



Nickelore Limited

ABN 13 086 972 429

Annual Financial Report

For the Year Ended 30 June 2011

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Directors' Report

Your Directors present their report on Nickelore Limited ("Company" or "Nickelore") for the financial year ended 30 June 2011.

1. DIRECTORS

The names and details of the Directors in office at any time during or since the end of financial year are:

- Mark Bojanjac (Resigned 1 October 2010)
- Ron Heeks (Resigned 1 October 2010)
- Ian Cunningham (Resigned 30 June 2011)
- Robert Gardner (Appointed 1 October 2010)
- Paul Piercy (Appointed 13 October 2010)
- Jay Stephenson (Appointed 1 July 2011)

2. PRINCIPAL ACTIVITY

The Company is seeking new resource project opportunities both in Australia and internationally.

There were no significant changes in the nature of the economic entity's principal activities during the financial year except as disclosed elsewhere in this report.

3. OPERATING RESULTS

The Company reported a net loss of \$368,232 for the financial year (2010: \$115,460 loss for the Company and its consolidated entities).

4. DIVIDENDS PAID OR RECOMMENDED

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

5. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant changes in the state of affairs of the Company occurred during the financial year:

- Mr Robert Gardner was appointed as a Non-Executive Chairman of the Company on 1 October 2010 as a result of the resignation of Mr Mark Bojanjac on the same date.
- Mr Paul Piercy was appointed as Non-Executive Director of the Company on 13 October 2010 as a result of the resignation of Mr Ron Heeks on 1 October 2010.
- Mr Jay Stephenson was appointed as Non-Executive Director and Company Secretary of the Company on 1 July 2011 as a result of the resignation of Mr Ian Cunningham on 30 June 2011.
- Mr John Lewis resigned as Chief Financial Officer of the Company on 28 February 2011.

6. AFTER BALANCE DATE EVENTS

No matters or circumstances other than the above events have arisen since the end of the half year which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

7. ENVIRONMENTAL ISSUES

The Company's environmental obligations are regulated under both State and Federal Law. The Company has a policy of complying with its environmental performance obligations. No environmental breaches have been notified to the Company to the date of this report.

Directors' Report (continued)

8. INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Robert Gardner	Chairman Appointed 1 October 2010
Qualifications	
Experience	Mr Gardner is a Perth based business proprietor, with over 25 years experience in the mining industry. Mr Gardner has developed a number of projects that are now major assets of ASX listed companies. Mr Gardner is also a major shareholder in the Company.
Interests in Shares and Options	32,000,000 fully paid ordinary shares
Other Directorships	During the last three years Mr Gardner has also served as a Director of the following other Australian listed companies: Dragon Mountain Gold Limited * * denotes current Directorship
Paul Piercy	Non-Executive Director Appointed 13 October 2010
Qualifications	Dip. Metallurgy, Dip Bus Admin, AICD Diploma
Experience	Mr Piercy has extensive Australian and International mining and resources industry experience. Mr Piercy also has significant experience in China where he was based for a number of years. Mr Piercy is a metallurgist who has held senior management and technical positions within the Rio Tinto Limited during the 1980's and 1990's, including General Manager of Hamersley Iron's Dampier port and rail operations, General Manager of Hamersley Iron's Paraburdoo & Channar operations and Managing Director of Novacoal and Kembla Coal & Coke. From 1997 to 2000 Mr. Piercy was Managing Director of WesTrac Equipment before playing an integral role in the successful establishment of WesTrac China, as its Chairman/CEO based in China. More recently Mr Piercy was Chairman of APAC Coal Limited and is currently a Non Executive Director of Australasian Resources Ltd and Dragon Mountain Gold Limited.
Interests in Shares and Options	Nil
Other Directorships	During the last three years Mr Piercy has also served as a Director of the following other Australian listed companies: Australasian Resources Limited * Dragon Mountain Gold Limited * * denotes current Directorship

Directors' Report (continued)

8. INFORMATION ON DIRECTORS AND COMPANY SECRETARY (Continued)

Ian Cunningham	Executive Director and Company Secretary Resigned as Director and Company Secretary 30 June 2011
Qualifications	B Comm, LLB, CA
Experience	Mr Cunningham is a Chartered Accountant and holds a Bachelor of Commerce degree and Bachelor of Laws degree. Mr Cunningham has over seven years experience in the resources industry in senior management roles. Mr Cunningham previously had a corporate advisory background with Deloitte in Australia and the United Kingdom, during which time he provided general corporate, capital raising, valuation, transaction and strategic advice to a range of listed and unlisted clients.
Interests in Shares and Options	30,000 fully paid ordinary shares 100,000 options at \$0.14, expiring 30 August 2011 100,000 options at \$0.30, expiring 30 June 2012
Other Directorships	Nil

Jay Stephenson	Non-Executive Director and Company Secretary Appointed as Director and Company Secretary 1 July 2011
Qualifications	MBA, FCPA, CMA, FCIS, MAICD
Experience	Mr Stephenson has been involved in business development for over 20 years including approximately 16 years as Director, Chief Financial Officer and Company Secretary for various listed and unlisted entities in resources, manufacturing, wine, hotels and property. He has been involved in business acquisitions, mergers, initial public offerings, capital raisings, and business restructuring as well as managing all areas of finance for companies. Mr Stephenson is currently a Non-Executive Director of Drake Resources Limited, Dora Minerals Ltd, Strategic Minerals Corporation NL and Aura Energy Limited as well as Company Secretary for a number of ASX listed resource and industrial companies.
Interests in Shares and Options	Nil
Other Directorships	During the last three years Mr Stephenson has also served as a Director of the following other Australian listed companies: Drake Resources Limited + Doray Minerals Limited + Strategic Minerals Corporation NL + Quintessential Resources Limited + Parker Resources NL + Aura Energy Limited + + denotes current Directorship

Directors' Report (continued)

9. REMUNERATION REPORT (Audited)

This report outlines the remuneration arrangements in place for Directors and executives being:

Directors

Mr Mark Bojanjac	Non-Executive Director and Chairman (Appointed 30 June 2003 – Resigned 1 October 2010)
Mr Ron Heeks	Executive Director (Appointed 16 October 2009 – Resigned 1 October 2010)
Mr Ian Cunningham	Executive Director and Company Secretary (Appointed Company Secretary 28 June 2007, Appointed Executive Director 30 September 2009 – Resigned both positions 30 June 2011)
Mr Robert Gardner	Non-Executive Chairman (Appointed 1 October 2010)
Mr Paul Piercy	Non-Executive Director (Appointed 13 October 2010)
Mr Jay Stephenson	Non-Executive Director and Company Secretary (Appointed 1 July 2011)

Named Executives

Mr John Lewis	Chief Financial Officer (Appointed 26 October 2007 - Resigned 28 February 2011)
Mr Craig Rappoport	Joint Company Secretary (Appointed 20 May 2011 – Resigned 24 June 2011)

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 qualified and experienced executives;
- Link executive rewards to length of service, experience and overall performance of the Company; and
- Equity participation is a cost effective and efficient incentive given the Company's pre-production status.

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and senior management 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 of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of 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.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst Directors is reviewed annually. The Board considers 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 paid for participation on sub-committees, such as the Audit Committee. Non-Executive Directors are encouraged by the Board to hold shares in the Company. Accordingly, they are entitled to participate in equity incentive schemes offered by the Company. The current Director's fees payable to Non-Executive Directors are as follows:

- Mr Bojanjac and Mr Heeks' annual Director's fees were \$50,400 each.
- Mr Ian Cunningham's annual Director's/Company Secretary's fees were \$50,400.
- Mr Gardner's annual Director's fees are \$50,400.
- Mr Piercy's annual Director's fees are \$50,400. Mr Piercy has agreed to accept a lesser annual payment in the sum of \$30,000 until such time as the Company begins work on a new project, effective 1 January 2011.
- Mr Stephenson's annual Director's fees are \$30,000

Director's fees are reviewed annually by the Board. No termination payments are payable to Non-Executive Directors. The remuneration received by Non-Executive Directors for the year ended 30 June 2011 is detailed in the preceding tables.

Directors' Report (continued)

9. REMUNERATION REPORT (Audited) (continued)

Senior Manager and Executive Director Remuneration

Objective

Generally, compensation is provided by the Company to its executive officers by way of salary and share option grants. The objective is to ensure that executive compensation is fair and reasonable in order to attract and retain qualified and experienced executives.

Structure

Fixed remuneration consists of base cash remuneration and statutory superannuation entitlements. Longer term discretionary remuneration consists of share option grants. Remuneration levels are based on an overall assessment of both individual and Company performance.

The Company believes that encouraging its executives and employees to become shareholders is the best way of aligning their interest to those of its shareholders. In addition, equity participation is a cost effective and efficient incentive as compared to cash bonuses or increased remuneration, particularly given the Company's pre-production status. Accordingly, all executives and employees are entitled to participate in the Company's equity incentive scheme. Generally, the ability to exercise an option is conditional upon the holder remaining in the Company's employment. There are presently no other non-cash benefits available to Directors or employees. There is no separate profit-sharing or bonus plan.

The contracts for service between the Company and Directors and executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement, Directors and executives are paid employee benefit entitlements accrued to date of retirement. The Company may terminate the contracts without cause by providing one month's written notice. Termination payments (if applicable) are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Employment Contracts

Directors

Ron Heeks

Appointed as Executive Director on 16 October 2009. Base remuneration was \$50,400 per annum. No termination payments applied. Mr Heeks resigned 1 October 2010.

Ian Cunningham

Executive Director and Company Secretarial Agreement. Terms of Agreement – commencing on 30 September 2009 for no fixed term. Annual fees were \$50,400. No termination payments applied. Mr Cunningham resigned as Executive Director and Company Secretary 30 June 2011.

Robert Gardner

Appointed as Non-Executive Chairman on 29 September 2010. Base remuneration is \$50,400 per annum. No termination payments are applicable.

Paul Piercy

Appointed as Non-Executive Director on 13 October 2010. Base remuneration is \$50,400 per annum. Contract was amended to \$30,000 per annum, effective 1 January 2011 until further notice. No termination payments are applicable.

Jay Stephenson

Appointed as Non-Executive Director and Company Secretary on 1 July 2011. Base remuneration is \$30,000 per annum. No termination payments are applicable.

Other Named Executives

John Lewis – resigned 28th February 2011

- Terms of Agreement – commencing on 26 November 2007 for no fixed term.
- Base remuneration is \$170,000 per annum plus statutory superannuation.
- One month notice period for termination.
- Remuneration reviewed annually by the Board.
- Termination benefits payable on termination of the contract amount to one months' salary.

Directors' Report (continued)

9. REMUNERATION REPORT (Audited) (continued)

Remuneration of Directors and Named Executives

Remuneration policies and packages applicable to the Directors and senior executives are reviewed annually by the Board, having regard to performance against goals set at the start of the year, relative comparative information and independent expert advice.

Details of the nature and amount of emoluments of each Director and executive officer during the financial year are:

		Short-Term			Post-Employment		Long Term Benefits	Equity	Total	% Remuneration Consisting of Options
		Salary & Fees	Bonus	Non-Monetary	Super-annuation	Prescribed Benefits	Long Service leave	Options*		
		\$	\$	\$	\$	\$	\$	\$		
Directors										
D R Martin (resigned 21 August 2009) Chairman	2011	-	-	-	-	-	-	-	-	
	2010	5,417	-	460	488	-	-	6,365	-	
M Pyle (resigned 30 September 2009) Chairman	2011	-	-	-	-	-	-	-	-	
	2010	4,556	-	230	492	-	-	5,278	-	
M T Bojanjac (resigned 29 September 2010) Director/Chairman	2011	12,600	-	700	-	-	-	13,300	-	
	2010	39,927	-	2,757	-	-	-	42,684	-	
I Tan (resigned 30 September 2009) Executive Director	2011	-	-	-	-	-	-	-	-	
	2010	16,250	-	689	1,463	-	-	18,402	-	
R Heeks (resigned 1 October 2010) Director	2011	12,600	-	700	-	-	-	13,300	-	
	2010	33,600	-	1,838	-	-	-	35,438	-	
A Radonjic (resigned 16 October 2009) Director	2011	-	-	-	-	-	-	-	-	
	2010	5,833	-	919	525	-	-	7,277	-	
I Cunningham (resigned 30 June 2011) Executive Director - Company Secretary	2011	46,200	-	2,802	-	-	-	49,002	-	
	2010	37,273	-	2,757	-	-	-	40,030	-	
R Gardner Chairman	2011	38,000	-	2,101	-	-	-	40,101	-	
	2010	-	-	-	-	-	-	-	-	
P Piercy Director	2011	26,110	-	1,401	1,000	-	-	28,511	-	
	2010	-	-	-	-	-	-	-	-	
Jay Stephenson Director and Company Secretary	2011	-	-	-	-	-	-	-	-	
	2010	-	-	-	-	-	-	-	-	
Named Executive										
J Lewis Chief Financial Officer	2011	123,533	-	1,634	-	-	-	125,167	-	
	2010	179,023	-	2,757	15,300	-	-	197,080	-	
	2011	259,043	-	9,338	1,000	-	-	269,381	-	
Total	2010	321,879	-	12,407	18,268	-	-	352,554	-	

There are no executive officers that are not also Directors of the parent entity that are not disclosed in the above table.

Directors' Report (continued)

9. REMUNERATION REPORT (Audited) (continued)

Options Granted as Part of Remuneration for Year Ended 30 June 2011

There were no options granted to the Directors or Officers of the Company during the Year Ended 30 June 2011.

Options Granted as Part of Remuneration for Year Ended 30 June 2010

There were no options granted to the Directors or Officers of the Company during the Year Ended 30 June 2010.

Shares issued on exercise of remuneration options

During and since the end of the financial year, no shares were issued on the exercise of remuneration options.

Option Holdings of Key Management Personnel

30 June 2011	Balance 1 July 10	Granted as remuneration	Options exercised	Options Lapsed	Balance 30 June 11	Vested at 30 June 11	Vested and exercisable
Directors							
M Bojanjac	300,000*	-	-	(300,000)	-	-	-
A Radonjic	600,000*	-	-	(600,000)	-	-	-
I Cunningham	200,000	-	-	-	200,000*	200,000	200,000
R Heeks	-	-	-	-	-	-	-
R Gardner	-	-	-	-	-	-	-
P Piercy	-	-	-	-	-	-	-
J Stephenson	-	-	-	-	-	-	-
Named Executive							
J Lewis	-	-	-	-	-	-	-
Total	1,100,000	-	-	(900,000)	200,000	200,000	200,000

* Held at date of resignation as a Director.

30 June 2010	Balance 1 July 09	Granted as remuneration	Options exercised	Options Lapsed	Balance 30 June 10	Vested at 30 June 10	Vested and exercisable
Directors							
M Pyle	-	-	-	-	-*	-	-
D Martin	-	-	-	-	-*	-	-
M Bojanjac	300,000	-	-	-	300,000*	300,000	300,000
A Radonjic	600,000	-	-	-	600,000*	600,000	600,000
I Tan	-	-	-	-	-*	-	-
I Cunningham	200,000	-	-	-	200,000	200,000	200,000
R Heeks	-	-	-	-	-	-	-
R Gardner	-	-	-	-	-	-	-
Named Executive							
J Lewis	-	-	-	-	-	-	-
Total	1,100,000	-	-	-	1,100,000	1,100,000	1,100,000

* Held at date of resignation as a Director.

Directors' Report (continued)

10. OPTIONS

As at the date of this report the unissued ordinary shares of Nickelore Limited under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number Under Option
30 August 2006	30 August 2011	\$0.19	100,000
27 October 2006	30 August 2011	\$0.14	100,000
20 July 2007	30 June 2012	\$0.30	300,000
30 January 2008	29 January 2013	\$0.30	1,500,000
11 December 2008	31 December 2012	\$0.12	3,500,000
			<u>5,500,000</u>

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

Shares issued on exercise of options

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

Since the end of the financial year, no ordinary shares have been issued as a result of the exercise of options.

11. MEETINGS OF DIRECTORS

The number of Directors' meetings (including Audit Committee meetings) held during the financial year and the numbers of meetings attended by each Director were:

Director	Directors' Meetings		Audit Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
M Bojanjac	-	-	-	-
I Cunningham	2	2	1	1
R Heeks	-	-	-	-
Robert Gardner	2	2	1	1
Paul Piercy	2	2	1	1

12. INDEMNIFICATION OF AUDITORS AND OFFICERS

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

- Except as may be prohibited by the Corporations Act 2001, every Officer of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal;
- Since the beginning of the financial year the Company has paid insurance premiums of \$9,338 in respect of Directors and officers liability and corporate reimbursement, for Directors and officers in the Company. The insurance premiums relate to:
 - Indemnifying the Company against any payment which it has made and was legally permitted to make arising out of any claim, by reason of any wrongful act, committed by any Director or officer in their capacity as a Director or officer of the Company or any related corporation, first made against the Director or officer during the period of insurance; and
 - Any loss for which the Directors and officers may not be legally indemnified by the Company arising out of any claim, by reason of any wrongful act committed by them in their capacity as a Director or officer of the Company or any related corporation, first made against them jointly or severally during the period of insurance.

The insurance policy outlined above does not allocate the premium paid to each individual officer of the Company.

Directors' Report (continued)

13. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Auditor Independence

The auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 37.

Non-Audit Services

The entity's auditors Stantons International have not provided any non audit services during the year.

14. PROCEEDINGS ON BEHALF OF COMPANY

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

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

Signed in accordance with a resolution of the Directors:



Robert Gardner
Chairman
Perth, Western Australia
7 September 2011

Statement of Comprehensive Income

For the Year Ended 30 June 2011

	Notes	Company 2011 \$	Consolidated 2010 \$
Continuing operations			
Revenue	4	266,888	846,847
Employee benefits expense	5	(266,509)	(366,822)
Corporate expenses	5	(131,809)	(86,412)
Premises expense	5	(83,605)	(101,118)
Administration expenses	5	(21,512)	(25,925)
Exploration expenses write off	12	(3,574)	(16,191)
Write off of new project expenditure		(125,226)	(359,303)
Loss from continuing operations before tax and finance costs		(365,347)	(108,924)
Finance costs	5	(551)	(2,503)
Depreciation expense	11	(2,334)	(4,033)
Loss before income tax		(368,232)	(115,460)
Other comprehensive income		-	-
Income tax on other comprehensive income	7	-	-
Total Comprehensive loss for the period		(368,232)	(115,460)
Loss after tax attributable to members of the Company		(368,232)	(115,460)
Total Comprehensive loss attributable to members of the Company		(368,232)	(115,460)
Earnings per share (cents per share)			
Basic loss for the year	18	(0.22)	(0.10)
Diluted Loss for the year	18	(0.22)	(0.10)

The above Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements

Statement of Financial Position

As at 30 June 2011

	Notes	Company 2011 \$	Consolidated 2010 \$
ASSETS			
Current Assets			
Cash and cash equivalents	8	78,830	583,964
Trade and other receivables	9	3,547	25,800
Other financial assets	10	295,898	250,000
Total Current Assets		<u>378,275</u>	<u>859,764</u>
Non Current Assets			
Property, Plant and equipment	11	3,377	6,077
Exploration assets	12	2,580,052	2,526,877
Total Non Current Assets		<u>2,583,429</u>	<u>2,532,954</u>
TOTAL ASSETS		<u>2,961,704</u>	<u>3,392,718</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	13	120,110	155,154
Provisions	14	-	27,738
Total Current Liabilities		<u>120,110</u>	<u>182,892</u>
TOTAL LIABILITIES		<u>120,110</u>	<u>182,892</u>
NET ASSETS		<u>2,841,594</u>	<u>3,209,826</u>
EQUITY			
Contributed equity	15	23,711,576	23,711,576
Reserves	16	17,533,027	17,533,027
Accumulated losses	17	(38,403,009)	(38,034,777)
TOTAL EQUITY		<u>2,841,594</u>	<u>3,209,826</u>

The above Statement of Financial Position is to be read in conjunction with the Notes to the Financial Statements

Statement of Changes in Equity

For the Year Ended 30 June 2011

	Attributable to equity holders of the entity					
	Issued Capital \$	Accumulated Losses \$	Option Reserves \$	Shares to be Issued \$	Options to be Issued \$	Total Equity \$
At 1 July 2010	23,711,576	(38,034,777)	17,533,027	-	-	3,209,826
Loss for the year	-	(368,232)	-	-	-	(368,232)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/(loss) for the year	-	(368,232)	-	-	-	(368,232)
Issue of share capital	-	-	-	-	-	-
Share Options	-	-	-	-	-	-
At 30 June 2011	23,711,576	(38,403,009)	17,533,027	-	-	2,841,594

CONSOLIDATED	Attributable to equity holders of the parent					
	Issued Capital \$	Accumulated Losses \$	Option Reserves \$	Shares to be Issued \$	Options to be Issued \$	Total Equity \$
At 1 July 2009	23,001,576	(37,919,317)	17,514,121	-	-	2,596,380
Loss for the year	-	(115,460)	-	-	-	(115,460)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income/(loss) for the year	-	(115,460)	-	-	-	(115,460)
Issue of share capital	710,000	-	-	-	-	710,000
Share Options	-	-	18,906	-	-	18,906
At 30 June 2010	23,711,576	(38,034,777)	17,533,027	-	-	3,209,826

The above Statement of Changes in Equity is to be read in conjunction with the Notes to the Financial Statements

Statement of Cash Flows
For the Year Ended 30 June 2011

	Notes	Company 2011 \$	Consolidated 2010 \$
Cash flows from operating activities			
Receipts from customers		151,904	226,440
Payments to suppliers and employees		(695,902)	(776,455)
Payments for exploration and new project expenditure		(51,610)	(479,245)
Receipts on disposal of tenements		-	100,000
Interest received		5,432	27,933
Interest paid		(551)	(2,503)
Net cash used in operating activities	21	<u>(590,727)</u>	<u>(903,830)</u>
Cash flows from investing activities			
Receipt on sale of plant and equipment		800	-
Receipt on sale of investments and subsidiaries		84,793	300,000
Refund of guarantee bonds		-	157,600
Purchase of convertible notes		-	(250,000)
Net cash provided by investing activities		<u>85,593</u>	<u>207,600</u>
Cash flows from financing activities			
Proceeds from issue of equity securities		-	-
Payment for share issue costs		-	-
Net cash provided by financing activities		<u>-</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents		(505,134)	(696,230)
Cash and cash equivalents at beginning of year	8	583,964	1,280,194
Cash and cash equivalents at end of year		<u>78,830</u>	<u>583,964</u>

The above Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements

Notes to the Financial Statements

For the Year Ended 30 June 2011

1. CORPORATE INFORMATION

The financial report of Nickelore (the "Company") for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the Directors on 7 September 2011.

Nickelore is a public company incorporated in Western Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Company are described in the Directors Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS). Compliance with A-IFRS ensures that the financial statements and notes of the Company comply with International Financial Reporting Standards

The financial report has also been prepared on the accruals basis and historical cost basis, except for available for sale investments, which are measured at fair value. The carrying values of any recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The accounting policies set out below have been applied consistently to all periods presented in the financial report except where stated.

b) Adoption of new and revised Accounting Standards

New Accounting Standards Applicable from 1 July 2010

The Company has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2010.

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 5, 8, 101, 107, 117, 118, 136, and 139)
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 3, 7, 121, 128, 131, 132 and 139)
- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19.

The adoption of these standards did not have any impact in the current period or any prior period and is unlikely to affect future periods.

New Accounting Standards for Application in Future Periods

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

- (i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard is not expected to impact on the Company's accounting for financial assets as it does not have any available for sale assets other than equity investments. There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The Company has decided not to early adopt AASB 9.

- (ii) Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. The Company will apply the amended standard from 1 July 2011. When the amendments are applied, the Company will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Nickelore Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

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

c) Going concern

The Directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and extinguishment of liabilities in the ordinary course of business.

The Company has recorded a net accounting loss of \$368,232 and net operating cash outflows of \$590,727 for the year ended 30 June 2011. The Directors believe the going concern basis is appropriate as:

- The cash assets of the Company at 30 June 2011 were \$78,830.
- The Company continued to offset some of its employee costs by subcontracting some of its staff out to third parties in order to generate fees. During this financial year the Company received \$75,500 for these services. In the coming financial year the Board expects to further reduce staff costs by contracting the services of key employees on a part time basis as necessary until the Company requires a full time person in the roles.
- The Company intends to sell its shares in Dragon Mountain Gold Limited ("DMG") to finance its operations as required. The Company holds 896,660 shares in DMG with a fair value of \$295,898. The Board believes that this value will be realised on the sale of the shares.
- The Board is pursuing further financing options for the Company.

Based on the above and the capacity to reduce expenditure commitments (if required), the Board is confident that the Company will have sufficient funds to finance its operations in the 2011/2012 Financial Year.

Should the Company not be able to continue as a going concern, it may not be able to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in this financial report.

d) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Nickelore at the end of the reporting period. A controlled entity is any entity over which Nickelore has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Company during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 20 to the financial statements.

In preparing the consolidated financial statements, all inter-Company balances and transactions between entities in the consolidated Company have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

• Business combinations

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

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

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The acquisition may result in the recognition of goodwill (refer to Note 1(k)) or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquirers.

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

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

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

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

e) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. 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 annual reporting period are:

Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes option pricing model.

The Company measures the cost of cash-settled share based payments at fair value at the grant date using the Black-Scholes formula taking into account the terms and conditions upon which the instruments were granted.

Mineral exploration and evaluation

Acquisition, exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are carried forward in respect of an area that has not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in or relating to, the area of interest are continuing.

Impairment of non financial assets other than goodwill

The Company assesses impairment of all assets at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. These include economic and political environments and the future exploration and development expectations. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

Deferred taxation

Potential future income tax benefits have not been brought to account at 30 June 2011 because the Directors do not believe that it is appropriate to regard realisations of future income tax benefits.

f) Borrowing costs

Borrowing costs are recognised as an expense when incurred, except for borrowing costs relating to qualifying assets when the interest is capitalised to the qualifying assets.

g) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

i) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised in other comprehensive income and presented as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the Statement of Comprehensive Income.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the Statement of Financial Position date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Company commits to purchase the asset.

j) Financial instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. Transaction costs on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

k) Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is subsequently measured at cost less any accumulated impairment losses.

Goodwill is not amortised.

For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units ("CGUs") expected to benefit from the combination's synergies. CGUs to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicated that the carrying value may be impaired.

If the recoverable amount of the CGU is less than the carrying amount of the CGU, an impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless that asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or group of assets. In which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

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

m) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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

Deferred tax liabilities are recognised for all taxable temporary differences except:

- When the deferred tax liability arises from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither the accounting profit nor taxable profit or loss; or
- When the taxable temporary difference arises from the initial recognition of goodwill; or
- When the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which the deductible temporary differences or unused tax losses and tax offsets can be utilised, except:

- When the deductible temporary difference giving rise to the asset arises from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither accounting profit nor taxable income; or
- When the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred 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 tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred 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 (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when they relate to the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

n) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

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

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

o) Interest in joint venture operations

Where the Company has an interest in a joint venture operation, it is accounted for by recognising the Company's assets and liabilities from the joint venture, as well as expenses incurred by the Company and the Company's share of income earned from the joint venture, in the consolidated financial statements.

p) Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the Company. All other leases are classified as operating leases.

Finance leases are capitalised, recording an asset and a liability equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a diminishing value basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

q) Property, plant and equipment

Each class of property, plant and equipment is stated at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Computer equipment 3 years
- Plant and equipment 3 to 4 years
- Furniture and fittings 3 to 4 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

r) Provisions and employee leave benefits

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying value is the present value of those cashflows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, for example under an insurance contract, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee leave benefits

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

s) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

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

t) Share based payment transactions

The Company provides benefits to employees (including senior executives) of the Company in the form of share based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

There is currently one plan in place to provide these benefits:

- The Company's employee share option plan (ESOP), which provides benefits to Directors and senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by management using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Nickelore (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 18).

u) Trades and other payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

v) Provision for rehabilitation

Provision is made for anticipated costs of rehabilitation necessitated by disturbance arising from production activity in respect of certain tenements in the period in which the disturbance occurred. The provision for tenement rehabilitation is provided in respect of a performance guarantee under Department of Mines obligations over site restoration requirements over certain tenements.

Rehabilitation costs are accumulated in the provision on a production output basis commencing in the period that disturbance occurs. In determining the rehabilitation obligations, the entity has assumed no significant changes will occur in the relevant Federal & State legislation in relation to rehabilitation of the disturbances arising from production activity in respect of those tenements.

w) Exploration and evaluation expenditure

Exploration and evaluation costs related to an area of interest are carried forward only when rights of tenure to the area of interest are current and provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and/or evaluation activities in the area of interest have not, at balance date, reached a state 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 are continuing.

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

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

x) Comparatives

Certain comparatives have been reclassified where necessary to be consistent with the current year's disclosures.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

3. SEGMENT INFORMATION

The Company predominantly operated in one geographical segment for the 2011 and 2010 Financial Years. The Company received a minimal amount of \$692 (\$1,344 in 2010) in relation to previous discontinued operations.

The Company operates in the mineral exploration industry in Australia. For management purposes, the Company is organised into one main operating segment which involves the exploration of minerals in Australia. All of the Company'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 Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

	Company 2011 \$	Consolidated 2010 \$
4. REVENUE FROM CONTINUING OPERATIONS		
Other income		
Rendering of services	75,500	177,555
Interest revenue	17,102	46,756
Other income	73,654	49,776
	166,256	274,087
Non-operating revenue		
Profit on sale of plant and equipment	434	-
Profit on sale of subsidiaries	6,500	-
Increase in fair value of investments	89,758	-
Profit on sale of investments	3,940	-
Gain on reduction of liability	-	572,760
	100,632	572,760
Total Revenue	266,888	846,847

In August 2009 Nickelore and Wingstar entered a Nickel Alliance whereby both parties agreed to present their nickel assets together for possible sale or joint venture as the Canegrass Project. Contemporaneous with this agreement the parties cancelled the Mineral Rights Agreement and agreed a compromise to forgive all outstanding amounts due between the parties. As a result Nickelore recorded a gain in the amount of \$572,760 in 2010.

5. EXPENSES FROM CONTINUING OPERATIONS

Employee benefits expenses		
Wages and salaries	127,623	212,926
Directors fees	137,738	125,683
Superannuation	1,000	25,253
Share based payments expense	-	-
Other payroll expense	148	2,960
	266,509	366,822
Premises expenses		
Rent expense	70,690	66,867
Other office expenses	12,915	34,251
	83,605	101,118
Corporate expenses		
Accounting and auditing fees	31,314	29,351
Australian listing fees	14,528	20,304
Legal fees	13,502	14,397
Share registry fees	12,365	14,798
Other professional services	60,100	7,562
	131,809	86,412
Administration expenses		
Communications expense	-	1,800
Insurance	15,465	19,310
Other administrative expenses	1,257	-
Travel expenses	4,790	4,815
	21,512	25,925
Finance costs		
Unwinding of discount on rehabilitation provision	-	-
Interest expenses	551	2,503
	551	2,503

Notes to the Financial Statements (continued)
For the Year Ended 30 June 2011

	Company 2011 \$	Consolidated 2010 \$
6. AUDITORS' REMUNERATION		
Remuneration of the auditor of the Company (Stantons International) for:		
Auditing services	28,294	28,101
Other services	-	-
Total	<u>28,294</u>	<u>28,101</u>

7. INCOME TAX

Numerical reconciliation of income tax expense to prima facie tax payable

Loss from ordinary activities before income tax expense	(368,232)	(115,460)
Prima facie tax benefit on loss from ordinary activities at 30% (2010: 30%)	(110,470)	(34,638)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Non deductible	42,093	27,274
- Capital raising costs	(30,685)	(30,560)
- Movement in capitalised exploration expenditure	(16,053)	(9,098)
- Provisions	(4,161)	(11,877)
Tax effect of current year tax losses for which no deferred tax asset has been recognised	<u>(119,276)</u>	<u>(58,899)</u>

Unrecognised temporary differences

Deferred tax assets (at 30%)

On income tax account

Capital raising costs	28,034	40,719
Provisions	1,037,233	1,033,072
Carry forward tax losses	<u>3,709,477</u>	<u>3,590,201</u>
	4,774,744	4,663,992

On capital account

Carry forward tax losses	<u>3,006,377</u>	<u>3,006,377</u>
	7,781,121	7,670,369

Deferred tax liabilities (at 30%)

Capitalised exploration costs	<u>(774,016)</u>	<u>(758,063)</u>
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Potential future income tax benefits arising from tax losses have not been brought to account at 30 June 2011 because the Directors do not believe it is appropriate to regard realisation of the future income tax benefits as possible. These benefits will only be obtained if:

- assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
- the Company continues to comply with the conditions for deductibility imposed by law; and
- no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

8. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	78,830	183,964
Deposits at call	-	400,000
	<u>78,830</u>	<u>583,964</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between 1 day and 3 months depending on the immediate cash requirements of the Company, and earn interest at the respective short-term deposit rates.

Notes to the Financial Statements (continued)
For the Year Ended 30 June 2011

	Company 2011 \$	Consolidated 2010 \$
9. TRADE AND OTHER RECEIVABLES (Current)		
Trade and other receivables	3,547	6,977
Interest receivable	-	18,823
	3,547	25,800

These amounts arise from the usual operating activities of the Company and are non-interest bearing. The debtors do not contain any overdue or impaired receivables.

10. OTHER FINANCIAL ASSETS

Convertible notes	-	250,000
Dragon Mountain Gold Limited shares	295,898	-
	295,898	250,000

Convertible notes and interest accrued were converted to 1,121,973 shares in Dragon Mountain Gold Ltd (ASX: DMG) at \$0.25 per share. Nickelore currently holds 896,660 DMG shares. The market price of DMG fully paid ordinary shares at 30 June 2011 was \$0.33 per share.

11. PROPERTY, PLANT AND EQUIPMENT

Plant and equipment

At cost	48,987	50,995
Accumulated depreciation	(45,610)	(44,918)
Total plant and equipment	3,377	6,077

Movements in carrying amounts

Movement in the carrying amounts of plant and equipment between the beginning and end of the current financial year:

Balance at the beginning of the year	6,077	10,110
Disposals	(366)	-
Depreciation expense	(2,334)	(4,033)
Carrying amount at the end of the year	3,377	6,077

12. NON CURRENT EXPLORATION ASSETS

Tenement acquisition at cost

Balance as at the start of the financial year	295,200	295,200
Movement in the year	-	-
Balance as at the end of the financial year	295,200	295,200

Exploration expenditure at cost

Balance at the start of the financial year	2,231,677	2,201,351
Exploration expenditure – BTZ	3,574	16,191
Exploration expenditure – NIO	53,175	30,326
Exploration expenditure written off	(3,574)	(16,191)
Balance as at the end of the financial year	2,284,852	2,231,677
Total exploration assets	2,580,052	2,526,877

The exploration written off in 2010 is net of \$100,000 proceeds on disposal of tenements.

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

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

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

Notes to the Financial Statements (continued)
For the Year Ended 30 June 2011

	Company 2011 \$	Consolidated 2010 \$
13. TRADE AND OTHER PAYABLES		
Trade payables	38,993	123,498
Sundry payables and accruals	13,117	11,631
Audit accrual	15,000	16,000
Director's fees accrual	53,000	-
Superannuation accrual	-	4,025
	120,110	155,154

These amounts arise from the usual operating activities of the Company and do not contain any overdue amounts.

14. PROVISIONS

Current

Employee benefits	-	27,738
	-	27,738

Number of employees at end of financial year	0	2
--	---	---

15. CONTRIBUTED EQUITY

a) Ordinary shares

Balance at beginning of financial year	23,711,576	23,001,576
Issue of fully paid ordinary shares – on exercise of options at 1 cent each	-	710,000
Balance at end of financial year	23,711,576	23,711,576

	2011 No of shares	2010 No of shares
Ordinary shares		
Balance at beginning of financial year	160,845,886	89,845,886
Shares issued on exercise of Wingstar options	-	71,000,000
Balance at end of financial year	160,845,886	160,845,886

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

b) Options

At 30 June 2011, the unissued ordinary shares of Nickelore under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number Under Option
30 August 2006	30 August 2011	\$0.19	100,000
27 October 2006	30 August 2011	\$0.14	100,000
20 July 2007	30 June 2012	\$0.30	300,000
30 January 2008	29 January 2013	\$0.30	1,500,000
11 December 2008	31 December 2012	\$0.12	3,500,000
			5,500,000

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

Shares issued on exercise of options

During the financial year 1,350,000 options lapsed.

Since the end of the financial year, no ordinary shares have been issued as a result of the exercise of options.

Since the end of the financial year, 200,000 options have lapsed.

During and since the end of the financial year, no options were cancelled.

Notes to the Financial Statements (continued)
For the Year Ended 30 June 2011

	Company 2011 \$	Consolidated 2010 \$
16. RESERVES		
Share based payments reserve	17,533,027	17,533,027
	<u>17,533,027</u>	<u>17,533,027</u>
Movements:		
<i>Share based payments reserve</i>		
Balance at beginning of year	17,533,027	17,514,121
Share based payments	-	18,906
Balance at end of year	<u>17,533,027</u>	<u>17,533,027</u>

Nature and purpose of reserves

Share based payments reserve

The share based payments reserve is used to recognise the fair value of options issued.

17. ACCUMULATED LOSSES

Accumulated losses at beginning of financial year	(38,034,777)	(37,919,317)
Net loss attributable to members of the Company	(368,232)	(115,460)
Accumulated losses at end of financial year	<u>(38,403,009)</u>	<u>(38,034,777)</u>

18. EARNINGS PER SHARE

a) Loss used in the calculation of basic and dilutive earnings per share	(368,232)	(115,460)
b) Earnings per share		
Basic loss per share (cents per share)	(0.22)	(0.10)
Diluted loss per share (cents per share)	(0.22)	(0.10)

Effect of dilutive securities

There was no dilutive potential ordinary share on issue at balance date. Also given the Company has made a loss, there is no dilution of earnings hence the diluted loss per share is the same as for basic loss per share.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

19. COMMITMENTS AND CONTINGENCIES

a) Exploration commitments

In order to maintain current rights of tenure to mining tenements, the Company has the following exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and would be payable:

	Company 2011 \$	Consolidated 2010 \$
Not later than one year	27,240	51,240
Later than one year, but not later than five years	265,860	142,480
	<u>293,100</u>	<u>193,720</u>

If the Company decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the Statement of Financial Position may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

b) Operating lease and other funding commitments

Property lease

Not later than one year	<u>29,007</u>	<u>52,500</u>
	<u>29,007</u>	<u>52,500</u>

Nickelore sub-leases a part of its leased premises and the 'commitment not later than one year' has been reduced to reflect this.

c) Contingent liabilities

Nickelore is the subject of a Writ of Summons claiming \$86,241 for works provided to Nickelore. A statement of claim was filed on 18 September 2008 by the plaintiff. This matter is the subject of ongoing negotiations. However should this matter proceed to trial and Nickelore be unsuccessful in its defence of the claim, then it could be liable for the full amount of the claim, \$86,241, plus any costs. At this time the amount of any costs cannot be estimated. During the 2011 financial year ended Nickelore had no correspondence from the plaintiff.

The economic entity is not aware of any other contingent liabilities which existed as at the end of the financial year or have arisen as at the date of this report.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

20. CONTROLLED ENTITIES

The following were controlled entities at 30 June 2010 and have been included in the consolidated financial statements for that year. All shares held were ordinary shares. No entities were controlled as at 30 June 2011.

Name	Country of Incorporation	Percentage Interest Held		Date Acquired / Incorporated	Date Sold
		2011 %	2010 %		
Parent Entity:					
Nickelore Ltd	Australia				
Subsidiaries of Nickelore Ltd :					
IAR Holdings Pty Ltd	Australia	-	100	31 August 2009	29 June 2011
IAR Holdings Pte Ltd	Singapore	-	100	26 January 2010	29 June 2011

These two subsidiaries were purchased during the 2010 financial year as a vehicle to acquire a project in Papua. The acquisition of the project in Papua was not completed and the entities were sold during 2011.

These two subsidiaries remained dormant for the entire period they were held by Nickelore Limited.

	Company 2011 \$	Consolidated 2010 \$
21. CASH FLOW INFORMATION		

Reconciliation from net loss after tax to the net cash flows from operations

Net profit (loss)	(368,232)	(115,460)
<i>Non cash flows included in operating loss:</i>		
Depreciation	2,334	4,033
Share based payments expense	-	18,906
Profit on sale of property, plant and equipment	(434)	-
Profit on the sale of investments	(3,940)	-
Profit on the sale of subsidiaries	(6,500)	-
Increase in fair value of investments	(89,758)	-
Interest on convertible notes	(30,493)	-
<i>Cash flows not included in operating loss:</i>		
Payments for exploration	(53,175)	(30,326)
<i>Changes in assets and liabilities:</i>		
Decrease / (increase) in trade and other receivables	22,253	7,526
Decrease / (increase) in prepayments	-	5,968
(Decrease) / increase in other provisions	(27,738)	(22,730)
(Decrease) / increase in trade and other payables	(35,044)	(771,747)
Net cash used in operating activities	(590,727)	(903,830)

Non cash financing and investing activities:

During the 2011 financial year there were no non cash investing activities.

During the financial year convertible notes of \$250,000 and accrued interest of \$30,493 were converted into 1,121,973 shares in Dragon Mountain Gold Limited.

During the 2010 financial year 71,000,000 options were exercised by Wingstar at 1 cent per share for a total of \$710,000 which was offset against a payable to Wingstar of \$710,000.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

22. FINANCIAL INSTRUMENTS

a) Significant accounting policies

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

b) Credit risk exposures

Credit risk represents the loss that would be recognised if the counterparties default on their contractual obligations resulting in financial loss to the Company. The Company has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company measures credit risk on a fair value basis.

The Company does not have any significant credit risk to any single counterparty or any Company of counterparties having similar characteristics. The credit risk on financial assets, excluding investments, of the Company which have been recognised in the Statement of Financial Position, is the carrying amount, net of any provision for doubtful debts.

The Company minimises concentrations of credit risk by undertaking transactions with a large number of customers.

The credit quality of financial assets that are neither past, due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Company 2011 \$	Consolidated 2010 \$
Trade and other receivables - new customers (less than 6 months)	3,547	6,977
Interest receivable	-	18,823
	<u>3,547</u>	<u>25,800</u>
Cash at bank and short-term deposits		
Counterparties with external credit rating (Moody's)		
Rating "A"	78,830	583,964
	<u>78,830</u>	<u>583,964</u>

c) Interest rate risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate for classes of financial assets and financial liabilities comprises:

2011	Weighted average	Floating interest rate \$	Fixed interest maturing in 1 year or less	Fixed interest maturing over 1 to 5 years	Non- interest bearing	Total \$
Financial Assets						
Cash and cash equivalents	0.40%	78,830	-	-	-	78,830
Trade and other receivables	-	-	-	-	3,547	3,547
Other	-	-	-	-	295,898	295,898
Total		<u>78,830</u>	<u>-</u>	<u>-</u>	<u>299,445</u>	<u>378,275</u>
Financial Liabilities						
Trade and other payables	-	-	-	-	120,110	120,110
Total		<u>-</u>	<u>-</u>	<u>-</u>	<u>120,110</u>	<u>120,110</u>
Net Financial Assets/(Liabilities)		<u>78,830</u>	<u>-</u>	<u>-</u>	<u>179,335</u>	<u>258,165</u>

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

22. FINANCIAL INSTRUMENTS (continued)

2010	Weighted average	Floating interest rate \$	Fixed interest maturing in 1 year or less	Fixed interest maturing over 1 to 5 years	Non-interest bearing	Total \$
Financial Assets						
Cash and cash equivalents	2.92%	583,964	-	-	-	583,964
Trade and other receivables	-	-	-	-	25,800	25,800
Other	12.00%	-	250,000	-	-	250,000
Total		583,964	250,000	-	25,800	859,764
Financial Liabilities						
Trade and other payables	-	-	-	-	155,154	155,154
Total		-	-	-	155,154	155,154
Net Financial Assets/(Liabilities)		583,964	250,000	-	(129,354)	704,610

The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate of return.

As at the reporting date, the Company had the following variable rate cash and cash equivalents outstanding:

	30 June 2011		30 June 2010	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Financial assets				
Cash at bank	0.40%	78,830	0.80%	183,964
Term deposits	-	-	3.15%	400,000
		78,830		583,964

Company sensitivity

At 30 June 2011, if interest rates had changed by +/- 0.50% from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$394 lower/higher (2010 – change of 0.50%: \$2,919 lower/higher).

d) Liquidity risk

The Company manages liquidity risk by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in short term bank deposits.

e) Net fair value

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

f) Foreign currency risk

The Company is not materially exposed to foreign currency risk.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

23. SHARE BASED PAYMENT PLAN

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

	2011 No.	2011 WAEF	2010 No.	2010 WAEF
Outstanding at the beginning of the year	6,850,000	0.18	77,850,000	0.03
Exercised during the year	-	0.00	(71,000,000)	0.01
Expired during the year	(1,350,000)	0.20	-	0.00
Outstanding at the end of the year	5,500,000	0.18	6,850,000	0.18
Exercisable at the end of the year	5,500,000	0.18	6,850,000	0.18

The outstanding balance as at 30 June 2011 is represented by:

- 100,000 options over ordinary shares with an exercise price of \$0.19 each with no vesting conditions and exercisable until 30 August 2011;
- 100,000 options over ordinary shares with an exercise price of \$0.14 each with no vesting conditions and exercisable until 30 August 2011;
- 300,000 options over ordinary shares with an exercise price of \$0.30 each upon meeting certain vesting conditions and exercisable until 30 June 2012;
- 1,500,000 options over ordinary shares with an exercise price of \$0.30 each upon meeting certain vesting conditions and exercisable until 29 January 2013;
- 3,500,000 options over ordinary shares with an exercise price of \$0.125 with no vesting conditions and exercisable until 31 December 2012.

The weighted average remaining contractual life for the share options outstanding as at 30 June 2011 is 530 days : 2011/2013 (2010: 778 days).

The range of exercise prices for options outstanding at the end of the year was \$0.125 – \$0.30 (2010: \$0.125 – \$0.30).

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

No options were issued during the year.

24. RELATED PARTY DISCLOSURE

The 2010 consolidated financial statements include the financial statements of Nickelore and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest		Investment \$	
		2011	2010	2011	2010
IAR Holdings Pty Ltd	Australia	-	100	-	-
IAR Resources Pte Ltd	Singapore	-	100	-	-

Both the above subsidiaries were sold on 29 June 2011 and remained dormant for the entire period they were held by Nickelore Limited.

Nickelore was the ultimate parent entity of the Group in 2010.

a) Compensation of key management personnel (by category)

	Company 2011 \$	Consolidated 2010 \$
Short-Term	259,043	321,879
Post-Employment	1,000	18,268
Equity	-	-
Other	9,338	12,407
	269,381	352,554

b) During the financial year there were no other related party transactions.

Notes to the Financial Statements (continued)

For the Year Ended 30 June 2011

25. PARENT ENTITY INFORMATION

Financial Position

	Company 2011 \$	Company 2010 \$
Current Assets	378,275	859,764
Non Current Assets	2,583,429	2,532,954
Total Assets	<u>2,961,704</u>	<u>3,392,718</u>
Current Liabilities	120,110	182,892
Total Liabilities	<u>120,110</u>	<u>182,892</u>
Net Assets	<u>2,841,594</u>	<u>3,209,826</u>
Shareholder Equity		
Issued Capital	23,711,576	23,711,576
Reserves	17,533,027	17,533,027
Accumulated Losses	(38,403,009)	(38,034,777)
Total Shareholder Equity	<u>2,841,594</u>	<u>3,209,826</u>

Financial Performance

	Company 2011 \$	Company 2010 \$
Parent Entity Loss	(368,232)	(115,460)
Total Comprehensive Income/(Loss) of Parent Entity	<u>(368,232)</u>	<u>(115,460)</u>

Other Disclosure

Nil

26. SUBSEQUENT EVENTS

Subsequent to the end of the financial year, no events or circumstances have arisen which significantly altered or may significantly alter the operations of the Company, the results of those operations or the state of affairs of the Company in financial years subsequent to 30 June 2011.

DIRECTORS' DECLARATION

The Directors declare that the financial statements and notes set out on pages 10 to 33 and the disclosures in the Remuneration Report which are included in the Directors' Report:

1.
 - (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
 - (b) give a true and fair view of the Company's financial position as at 30 June 2011 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date and
 - (c) Comply with International Financial Reporting Standards as disclosed in Note 2.

2. The Executive Director and Chief Financial Officer have each declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.

3. In the Directors' opinion:
 - (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated this 7th day of September, 2011.



Robert Gardner
Chairman
Perth, Western Australia

Independent Audit Report to the Members of Nickelore

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Stantons International Audit and Consulting Pty Ltd
(ABN 84 144 581 519) trading as

Stantons International

Chartered Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NICKELORE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Nickelore Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report of the company, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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*.

Auditor's opinion

In our opinion:

- (a) the financial report of Nickelore Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report of the Company also complies with International Financial Reporting Standards as disclosed in note 2(a).

Inherent Uncertainty Regarding Going Concern

Without qualification to the audit opinion expressed above, attention is drawn to the following matters:

As referred to in note 2(c) to the financial statements, the financial statements have been prepared on a going concern basis. At 30 June 2011 the entity had cash and cash equivalents of \$78,830 and net working capital of \$258,165. The entity had incurred a loss for the year ended 30 June 2011 of \$368,232.

The ability of the Company to continue as a going concern and meet its planned exploration, administration, and other commitments is dependent upon the Company raising further working capital, and/or successfully exploiting its mineral assets. In the event that the entity cannot raise further equity, the entity may not be able to meet their liabilities as they fall due and the realisable value of the entity's non-current assets may be significantly less than book values.

Inherent Uncertainty Regarding Capitalised Exploration Cost

Without qualification to the opinion expressed above, attention is drawn to the following matters:

The recoverability of the Company's carrying value of capitalised exploration and acquisition costs (\$2,580,052) is dependent on the successful commercial exploitation of the assets and/or sale of the assets to generate profits at amounts in excess of the book values. In the event that the Company is not successful in commercial exploitation and/or sale of the assets, the realisable value of the consolidated entity's assets may be significantly less than their current carrying values.

Report on the Remuneration Report

We have audited the remuneration report included in pages 5 to 8 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

Auditor's opinion

In our opinion the remuneration report of Nickelore Limited for the year ended 30 June 2011 complies with section 300 A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

stantons International Audit & Consulting Pty Ltd.



Martin Michalik
Director

West Perth, Western Australia
7 September 2011

Auditors' Independence Declaration

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(ABN 84 144 581 519) trading as

Stantons International
Chartered Accountants and Consultants

7 September 2011

Board of Directors
Nickelore Limited
Level 2, 45 Richardson Street
WEST PERTH WA 6005

Dear Sirs

RE: NICKELORE LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Nickelore Limited.

As Audit Director for the audit of the financial statements of Nickelore Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)



Martin Michalik
Director

Corporate Governance Statement

The Board of Directors of Nickelore is responsible for the corporate governance practices of the Company. This statement sets out the main corporate governance practices that were in operation throughout the financial year.

The ASX Listing Rules require listed companies to include in their annual report a statement disclosing the extent to which they have complied with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations – 2nd Edition" which are as follows:

- Principle 1.** Lay solid foundations for management and oversight
- Principle 2.** Structure the board to add value
- Principle 3.** Promote ethical and responsible decision making
- Principle 4.** Safeguard integrity in financial reporting
- Principle 5.** Make timely and balanced disclosure
- Principle 6.** Respect the rights of shareholders
- Principle 7.** Recognise and manage risk
- Principle 8.** Remunerate fairly and responsibly

(the Principles and Recommendations).

The Recommendations are not prescriptive so that if a company considers that a Recommendation is inappropriate having regard to its particular circumstances, the company has the flexibility not to follow it. Where a company has not followed all the Recommendations, the annual report must identify which Recommendations have not been followed and give reasons for not following them.

LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role of the Board

The primary responsibilities of the Board are as follows:

- To set the goals and objectives for the Company, and to ensure that a strategic planning process is in place to progress towards achievement of those goals and objectives;
- To monitor progress against goals and objectives and to ensure that corrective action is taken where necessary;
- Establishing and monitoring policies directed to ensuring that the Company complies with statutory requirements;
- To ensure that where practicable effective risk management measures are in place;
- To ensure that the Board itself operates effectively to enhance the performance of the Company;
- To ensure that the Managing Director and Senior Executive team of the Company are of high calibre, appropriately rewarded and have clear understanding of their responsibilities and delegated authority; and
- To ensure that the Company maintains a high reputation with all stakeholders and communicates effectively with them.

Details of the skills, experience and expertise relevant to the position of Director by each Director in office at the date of this report, and their terms of office are included in the "Information on Directors and Company Secretary" section of the Directors' Report.

STRUCTURE THE BOARD TO ADD VALUE

Board Composition

At the end of the financial year the Board comprised one Chairman and two Non-Executive Directors. The one Chairman was responsible for the corporate and operational requirements of the Company.

The Directors are subject to election by shareholders. All Directors, apart from the Managing Director, are subject to re-election by rotation within every three years. The Company's Constitution provides that one-third of the Directors retire by rotation at each AGM. Those Directors who are retiring may submit themselves for re-election by shareholders, including any Director appointed to fill a casual vacancy since the date of the previous AGM.

The Board's size and composition during the financial year was considered appropriate for the Company at its present stage of development and given the breadth of its membership; most issues can be decided at Board level without the need for separate committees.

Independence of Directors

It is noted that Mr Gardner is the largest shareholder of Nickelore and has been Chairman of the Company since 1 October 2010. The board does not consider Mr Gardner to be independent, however given the present position of the Company and the need for the Board to find a suitable person to drive the Company forward, Mr Gardner is considered a suitable person for the role of Chairman by the Board.

Non-executive Directors, Mr Paul Piercy and Mr Jay Stephenson are independent. Both are experienced directors. Mr Stephenson holds current directorships of many similar small ASX listed companies. The Board considers that its current composition is adequately structured to exercise independent judgement and deal with current and emerging issues of the business.

Corporate Governance Statement (continued)

Independent Professional Advice

With the prior approval of the Chairperson, each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Board Performance Review

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the chairperson will review the performance of all Directors annually. Directors whose performance is unsatisfactory will be asked to retire.

The Board of Directors aims to ensure that the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through:

- the annual report which is distributed to all shareholders;
- the half-yearly report which is distributed to all shareholders;
- adherence to continuous disclosure requirements; and
- the annual general meeting and other meetings so called to obtain approval for board action as appropriate.

Director Remuneration

Details of the Company's remuneration policies are included in the Remuneration Report section of the Directors' Report.

Nomination Committee

The functions to be performed by a nomination committee under the Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

The Board has adopted a written Board Code of Conduct which applies to the Directors of the Company. The Board has also adopted a written Code of Ethics and Conduct which applies to Directors and employees of the Company and supplements the Board Code of Conduct.

The Company is dedicated to delivering outstanding performance for investors and employees. In achieving this objective, all Directors, officers and employees are expected to act with honesty, integrity and responsibility and maintain a strong sense of corporate social responsibility. In maintaining its corporate social responsibility the Company will conduct its business ethically and according to its values, consider the environment and ensure a safe, equal and supportive workplace.

Trading Policy

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all Directors and employees. Under the policy, Directors are prohibited from short term trading in the Company's securities and Directors and employees are prohibited from dealing in the Company's securities whilst in possession of price sensitive information. The Chairman, or in his absence, the Company Secretary, must be notified of any proposed transaction and must give clearance for the transaction to proceed.

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Audit Committee

The Company has an Audit Committee which operates under a charter approved by the Board. The Audit Committee assists the Board in discharging its responsibilities to ensure that the Company complies with appropriate and effective accounting, auditing, internal control, business risk management, compliance and reporting practices.

The functions and specific responsibilities of the Audit Committee include the following:

- approving changes to accounting policies and reviewing the impact of changes in Accounting Standards when they are foreseen and when they occur;
- determining that satisfactory arrangements are in place for external auditing of financial affairs;
- ensuring systems are in place and operating effectively to identify, assess, monitor and manage risks to which the company is exposed;
- determining that adequate systems of internal control and procedures have been instituted; and
- reviewing any financial matters, transactions and policies or address any other matters referred to the Committee by the Board.

Corporate Governance Statement (continued)

The Audit Committee comprises at least three Directors. The members of the Audit Committee are:

- Mr R Gardner (Chairman)
- Mr P Piercy (Non-Executive Director)
- Mr J Stephenson (Non-Executive Director)

The qualifications and experience of each of the current members of the audit committee are listed in the "Information on Directors and Company Secretary" section of the Directors' Report. The external Auditors, the Company Secretary and the Chief Financial Officer are invited to Audit Committee meetings at the discretion of the Committee.

MAKE TIMELY AND BALANCED DISCLOSURE

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market, in accordance with the continuous disclosure requirements under the ASX Listing Rules. The Company has procedures in place to ensure that any price sensitive information is identified, reviewed by management and disclosed to ASX in a timely manner and that all information provided to ASX is immediately available to shareholders and the market on the Company's website.

RESPECT THE RIGHTS OF SHAREHOLDERS

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders as follows:

- as the Company is a disclosing entity, regular announcements are made to Australian Securities Exchange Limited, including half-year audit reviewed accounts, year end audited accounts and an annual report;
- the Board ensures the annual report includes relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments; and
- the Board encourages full participation of shareholder at the Annual General Meeting to ensure a high level of accountability and identification of the Company's strategies and goals.

RECOGNISE AND MANAGE RISK

The Board is responsible for identifying the risks facing the Company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is reduced to an acceptable level. The Board will review and discuss strategic risks and opportunities arising from changes in the Company's business environment regularly and on an as need basis. The Board may delegate some of the abovementioned responsibility to committees of the board but maintain the overall responsibility for the process.

The Board receives regular reports about the financial condition and operating results of the Consolidated Entity. The Managing Director and the Chief Financial Officer (or equivalent) annually provides a formal statement to the Board that in all material respects and to the best of their knowledge and belief:

- the Company's financial reports present a true and fair view of the Company's financial condition and operational results are in accordance with relevant accounting standards; and
- the Company's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

REMUNERATE FAIRLY AND RESPONSIBLY

The Company does not presently operate a remuneration committee and the remuneration of all Directors is determined by the members of the Board of Directors. Having regard to the number of members comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

All compensation arrangements for Directors including the Chairman are determined by the Directors after taking into account the current competitive rates prevailing in the market. The amount of remuneration for all Directors including the full remuneration packages, comprising all monetary and non-monetary components of the Executive and Non-Executive Directors, are detailed in the Directors' Report.

Executives will receive base salary, superannuation and in some cases, performance incentives. These packages are reviewed on an ongoing basis and in most cases will be reviewed against predetermined performance criteria.

A maximum amount of remuneration for Non-Executive Directors is fixed by shareholders in general meeting and can be varied in that same manner. In determining the allocation the Board takes account of the time demands made on the Directors together with such factors as fees paid to other Directors and to the responsibilities undertaken by them.

Directors and employees are eligible to participate in the Company's equity incentive schemes.

Corporate Governance Statement (Continued)

DEPARTURES FROM COMPLIANCE WITH RECOMMENDATIONS

Pursuant to the ASX Listing Rules, the Company advises that it does not comply with the following Recommendations. Reasons for the Company's non-compliance are detailed below.

Recommendation 2.2 – The Chairperson should be an independent director.

The Board's size and composition is considered appropriate for the Company at its present stage of development and given the breadth of its membership. The composition of the Board, including Chairperson, will be reviewed in line with future Company developments.

Recommendation 2.4 - The Board should establish a Nomination Committee

The functions to be performed by a nomination committee under the Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendation 2.6 - Provide Information indicated in Guide to Reporting on Principle 2

One of the matters to be included in the corporate governance section of this Report pursuant to the Guide to reporting on Principle 2 is "the names of the members of the nominations committee and their attendance at meetings of the committee". As stated in the previous paragraph, the Board does not consider it appropriate for the Company to establish a nomination committee and therefore this information has not been included in the annual report. In all other respects, the Company has complied with the disclosure requirements contained in the Guide to reporting on Principle 2.

Recommendation 4.2: - The Audit Committee should be structured so that it consist only of Non-Executive Directors and is chaired by an Independent Chair, who is not Chairman of the Board

The Audit Committee now comprises all the Directors of the company, the majority of whom are independent. The Chairman of Nickelore was also the Chairman of the Audit Committee in the 2011 Financial Year. Having regard to the current size and composition of the Company's Board, the Board considered it necessary for all the Company's Directors to be included in the Audit Committee. The composition of the Audit Committee will be reviewed in the event of future changes to the composition of the Board.

Recommendation 8.1 - The Board Should Establish a Remuneration Committee

The functions to be performed by a remuneration committee under the Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising the Company's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendation 8.3 - Provide the Information Indicated in Guide to Reporting on Principle 8

One of the matters to be included in the corporate governance section of the annual report pursuant to the Guide to reporting on Principle 8 is "the names of members of the remuneration committee and their attendance at meetings of the committee." As stated in the previous paragraph, the Board does not consider it appropriate for the Company to establish a remuneration committee and therefore this information has not been included in the annual report. In all other respects, the Company has complied with the disclosure requirements contained in the Guide to reporting on Principle 8.

Schedule of Mineral Tenements

Nickelore Schedule of Mineral Tenements	
As at 30 June 2011	
Siberia Project	
Tenement	Ownership Interest
MLA 24/646	NIO 100%
MLA 24/802	NIO 100%
MLA 24/807	NIO 100%
MLA 24/808	NIO 100%
MLA 24/839	NIO 100%
ML 24/863	NIO 100%
P24/4354	NIO 100%
Papertalk Project	
Tenement	Ownership Interest
E29/680	NIO 100%
Bardoc Extended Project	
Tenement	Ownership Interest
ML 24/468	Nickel Rights Only

Additional Shareholder Information

Additional Information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report.

Ordinary Share Capital

160,845,886 issued ordinary shares held by 1,630 shareholders carry one vote per share.

Options

5,500,000 unlisted options issued, do not carry a right to vote and are exercisable at various prices.

Substantial Holdings

The number of shares / options held by a substantial shareholder as at 7 September 2011 was:

Shareholder	Ordinary shares
Robert Charles Gardner	32,000,000
World Trend Limited	32,000,000

Distribution of shareholders (as at 31 August 2011)

(a) Analysis of numbers of shareholders by size of holding

Range of Units	Total number of Shareholders	Total number of Ordinary shares
1 - 1,000	139	57,436
1,001 – 5,000	410	1,333,058
5,001 – 10,000	314	2,656,395
10,001 – 100,000	652	22,584,090
100,001 - (MAX)	115	134,214,907
	1,630	160,845,886

(b) There were 1,416 holders holding less than a marketable parcel of ordinary shares.

Twenty largest shareholders as at 7 September 2011

		Number of ordinary shares	%
1	Wingstar Investments Pty Ltd	32,000,000	19.89
2	World Trend Limited	32,000,000	19.89
3	LL Arthur Limited	22,200,000	13.80
4	Mr Ianaki Semerdziev	4,738,918	2.95
5	Tre Pty Ltd <Time Road Superannuation>	3,530,000	2.19
6	HSBC Custody Nominees (Australia) Limited	3,070,000	1.91
7	Mr Henry James Adams (Adams Family A/C)	2,592,511	1.61
8	Mr Gary John George Grogan	1,700,000	1.06
9	Mr Zheng Cang Yi	1,431,416	0.89
10	Mrs Melissa Narbey	1,377,415	0.86
11	Campbell Kitchener Hume & Associates Pty Ltd <C K H Superfund A/C>	1,033,720	0.64
12	Buschehofen Pty Ltd (Buschehofen P/F A/C)	1,000,000	0.62
13	Casablanca Investments Pty Ltd	1,000,000	0.62
14	Mr Philip Gordon O'Prey & Mrs Karen O'Prey (Richian S/F A/C)	1,000,000	0.62
15	Mr Tony Bollella & Mrs Antonietta Pia Bollella	900,000	0.56
16	Mr Jean-Jacques Loofs & Mrs Hermione Loofs (Loofs Super Fund A/C)	721,800	0.45
17	Mr Ross Gordon Little	700,000	0.44
18	Mr Phillip Marsh	600,000	0.37
19	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	522,653	0.34
20	Marnet Pty Ltd <The M L Weinberg Family A/C>	520,000	0.32
		112,668,433	70.05

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