

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

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

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Acclaim Exploration NL (the parent) is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and principal activities of the Group are described in the Directors' Report.

(b) Adoption of new and revised standards

In the year ended 30 June 2009, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2009. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

(c) Statement of Compliance

The financial report was authorised for issue on 30 September 2009.

The financial report complies with Australian Accounting Standards, as issued by the Australian Accounting Standard Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Acclaim Exploration NL ("Company" or "Parent Entity") and its controlled entities as at 30 June each year ("the Group").

The financial statements of the controlled entities are prepared for the same period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of subsidiaries for the period from their acquisition.

(e) Revenue recognition

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

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(f) Cash and cash equivalents

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(g) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written when identified.

(h) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

(i) *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

The amount of the loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) *Financial assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

(iii) *Available-for-sale investments*

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(i) Foreign currency translation

Both the functional and presentation currency of Acclaim Exploration NL and its controlled entities is Australian dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of Acclaim Exploration NL at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

(j) Income Tax

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

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

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

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(j) Income Tax (Cont.)

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

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

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(k) Other taxes

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

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

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

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

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

(l) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a diminishing value basis over the estimated useful life of the assets as follows:
Plant and equipment – over 3 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. 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 an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(l) Plant and equipment (Cont.)

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the income statement in the cost of sales line item.

(ii) Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(m) Financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

(iv) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(m) Financial assets (Cont.)

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(n) Exploration and evaluation

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
 - (b) exploration and evaluation activities in the area have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence, or otherwise, of economically recoverable reserves and active and significant operations in, or relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

(o) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(o) Impairment of assets (Cont.)

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(p) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(q) Employee leave benefits

(i) Wages, salaries and annual leave

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

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and period of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(r) Share-based payment transactions

Equity settled transactions:

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

When provided, the cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using a binomial model.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(r) Share-based payment transactions (Cont.)

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

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 4).

(s) Issued capital

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

(t) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(u) Significant Accounting Estimates and Judgments

Significant accounting judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out at Note 1(n). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period relate to the impairment of assets. In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates and the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | Consolidated | | Parent Entity | |
|---|------------------|------------|------------------|------------|
| | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| 2 REVENUE AND EXPENSES | | | | |
| (a) Revenue | | | | |
| Interest received – other corporations | 10,690 | 104,322 | 10,690 | 104,322 |
| Royalties received | 8,741 | - | 8,741 | - |
| | 19,431 | 104,322 | 19,431 | 104,322 |
| (b) Expenses | | | | |
| Depreciation and impairment | 21,748 | 8,693 | 21,748 | 8,693 |
| Consulting and directors fees | 548,169 | 610,299 | 548,169 | 610,299 |
| ASX and share registry fees | 42,908 | 71,155 | 42,908 | 71,155 |
| Exploration & evaluation expenditure written off | 9,055,826 | 412,045 | 1,696,750 | 412,045 |
| (c) (Losses)/Gains | | | | |
| Profit/(Loss) on sale of available for sale investments | (965,527) | 666,505 | (965,527) | 666,505 |
| 3 INCOME TAX | | | | |
| (a) Income tax expense | | | | |
| The income tax expense for the year differs from the prima facie tax as follows: | | | | |
| Loss for year | (11,276,761) | (786,462) | (11,276,761) | (786,462) |
| Prima facie income tax payable (benefit) at 30% | (3,383,028) | (235,939) | (3,383,028) | (235,939) |
| Tax effect of non-deductible items | 2,783,357 | 123,614 | 2,783,357 | 123,614 |
| Deferred tax assets not brought to account | 599,671 | 112,325 | 599,671 | 112,325 |
| Total income tax expense | - | - | - | - |
| (b) Deferred tax assets | | | | |
| Deferred tax assets not brought to account arising from tax losses, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(j) occur: | | | | |
| Revenue losses | 2,566,744 | 2,256,731 | 2,566,744 | 2,256,731 |
| Capital losses | 1,847,304 | 1,557,646 | 1,847,304 | 1,557,646 |
| | 4,414,048 | 3,814,377 | 4,414,048 | 3,814,377 |
| Balance of Franking account at year end – Class C | | | 214,784 | 214,784 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

4 EARNINGS PER SHARE (EPS)

| | 2009 Cents | 2008 Cents |
|--|---------------|---------------|
| Basic loss per share | (1.52) | (0.12) |
| The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows: | | |
| | \$ | \$ |
| Net loss for year used in total basic EPS | (11,276,761) | (786,462) |
| | No. | No. |
| Weighted average number of ordinary shares used in the calculation of Basic EPS | 740,350,805 | 652,953,320 |

There are no potential ordinary shares on issue that are considered to be dilutive, therefore basic earnings per share also represents diluted earnings per share.

| | Consolidated | | Parent Entity | |
|---|--------------|-------------|---------------|-------------|
| | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| 5 CASH AND CASH EQUIVALENTS | | | | |
| Cash at bank | 2,140,810 | 1,277,941 | 2,140,810 | 1,277,941 |
| Cash at bank earns interest at floating rates based on daily bank deposit rates. | | | | |
| (i) Reconciliation of loss for the year to net cash flows used in operating activities | | | | |
| Loss for the year | (11,276,761) | (786,462) | (11,276,761) | (786,462) |
| Non-Cash Items | | | | |
| Depreciation | 21,748 | 8,693 | 21,748 | 8,693 |
| Profit on sale of available for sale investments | 965,527 | (666,505) | 965,527 | (666,505) |
| Impairment of available for sale assets | 222,031 | - | 222,031 | - |
| Impairment of other financial assets | - | - | 6,000,000 | - |
| Impairment of receivables | - | - | 1,359,076 | - |
| Exploration & evaluation expenditure written off | 9,055,826 | 412,045 | 1,696,750 | 412,045 |
| Changes in Assets and Liabilities | | | | |
| (Increase)/Decrease in accounts receivable | (3,338) | 4,407 | (3,338) | 4,407 |
| Increase/(Decrease) in accounts payable | 87,594 | (68,821) | 87,594 | (68,821) |
| Net cash flows (used in) operating activities | (927,373) | (1,096,643) | (927,373) | (1,096,643) |

(ii) Non-cash financing and investing activities

There were no non-cash financing and investing activities during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | Consolidated | | Parent Entity | |
|--------------------------------------|----------------|------------|--------------------|------------|
| | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| 6 TRADE AND OTHER RECEIVABLES | | | | |
| Current | | | | |
| Other debtors | 188,991 | 42,288 | 188,991 | 42,288 |
| Non Current | | | | |
| Loan to subsidiary | - | - | 1,359,076 | 1,359,600 |
| Allowance for impairment | - | - | (1,359,076) | - |
| | - | - | - | 1,359,600 |

Terms and conditions relating to the above financial instruments:

- Other receivables are non-interest bearing and generally repayable within 30 days.
- Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.
- Transactions between the parent entity and its subsidiary consist of intercompany loans, upon which no interest is charged and no repayment schedule exists. The recoverability of the loan to subsidiary is dependent upon the successful development and commercial exploitation or sale of the respective mineral tenements held by the subsidiary. An allowance for impairment loss is recognised where there is objective evidence that the inter-company loan receivable is impaired.

Ageing of past due but not impaired:

| | | | | |
|---------------|----------------|--------|----------------|--------|
| 60 – 90 days | 1,645 | 1,100 | 1,645 | 1,100 |
| 90 – 120 days | 89,992 | 9,111 | 89,992 | 9,111 |
| 120 + days | 39,970 | 24,970 | 39,970 | 24,970 |
| | 131,607 | 35,181 | 131,607 | 35,181 |

7 OTHER FINANCIAL ASSETS

| | | | | |
|---------------------------------------|------------------|---|--------------------|-----------|
| Non Current | | | | |
| Shares in controlled entity (Note 19) | - | - | 6,000,000 | 6,000,000 |
| Allowance for impairment | - | - | (6,000,000) | - |
| | - | - | - | 6,000,000 |
| Shares at cost | 708,900 | - | 708,900 | - |
| Allowance for impairment | (106,334) | - | (106,334) | - |
| | 602,566 | - | 602,566 | - |
| | 602,566 | - | 602,566 | 6,000,000 |

The recoverability of the investment in the Company's subsidiary is dependent upon the successful development and commercial exploitation or sale of the respective mineral tenements held by the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | Consolidated | | Parent Entity | |
|---|---------------|------------------|---------------|------------------|
| | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| 8 AVAILABLE FOR SALE INVESTMENTS | | | | |
| Non Current | | | | |
| Listed Shares – at fair value | 4,303 | 8,190,840 | 4,303 | 8,190,840 |
| Unlisted Shares – at fair value | 10,000 | 10,000 | 10,000 | 10,000 |
| | 14,303 | 8,200,840 | 14,303 | 8,200,840 |

Listed shares are readily saleable with no fixed terms. All shares held in listed companies are valued at their fair value. There would be no material capital gains tax payable if these assets were sold at the reporting date, after taking into account available losses – refer Note 3(b).

9 PROPERTY, PLANT AND EQUIPMENT

| | | | | |
|--------------------------------|--------------|---------------|--------------|---------------|
| Plant and equipment - at cost | 37,431 | 59,541 | 37,431 | 59,541 |
| Less: Accumulated depreciation | (28,158) | (28,520) | (28,158) | (28,520) |
| Net carrying amount | 9,273 | 31,021 | 9,273 | 31,021 |

Reconciliation

| | | | | |
|---|--------------|---------------|--------------|---------------|
| At 1 July 2008, net of accumulated depreciation and impairment | 31,021 | 16,379 | 31,021 | 16,379 |
| Additions | - | 23,335 | - | 23,335 |
| Disposals | - | - | - | - |
| Depreciation expense and impairment | (21,748) | (8,693) | (21,748) | (8,693) |
| At 30 June 2009, net of accumulated depreciation and impairment | 9,273 | 31,021 | 9,273 | 31,021 |

10 DEFERRED EXPLORATION EXPENDITURE

Exploration and evaluation phase - at cost

| | | | | |
|-----------------------|----------------|------------------|----------------|------------------|
| Mineral properties | 100,000 | 7,459,600 | 100,000 | 100,000 |
| Oil and gas prospects | - | 1,696,750 | - | 1,696,750 |
| | 100,000 | 9,156,350 | 100,000 | 1,796,750 |

Reconciliation

| | | | | |
|--|------------------|------------------|------------------|------------------|
| - Balance at beginning of year | 9,156,350 | 7,793,108 | 1,796,750 | 511,305 |
| - Acquisition and evaluation expenditure | - | - | - | - |
| - Expenditure incurred (recouped) | (524) | 1,775,287 | - | 1,697,490 |
| | 9,155,826 | 9,568,395 | 1,796,750 | 2,208,795 |
| - Expenditure written off | (9,055,826) | (412,045) | (1,696,750) | (412,045) |
| - Balance at end of year | 100,000 | 9,156,350 | 100,000 | 1,796,750 |

The recouping of costs carried forward in relation to areas of interest in the exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | Consolidated | | Parent Entity | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| 11 TRADE AND OTHER PAYABLES | | | | |
| Current | | | | |
| Trade payables and accruals | 214,265 | 111,491 | 214,265 | 111,491 |
| | 214,265 | 111,491 | 214,265 | 111,491 |

Terms and conditions relating to the above financial instruments:

- Trade creditors are non-interest bearing and are normally settled on 30 day terms.
- Other creditors are non-interest bearing and are normally settled within 30 days.
- Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

12 ISSUED CAPITAL

(a) Issued and paid up capital

| | | | | |
|---|-------------------|-------------------|-------------------|-------------------|
| Ordinary shares fully paid | 34,189,378 | 33,788,648 | 34,189,378 | 33,788,648 |
| Ordinary shares of 10 cents paid to 8 cents | 3,200,000 | 3,200,000 | 3,200,000 | 3,200,000 |
| | 37,389,378 | 36,988,648 | 37,389,378 | 36,988,648 |

| | 2009 | | 2008 | |
|--|--------------------|-------------------|-------------|------------|
| | Shares | \$ | Shares | \$ |
| (b) Movement in ordinary shares on issue | | | | |
| (i) Ordinary shares fully paid | | | | |
| Balance at beginning of year | 700,871,353 | 33,788,648 | 610,871,353 | 32,933,648 |
| Issue on 21 May 2008 as placement of shares for cash | - | - | 90,000,000 | 900,000 |
| Issue on 5 June 2009 as placement of shares for cash | 105,000,000 | 420,000 | - | - |
| Less transaction costs | - | (19,270) | - | (45,000) |
| Balance at end of year | 805,871,353 | 34,189,378 | 700,871,353 | 33,788,648 |
| (ii) Ordinary shares partly paid | | | | |
| Balance at beginning of year | | | | |
| - Shares of 10 cents paid to 8 cents | 40,000,000 | 3,200,000 | 40,000,000 | 3,200,000 |
| Balance at end of year | | | | |
| - Shares of 10 cents paid to 8 cents | 40,000,000 | 3,200,000 | 40,000,000 | 3,200,000 |
| Total issued and paid up shares | 845,871,353 | 37,389,378 | 740,871,353 | 36,988,648 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

12 ISSUED CAPITAL (Cont.)

| (c) Uncalled Capital | 2009 | | 2008 | |
|------------------------------------|-------------------|---------|-------------------|---------|
| | Shares | \$ | Shares | \$ |
| Shares of 10 cents paid to 8 cents | 40,000,000 | 800,000 | 40,000,000 | 800,000 |

(d) Share Options at 30 June 2009

| | Number | Exercise Price | Expiry Date |
|------------------|------------|----------------|------------------|
| Unlisted Options | 90,000,000 | 4 cents | 30 June 2010 |
| Unlisted Options | 10,500,000 | 9 cents | 31 December 2010 |

During the year, 14,000,000 unlisted options exercisable at 5 cents each and 10,500,000 unlisted options exercisable at 7 cents each expired.

(e) Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

| Consolidated | | Parent Entity | |
|--------------|------|---------------|------|
| 2009 | 2008 | 2009 | 2008 |
| \$ | \$ | \$ | \$ |

13 RESERVES

Reserves

| | | | | |
|-----------------------------------|----------------|-----------|----------------|-----------|
| Share option reserve (i) | 968,849 | 968,849 | 968,849 | 968,849 |
| Net unrealised gains reserve (ii) | - | 4,879,240 | - | 4,879,240 |
| | 968,849 | 5,848,089 | 968,849 | 5,848,089 |

(i) Share option reserve

Nature and purpose of reserve

The share option reserve is used to accumulate proceeds received from the issue of options and records items recognised as expenses on valuation of employee share options.

Movements in reserve

| | | | | |
|-------------------------|----------------|---------|----------------|---------|
| Opening balance 1 July | 968,849 | 968,849 | 968,849 | 968,849 |
| Closing balance 30 June | 968,849 | 968,849 | 968,849 | 968,849 |

(ii) Net unrealised gains reserve

Nature and purpose of reserve

The net unrealised gains reserve records fair value changes on available-for-sale investments.

Movements in reserve

| | | | | |
|--|--------------------|-----------|--------------------|-----------|
| Opening balance 1 July | 4,879,240 | 5,023,100 | 4,879,240 | 5,023,100 |
| Transfer to income statement on disposal | (4,879,240) | (143,860) | (4,879,240) | (143,860) |
| Closing balance 30 June | - | 4,879,240 | - | 4,879,240 |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

14 JOINT VENTURES

The Group has interests in the following unincorporated joint ventures.

| Gold Exploration Joint Venture | % Interest | Carrying Value |
|--------------------------------|------------|----------------|
| Bowriver Joint Venture | 70 | \$Nil |

The carrying value of the Group's interest in these joint ventures is included in Note 10. The contribution of these exploration joint ventures to the loss of the Group for the year was \$ NIL.

15 SEGMENT REPORTING

The Company operates predominantly in one business segment, namely the acquisition and exploration of uranium/gold properties. The Company operates predominantly in one geographical segment being the Republic of South Africa.

16 CONTINGENT LIABILITIES

It is possible that native title, as defined in the Native Title Act 1993, might exist over land in which the Company has an interest in Australia. It is impossible at this stage to quantify the impact (if any) that the existence of native title may have on the operations of the Company. However, at the date of these accounts, the Directors are aware that applications for native title claims have been accepted by the Native Title Tribunal over tenements held by the Company.

17 COMMITMENTS FOR EXPENDITURE

Operating lease (non-cancellable)

| | Consolidated | | Parent Entity | |
|--|---------------|----------|---------------|----------|
| | 2009 | 2008 | 2009 | 2008 |
| | \$ | \$ | \$ | \$ |
| Not later than one year | 25,593 | - | 25,593 | - |
| After one year but not more than 5 years | 33,075 | - | 33,075 | - |
| | <u>58,668</u> | <u>-</u> | <u>58,668</u> | <u>-</u> |

The non-cancellable operating lease is for commercial storage premises.

Mineral Tenement Expenditure - Australia

The company has certain obligations to perform minimum exploration work and to expend minimum amounts of money on such work on mining tenements. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of the operations of the Group. These commitments have not been provided for in the accounts. Due to the nature of the Group's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditure may be reduced by seeking exemption from individual commitments, by relinquishment of tenure or any new joint venture arrangements. Expenditure may be increased when new tenements are granted or joint venture agreements amended. The minimum expenditure commitment on the tenements is:

| | | | | |
|--|----------------|----------|----------------|----------|
| Not later than one year | 64,000 | - | 64,000 | - |
| After one year but not more than 5 years | 192,000 | - | 192,000 | - |
| | <u>256,000</u> | <u>-</u> | <u>256,000</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

17 COMMITMENTS FOR EXPENDITURE (Cont.)

Prospecting work programmes – Republic of South Africa

The company will, from the date of grant of Prospecting Rights, have the following minimum expenditure commitments in respect to its exploration properties:

| | Consolidated | | Parent Entity | |
|---|------------------|-------------------|---------------|--------------|
| | 2009 Rand | 2008 Rand | 2009 Rand | 2008 Rand |
| Minimum expenditure requirements | | | | |
| Not later than one year | 1,556,480 | 3,841,860 | - | - |
| Later than 1 year but not later than 2 years | 5,826,880 | 1,556,480 | - | - |
| Later than 2 years but not later than 5 years | - | 5,826,880 | - | - |
| | 7,383,360 | 11,225,220 | - | - |

| | Consolidated | | Parent Entity | |
|--|--------------|------------|---------------|------------|
| | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

18 REMUNERATION OF AUDITORS

Amount received or due and receivable by the auditors of the Group for:

| | 2009 | 2008 | 2009 | 2008 |
|--|---------------|---------------|---------------|---------------|
| Auditing or reviewing the financial statements | 25,500 | 14,750 | 25,500 | 14,750 |
| Other services | - | - | - | - |
| | 25,500 | 14,750 | 25,500 | 14,750 |

19 RELATED PARTY TRANSACTIONS

(a) Subsidiaries

The consolidated financial statements include the financial statements of Acclaim Exploration NL and the subsidiary listed in the following table.

| | County of Incorporation | % Equity Interest | | Investment at cost | |
|------------------------|----------------------------|-------------------|------|--------------------|-----------|
| | | 2009 | 2008 | 2009 | 2008 |
| | | % | % | \$ | \$ |
| Denny Dalton (Pty) Ltd | Republic of South Africa | 100 | 100 | 6,000,000 | 6,000,000 |

(b) Parent entity

Acclaim Exploration NL is the ultimate Australian parent entity and ultimate parent of the Group.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 20.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

19 RELATED PARTY TRANSACTIONS (Cont.)

(d) Loans to related parties

| | Parent Entity | |
|-------------------------------|---------------|------------|
| | 2009 \$ | 2008 \$ |
| Loans to subsidiary | | |
| Balance at beginning of year | 1,359,600 | 1,281,803 |
| Loans advanced | - | 77,797 |
| Loan repayments received | (524) | - |
| Allowance for impairment loss | (1,359,076) | - |
| Balance at end of year | - | 1,359,600 |

Acclaim Exploration NL has provided an unsecured, interest free loan to its wholly owned subsidiary, Denny Dalton (Pty) Ltd. An impairment assessment is undertaken each financial year by examining the financial position of the subsidiary and the market in which the subsidiary operates to determine whether there is objective evidence that the subsidiary is impaired. When such objective evidence exists, the company recognises an allowance for the impairment loss.

20 KEY MANAGEMENT PERSONNEL

(a) Compensation of Key Management Personnel

| | Consolidated | | Parent Entity | |
|------------------------------|--------------|------------|---------------|------------|
| | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| Short-Term employee benefits | 488,969 | 570,439 | 488,969 | 570,439 |
| Post Employment benefits | 5,400 | 8,100 | 5,400 | 8,100 |
| Total compensation | 494,369 | 578,539 | 494,369 | 578,539 |

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report. These transferred disclosures have been audited.

(b) Option holdings of Key Management Personnel

| | Balance 01/07/08 | Granted as Remuneration | Options Exercised | Net Change Other # | Balance 30/06/09 | Vested and Exercisable |
|-------------------|---------------------|----------------------------|----------------------|-----------------------|---------------------|---------------------------|
| Directors | | | | | | |
| A Waller | 10,000,000 | - | - | (10,000,000) # | - | - |
| R Bagirathi | - | - | - | - | - | - |
| C Willis | 10,000,000 | - | - | (7,000,000) ## | 3,000,000 | 3,000,000 |
| J Geary | - | - | - | - | - | - |
| Executives | | | | | | |
| N Bassett | 10,000,000 | - | - | (7,000,000) ## | 3,000,000 | 3,000,000 |

4,000,000 options expired during the year and 6,000,000 options held at date of resignation.

Options expired during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

20 KEY MANAGEMENT PERSONNEL (Cont.)

(b) Option holdings of Key Management Personnel (Cont.)

| | Balance 01/07/07 | Granted as Remuneration | Options Exercised | Net Change Other | Balance 30/06/08 | Vested and Exercisable |
|-------------------|---------------------|----------------------------|----------------------|---------------------|---------------------|---------------------------|
| Directors | | | | | | |
| A Waller | 10,000,000 | - | - | - | 10,000,000 | 10,000,000 |
| R Bagirathi | - | - | - | - | - | - |
| C Willis | 10,000,000 | - | - | - | 10,000,000 | 10,000,000 |
| T Gillard | 5,000,000 | - | - | (5,000,000) # | - | - |
| Executives | | | | | | |
| N Bassett | 13,000,000 | - | - | (3,000,000) ## | 10,000,000 | 10,000,000 |

Options held at date or resignation.

Options expired during the year.

(c) Shareholdings of Key Management Personnel

| | Balance 01/07/08 | Received as Remuneration | Options Exercised | Net Change Other | Balance 30/06/09 |
|-------------------|---------------------|-----------------------------|----------------------|---------------------|---------------------|
| Directors | | | | | |
| A Waller | - | - | - | - | - |
| R Bagirathi | - | - | - | - | - |
| C Willis | 1,000,000 | - | - | - | 1,000,000 |
| J Geary | - | - | - | 339,200 # | 339,200 |
| Executives | | | | | |
| N Bassett | 1,000,000 | - | - | - | 1,000,000 |

Ordinary fully paid shares held at date of appointment. Mr Geary also holds 350,000 partly paid shares, 2 cents unpaid.

| | Balance 01/07/07 | Received as Remuneration | Options Exercised | Net Change Other | Balance 30/06/08 |
|-------------------|---------------------|-----------------------------|----------------------|---------------------|---------------------|
| Directors | | | | | |
| A Waller | - | - | - | - | - |
| R Bagirathi | - | - | - | - | - |
| C Willis | 1,000,000 | - | - | - | 1,000,000 |
| T Gillard | - | - | - | - | - |
| Executives | | | | | |
| N Bassett | 1,000,000 | - | - | - | 1,000,000 |

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

(d) Loans with Key Management Personnel

There were no loans to key management personnel or their related entities during the financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

21 SHARE BASED PAYMENTS

No share-based payments were made during the year.

The following share-based payment arrangements existed at 30 June 2009:

- On 23 February 2007, 10,500,000 share options were issued to directors and consultants to take up ordinary shares at an exercise price of 9 cents. The options expire on 31 December 2010. All options have vested and are exercisable. No options have been exercised at balance date.

During the year 14,000,000 share options exercisable at 5 cents each and 10,500,000 share options exercisable at 7 cents each expired.

Options granted carry no dividend or voting rights. When exercised, each option is convertible into one ordinary share in the capital of the company with full dividend and voting rights.

The Black and Scholes Option Pricing Model was used to value the options issued as share-based payments. The following factors and assumptions were used in determining the fair value of options on grant date:

| Expiry Date | Fair Value per Option | Exercise Price | Estimated Volatility | Risk Free Interest Rate | Underlying Share Price |
|------------------|-----------------------|----------------|----------------------|-------------------------|------------------------|
| 31 December 2010 | \$0.0132 | \$0.09 | 60% | 5.91% | 4.2 cents |

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

A discount factor of 30% has been applied to the determined fair value due to the lack of marketability, as the options are unlisted and are non-transferable.

The weighted average exercise price of share based payment options that were outstanding as at 30 June 2009 was \$0.09.

The weighted average remaining contractual life of share based payment options that were outstanding as at 30 June 2009 was 1.5 years.

22 FINANCIAL RISK MANAGEMENT

The Company's principal financial instruments comprise receivables, payables, cash and short-term deposits. The Company manages its exposure to key financial risks in accordance with the Company's financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets while protecting future financial security.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The Group does not speculate in the trading of derivative instruments. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

22 FINANCIAL RISK MANAGEMENT (Cont.)

Risk Exposures and Responses

Interest rate risk

The Company's exposure to risks of changes in market interest rates relates primarily to the Company's cash balances. The Company constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the company has no variable rate interest bearing borrowings its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At balance date, the following table details the Group's expected maturity for its non-derivative financial assets. These have been drawn up based on undiscounted contractual maturities on the financial instruments including interest that will be earned on these instruments.

| | Consolidated | | Parent Entity | |
|---|------------------|------------|------------------|------------|
| | 2009 \$ | 2008 \$ | 2009 \$ | 2008 \$ |
| <i>Financial Assets</i> | | | | |
| Cash and cash equivalents (interest-bearing accounts) | 2,140,810 | 1,277,941 | 2,140,810 | 1,277,941 |
| Trade and other receivables | 186,491 | 42,288 | 186,491 | 42,288 |
| Total exposure | 2,327,301 | 1,320,229 | 2,327,301 | 1,320,229 |

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit/loss and equity relating to financial assets of the Group would have been affected as follows:

Judgements of reasonably possible movements:

Post tax profit/(loss) – higher / (lower)

| | | | | |
|--------|----------|----------|----------|----------|
| + 1.0% | 21,408 | 12,779 | 21,408 | 12,779 |
| - 1.0% | (21,408) | (12,779) | (21,408) | (12,779) |

Equity – higher / (lower)

| | | | | |
|--------|----------|----------|----------|----------|
| + 1.0% | 21,408 | 12,779 | 21,408 | 12,779 |
| - 1.0% | (21,408) | (12,779) | (21,408) | (12,779) |

Liquidity Risk

The Group manages liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained or available to the Group.

Credit risk

Credit risk arises from the financial assets of the Company, which comprise deposits with banks and trade and other receivables. The Company's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the Balance Sheet represents the Company's maximum exposure to credit risk in relation to those assets.

The Company does not hold any credit derivatives to offset its credit exposure.

The Company trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Company's policy to secure its trade and other receivables.

Receivable balances are monitored on an ongoing basis with the result that the Company does not have a significant exposure to bad debts.

The Company's cash deposits are held with a major Australian banking institution otherwise, there are no significant concentrations of credit risk within the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

22 FINANCIAL RISK MANAGEMENT (Cont.)

The following table details the expected maturity of the Group's and the Company's financial assets and liabilities based on the earliest date of maturity or payment respectively. The amounts are stated on an undiscounted basis and include interest.

| Consolidated | Weighted average effective interest rate % | Less than 1 month | 1 – 3 Months | 3 months – 1 year | 1 – 5 years |
|-------------------------------|--|-------------------|---------------|-------------------|------------------|
| | | \$ | \$ | \$ | \$ |
| 2009 | | | | | |
| <i>Financial Assets:</i> | | | | | |
| Non-interest bearing | - | - | 5,085 | 181,406 | 616,869 |
| Variable interest rate | 2.91 | 2,140,810 | - | - | - |
| Fixed interest rate | - | - | - | - | - |
| | | <u>2,140,810</u> | <u>5,085</u> | <u>181,406</u> | <u>616,869</u> |
| <i>Financial Liabilities:</i> | | | | | |
| Non-interest bearing | - | 202,265 | 12,000 | - | - |
| | | <u>202,265</u> | <u>12,000</u> | - | - |
| 2008 | | | | | |
| <i>Financial Assets:</i> | | | | | |
| Non-interest bearing | - | - | 4,907 | 37,381 | 8,200,840 |
| Variable interest rate | 6.43 | 1,277,941 | - | - | - |
| Fixed interest rate | - | - | - | - | - |
| | | <u>1,277,941</u> | <u>4,907</u> | <u>37,381</u> | <u>8,200,840</u> |
| <i>Financial Liabilities:</i> | | | | | |
| Non-interest bearing | - | 107,791 | 4,000 | - | - |
| | | <u>107,791</u> | <u>4,000</u> | - | - |
| Parent | | | | | |
| | | | | | |
| 2009 | | | | | |
| <i>Financial Assets:</i> | | | | | |
| Non-interest bearing | - | - | 5,085 | 181,406 | 616,869 |
| Variable interest rate | 2.91 | 2,140,810 | - | - | - |
| Fixed interest rate | - | - | - | - | - |
| | | <u>2,140,810</u> | <u>5,085</u> | <u>181,406</u> | <u>616,869</u> |
| <i>Financial Liabilities:</i> | | | | | |
| Non-interest bearing | - | 202,265 | 12,000 | - | - |
| | | <u>202,265</u> | <u>12,000</u> | <u>181,406</u> | - |
| 2008 | | | | | |
| <i>Financial Assets:</i> | | | | | |
| Non-interest bearing | - | - | 4,907 | 37,381 | 8,200,840 |
| Variable interest rate | 6.43 | 1,277,941 | - | - | - |
| Fixed interest rate | - | - | - | - | - |
| | | <u>1,277,941</u> | <u>4,907</u> | <u>37,381</u> | <u>8,200,840</u> |
| <i>Financial Liabilities:</i> | | | | | |
| Non-interest bearing | - | 107,791 | 4,000 | - | - |
| | | <u>107,791</u> | <u>4,000</u> | - | - |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

22 FINANCIAL RISK MANAGEMENT (Cont.)

Capital Management Risk

Management controls the capital of the Group in order to maximise the return to shareholders and ensure that the group can fund its operations and continue as a going concern.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels and share and option issues.

There have been no changes in the strategy adopted by management to control capital of the group since the prior year.

Foreign Currency Risk

As a result of the Group's mineral exploration activities in the Republic of South Africa and farm-in operations in the United States of America, the Group's operations can be affected by movements in the Rand/\$A and US\$/A\$ exchange rates. The Company does not hedge this exposure.

The Group manages its foreign exchange risk by constantly reviewing its exposure to commitments payable in foreign currency and, where considered prudent, ensuring appropriate cash balances are maintained in either Rand or United States Dollars, to meet current operational commitments.

Management believes the balance date risk exposures are representative of the risk exposure inherent in financial instruments. The Group's exposure to foreign currency risk is considered immaterial at 30 June 2009.

Commodity Price Risk

The Group's exposure to price risk is minimal given the Group is still in an exploration phase.

Fair Value

The methods of estimating fair value are outlined in the relevant notes to the financial statements. All financial assets and liabilities recognised in the balance sheet, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair values unless otherwise stated in the applicable notes.

Equity Price Sensitivity Risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. At reporting date, if equity prices had been 5% higher or lower, there would have been an immaterial change in post tax loss for the year. The impact on equity would have been the same.

23 EVENTS SUBSEQUENT TO BALANCE DATE

In July 2009, the company announced that it had entered into a Binding Term Sheet with Arturus Capital Limited ("AKW"), to acquire the right title and interest to a 12% (15% of 80%) royalty stream over shallow gas projects located in Jackson County, Texas, USA. AKW holds the right title and interest to 80% of all income in relation to the projects.

Key terms of the acquisition are:

- **Property:** An assignment of 15% of AKW's income ("Royalty Stream") derived from all of the shallow gas projects from time to time located on the lands known as the Sandy, Slazenger and Wagner Prospects in Jackson County, Texas, USA.
- **Consideration:** US\$1.5 million comprising:
 - US\$100,000 payable on execution of the binding term sheet;
 - US\$1,000,000 payable on 7th August 2009; and
 - The balance to be paid with 60 days from execution.
- **Term:** For the life of the Projects
- **Expansion Projects:** AKW may from time to time request that AEX provide further funding for any expansion to the Projects (including further test drilling). AEX may accept or reject any such request in its absolute discretion.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

23 EVENTS SUBSEQUENT TO BALANCE DATE (Cont.)

The acquisition of the royalty stream is subject to:

- (i) completion of due diligence to the satisfaction of AEX; and
- (ii) AEX shareholder approval.

Under the terms of the binding term sheet AEX has paid the sum of US\$100,000, however, no further sums will be paid pursuant to the agreement until completion of due diligence to the satisfaction of AEX.

There are no other matters or circumstances that have arisen since 30 June 2009 that have or may significantly affect the operations, results, or state of affairs of the Group in future financial years.

24 CONTINGENT LIABILITIES

As at 30 June 2009, the Group did not have any contingent liabilities.