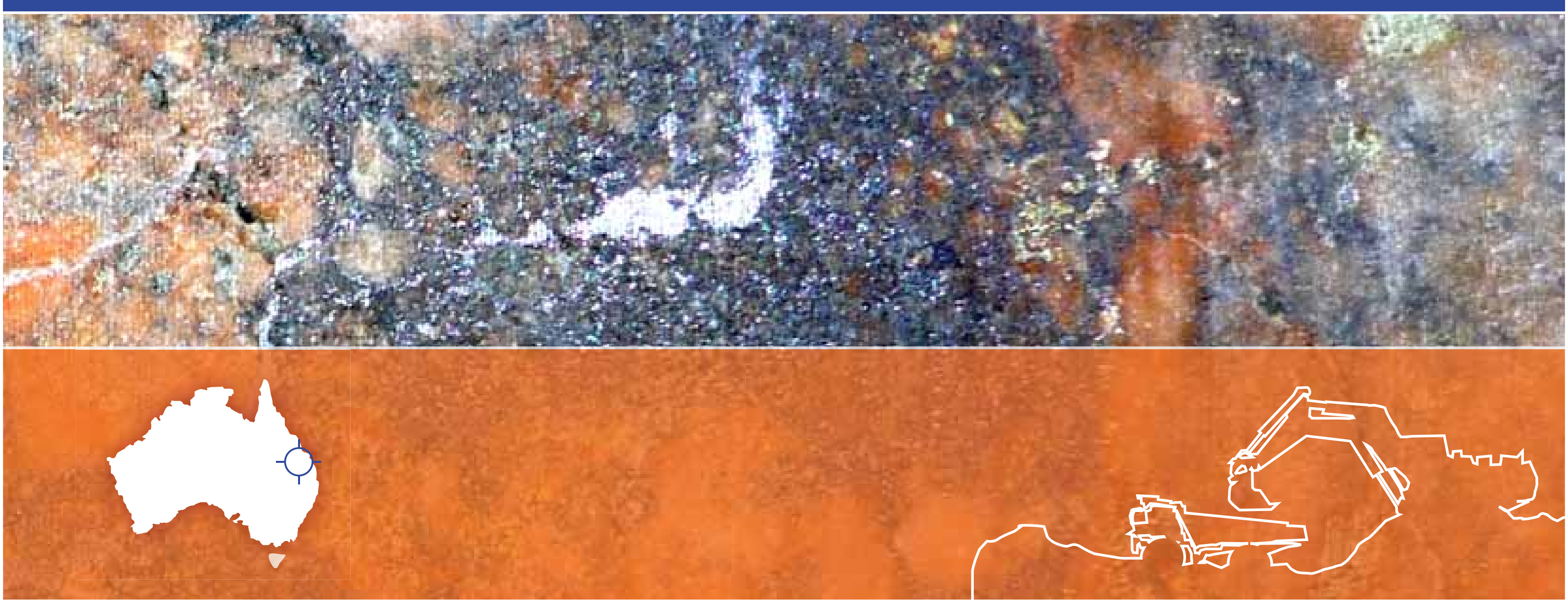
**AUSSIE Q RESOURCES LIMITED**
ABN 91 121 964 725

aussie Q resources

# annual report 2010



# contents

# chairman's letter

Dear fellow Shareholders

2010 has been a highly successful year for your Company.

Our focus on the exploration of the Whitewash area during the year has produced some remarkable drilling results and these are all available on the Company's website and the ASX. Although the extent, grade and nature of mineralisation is far from clear, what is apparent is that the Company has found at least one major deposit, which is attracting considerable attention from the geoscience community and the international mining industry. As a result, the Company's share price has been re-rated and the Company has raised necessary additional exploration funding on favourable terms without undue dilution of existing shareholders.

We are continuing our exploration work and we do anticipate that the effort will step up during the year ahead. A building block in this process has been the recruitment of Charles Carnie as CEO, who brings a wealth of exploration, development and production expertise to AQR. As a result, the coming year promises to be exciting as drilling proceeds and our understanding of what has been discovered necessarily improves.

The Company would not be in its current favourable position without the efforts of John Goody and his field staff team and, on your behalf, I thank them for their efforts and dedication in achieving the results to date. I should also thank my fellow directors for their contribution.

We look forward to the next twelve months with great anticipation on the back of a well funded and expanded exploration effort.

Yours faithfully

Tom Mann
Chairman

The directors present their report together with the consolidated financial report of Aussie Q Resources Limited (the Company), comprising the Company and its subsidiaries (together referred to as the Group) for the financial year ended 30 June 2010 and the auditor's report thereon.

## 1. Directors and chief executive officer

The names of Directors and the Chief Executive Officer in office at any time during or since the end of the financial year:

| | |
|---|---|
| **Directors:** | |
| Mr. Thomas Joseph Mann | (appointed 28 June 2010) |
| Mr. Frank Reid Gardiner | (retired 14 April 2010) |
| Mr. John Leslie Goody | (appointed 28 September 2006) |
| Dr. Richard John Haren | (appointed 28 September 2006) |
| Mr. Edgar George Newman | (appointed 31 December 2008) |
| Mr. Sydney Leslie Griff | (appointed 17 May 2010) |
| | |
| **Chief Executive Officer:** | |
| Mr. Charles Carnie | (appointed 1 August 2010) |

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated. Information on each person's qualifications, experience and special responsibilities is given in section 8 of the Directors' report.

## 2. Company secretary

The following person held the position of Company Secretary at the end of the financial period:

Mr. Stephen J. Lonergan LLB (Hons), LLM (Mc Gill)

Mr. Lonergan was the general counsel and company secretary of CBH Resources Ltd until its recent takeover. He is a director and company secretary of Paradigm Gold Ltd and is a director of Finders Resources Limited. He was General Counsel of Savage Resources and Pancontinental Mining. He has been involved in acquisitions and exploration arrangements in Canada, USA, Peru, Australia, South Asia and Africa.

Mr. Lonergan was appointed Company Secretary on 28 September 2006.

## 3. Principal activities

The principal activities of the Group during the financial period were exploration of porphyry copper/molybdenum mineralisation near Monto, Queensland. The Group is exploring ten Exploration Permit Minerals (EPMs) in the Monto region (exceeding 900 sq kms in area) for base metals. The main focus of exploration includes copper and molybdenum. It is the Group's intention to move towards a mining operation on the leases if the exploration phase is successful.

There were no significant changes in the nature of the Group's principal activities during the financial period.

## 4. Operating and financial review

**Operating Results**

The loss of the Group after providing for income tax amounted to $969,000 (2009: $1,085,000).

### 4. Operating and financial review (continued)

**Dividends**

No dividends were paid or declared and no dividends have been recommended by the Directors.

**Review of Exploration Operations**

The Group is currently undertaking exploration at the Rawbelle Project in Queensland which is approximately 30 kms to the west of Monto in southern Queensland. Monto is a town of 1500 people and approximately 110 kms south of Gladstone, a deep-water port. The region hosts exceptionally good infrastructure including a mining oriented town with a willing workforce, bitumen highways that pass through the Permit areas, a viable rail system, extensive power grid and large scale water resources.

There are seven contiguous Exploration Permits for Minerals (EPMs) 14628, 15920, 15921, 15922, 17001, 17002, 17060 and three contiguous EPMs, namely, 14627, 15919 and 18202 which are situated approximately 20 kms to the south of the group of seven. All of these EPMs are 100% held by the Group with EPM 15920 held by Goody Investments Pty Ltd for the beneficial interest of the Group.

These EPMs host a number of prospective areas or prospects called Whitewash, Gordons, Whitewash South, Juicy Fruit, Noddy's Creek, Kiwi Carpet, Anomaly 7B, Kildare, Trevethan, Bulls Eye, Bucket Mountain, Brigalow, Mount Hindmarsh, Orange Hill, Lemon Hill, Windmill Hill and Sandy Creek. The Group has ranked these prospects as potential development, advanced and grass roots, depending on the amount of work that was performed and the results.

The flagship development project, Whitewash, was upgraded in September 2008 when the Group announced a "Maiden Resource Statement" which showed an inferred resource of 68.5 million tonnes grading 0.033% Mo, 0.1% Cu and 1.2g/t Ag based on more than 16,675m of drilling and a 0.02% Mo cut off grade. This was upgraded during 2009 when Gordons which is contiguous with and north of Whitewash, was infill-drilled providing an updated resource estimate for Whitewash/Gordons. This drilling included 18 drill holes at Gordons and produced a combined inferred resource for Whitewash/Gordons of 71.5 million tonnes grading 0.034% Mo, 0.1% Cu and 1.2g/t Ag - which contains 24,100 tonnes of Mo, 70,200 tonnes of Cu and 2.6 million ounces of Ag. Six drill holes at the Juicy Fruit prospect were drilled and assays announced.

During the period surface mapping revealed a region of breccia outcrop to the south of Whitewash. This fact coupled with the interpretation of previously acquired magnetic data and mineralization in the initial two RC holes drilled in the area in August 2009, provided a focus for further work at the Whitewash South prospect. Whitewash South is situated 500m to the south of the greater Whitewash prospect and has similar topographic characteristics to Gordons. The major drilling campaign commenced at Whitewash South on 26 November, 2009 and since then a total of 45 drill holes have been completed for a total of 8,216 metres of RC and 6,663 metres of diamond core drilling. Thus far, assays for a total of 17 holes have been received and announced, more are expected over the coming months.

From the above it can be seen that numerous highly prospective zones occur across the ten permits that make up the Rawbelle Project area. Some of these will be assessed by the Group over the next twelve months.

*The information in this report that relates to exploration results and mineral resources is based on information compiled by Mr. John Goody, Executive Director of Exploration, Aussie Q Resources Limited (AQR) and supervised by Dr. Richard Haren who is a Member of The Australasian Institute of Mining and Metallurgy and who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr. Richard Haren is a self employed consultant who consults to AQR and has consented to the inclusion in this report of the matters based on this information in the form and context which it appears.*

## 4. Operating and financial review (continued)

**Financial Position**

The net assets of the Group at 30 June 2010 were $17,307,000 (2009: $15,738,000), with cash on hand $2,156,000 (2009: $3,261,000).

The Directors believe the Group is in a strong and stable financial position to continue its current exploration operations.

Aussie Q Resources Limited's opening share price on 1 July 2009 was $0.05 per share. During the year ended 30 June 2010 the share price varied between $0.04 and $0.79 per share. The closing share price at 30 June 2010 was $0.28 per share.

**Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the Group during the financial period.

## 5. Events subsequent to reporting date

- On 3 August 2010 6,250,000 ordinary fully paid shares were issued to Washington H Soul Pattinson & Company Limited, to raise a total of $3 million. On completion of the placement, Washington H Soul Pattinson & Company Limited's share holding increased to an aggregate of 9% of Aussie Q Resources Limited's issued shares. All of the funds for this capital raising have been received at the date of this report. In addition 312,500 ordinary fully paid shares were issued at the same price in satisfaction of placement fees. Following the completion of the $3 million placement, Aussie Q has approximately $4.9 million cash at bank to continue the exploration program at the Group's Whitewash South Project and advance activity across the Group's priority projects. The financial effect of this subsequent event has not been included in the financial report at 30 June 2010.
- Charles Carnie was also appointed as Chief Executive Officer on 1 August 2010.
- On 14 September 2010 2,000,000 ordinary fully paid shares were issued to the CEO, Charles Carnie, at a subscription price of 50 cents per share which was funded by a limited recourse, interest free, 3 year loan from the Company, secured against these shares. These shares cannot be dealt with prior to 14 September 2011. On the same date, 200,000 ordinary fully paid shares were issued to a senior manager in the Company on similar terms.

## 6. Future developments, prospects and business strategies

Post 30 June 2010, the Group has continued to drill Whitewash South prospect with RC and diamond drills. Other zones exhibiting mineralisation at surface are also being assessed using the Niton portable Xray Fluorescence (XRF) system. The Group is also using its geometrics magnetometer to acquire infill magnetic data over selected prospective areas to assist with drill placement. The board is reviewing the exploration strategy for all the Group's prospects.

## 7. Environmental regulation

The Group's operations are subject to significant environmental regulation under the law of the Commonwealth and State. Details of the Group's performance in relation to environmental regulation are as follows:

The exploration undertaken at Rawbelle to date has not created any significant environmental issues. However, environmental issues will arise as and when the Group moves into production and these issues will be thoroughly assessed at the time any mining authority is sought. Usual measures are undertaken pre and post drilling to ensure that the environmental impact is minimised. This includes re-contouring and re-seeding affected areas and capping drill collars. The work undertaken to date has produced minimal impact on the environment. No issues regarding compliance were encountered during the reporting period.

## 8. Information on directors

| | | |
|---|---|---|
| **Thomas Joseph Mann** age 64 | — | Non Executive Chairman(appointed 28 June 2010) |
| Experience | — | Mr. Mann has over 30 years' experience in financial markets and global trade having established a global trading corporation with offices in North America and the Asia-Pacific. Mr. Mann has been actively involved in capital raising and strategic development initiatives for public and private companies. |
| Interest in Shares and Options | — | 5,000,000 shares held by Mann Super Pension Fund |
| Directorships held in other listed entities in the last 3 years | — | Resource & Investment NL (appointed 27 April 2010)<br>Medical Australia Limited (Chairman until May 2010) |
| **Frank Reid Gardiner** age 71 | — | Non Executive Chairman (retired 14 April 2010) |
| Qualifications | — | LL.B. F.A.I.M. F.A.I.C.D. |
| Experience | — | Mr. Gardiner has a long and diverse professional background. In addition to practising as a Barrister and serving as a member of the Hong Kong Judiciary, Mr. Gardiner has extensive corporate experience including positions as Managing Director of publicly listed companies in Asia and as a Director of many Australian public and private companies including mining enterprises throughout the Asia Pacific region. Mr. Gardiner has also served as a member of the University of Queensland Senate plus other public sector roles including Commissioner of the Australian Film Commission. |
| Interest in Shares and Options | — | Nil |
| Special Responsibilities | — | Member of the Audit Committee |
| Directorships held in other listed entities in the last 3 years | — | None |
| **John Leslie Goody** age 58 | — | Executive Director |
| Qualifications | — | Member of the Geological Association of Australia |
| Experience | — | Mr. Goody has over 40 years experience in the mining industry and has been responsible for the development of various prospects throughout Australia, Papua New Guinea, Vanuatu, Philippines, China and Chile. |
| Interest in Shares and Options | — | 31,340,000 shares held by Goody Investments Pty Limited and 1,000,000 shares held by John Leslie Goody. |
| Directorships held in other listed entities in the last 3 years | — | None |

**8. Information on directors (continued)**

| | | |
|---|---|---|
| **Richard John Haren** age 65 | — | Non Executive Director |
| Qualifications | — | First Class Honours Degree and University Medal in Physics and a PhD in Exploration Geophysics from the University of New South Wales. Dr. Haren is a corporate member of the Australasian Institute of Mining and Metallurgy, the Society of Exploration Geophysicists and the Australian Society of Exploration Geophysicists. |
| Experience | — | Dr. Haren has over 20 years of project management experience involving numerous industries including minerals exploration and mining finance and IT. Dr. Haren has consulted to a variety of public and private companies in Australia, Asia, Africa, the C.I.S, North and South America involving exploration and mining. |
| Interest in Shares and Options | — | 2,100,000 shares held by R & S Haren Superfund |
| Special Responsibilities | — | Member of the Audit Committee |
| Directorships held in other listed entities in the last 3 years | — | South American Iron and Steel Corporation Limited (appointed 13 May 2009) |
| **Edgar George Newman** age 58 | — | Non Executive Director |
| Qualifications | — | Dip AppSc (Chem) |
| Experience | — | Mr. Newman has over 33 years experience in the mining and exploration industry. He has held positions as chemist and manager of an analytical services laboratory as well as being involved in feasibility studies, design, construction and commissioning of several mining and processing operations in Australia and Papua New Guinea. |
| Interest in Shares and Options | — | None |
| Special Responsibilities | — | Chairman of the Audit Committee |
| Directorships held in other listed entities in the last 3 years | — | Macmin Silver Ltd (resigned August 2009) |
| **Sydney Leslie Griff** age 85 | — | Non Executive Director (appointed 17 May 2010) |
| Experience | — | Mr. Griff has over 40 years' experience in the mining and resources sector in Australia and abroad. He has been involved in the corporate and operational development of a range of successfully developed ASX listed companies. |
| Interest in Shares and Options | — | 11,000,000 shares held by SLG Australia Pty. Ltd. 200,000 shares held by Bertney Pty. Ltd and 10,400 shares held by Travelly Pty. Ltd. |

**8. Information on directors (continued)**

Directorships held in other listed entities in the last 3 years — None

**9. Remuneration report – audited**

**9.1 Principles of compensation**

This report details the nature and amount of remuneration for each Director of Aussie Q Resources Limited, the Company and Group and for key management personnel of the Group.

The Board establishes appropriate remuneration for Directors and remuneration levels and incentive structures for key management personnel. Key management personnel are those who have authority and responsibility for planning, directing and controlling the activities of the Group. This category includes the Executive Director of the Company, Mr. John Goody who is engaged under a consultancy arrangement.

Compensation levels have been, and will be, set to be in line with Australian mineral exploration entities of equivalent size and comparable operations in order to attract and retain suitably qualified and experienced key management personnel.

Executive Director, Mr. John Goody is retained on a three year contract, commencing on the date the entity was admitted to the official list of the ASX (14 June, 2007), as a consultant to the Group. His contract provides that his fee will be reviewed annually. His contract expired on 14 June 2010 but is being continued on a month to month basis pending a review by the Board and Mr. Goody.

All Non-executive Directors receive directors' fees coupled with superannuation payments and, when providing additional services to the Group, they are paid at normal commercial rates for their work. Neither Non-executive Directors nor key management personnel are entitled to any retirement benefits.

All remuneration paid to Directors and key management personnel is valued at cost to the Group and expensed or capitalised as appropriate.

The following directors received options in the 2007 financial year for no consideration:

Mr. Thomas Joseph Mann
Mr. John Leslie Goody
Mr. Richard John Haren

These options expired on 30 January 2010. The fair value of options granted is measured using the Black Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted.

**Consequences of performance on shareholder wealth**

In considering the Group's performance and benefits for shareholder wealth, the board has regard to the following indices in respect of the current financial year and the previous three financial years.

| *In thousands of AUD* | 2010 | 2009 | 2008 | 2007 (i) |
|---|---|---|---|---|
| Net loss attributable to owners of the company | $ (969) | $ (1,085) | $ (348) | $ (1,606) |
| Dividends paid | - | - | - | - |
| Change in share price | 0.240 cents | (0.060) cents | (0.115) cents | (0.035) cents |

(i) First period of account, from incorporation on 28 September 2006 to 30 June 2007.

## 9 Remuneration report – audited (continued)

### 9.1 Principles of compensation (continued)

Loss amounts for 2007 to 2010 have been calculated in accordance with Australian Accounting Standards (AASBs).

As the Group is a young explorer none of the key management personnel receive incentive based remuneration.

### 9.2 Directors' and executive officers' remuneration

Details of the nature and amount of each major element of remuneration of each director of the Company, each of the five named Company executives and relevant Group executives who receive the highest remuneration and other key management personnel of the Group are:

| | | Short-term | | Post-employment | Share-based payments | |
|---|---|---|---|---|---|---|
| *in AUD* | | Salary & fees $ | Consulting fees $ | Super-annuation benefits $ | Options $ | Total $ |
| **Directors** | | | | | | |
| **Non-executive directors** | | | | | | |
| *Thomas J Mann (appointed 28 June 2010)* | 2010 | - | - | - | - | - |
| *Frank Reid Gardiner (retired 14 April 2010) (iii)* | 2010 | 53,884 | 66,846 | 41,179 | - | 161,909 |
| | 2009 | 31,133 | - | 99,519 | - | 130,652 |
| *Richard Haren (i)* | 2010 | 50,000 | 44,115 | 4,500 | - | 98,615 |
| | 2009 | 25,000 | 157,104 | 2,250 | - | 184,354 |
| *Edgar Newman (ii)* | 2010 | 20,832 | 6,700 | 34,271 | - | 61,803 |
| | 2009 | - | - | 27,252 | - | 27,252 |
| *Sydney Griff (appointed 17 May 2010)* | 2010 | 6,349 | - | - | - | 6,349 |
| | | | | | | |
| **Executive Directors** | | | | | | |
| *John Leslie Goody* | 2010 | - | 305,736 | - | - | 305,736 |
| | 2009 | - | 329,982 | - | - | 329,982 |

(i) Short-term salaries and fees for the year ended 30 June 2009 for Richard Haren included remuneration for services as the Chief Executive Officer.

(ii) Included in superannuation benefits is $603 paid on consulting fees.

(iii) Included in superannuation benefits is $4,543 paid on consulting fees.

Short-term salaries and fees include Non-Executive Director's fees and fees paid to related parties for consulting services provide. The remuneration disclosed above represents the cost to the Group for the services provided by Directors.

Performance income as a proportion of total remuneration: Nil

### Details of performance related remuneration

At present there is no performance-based component to executive or non-executive remuneration, however, performance of key management personnel is reviewed annually.

### 9.3 Equity instruments

All options refer to options over ordinary shares of Aussie Q Resources Limited, which are exercisable on a one-for-one basis.

## 9 Remuneration report – audited (continued)

### 9.3 Equity instruments (continued)

#### 9.3.1 Options and rights over equity instruments granted as compensation

No options have been granted to key management personnel in the current year or since the end of the financial year. All options granted in 2007 to key management personnel expired during the year. There has been no exercise of options granted as compensation during the current period or the prior period.

#### 9.3.2 Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

#### 9.3.3 Analysis of movements in options

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person and each of the five named Company executives and relevant Group executives is detailed below.

| | Granted in year $ (A) | Value of options exercised in year $ (B) | Lapsed in year $ (C) |
|---|---|---|---|
| Thomas J Mann (i) | - | - | 46,500 |
| Frank Reid Gardiner | - | - | - |
| John Leslie Goody | - | - | 279,000 |
| Richard Haren | - | - | 62,000 |
| Edgar Newman | - | - | - |
| Sydney Griff | - | - | - |

(i) Options that lapsed during the year were issued to Thomas J Mann as a promoter and prior to his appointment as a Director.

(A) The value of options granted in the year is the fair value of the options calculated at grant date using the Black Scholes option-pricing model. The total value of the options granted is included in the table above.

(B) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option.

(C) The value of the options that lapsed during the year represents the benefit forgone and is calculated at the date the option lapsed using the Black Scholes option-pricing model.

### 9.4 Consulting contract commitments

John Goody and Richard Haren Consulting Contracts

Within one year - minimum commitment

In 2007, Aussie Q Resources Limited entered into Consultancy Agreements with John Goody and Richard Haren through their respective consultancy companies, Goody Investments Pty Ltd. and Flatoak Pty. Ltd.

The Consultancy Agreements commenced from the date of quotation of the Company's securities on the ASX for a term of three years subject to termination provisions in the Agreement. The Agreements provide that the consultant may extend the duration of the Agreement by written notice to that effect. Aussie Q Resources Limited initially agreed to pay to the consultant a consultancy fee of $150,000 per annum reviewed annually, in addition to a director's fee of $30,000 per annum plus superannuation. In addition and subject to any necessary shareholder approvals, the consultant would be granted options. Subject to the discretion of the Board, if the consultant or the consulting company terminates their engagements as consultant to the Company, any outstanding options which have not vested would immediately lapse and have no further force or effect.

## 9 Remuneration report - audited (continued)

### 9.4 Consulting contract commitments (continued)

Following a remuneration review, the remuneration pursuant to the Consultancy Agreement with Goody Investments Pty. Ltd. was increased to $262,500 (ex gst) per annum with effect from 1 July 2008. The remuneration payable pursuant to the Consultancy Agreement with Flatoak Pty. Ltd. was increased to $210,000 ex gst per annum with effect from 1 July 2008.

On 31 December, 2008, the Consultancy Agreement with Flatoak Pty. Ltd. was terminated by agreement and Dr. Richard Haren ceased to be CEO and became a Non Executive Director.

On 14 June,2010, the Consultancy Agreement with Goody Investments Pty. Ltd. expired, however the agreement is currently being extended on a monthly basis.

The Consultant may terminate the Agreement at any time and for any reason by providing the Company three months' written notice. If the consultant terminates the Agreement, the Company may elect to pay the Consultant the equivalent of three months' fee and terminate the Agreement immediately.

The Company may terminate the Agreement immediately by serving written notice to the consultant and paying him the equivalent of six months' fee.

The Company may terminate the Agreement without payment by serving one month's notice to the Consultant if:

i) The Consultancy Company goes into liquidation or makes an arrangement with creditors or takes advantage of any statute for the relief of insolvent debtors.

ii) The Consultant commits any serious or persistent breach of any of the provisions contained in the Agreement and the breach is not remedied within 14 days of the receipt of written notice.

iii) In the reasonable opinion of the Board, the Consultant demonstrates incompetence in the performance of his duties under the Agreement.

iv) The Consultant is guilty of grave misconduct or wilful neglect in the discharge of his duties and the breach is not remedied within 28 days of the receipt of written notice from the Company.

The Company may terminate the Agreement immediately without payment if the consultant is convicted of a major criminal offence or discloses or misuses price sensitive information affecting the Company or a client without prior written consent, except where disclosure is required by law.

### 9.5 Non-executive directors

At the 2007 Annual General Meeting, shareholders approved an aggregate amount of $250,000 to be available for payment of Non Executive Directors fees. During the year ended 30 June 2010, the Non Executive Directors fees were paid as follows:

Frank Gardiner - $83,046 of which $29,162 was salary sacrificed for superannuation, plus statutory superannuation of 9%.

Richard Haren - $50,000 plus statutory superannuation of 9%.

Edgar Newman - $50,000 of which $29,168 was salary sacrificed for superannuation , plus statutory superannuation of 9%.

Sydney Griff - $6,349 (appointed 17/5/10)

## 10. Directors' meetings

During the financial period, six Meetings of the Board of Directors were held. Attendances by each Director during the period were as follows:

| Directors' Meetings | Number attended | Number eligible to attend |
|---|---|---|
| Thomas Mann | 0 | 0 |
| Frank Gardiner | 3 | 3 |
| John Goody | 6 | 6 |
| Richard Haren | 6 | 6 |
| Edgar Newman | 6 | 6 |
| Sydney Griff | 3 | 3 |

As well, four Audit Committee meetings were held. Edgar Newman, Frank Gardiner and Richard Haren attended all four meetings.

## 11. Share options

### Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

| Expiry date | Exercise price | Number of shares |
|---|---|---|
| 31/12/2011 | $0.10 | 2,000,000 |
| 31/01/2012 | $0.20 | 380,000 |

All options granted were exercisable at 30 June 2010 and all options were provided at no cost to the recipients.

### Shares issued on exercise of options

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there are no amounts unpaid on the shares issued):

| Number of shares | Amount paid on each share |
|---|---|
| 1,749,260 | $0.30 |
| 40,000 | $0.20 |

The options that expire on 31/12/2011 hold no voting or dividend rights and are not transferable. The options that expire on 31/01/2012 hold no voting or dividend rights and are transferable upon director approval.

## 12. Indemnification and insurance of officers and auditors

The Company has agreed to indemnify the current directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of the conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

The Company has paid premiums to insure the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Company, other than conduct involving wilful breach of duty in relation to the Company. The directors have not included details of the amount of the premium paid in respect of the directors' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

### 13. Non-audit services

During the period, KPMG, the Company's auditor, has not performed any other services in addition to their statutory duties.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit services provided during the year are set out in Note 31 of the consolidated financial report.

### 14. Proceedings on behalf of the Company

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

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

### 15. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 47 and forms part of the directors' report for the financial year ended 30 June 2010.

### 16. Rounding off

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the consolidated financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors:

Thomas Mann
Director

Dated at Bundall this 28th day of September 2010.

# Consolidated statement of financial position

As at 30 June 2010

| *in thousands of AUD* | *Note* | 2010 | 2009 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | *17* | 2,156 | 3,261 |
| Trade and other receivables | *16* | 196 | 36 |
| Other investments | *14* | 35 | 33 |
| Prepayments | | 33 | 33 |
| **Total current assets** | | 2,420 | 3,363 |
| Other investments | *14* | 89 | 27 |
| Property, plant and equipment | *12* | 250 | 199 |
| Other assets | | 29 | 26 |
| Exploration and evaluation assets | *13* | 14,914 | 12,262 |
| **Total non-current assets** | | 15,282 | 12,514 |
| **Total assets** | | 17,702 | 15,877 |
| **Liabilities** | | | |
| Trade and other payables | *24* | 306 | 75 |
| Loans and borrowings | *20* | 6 | - |
| Provisions | *23* | 50 | 50 |
| Employee benefits | *21* | 33 | 14 |
| **Total current liabilities** | | 395 | 139 |
| **Total non-current liabilities** | | - | - |
| **Total liabilities** | | 395 | 139 |
| **Net assets** | | 17,307 | 15,738 |
| **Equity** | | | |
| Share capital | *18* | 19,796 | 17,258 |
| Reserves | *18* | 14 | 1,517 |
| Accumulated losses | | (2,503) | (3,037) |
| **Total equity attributable to equity holders of the Company** | | 17,307 | 15,738 |
| **Total equity** | | 17,307 | 15,738 |

*The notes on pages 18 to 43 are an integral part of these consolidated financial statements.*

## Aussie Q Resources Limited

# Consolidated statement of comprehensive income

For the year ended 30 June 2010

| *in thousands of AUD* | *Note* | 2010 | 2009 |
|---|---|---|---|
| Other income | *8* | 2 | - |
| Administrative expenses | | (600) | (699) |
| Other expenses | *9* | (542) | (420) |
| **Results from operating activities** | | (1,140) | (1,119) |
| Finance income | | 171 | 233 |
| Finance costs | | - | (199) |
| **Net finance income** | *10* | 171 | 34 |
| **Loss before income tax** | | (969) | (1,085) |
| Income tax expense | *11* | - | - |
| **Loss for the period** | | (969) | (1,085) |
| Other comprehensive income | | - | (2) |
| **Total comprehensive income for the period** | | (969) | (1,087) |
| | | | |
| **Loss attributable to:** | | | |
| Owners of the Company | | (969) | (1,085) |
| **Loss for the period** | | (969) | (1,085) |
| | | | |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | (969) | (1,087) |
| **Total comprehensive income for the period** | | (969) | (1,087) |
| | | | |
| **Earnings per share** | | | |
| Basic loss per share (AUD) | *19* | (0.79) cents | (0.90) cents |
| Diluted loss per share (AUD) | *19* | (0.79) cents | (0.90) cents |

*The notes on pages 18 to 43 are an integral part of these consolidated financial statements.*

# Aussie Q Resources Limited

## Consolidated statement of changes in equity

For the year ended 30 June 2010

| *in thousands of AUD* | *Note* | Share capital | Equity Compensation Reserve | Fair value reserve | Accumulated losses | Total equity |
|---|---|---|---|---|---|---|
| | | | **Attributable to equity holders of the Company** | | | |
| Balance at 1 July 2008 | | 17,258 | 1,500 | 2 | (1,954) | 16,806 |
| **Total comprehensive income for the period** | | | | | | |
| Profit or loss | | - | - | - | (1,085) | (1,085) |
| *Other comprehensive income* | | | | | | |
| Net change in fair value of available-for-sale financial assets | | - | - | (2) | - | (2) |
| Total other comprehensive income | | - | - | (2) | - | (2) |
| Total comprehensive income for the period | | - | - | (2) | (1,085) | (1,087) |
| **Transactions with owners, recorded directly in equity** | | | | | | |
| *Contributions by and distributions to owners* | | | | | | |
| Share-based payment transactions | *22* | - | 19 | - | - | 19 |
| Share options expired | *22* | - | (2) | - | 2 | - |
| Total contributions by and distributions to owners | | - | 17 | - | 2 | 19 |
| Total transactions with owners | | - | 17 | - | 2 | 19 |
| Balance at 30 June 2009 | | 17,258 | 1,517 | - | (3,037) | 15,738 |
| | | | | | | |
| Balance at 1 July 2009 | | 17,258 | 1,517 | - | (3,037) | 15,738 |
| **Total comprehensive income for the period** | | | | | | |
| Profit or loss | | - | - | - | (969) | (969) |
| Total comprehensive income for the period | | - | - | - | (969) | (969) |
| **Transactions with owners, recorded directly in equity** | | | | | | |
| *Contributions by and distributions to owners* | | | | | | |
| Issue of ordinary shares | *18* | 2,000 | - | - | - | 2,000 |
| Capital raising costs | | (55) | - | - | - | (55) |
| Share-based payment transactions | *22* | 60 | - | - | - | 60 |
| Share options exercised | *18* | 533 | (88) | - | 88 | 533 |
| Share options expired | *22* | - | (1,415) | - | 1,415 | - |
| Total contributions by and distributions to owners | | 2,538 | (1,503) | - | 1,503 | 2,538 |
| Total transactions with owners | | 2,538 | (1,503) | - | 1,503 | 2,538 |
| Balance at 30 June 2010 | | 19,796 | 14 | - | (2,503) | 17,307 |

The amounts recognised directly in equity are disclosed net of tax.

*The notes on pages 18 to 43 are an integral part of these consolidated financial statements.*

# Consolidated statement of cash flows

For the year ended 30 June 2010

| *in thousands of AUD* | *Note* | 2010 | 2009 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash paid to suppliers and employees | | (1,223) | (688) |
| Cash generated from operations | | (1,223) | (688) |
| Interest received | | 117 | 231 |
| **Net cash used in operating activities** | *17b* | (1,106) | (457) |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of property, plant and equipment | *12* | 29 | - |
| Acquisition of property, plant and equipment | *12* | (124) | (18) |
| Payments for exploration activities | | (2,429) | (1,929) |
| Acquisition of other investments | | (8) | (200) |
| **Net cash used in investing activities** | | (2,532) | (2,147) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | *18* | 2,533 | - |
| **Net cash from financing activities** | | 2,533 | - |
| **Net decrease in cash and cash equivalents** | | (1,105) | (2,604) |
| Cash and cash equivalents at 1 July | | 3,261 | 5,865 |
| **Cash and cash equivalents at 30 June** | | 2,156 | 3,261 |

*The notes on pages 18 to 43 are an integral part of these consolidated financial statements.*

## 1. Reporting entity

Aussie Q Resources Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is Level 1, 27-29 Crombie Avenue Bundall Qld 4217. The consolidated financial statements of the Company as at and for the year ended 30 June 2010 comprise the Company and its subsidiary (together referred to as the "Group" and individually as "Group entities"). The Group primarily is involved in prospect and tenement exploration for a range of minerals including copper and molybdenum.

## 2. Basis of preparation

### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 28 September 2010.

### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value

The methods used to measure fair values are discussed further in note 4.

### (c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

### (d) Use of estimates and judgements

The preparation of consolidated financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- note 13 – exploration and evaluation asset recoverability
- note 15 – utilisation of tax losses
- note 22 – measurement of share-based payments
- note 23 – provisions
- note 25 – valuation of financial instruments

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

### (a) Basis of consolidation

#### (i) Business combinations

*Change in accounting policy*

The Group has adopted revised AASB 3 *Business Combinations* (2008) and amended AASB 127 *Consolidated and Separate Financial Statements* (2008) for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method. The change in accounting policy is applied prospectively and had no material impact on earnings per share.

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

*Measuring goodwill*

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

*Share-based payment awards*

When share-based payment awards exchanged (replacement awards) for awards held by the acquiree's employees (acquiree's awards) relate to past services, then a part of the market-based measure of the awards replaced is included in the consideration transferred. If they require future services, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post-combination compensation cost.

*Contingent liabilities*

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

## 3. Significant accounting policies (continued)

### (a) Basis of consolidation

#### (i) Business combinations (continued)

*Transaction Costs*

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

#### (ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

#### (iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Gains and losses are recognised when the contributed assets are consumed or sold by the equity accounted investees or, if not consumed or sold by the equity accounted investee, when the Group's interest in such entities is disposed of.

### (b) Financial instruments

#### (i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

*Financial assets at fair value through profit or loss*

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition.

Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

**3. Significant accounting policies (continued)**

**(b) Financial instruments (continued)**

**(i) Non-derivative financial assets (continued)**

*Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables (see note 16).

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(e)(i)), are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

**(ii) Non-derivative financial liabilities**

The Group's financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

**(iii) Share capital**

*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

**(c) Property, plant and equipment**

**(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and

## 3. Significant accounting policies (continued)

### (c) Property, plant and equipment (continued)

#### (i) Recognition and measurement (continued)

removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within other income in profit or loss.

#### (ii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

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

| | |
|---|---|
| • Computer Equipment | 20% - 50% |
| • Mining and Exploration Equipment | 5% - 50% |
| • Plant and Equipment | 5% - 50% |
| • Motor Vehicles | 10% - 25% |

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### (d) Exploration and evaluation expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the entity has obtained the legal rights to explore an area are recognised in profit or loss.

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

(i) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

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

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability and facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

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

**3. Significant accounting policies (continued)**

**(e) Impairment**

**(i) Financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

**(ii) Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than exploration and evaluation assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

**3. Significant accounting policies (continued)**

**(e) Impairment (continued)**

**(ii) Non-financial assets (continued)**

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

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

**(f) Employee benefits**

**(i) Other long-term employee benefits**

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

**(ii) Short-term benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**(iii) Share-based payment transactions**

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number

## 3. Significant accounting policies (continued)

### (f) Employee benefits (continued)

#### (iii) Share-based payment transactions (continued)

of share options that vest, except for those that fail to vest due to market conditions not being met.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

### (g) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance costs.

#### (i) Site restoration

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land, and the related asset, is recognised when the land is contaminated.

### (h) Lease payments

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Other leases are operating leases and leased assets are not recognised on the Group's statement of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustments is known.

### (i) Finance income and finance costs

Finance income and finance costs comprise interest income on funds invested (including available-for-sale financial assets), gains/losses on the disposal of available-for-sale financial assets, and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

### (j) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based

## 3. Significant accounting policies (continued)

### (j) Income tax (continued)

on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income tax expenses that arise from the distribution of dividends are recognised at the same time that the liability to pay the related dividend is recognised.

### (k) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

### (l) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

### (m) Presentation of financial statements

**Change in accounting policy**

The Group applies revised AASB 101 *Presentation of Financial Statements* (2007), which became effective as of 1 July 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impact presentation aspects, there in no impact on earnings per share.

### (n) Determination and presentation of operating segments

As of 1 July 2009 the Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group’s chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*. The new accounting policy in respect of segment operating disclosures is presented as follows.

**3. Significant accounting policies (continued)**

**(n) Determination and presentation of operating segments (continued)**

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**(o) New standards and interpretations not yet adopted**

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

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement.* AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year 2012 or earlier. The Group has not yet determined the potential effect of the standard.
- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any significant impact on the financial statements.
- AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transaction*s resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 *Scope of AASB 2* and AI 11 *AASB 2 - Group and Treasury Share Transactions* will be withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-10 *Amendments to Australian Accounting Standards - Classification of Rights Issue* [AASB 132] (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 30 June 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.
- AASB 2010-3 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

## 3. Significant accounting policies (continued)

### (o) New standards and interpretations not yet adopted (continued)

- AASB 2010-4 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2012 financial statements, are not expected to have a significant impact on the financial statements.

## 4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### (i) Investments in equity and debt securities

The fair value of financial assets at fair value through profit or loss and held-to-maturity investments is determined by reference to their quoted closing bid price at the reporting date. The fair value of held-to-maturity investments is determined for disclosure purposes only.

### (ii) Share-based payment transactions

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

## 5. Financial risk management

The Group's financial instruments consist mainly of deposits with banks.

**Market Risk**

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The Board monitors interest rates and equity prices and regularly reviews cashflow requirements.

The Group has no exposure to currency fluctuations and considers its exposure to interest rates and equity prices is minimal.

**Liquidity Risk**

Liquidity risk is the risk that the Group will not be bale to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash in operating accounts is maintained. The Group has access to a $30,000 credit card facility (2009: $30,000) at 30 June 2010 the undrawn amount is $25,000 (2009: $30,000).

**Credit Risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the entity, other than deposits with Australian regulated banks.

## 5. Financial risk management (continued)

### Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business.

The Board ensures costs are not incurred in excess of available funds and will seek to raise additional funding through issues of shares for the continuation of the Group's operation. There were no changes in the Group's approach to capital management during the year.

Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements.

## 6. Operating segments

The Group's only operation is exploration of minerals in Queensland, Australia. The Group's CEO reviews the internal financial statements on a monthly basis which are prepared on the same basis as these financial statements.

The Group's operations are all based in one geographic segment, being Queensland, Australia and the Group's operations are in the exploration phase so it has no products or services nor any major customers.

## 7. Acquisition of subsidiary

On 19 October 2009 the Group formed a company, Aussie NQ Resources Pty Ltd, (ACN 140 072 680). Aussie Q Resources Limited holds all 100 of the issued ordinary shares in Aussie NQ Resources Pty Ltd, for $100 in cash. This company has been set up for the exploration for gold, copper and other minerals in the North Queensland region. This subsidiary was dormant at year-end.

## 8. Other income

| *in thousands of AUD* | 2010 | 2009 |
|---|---|---|
| Net gain on sale of property, plant and equipment | 2 | - |
| | 2 | - |

## 9. Other expenses

| *in thousands of AUD* | 2010 | 2009 |
|---|---|---|
| Employee benefits expense | (542) | (401) |
| Share based payments | - | (19) |
| | (542) | (420) |

## 10. Finance income and finance costs

### Recognised in profit or loss

| *in thousands of AUD* | 2010 | 2009 |
|---|---|---|
| Interest income on bank deposits | 117 | 233 |
| Net change in fair value of financial assets at fair value through profit or loss | 54 | - |
| Finance income | 171 | 233 |
| Write-off of available-for-sale financial assets transferred from equity | - | (25) |
| Net change in fair value of financial assets at fair value through profit or loss | - | (174) |
| Finance costs | - | (199) |
| Net finance costs recognised in profit or loss | 171 | 34 |
| The above finance income and finance costs include the following interest income and expense in respect of assets (liabilities) not at fair value through profit or loss: | | |
| Total interest income on financial assets | 117 | 233 |
| Total interest expense on financial liabilities | - | - |

## 11. Income tax expense

| *in thousands of AUD* | 2010 | 2009 |
|---|---|---|
| Current tax expense | - | - |
| Deferred tax expense | - | - |
| Total income tax expense | - | - |

### Numerical reconciliation between tax expense and pre-tax accounting profit

| *in thousands of AUD* | 2010 | 2009 |
|---|---|---|
| Loss for the period | (969) | (1,085) |
| Total income tax expense | - | - |
| Loss excluding income tax | (969) | (1,085) |
| Income tax using the Company's domestic tax rate of 30 per cent (2009: 30 per cent) | (291) | (325) |
| Current year losses for which no deferred tax asset was recognised | 291 | 325 |
| | - | - |

## 12. Property, plant and equipment

| *in thousands of AUD* | Computer Equipment | Mining and Exploration Equipment | Plant and Equipment | Motor Vehicles | Total |
|---|---|---|---|---|---|
| **Cost or deemed cost** | | | | | |
| Balance at 1 July 2008 | 28 | 126 | 5 | 89 | 248 |
| Additions | 5 | 13 | - | - | 18 |
| Balance at 30 June 2009 | 33 | 139 | 5 | 89 | 266 |
| | | | | | |
| Balance at 1 July 2009 | 33 | 139 | 5 | 89 | 266 |
| Other additions | 1 | 32 | - | 89 | 122 |
| Disposals | (2) | - | - | (41) | (43) |
| Balance at 30 June 2010 | 32 | 171 | 5 | 137 | 345 |
| | | | | | |
| **Depreciation and impairment losses** | | | | | |
| Balance at 1 July 2008 | (8) | (9) | (1) | (7) | (25) |
| Depreciation for the year | (11) | (19) | - | (12) | (42) |
| Balance at 30 June 2009 | (19) | (28) | (1) | (19) | (67) |
| | | | | | |
| Balance at 1 July 2009 | (19) | (28) | (1) | (19) | (67) |
| Depreciation for the year | (10) | (20) | - | (14) | (44) |
| Disposals | 1 | - | - | 15 | 16 |
| Balance at 30 June 2010 | (28) | (48) | (1) | (18) | (95) |
| | | | | | |
| **Carrying amounts** | | | | | |
| at 1 July 2008 | 20 | 117 | 4 | 82 | 223 |
| at 30 June 2009 | 14 | 111 | 4 | 70 | 199 |
| | | | | | |
| at 1 July 2009 | 14 | 111 | 4 | 70 | 199 |
| at 30 June 2010 | 4 | 123 | 4 | 119 | 250 |

## 13. Exploration and evaluation assets

| *in thousands of AUD* | Capitalised Exploration Expenditure | Total |
|---|---|---|
| Balance at 1 July 2008 | 10,286 | 10,286 |
| Additions | 1,976 | 1,976 |
| Balance at 30 June 2009 | 12,262 | 12,262 |
| | | |
| Balance at 1 July 2009 | 12,262 | 12,262 |
| Additions | 2,652 | 2,652 |
| Balance at 30 June 2010 | 14,914 | 14,914 |

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration of prophyry copper / molybdenum mineralisation. $2,429,000 (2009: $1,929,000) of the capitalised costs have been included in cash flows from investing activities in the cash flow statement.

## 14. Other investments

| *in thousands of AUD* | 2010 | 2009 |
|---|---|---|
| **Non-current investments** | | |
| Financial assets designated at fair value through profit or loss - listed shares | 89 | 27 |
| | 89 | 27 |
| **Current investments** | | |
| Held-to-maturity investments | 35 | 33 |
| | 35 | 33 |

Held-to-maturity investments have an interest rate of 5.8% (2009: 3.70%) and mature in 6 months.

The Group's exposure to credit and interest rate risks related to other investments is disclosed in note 25.

### Sensitivity analysis - equity price risk

All of the Group's equity investments are listed on the Australian Securities Exchange. For such investments classified as at fair value through profit and loss, a 5 percent increase in the ASX 200 at the reporting date would have increased or decreased profit or loss by $4,000 after tax (2009: $1,000). The analysis is performed on the same basis for 2009.

## 15. Deferred tax assets and liabilities

### Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

| *in thousands of AUD* | 2010 | 2009 |
|---|---|---|
| Deductible temporary differences | 143 | 256 |
| Tax losses | 1,251 | 832 |
| | 1,394 | 1,088 |

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

## 16. Trade and other receivables

| *in thousands of AUD* | 2010 | 2009 |
|---|---|---|
| Other receivables | 19 | 2 |
| GST receivable | 177 | 34 |
| | 196 | 36 |

## 17a. Cash and cash equivalents

| *in thousands of AUD* | 2010 | 2009 |
|---|---|---|
| Bank balances | 2,156 | 3,261 |
| Cash and cash equivalents in the statement of cash flows | 2,156 | 3,261 |

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 25.

## 17b. Reconciliation of cash flows from operating activities

| *in thousands of AUD* | *Note* | 2010 | 2009 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Loss for the period | | (969) | (1,085) |
| Adjustments for: | | | |
| Depreciation | *12* | 44 | 42 |
| Change in fair value of investment through profit & loss | *10* | (54) | 174 |
| Loss on sale of available-for-sale financial assets | *10* | - | 25 |
| Gain on sale of property, plant and equipment | *8* | (2) | - |
| Equity-settled share-based payment transactions | *22* | - | 19 |
| | | (981) | (825) |
| Change in borrowings | *20* | 6 | - |
| Change in trade and other receivables | *16* | (155) | 435 |
| Change in trade and other payables | *24* | 231 | (58) |
| Change in trade and other payables for exploration | | (224) | - |
| Change in provisions and employee benefits | *21* | 19 | (7) |
| Change in interest bearing investments | *14* | (2) | (2) |
| Cash generated from operating activities | | (1,106) | (457) |
| **Net cash from operating activities** | | (1,106) | (457) |

## 18. Capital and reserves

### Share capital

| | Ordinary shares | |
|---|---|---|
| *In thousands of shares* | 2010 | 2009 |
| On issue at 1 July | 120,167 | 120,167 |
| Issued for cash | 6,667 | - |
| Issued for placement fees | 200 | - |
| Exercise of share options | 1,789 | - |
| On issue at 30 June | 128,823 | 120,167 |

### Issuance of ordinary shares

In February 2010 the general meeting of shareholders decided on the issuance of 6,667,000 ordinary shares at an issue price of $0.30 per share. All issued shares are fully paid.

Additionally, 1,749,000 ordinary shares were issued as a result of the exercise of vested options arising from the 2007 share option programme. Options were exercised at an average price of $0.30 per option. All issued shares are fully paid.

Furthermore, 40,000 ordinary shares were issued as a result of the exercise of vested options arising from the 2008 share option programme. Options were exercised at an averages price of $0.20 per option. All issued shares are fully paid.

Finally, 200,000 ordinary shares were issued as consideration for capital raising placement fees, totalling $60,000.

### Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

### Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

## 18. Capital and reserves (continued)

### Equity compensation reserve

The equity compensation reserve records the fair value of options issued (refer to note 22).

## 19. Earnings per share

### Basic earnings per share

The calculation of basic earnings per share at 30 June 2010 was based on the loss attributable to ordinary shareholders of $969,000 (2009: $1,085,000) and a weighted average number of ordinary shares outstanding of 123,227,000 (2009: 120,167,000), calculated as follows:

### Loss attributable to ordinary shareholders

| *in thousands of AUD* | 2010 | 2009 |
|---|---|---|
| Loss for the period | (969) | (1,085) |
| Loss attributable to ordinary shareholders | (969) | (1,085) |

### Weighted average number of ordinary shares

| *in thousands of shares* | *Note* | 2010 | 2009 |
|---|---|---|---|
| Issued ordinary shares at 1 July | *18* | 120,167 | 120,167 |
| Effect of share options exercised | | 732 | - |
| Effect of shares issued in February 2010 | | 2,197 | - |
| Effect of shares issued in March 2010 | | 131 | - |
| Weighted average number of ordinary shares at 30 June | | 123,227 | 120,167 |

### Diluted earnings per share

The calculation of diluted earnings per share at 30 June 2010 was based on the loss attributable to ordinary shareholders of $969,000 (2009: $1,085,000), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 123,227,000 (2009: 120,167,000), calculated as follows:

### Loss attributable to ordinary shareholders (diluted)

| *in thousands of AUD* | 2010 | 2009 |
|---|---|---|
| Loss attributable to ordinary shareholders (basic) | (969) | (1,085) |
| Loss attributable to ordinary shareholders (diluted) | (969) | (1,085) |

### Weighted average number of ordinary shares (diluted)

| *in thousands of shares* | 2010 | 2009 |
|---|---|---|
| Weighted average number of ordinary shares (basic) | 123,227 | 120,167 |
| Effect of share options on issue | - | - |
| Weighted average number of ordinary shares (diluted) at 30 June | 123,227 | 120,167 |

## 19. Earnings per share (continued)

**Diluted earnings per share (continued)**

At 30 June 2010 2,460,000 options (2009: 32,000,000) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

## 20. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 25.

| *in thousands of AUD* | 2010 | 2009 |
|---|---|---|
| **Current liabilities** | | |
| Current portion of secured credit card facility | 6 | - |
| | 6 | - |

## 21. Employee benefits

| *in thousands of AUD* | 2010 | 2009 |
|---|---|---|
| Salaries and wages accrued | 13 | 5 |
| Liability for annual leave | 20 | 9 |
| Total employee benefits - current | 33 | 14 |

## 22. Share-based payments

**Description of the share-based payment arrangements**

On 30 January 2007, 30,000,000 share options were granted for ordinary shares at an exercise price of 30 cents. The options expired on 30 January 2010. At balance date, 1,749,260 share options had been exercised and 28,250,740 share options had expired.

No share options were exercised by key management personnel.

On 5 August 2008, 600,000 share options were granted to employees for ordinary shares at an exercise price of 20 cents each. The options are able to be exercised 1 year after grant date and expire on 31 January 2012. The options hold no voting or dividend rights and are not transferable. At balance date, 180,000 share options had been forfeited and 40,000 share options had been exercised.

On 9 March 2009, 2,000,000 share options were granted for the provision of consultancy services for ordinary shares at an exercise price of 10 cents each. The options are able to be exercised at grant date and expire on 31 December 2011. The options hold no voting or dividend rights and are transferable upon director approval. At balance date, no share options had been exercised.

On 1 March 2010, 200,000 ordinary shares were granted at a fair value of 30 cents each, as settlement for share placement fees. The total fair value consideration for the placement fees was $60,000. The fair value was determined with reference to the market value of Aussie Q Resources Limited shares as at 1 March 2010.

## 22. Share-based payments (continued)

### Disclosure of share option programme

The number and weighted average exercise prices of share options is as follows:

| *in thousands of AUD* | Weighted average exercise price 2010 | Number of options 2010 | Weighted average exercise price 2009 | Number of options 2009 |
|---|---|---|---|---|
| Outstanding at 1 July | 0.29 | 32,500,000 | 0.30 | 30,000,000 |
| Expired during the period | 0.30 | (28,250,740) | 0.20 | (100,000) |
| Exercised during the period | 0.30 | (1,789,260) | | - |
| Granted during the period | | - | 0.12 | 2,600,000 |
| Outstanding at 30 June | 0.12 | 2,460,000 | 0.29 | 32,500,000 |
| Exercisable at 30 June | 0.12 | 2,460,000 | 0.29 | 32,000,000 |

The options outstanding at 30 June 2010 have an exercise price in the range of $0.10 to $0.20 (2009: $0.10 to $0.30) and a weighted average contractual life of five hundred and fifty-five days (2009: two hundred and sixty-eight days).

The weighted average share price at the date of exercise for share options exercised during the year ended 30 June 2010 was $0.30 (2009: $0).

### Inputs for measurement of grant date fair values

There were no share options granted during the year ended 30 June 2010. Therefore the fair value of employee share options granted for the year ended 30 June 2010 was $0 (2009: $15,060 or $0.025 each). The fair value of supplier share options granted for the year ended 30 June 2010 was $0 (2009: $4,400 or $0.002 each).

The fair value of services received in return for share options granted for the year ended 30 June 2009 was based on the fair value of share options granted. This price is calculated by using a Black Scholes option pricing model applying the following inputs:

| | Supplier Options 2009 | Employee Options 2009 |
|---|---|---|
| Weighted average exercise price | 10 Cents | 20 Cents |
| Weighted average life of the option | 2.5 Years | 1 Year |
| Underlying share price | 2 Cents | 8 Cents |
| Expected share price volatility | 71% | 71% |
| Risk free interest rate | 3.37% | 3.37% |
| Value | $ 0.002 | $ 0.025 |

The expected share price volatility of 71% has been calculated by annualising the AGSM average standard deviation of returns for metal and mining stock with a market capitalisation of approximately $30 million.

## 23. Provisions

| *In thousands of AUD* | Site restoration | Total |
|---|---|---|
| **Consolidated** | | |
| Balance at 1 July 2009 | 50 | 50 |
| Provisions made during the period | - | - |
| Provisions reversed during the period | - | - |
| Balance at 30 June 2010 | 50 | 50 |
| Non-current | - | - |
| Current | 50 | 50 |
| | 50 | 50 |

## 23. Provisions (continued)

### Site restoration

A provision of $50,000 was made during the year ended 30 June 2009 in respect of the Group's obligation to rectify environmental damage. The required work is completed throughout the year on an ongoing basis. There has been no change to the provision in the current year.

## 24. Trade and other payables

| *In thousands of AUD* | Note | 2010 | 2009 |
|---|---|---|---|
| Trade payables due to related parties | *28* | 4 | - |
| Other trade payables | | 247 | 18 |
| Non-trade payables and accrued expenses | | 55 | 57 |
| | | 306 | 75 |

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 25.

## 25. Financial instruments

### Credit risk

### Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

| | | Carrying amount | |
|---|---|---|---|
| *In thousands of AUD* | Note | 2010 | 2009 |
| Financial assets at fair value through profit or loss | *14* | 89 | 27 |
| Interest bearing investments | *14* | 35 | 33 |
| Trade and other receivables | *16* | 196 | 36 |
| Cash and cash equivalents | *17* | 2,156 | 3,261 |
| | | 2,476 | 3,357 |

There were no past due debtors at 30 June 2010, or at 30 June 2009.

### Interest rate risk

### Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

| *In thousands of AUD* | Interest Rate 2010 | Carrying Amount 2010 | Interest Rate 2009 | Carrying Amount 2009 |
|---|---|---|---|---|
| **Variable rate instruments** | | | | |
| Financial assets | 4.51% | 2,156 | 3.58% | 3,261 |
| Held-to-maturity investments | 5.80% | 35 | 3.70% | 33 |
| Financial liabilities | 18.59% | (6) | 17.09% | - |
| | | 2,185 | | 3,294 |

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2009.

## 25. Financial instruments (continued)

### Cash flow sensitivity analysis for variable rate instruments (continued)

| *Effect in thousands of AUD* | Profit or loss 100bp increase | Profit or loss 100bp decrease |
|---|---|---|
| **30 June 2010** | | |
| Variable rate instruments | 27 | (27) |
| Cash flow sensitivity (net) | 27 | (27) |
| **30 June 2009** | | |
| Variable rate instruments | 32 | (32) |
| Cash flow sensitivity (net) | 32 | (32) |

### Fair values

### Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position are as follows:

| *In thousands of AUD* | *Note* | 30 June 2010 Carrying amount | 30 June 2010 Fair value | 30 June 2009 Carrying amount | 30 June 2009 Fair value |
|---|---|---|---|---|---|
| **Assets carried at fair value** | | | | | |
| Financial assets designated at fair value through profit or loss | *14* | 89 | 89 | 27 | 27 |
| | | 89 | 89 | 27 | 27 |
| **Assets carried at amortised cost** | | | | | |
| Interest bearing investments | *14* | 35 | 35 | 33 | 33 |
| Trade and other receivables | *16* | 196 | 196 | 36 | 36 |
| Cash and cash equivalents | *17* | 2,156 | 2,156 | 3,261 | 3,261 |
| | | 2,387 | 2,387 | 3,330 | 3,330 |
| **Liabilities carried at amortised cost** | | | | | |
| Secured bank loans | *20* | (6) | (6) | - | - |
| Trade and other payables | *24* | (306) | (306) | (75) | (75) |
| | | (312) | (312) | (75) | (75) |
| | | 2,164 | 2,164 | 3,282 | 3,282 |

The basis for determining fair values is disclosed in note 4.

### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quotes prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 25. Financial instruments (continued)

### Fair value hierarchy (continued)

| *In thousands of AUD* | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **30 June 2010** | | | | |
| Financial assets designated at fair value through profit or loss | 89 | - | - | 89 |
| | 89 | - | - | 89 |
| **30 June 2009** | | | | |
| Financial assets designated at fair value through profit or loss | 27 | - | - | 27 |
| | 27 | - | - | 27 |

There have been no transfers from Level 2 to Level 1 during the year ended 30 June 2010 (2009. no transfers in either direction).

## 26. Operating leases

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

| *In thousands of AUD* | 2010 | 2009 |
|---|---|---|
| Less than one year | 4 | 22 |
| Between one and five years | - | - |
| More than five years | - | - |
| | 4 | 22 |

The Group leases two premises under operating leases. The leases currently run on a month to month basis. The leases were entered into on 14 February 2010 and 1 February 2010 respectively. The total rental payments are $4,225 per month.

One of the leased properties has been sublet by the Group. Sublease payments of $9,000 are expected to be received during the following financial year.

One of the premises was previously leased for a period of one year, with an option to renew the lease after that date. This lease has subsequently become payable on a month to month basis.

To determine the operating lease classification, the Group considered that the land title did not pass, the rent paid to the landlord for the building is increased to market rent at regular intervals, and the entity does not participate in the residual value of the building. Accordingly, it was judged that substantially all the risks and rewards of the building are with the landlord. Based on these qualitative factors it was concluded that the leases are operating leases.

## 27. Capital commitments

| *In thousands of AUD* | 2010 | 2009 |
|---|---|---|
| **Exploration commitments** | | |
| **EPM security contracts** | | |
| *Commitments under non-mining tenements with the Queensland government:* | | |
| Within one year | 706 | 534 |
| One year later and no later than five years | 953 | 742 |
| Later than five years | - | - |
| | 1,659 | 1,276 |

## 28. Related parties

### Key management personnel compensation

The key management personnel compensation comprised:

| *In AUD* | 2010 | 2009 |
|---|---|---|
| Short-term employee benefits | 131,065 | 56,133 |
| Consulting fees | 423,397 | 487,086 |
| Other long term benefits | - | - |
| Post-employment benefits | 79,950 | 129,021 |
| Termination benefits | - | - |
| Share-based payments | - | - |
| | 634,412 | 672,240 |

The compensation disclosed above represents an allocation of the key management personnel's estimated compensation from the Group in relation to their services rendered to the Group.

### Individual directors and executives compensation disclosures

Information regarding individual director's and executive's compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the directors' report.

### Key management personnel and director transactions

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

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

| | | | Transactions value year ended 30 June | | Balance outstanding as at 30 June | |
|---|---|---|---|---|---|---|
| *In AUD* | | *Note* | 2010 | 2009 | 2010 | 2009 |
| | **Transaction** | | | | | |
| **(i) Key management person** | | | | | | |
| Frank Gardiner | Reimbursements | (i) | 14,617 | 12,045 | - | - |
| John Goody | Reimbursements | (i) | 16,555 | 17,278 | - | - |
| Richard Haren | Reimbursements | (i) | - | 4,541 | - | - |
| **(ii) Other related parties** | | | | | | |
| John Goody - Goody Investments Pty Ltd | ZGM Shares | (ii) | - | 48,075 | - | - |

(i) The Group reimbursed Frank Gardiner, John Goody and Richard Haren for business related expenditure. The amounts were paid as per third party receipts presented.

(ii) On 10 July 2008, Aussie Q Resources Limited purchased 282,500 Ordinary shares in Zamia Gold Mines Limited from Goody Investments Pty Ltd. The value per share at the time acquired was 15.5 cents and the value included in the balance sheet as at 30 June 2009 was 2 cents per share.

Charles Carnie was appointed as Chief Executive Officer subsequent to year end. There were no transactions with Charles Carnie during the year.

## 28. Related parties (continued)

### Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Aussie Q Resources Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

| Directors | Held at 1 July 2009 | Granted as compensation | Exercised | Other changes* | Held at 30 June 2010 | Vested during the year | Vested and exercisable at 30 June 2010 |
|---|---|---|---|---|---|---|---|
| Thomas J Mann (Appointed 28 June 2010) | 3,000,000 | - | - | (3,000,000) | - | - | - |
| Frank Reid Gardiner (Retired 14 April 2010) | - | - | - | - | - | - | - |
| John Leslie Goody | 18,000,000 | - | - | (18,000,000) | - | - | - |
| Richard Haren | 4,000,000 | - | - | (4,000,000) | - | - | - |
| Edgar Newman | - | - | - | - | - | - | - |
| Sydney Griff (Appointed 17 May 2010) | - | - | - | - | - | - | - |

| Directors | Held at 1 July 2008 | Granted as compensation | Exercised | Other changes* | Held at 30 June 2009 | Vested during the year | Vested and exercisable at 30 June 2009 |
|---|---|---|---|---|---|---|---|
| Frank Reid Gardnier | - | - | - | - | - | - | - |
| John Leslie Goody | 18,000,000 | - | - | - | 18,000,000 | - | 18,000,000 |
| Richard Haren | 4,000,000 | - | - | - | 4,000,000 | - | 4,000,000 |
| Edgar Newman | - | - | - | - | - | - | - |

* Other changes represent options that were forfeited during the year.

No options held by key management personnel are vested but not exercisable at 30 June 2009 or 2010.

### Movements in shares

The movement during the reporting period in the number of ordinary shares in Aussie Q Resources Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

| Directors | *Note* | Held at 1 July 2009 | Purchases | Received on exercise of options | Sales | Held at 30 June 2010 |
|---|---|---|---|---|---|---|
| Thomas J Mann (Appointed 28 June 2010) | (i) | 5,000,000 | 700,000 | - | 700,000 | 5,000,000 |
| Frank Reid Gardiner (Retired 14 April 2010) | | - | - | - | - | - |
| John Leslie Goody | | 36,340,000 | 1,000,000 | - | 5,000,000 | 32,340,000 |
| Richard Haren | | 3,000,000 | - | - | 900,000 | 2,100,000 |
| Edgar Newman | | - | - | - | - | - |
| Sydney Griff (Appointed 17 May 2010) | (ii) | 210,400 | 11,520,400 | - | 520,400 | 11,210,400 |

| Directors | Held at 1 July 2008 | Purchases | Received on exercise of options | Sales | Held at 30 June 2009 |
|---|---|---|---|---|---|
| Frank Reid Gardiner | - | - | - | - | - |
| John Leslie Goody | 36,245,000 | 95,000 | - | - | 36,340,000 |
| Richard Haren | 3,000,000 | - | - | - | 3,000,000 |
| Edgar Newman | - | - | - | - | - |

(i) Thomas J Mann received 200,000 shares as placement fees prior to his appointment as a director. All other sales and purchases of shares were also prior to his appointment.

(ii) All sales and purchases of shares were prior to the appointment of Sydney Griff as a director.

No shares were granted to key management personnel during the reporting period as compensation in 2009 or 2010.

## 29. Group entities

| Parent entity | Country of incorporation | Ownership interest | |
|---|---|---|---|
| Aussie Q Resources Limited | | **2010** | **2009** |
| **Significant subsidiaries** | | | |
| Aussie NQ Resources Pty Ltd | Australia | 100 | - |

## 30. Subsequent event

- On 3 August 2010 6,250,000 ordinary fully paid shares were issued to Washington H Soul Pattinson & Company Limited, to raise a total of $3 million. On completion of the placement, Washington H Soul Pattinson & Company Limited's share holding increased to an aggregate of 9% of Aussie Q Resources Limited's issued shares. All of the funds for this capital raising have been received at the date of this report. In addition 312,500 ordinary fully paid shares were issued at the same price in satisfaction of placement fees. Following the completion of the $3 million placement, Aussie Q will have approximately $4.9 million cash at bank to continue the exploration program at the Group's Whitewash South Project and advance activity across the Group's priority projects. The financial effect of this subsequent event has not been included in the financial report at 30 June 2010.
- Charles Carnie was also appointed as Chief Executive Officer on 1 August 2010.
- On 14 September 2010 2,000,000 ordinary fully paid shares were issued to the CEO, Charles Carnie, at a subscription price of 50 cents per share which was funded by a limited recourse, interest free, 3 year loan from the Company, secured against these shares. These shares cannot be dealt with prior to 14 September 2011. On the same date, 200,000 ordinary fully paid shares were issued to a senior manager in the Company on similar terms.

## 31. Auditors' remuneration

| *In AUD* | **2010** | **2009** |
|---|---|---|
| **Audit services** | | |
| Auditors of the Company | | |
| *KPMG Australia:* | | |
| Audit and review of financial reports | 38,100 | 37,022 |
| | 38,100 | 37,022 |

## 32. Parent Entity Disclosures

As at, and throughout, the financial year ending 30 June 2010 the parent company of the Group was Aussie Q Resources Limited.

| | Company | |
|---|---|---|
| *In thousands of AUD* | **2010** | **2009** |
| **Result of the parent entity** | | |
| Loss for the period | (968) | (1,085) |
| Other comprehensive income | - | - |
| **Total comprehensive income for the period** | (968) | (1,085) |
| | | |
| **Financial position of the parent entity at year end** | | |
| Current assets | 2,424 | 3,363 |
| **Total assets** | 17,703 | 15,877 |
| | | |
| Current liabilities | 395 | 139 |
| **Total liabilities** | 395 | 139 |
| **Net Assets** | 17,308 | 15,738 |
| | | |
| **Total equity of the parent entity comprising of** | | |
| Share capital | 19,796 | 17,258 |
| Equity compensation reserve | 1,519 | 1,519 |
| Accumulated losses | (4,007) | (3,039) |
| **Total Equity** | 17,308 | 15,738 |

# Directors' declaration

1 In the opinion of the directors of Aussie Q Resources Limited (the Company):

(a) the consolidated financial statements and notes that are contained in pages 13 to 42 and the Remuneration report in the Directors' report, set out on pages 7 to 10, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 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.

2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2010.

3 The directors draw attention to Note 2(a) to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Bundall 28th day of September 2010

Thomas Mann
Director

KPMG

# Independent audit report to the members of Aussie Q Resources Limited

## Report on the financial report

We have audited the accompanying financial report of the Group comprising Aussie Q Resources Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the consolidated statement of financial position as at 30 June 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 32 and the directors' declaration.

*Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, 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.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

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 the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

## Report on the remuneration report

We have audited the Remuneration Report included in pages 7 to 10 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

*Auditor's opinion*

In our opinion, the remuneration report of Aussie Q Resources Limited for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

S Board

Stephen Board
*Partner*
Gold Coast
28 September 2010

KPMG

## Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of Aussie Q Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

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

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

KPMG

KPMG

J Board

Stephen Board
*Partner*

Gold Coast

28 September 2010

# asx additional information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

The Company confirms that since admission to the ASX it has used its cash resources consistent with its business objectives as set out in its Prospectus dated 21 March 2007.

## Shareholdings (as at 30 September 2010)

### Substantial shareholders

Details of substantial shareholders as disclosed in substantial shareholder notices given to the Company.

| Shareholder | Number |
|---|---|
| Washington H Soul Pattinson & Company Ltd | 12,822,128 |

### Voting rights

**Ordinary Shares**

One vote per member on a show of hands and one vote per share on a poll.

**Options**

There are no voting rights attached to the options.

### Distribution of equity security holders

| Category | Ordinary Shares | Options |
|---|---|---|
| 1 - 1,000 | 40 | - |
| 1,001 - 5,000 | 173 | - |
| 5,001 - 10,000 | 199 | - |
| 10,001 - 100,000 | 481 | - |
| 100,001 - and over | 135 | 2 |
| **Totals** | **1,028** | **2** |

The number of shareholders holding less than a marketable parcel of ordinary shares is twenty five.

### Securities Exchange

The Company is listed on the Australian Securities Exchange. The Home Exchange is Brisbane.

### Other Information

Aussie Q Resources Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

## Twenty largest shareholders

| Name | Number of ordinary shares held | Percentage of capital held |
|---|---|---|
| GOODY INVESTMENTS PTY LTD | 31,340,000 | 22.74 |
| WASHINGTON H SOUL PATTINSON & COMPANY LTD | 12,822,128 | 9.31 |
| SLG AUSTRALIA PTY LTD | 11,000,000 | 7.98 |
| FRERE & ASSOCIATES PTY LIMITED <DERICK FRERE SUPER FUND A/C> | 5,112,715 | 3.71 |
| MR THOMAS MANN & MRS CATHERINE MANN <MANN SUPERANNUATION A/C> | 5,000,000 | 3.63 |
| MR FRANCESCO PAUL VIOLI | 4,716,994 | 3.42 |
| NATIONAL NOMINEES | 4,211,785 | 3.06 |
| R J HAREN & S M HAREN <R & S HAREN SUPER FUND A/C> | 2,100,000 | 1.52 |
| CHARLES CARNIE | 2,000,000 | 1.45 |
| PUBLIC TRUSTEE<IFTCBROKINGSERVICES LTD A/C> | 1,700,000 | 1.23 |
| NUTSVILLE PTY LTD | 1,500,000 | 1.09 |
| FELDKIRCHEN PTY LTD | 1,450,000 | 1.05 |
| FIREFISH INVESTMENTS PTY LTD <SUPER FUND A/C> | 1,100,000 | 0.80 |
| MR TONY VALERI | 1,062,500 | 0.77 |
| PROFESSOR MAX IRVINE & MS PENELOPE HASKINGS <MAX IRVINE SUPER FUND A/C> | 1,045,431 | 0.76 |
| DAMIBLUE PTY LTD <THE BOB BARRAKET S/F A/C> | 1,000,000 | 0.73 |
| MR JOHN LESLIE GOODY | 1,000,000 | 0.73 |
| MR HOWARD HILTON & MRS KATHRINE ANN BRISCOE <HILTON SUPER FUND A/C> | 1,000,000 | 0.73 |
| MR ROSS ADAIR & MRS PATRICIA ADAIR <ADAIR FAMILY SUPER FUND A/C> | 900,000 | 0.65 |
| MR MICHAEL DONALDSON WOOD | 836,500 | 0.61 |
| **TOTALS** | **90,898,053** | **65.97** |

## On-market buy-back

There is no current on-market buy-back.

## Unquoted equity securities

The Company has on issue 250,000 unlisted employee options each exercisable at 20 cents expiring 31 January 2012 (1 holder) and 2,000,000 unlisted options each exercisable at 10 cents expiring 31 December 2011 (1 holder).

## Officers and offices

**Company Secretary**

Stephen Lonergan (LLB, LLM)

**Principal registered office**

Aussie Q Resources Limited
Level 1, 27-29 Crombie Avenue
Bundall QLD 4217
Ph: 07 5574 3830
Fax: 07 5574 3568

**Location of share registry**

Computershare Investor Services Pty Ltd
Level 19, 307 Queen Street
Brisbane QLD 4000
Ph: 07 3237 2100
Fax: 07 3237 2152

As at 30 September 2010 the Company held the following interests in mining tenements:

| Tenement | Location | Percentage interest held |
|---|---|---|
| EPM 14627 | Northwest of Eisdvold, Qld | 100 |
| EPM 14628 | Northwest of Monto, Qld | 100 |
| EPM 15919 | Northwest of Eisdvold, Qld | 100 |
| EPM 15920 | Northwest of Monto, Qld | 100 (beneficial interest) |
| EPM 15921 | Northwest of Monto, Qld | 100 |
| EPM 15922 | Northwest of Monto, Qld | 100 |
| EPM 17001 | Northwest of Monto, Qld | 100 |
| EPM 17002 | Northwest of Monto, Qld | 100 |
| EPM 17060 | West of Monto, Qld | 100 |
| EPM 18202 | Northwest of Eisdvold, Qld | 100 |
| EPMA 18359 | South of Georgetown, Qld | 100 |

This disclosure is made with reference to the Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council in August 2007 ("the Principles").

By way of background, the Company currently has two independent Directors (being Mr Tom Mann and Mr Ed Newman) and three non independent Directors (being Mr John Goody, Dr Richard Haren and Mr Sydney Griff). Mr Goody is non independent as he is the Executive Director Exploration. Dr Haren is non independent as he was the CEO up to 31 December 2008. Mr Griff is non independent as he is associated with a substantial shareholder. The Company has 4 full time employees and its current business activity is the exploration of tenements in the region west of Monto, Queensland. The priority of the Board since ASX listing in June 2007 has been to initiate and manage the exploration activities committed to in the Company's Prospectus.

The Board sets out below its "if not why not" report in relation to those matters of corporate governance where the Company's practices depart from the Principles. As the Company's activities develop in size, nature and scope, further consideration will be given by the Board to the implementation of additional corporate governance structures.

| | Principle | Aussie Q Resources Limited's current practice |
|---|---|---|
| 1.1 | Formalise and disclose functions reserved to the Board and those delegated to management. | Satisfied. Board charter is available at www.aussieqresources.com.au |
| 1.2 | Disclose the process of evaluating the performance of senior executives. | Not satisfied. The only senior executive is John Goody, Executive Director Exploration and Charles Carnie, Chief Executive Officer. Evaluation is ongoing but no discrete process has been laid down. |
| 1.3 | Disclose whether performance evaluation of senior executives has taken place in accordance with the disclosed process. | Performance evaluation is ongoing but no discrete process has been laid down. |
| 2.1 | A majority of the Board should be independent directors. | Not satisfied. Currently there are two independent directors and three non independent directors. |
| 2.2 | The chairperson should be an independent director. | Satisfied. The chairperson of the Board is an independent director. |
| 2.3 | Roles of chairperson and CEO should not be exercised by same person. | Satisfied. The chairperson of the Board is a non-executive director. The CEO is not currently a member of the Board. |
| 2.4 | The Board should establish a nomination committee. | Not satisfied. The Board considers that given the current size of the Board, this function is efficiently achieved with full Board participation. Accordingly, the Board has resolved not to establish a nomination committee at this stage. |
| 2.5 | Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors. | There has been no evaluation process laid down or implemented this year due to a number of Board changes. |

| | | |
|---|---|---|
| 2.6 | Companies should provide the information about the Board specified in the reporting guide to Principle 2. | The skills and period in office of each Director are set out in this Annual Report and Mr Mann and Mr Newman have been identified as the only independent Directors. The Board has agreed that any Director may take independent professional advice at the expense of the Company after consultation with the Chairman. No policy on the selection/nomination of new Directors has been adopted. |
| 3.1 | Establish a code of conduct. | Satisfied. Code of conduct is available at www.aussieqresources.com.au |
| 3.2 | Disclose policy concerning trading in company securities by directors, senior executives and employees. | Satisfied. Trading in securities policy is available at www.aussieqresources.com.au |
| 3.3 | Report and disclose matters referred to in Principles 3.1 and 3.2. | Satisfied. Available at www.aussieqresources.com.au |
| 4.1 | The Board should establish an audit committee. | An audit committee has been established. |
| 4.2 | Structure the audit committee so that it consists of only non-executive directors, a majority of independent directors, the chairperson is independent and not the chair of the Board and it has at least three members. | The audit committee consists of Messrs. Mann, Newman and Haren, two of whom are independent directors. Mr Gardiner was a member until his retirement in April 2010. The committee chairman, Mr Newman, is not the chair of the Board. |
| 4.3 | The audit committee should have a formal charter. | Satisfied. Available at www.aussieqresources.com.au |
| 4.4 | Report on the above including names of members and qualifications, numbers and meetings and attendees in the annual report. | The audit committee consists of Messrs. Mann, Newman and Haren. It held 4 meetings during the 2009/10 year. |
| 5.1 | Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior management level for that compliance. | Satisfied. Continuous disclosure policy is available at www.aussieqresources.com.au |
| 5.2 | Post 5.1 on website and disclose any departures. | Satisfied. Refer 5.1 |
| 6.1 | Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings. | Satisfied. Communications with shareholders policy is available at www.aussieqresources.com.au |
| 6.2 | Companies should use their websites to provide information, including webcasting, press releases and shareholder information by email. | The Company maintains a website and posts all information on it. |

| | | |
|---|---|---|
| 7.1 | The Board or appropriate Board committee should establish policies on risk oversight and management and disclose a summary of those policies. | Satisfied. The risk management program is available at **www.aussieqresources.com.au** |
| 7.2 | The Board should require management to design, implement and report against a risk management and control system. | Given the small size of the Company and its limited activities this has not been implemented. |
| 7.3 | The Board should disclose whether it has received assurance from the CEO in terms that the declaration under Section 295A of the Corporations Act is founded a sound system of risk management and an effective system of identifying financial reporting risks. | Satisfied. Messrs. Gardiner and Goody provided this in relation to the last half year financial report and Mr Carnie provided it in relation to the most recent financial report. |
| 7.4 | Information specified in the guide on Principle 7 should be provided. | Satisfied, to the extent of the disclosures above. |
| 8.1 | The Board should establish a Remuneration Committee. | Not satisfied. The Board considers given the current simplicity of the company that this function can best be discharged by the Board. |
| 8.2 | Clearly distinguish the structure of non-executive director remuneration from that of executive directors and senior executives particularly with respect to equity based and other incentive remuneration. | Non-executive and executive remuneration structures are clearly distinguished and details are set out in the Annual Financial Report. |
| 8.3 | Information specified in the guide on Principle 8 should be provided. | The remuneration of the four non-executive Directors meets the guidelines. There are no schemes for retirement benefits for Directors. The Company does not have any equity base remuneration scheme and therefore does not have any policy on prohibiting transactions in relation to such schemes to limit risk. |

# corporate directory

## Directors

Tom Mann (Non Executive Chairman)
John Goody (Executive Director)
Richard Haren (Non Executive Director)
Edgar Newman (Non Executive Director)
Sydney Griff (Non Executive Director)

## Auditors

KPMG
Level 11, Corporate Centre One
Cnr Bundall Road & Slatyer Avenue
Bundall QLD 4217
Ph: 07 5577 7555

## Company Secretary

Stephen Lonergan (LLB, LLM)

## Chief Executive Officer

Charles Carnie

## Accountants

Moore Stephens
Level 25, 71 Eagle Street
Brisbane QLD 4000
Ph: 07 3317 7877

## Principal Registered Office

Aussie Q Resources Limited
Level 1, 27-29 Crombie Avenue
Bundall QLD 4217
Ph: 07 5574 3830
Fax: 07 5574 3568
Web: www.aussieqresources.com.au
Email: admin@aussieqresources.com.au

## Independent Geologists

SRK Consulting
Level 2, 44 Market Street
Sydney NSW 2000
Ph: 02 8079 1200

## Location of Share Registry

Brisbane -
Computershare Investor Services Pty Ltd
Level 19, 307 Queen Street
Brisbane QLD 4000
Ph: 07 3237 2100

ASX Code: AQR

## Tenement Manager

Environmental & Licensing Professionals Pty Ltd
Level 27, 288 Edward Street
Brisbane QLD 4000
Ph: 07 3239 9700

# Notes

www.aussieqresources.com.au