURCES LTD
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 4 AUGUST 2010 TO 30 JUNE 2011**

The Group has in place policies that aim to ensure that counterparties and cash transactions are limited to high credit quality financial institutions and that the amount of credit exposure to one financial institution is limited as far as is considered commercially appropriate.

Since the Group trades only with recognised third parties, there is no requirement for collateral.

(d) Liquidity Risk

The Group currently does not have major funding in place. However the Group continuously monitors forecast and actual cash flows and the maturity profiles of financial assets and financial liabilities to manage its liquidity risk.

(e) Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 2.

(f) Sensitivity Analysis

The following tables summarise the sensitivity of the Group's financial assets to interest rate risk. Had the relevant variables, as illustrated in the tables, moved, with all other variables held constant, post tax loss and equity would have been affected as shown. The analysis has been performed on the same basis for 2010 and 2009.

Consolidated Entity 30 June 2011	Carrying Amount \$	Interest Rate Risk -1%		Interest Rate Risk +1%	
		Net Loss \$	Equity \$	Net Loss \$	Equity \$
<i>Financial assets</i>					
Cash and cash equivalents	3,375,345	(33,753)	(33,753)	33,753	33,753
	<u>3,375,345</u>	<u>(33,753)</u>	<u>(33,753)</u>	<u>33,753</u>	<u>33,753</u>

None of the Group's receivables or financial liabilities are interest bearing.

Note	Consolidated Group 2011 \$
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19. COMMITMENTS

(a) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable — minimum lease payments

- not later than 1 year

32,159

- later than 1 year but not later than 5 years

13,399

45,558

The property lease is for the period 1 October 2010 to 31 December 2012, with rent payable monthly in advance. The lease allows for subletting of all lease areas with the consent of the lessee.

**FITZROY RESOURCES LTD
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD 4 AUGUST 2010 TO 30 JUNE 2011**

(b) Mineral Acquisition Exploration Tenements

In order to maintain current rights of tenure to exploration tenements the consolidated entity is required to perform minimum exploration work to meet the minimum expenditure requirements specified by various State governments. These obligations can be reduced by selective relinquishment of exploration tenure or renegotiation. Due to the nature of the consolidated entity's operations in exploring and evaluating areas of interest, exploration expenditure commitments beyond twelve months cannot be reliably determined. It is anticipated that expenditure commitments in subsequent years will be similar to that for the forthcoming twelve months. These obligations are not provided for in the financial report.

Minimum expenditure on exploration tenements

Payable:

— not later than 1 year	585,000
— later than 1 year but not later than 5 years	350,000
	<u>935,000</u>

20. CONTINGENT LIABILITIES

There are no contingent assets or liabilities as at 30 June 2011.

21. SEGMENT REPORTING

The Group operates entirely in Australia and predominantly in the field of mineral exploration with particular emphasis on copper, zinc, silver and gold. For management purposes the Group is organised into one main operating segment which involves the exploration of minerals in Australia. All of the Group's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly all significant operating decisions are based upon analysis of the Group as one segment.

The financial results from this segment are equivalent to the financial statements of the Group as a whole.

22. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There have been no other matters or circumstances that have arisen since the end of the financial period which significantly affected or may significantly affect:

- a) the consolidated entity's operations in future years; or
- b) the results of those operations in future years; or
- c) the consolidated entity's state of affairs in future years.

23. AUDITORS' REMUNERATION

The auditor of Fitzroy Resources Ltd for the period 4 August 2010 to 30 June 2011 is PKF Mack and Co Chartered Accountants

Amounts received or due and receivable by Mack and Co Chartered Accountants for:


An audit or review the financial report of the entity and any other entity in the consolidated group	44,000
Tax Compliance	1,350
	<u>45,350</u>

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements, notes and additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standards and the Corporations Regulations 2001; and
 - (b) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2011 and of their performance for the period ended on that date.
2. The financial report also complies with International Financial Reporting Standards.
3. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial period 4 August 2010 to 30 June 2011.

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



Chairman
Tom Henderson

23 September 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FITZROY RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Fitzroy Resources Limited, which comprises the statements of financial position as at 30 June 2011, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration of Fitzroy Resources Limited (the company) and the consolidated entity. The consolidated entity comprises 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 gives a true and fair view and 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.

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Opinion

In our opinion:

- (a) the financial report of Fitzroy Resources Limited and the consolidated entity is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2011 and of their 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 10 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 Fitzroy Resources Limited for the year ended 30 June 2011, complies with section 300A of the Corporations Act 2001.



PKF MACK & CO



N A CALDER
PARTNER

23 SEPTEMBER 2011
WEST PERTH,
WESTERN AUSTRALIA

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