Genesis Minerals Limited and controlled entities

ABN 72 124 772 041

Annual Financial Report and Directors' Report

for the year ended 30 June 2010

Corporate Directory

ABN 72 124 772 041

Directors
Michael Haynes (Non Executive Chairman)
Michael Fowler (Managing Director)
Graeme Smith (Non Executive Director)

Company Secretary
Graeme Smith

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Solicitors
Wright Legal
1/103 Colin Street
WEST PERTH WA 6005

Share Register
Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
PERTH WA 6000

Auditors
Bentleys
Level 1, 12 Kings Park Road
WEST PERTH WA 6005

Internet Address
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Securities Exchange Listing
Genesis Minerals Limited shares are listed on the Australian Securities Exchange (ASX code: GMD).

Contents

Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Genesis Minerals Limited and the entities it controlled at the end of, or during, the year ended 30 June 2010.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Information on Directors

Michael Haynes, (Non Executive Chairman)

Mr. Haynes has more than 18 years experience in the mining industry. Mr. Haynes graduated from the University of Western Australia with an honours degree in geology and geophysics. Throughout his career he has been intimately involved in the exploration and development of resource projects, targeting a wide variety of commodities, throughout Australia and extensively in Southeast and Central Asia, Africa, North and South America, and Europe.

Mr. Haynes has held technical positions with both BHP Minerals Limited and Billiton plc. He ran his own successful consulting business for a number of years providing professional geophysical and exploration services to both junior and major resource companies. He has worked extensively on project generation and acquisition throughout his career. Over the past five years he has been intimately involved in the incorporation and initial public offerings of several resources companies, and in the ongoing financing and management of these companies.

Mr. Haynes is a Director of Overland Resources Limited (appointed 9 May 2005) and Black Range Minerals Limited (appointed 27 June 2005). Mr Haynes was a Director of Iberian Resources Limited (appointed 21 October 2003, resigned 31 July 2007), Bellamel Mining Limited (appointed 16 May 2007, resigned 31 December 2008) and Elk Petroleum Limited (appointed 19 January 2005, resigned 8 April 2005).

Michael Fowler, (Managing Director)

Michael Fowler is a geologist with 20 years industry experience. Mr Fowler graduated from Curtin University in 1988 with a Bachelor of Applied Science degree majoring in geology and in 1999 received a Master of Science majoring in Ore Deposit Geology from the University of Western Australia. On graduating he explored for gold and base metals for Dominion Mining in the Murchison, Gascoyne and Eastern Goldfields Regions of Western Australia.

In 1996, Mr Fowler joined Croesus Mining NL and was made Exploration Manager in 1997. He oversaw all exploration for Croesus until June 2004 and was then appointed Business Development Manager and then Managing Director in October 2005. Mr Fowler has been responsible for the discovery and development of several significant gold deposits. He has been heavily involved in a number of significant acquisitions and project reviews. Mr Fowler is currently working as Exploration Manager for Castle Minerals, and within the last 3 years he was a Non Executive Director of Azure Minerals Limited (resigned September 2007).

Graeme Smith, (Non Executive Director)

Graeme Smith is a finance professional with over 20 years experience in accounting and company administration. He graduated from Macquarie University with a Bachelor of Economics degree and has since received a Master of Business Administration and a Master of Commercial Law. He is a Fellow of both the Australian Society of Certified Practicing Accountants and the Chartered Institute of Secretaries and Administrators.

Mr Smith has held CFO and Company Secretary positions with other Australian mining and mining service companies. Mr Smith is a director of Buxton Resources Limited. Mr Smith has not held any former directorships in the last 3 years.

COMPANY SECRETARY

Graeme Smith

Interests in the shares and options of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares and options of Genesis Minerals Limited were:

	Ordinary Shares	Options over Ordinary Shares
Michael Haynes	660,000	1,000,000
Michael Fowler	2,000,000	5,000,000
Graeme Smith	60,000	500,000

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were the acquisition of mining tenements, and the exploration of these tenements with the objective of identifying economic mineral deposits.

DIVIDENDS

No dividends were paid or declared during the year. No recommendation for payment of dividends has been made.

Directors' Report continued

OPERATING AND FINANCIAL REVIEW

Finance Review

The Group has recorded an operating loss after income tax for the year ended 30 June 2010 of $775,286 (2009: $1,434,649).

At 30 June 2010 cash assets available totalled $219,252 (2009: $286,034).

Operating Results for the Year

Summarised operating results are as follows:

	2010	
	Revenues $	Results $
Group revenues and loss from ordinary activities before income tax expense	11,106	(775,286)

Shareholder Returns

	2010	2009
Basic loss per share (cents)	**(2.5)**	(5.6)

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The Group believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Group raised a total of $717,075 through the issue of 8,467,500 ordinary shares to institutional and sophisticated investors from two separate placements in August 2009 and February 2010. Funds raised are being used to actively pursue the Group’s exploration projects.

AFTER BALANCE DATE EVENTS

No matters or circumstances, besides those disclosed at note 19, have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the entity's operations.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation in respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

The directors have considered the recently enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the directors have determined that the NGER Act will have no effect on the Group for the current, nor subsequent, financial year. The directors will reassess this position as and when the need arises.

Directors' Report continued

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of Genesis Minerals Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The board of Genesis Minerals Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting (currently $300,000). Fees for non-executive directors are not linked to the performance of the Group. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Performance based remuneration

The company currently has no performance based remuneration component built into director and executive remuneration packages.

Group performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors and executives performance. The Group plans to facilitate this process by directors and executives participating in future option issues to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth. For details of directors and executives interests in options at year end, refer to note 13 of the financial statements.

Details of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and specified executives of Genesis Minerals Limited and the Genesis Minerals Group are set out in the following table.

The key management personnel of Genesis Minerals Limited include the directors and company secretary as per page 3 above.

Given the size and nature of operations of Genesis Minerals Limited, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

Directors' Report continued

Key management personnel and other executives of Genesis Minerals Limited

	Short-Term		**Post Employment**		**Share-based Payments**	**Total**
	Salary & Fees	Non Monetary	Superannuation	Retirement benefits	Options	
	$	**$**	**$**	**$**	**$**	**$**
Directors						
Michael Haynes						
2010	**54,500**	**-**	**-**	**-**	**-**	**54,500**
2009	54,500	-	-	-	-	54,500
Michael Fowler						
2010	**160,000**	**-**	**16,000**	**-**	**-**	**176,000**
2009	160,000	-	16,000	-	-	176,000
Graeme Smith						
2010	**30,000**	**-**	**2,700**	**-**	**-**	**32,700**
2009	30,000	-	1,350	-	-	31,350
Total key management personnel compensation						
2010	**244,500**	**-**	**18,700**			**263,200**
2009	244,500	-	17,350	-	-	261,850

Service agreements

On 25 June 2007 the Company entered into an Executive Service Agreement with Mr Michael Fowler.

Under the Agreement, Mr Michael Fowler is engaged by the Company to provide services to the Company in the capacity of Managing Director and CEO.

Mr Fowler is to be paid a salary of $176,000 per annum, (inclusive of superannuation entitlement).

The Agreement is effective from the date the Company was admitted to the Official List (30 July 2007) and continues until terminated by either Mr Fowler or the Company. Mr Fowler is entitled to a minimum notice period of three months from the Company and the Company is entitled to a minimum notice period of three months from Mr Fowler.

Share-based compensation

There was no share-based compensation issued to key management personnel during the year.

DIRECTORS' MEETINGS

During the financial year five meetings of directors were held. Attendances by each director during the year were as follows:

	Directors Meetings	
	A	**B**
Michael Haynes	5	5
Michael Fowler	5	5
Graeme Smith	5	5

Notes

A – Number of meetings attended.

B – Number of meetings held during the time the director held office during the year.

SHARES UNDER OPTION

At the date of this report there are 14,400,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	9,750,000
Movements of share options during the year	
Issued, exercisable at 10 cents, on or before 30 June 2011	4,500,000
Issued, exercisable at 15 cents, on or before 23 August 2013	75,000
Issued, exercisable at 20 cents, on or before 23 August 2013	75,000
Total number of options outstanding as at 30 June 2010 and the date of this report	**14,400,000**

Directors' Report continued

The balance is comprised of the following:

Expiry date	Exercise price (cents)	Number of options
30 June 2011	10	4,500,000
23 August 2013	15	75,000
23 August 2013	20	75,000
28 February 2013	20	500,000
15 May 2012	20	9,250,000
Total number of options outstanding at the date of this report		**14,400,000**

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

INSURANCE OF DIRECTORS AND OFFICERS

During or since the financial year, the company has paid premiums insuring all the directors of Genesis Minerals Limited against costs incurred in defending proceedings for conduct involving:

(a) a wilful breach of duty; or

(b) a contravention of sections 182 or 183 of the *Corporations Act 2001*,

as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid is $8,904 (2009: $6,161).

NON-AUDIT SERVICES

There were no non-audit services provided by the entity's auditor, Bentleys, or associated entities.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

GOING CONCERN

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group incurred a loss from ordinary activities of $775,286 for the year ended 30 June 2010 (2009: $1,434,649). Included within this loss was the write off of exploration expenditure of $144,284 (2009: $937,594).

The net working capital position of the Group at 30 June 2010 was $156,455 (2009: $222,673) and the net decrease in cash held during the year was $66,483 (2009: $877,286).

The ability of the Group to continue to pay its debts as and when they fall due is dependent upon the Group successfully raising additional share capital and ultimately developing one of its mineral properties.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- at the date of this report, the Company has completed a capital raising of $247,000 and also a fully underwritten Entitlements Issue which will raise $1.1 million.
- the Directors have an appropriate plan to contain certain operating and exploration expenditure if additional required funding is unavailable.

Refer to note 1(a) for further details.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Michael Fowler
Managing Director

Perth, 30 September 2010

Bentleys
Thinking ahead

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To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

This declaration is made in connection with our audit of the financial report of Genesis Minerals Limited and Controlled Entities for the year ended 30 June 2010 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 30th day of September 2010

Corporate Governance Statement

The Board of Directors

The company's constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any share holding qualification.

As and if the company's activities increase in size, nature and scope the size of the Board will be reviewed periodically, and as circumstances demand. The optimum number of directors required to supervise adequately the company's constitution will be determined within the limitations imposed by the constitution.

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

Directors are initially appointed by the full Board subject to election by shareholders at the next general meeting. Under the company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the *Corporations Act 2001*, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

The Board considers that the company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees (other than an Audit Committee) at this time. The Board as a whole is able to address the governance aspects of the full scope of the company's activities and to ensure that it adheres to appropriate ethical standards.

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for oversight of management and the overall corporate governance of the company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

Independent Professional Advice

The Board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

Continuous Review of Corporate Governance

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mining exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the company.

ASX Principles of Good Corporate Governance

The Board has reviewed its current practices in light of the revised ASX Corporate Governance Principles and Recommendations with a view to making amendments where applicable after considering the company's size and the resources it has available.

As the company's activities develop in size, nature and scope, the size of the Board and the implementation of any additional formal corporate governance committees will be given further consideration.

The Board has adopted the revised Recommendations and the following table sets out the company's present position in relation to each of the revised Principles.

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	**A**	Matters reserved for the Board are included on the Company website in the Corporate Governance Section.
1.2	Companies should disclose the process for evaluating the performance of senior executives	**A**	The remuneration of management and employees is reviewed by the Managing Director and approved by the Board. Acting in its ordinary capacity the Board from time to time carries out the process of considering and determining performance issues.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	**A (in part)**	Matters reserved for the Board can be viewed on the Company website.
Principle 2:	**Structure the board to add value**		
2.1	A majority of the board should be independent directors	**A**	Given the Group's background, the nature and size of its business and the current stage of its development, the board comprises three directors, two of whom are non-executive. The board believes that this is both appropriate and acceptable at this stage of the Group's development.
2.2	The chair should be an independent director	**A**	
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	**A**	The position of Chairman and Managing Director are held by separate persons.
2.4	The board should establish a nomination committee	**A**	The full Board is the Nomination Committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for screening and appointing new Directors. In view of the size and resources available to the Group it is not considered that a separate Nomination Committee would add any substance to this process.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	**N/A**	Given the size and nature of the Group a formal process for performance evaluation has not been developed.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	**A (in part)**	The skills and experience of the Directors are set out in the Group's Annual Report and on the website.
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	**A**	The Group has established a Code of Conduct which can be viewed on its website.

A = Adopted
N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	**A**	The Group has formulated a securities trading policy, which can be viewed on its website.
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3	**A**	
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	The board should establish an audit committee	**A**	
4.2	The audit committee should be structured so that it:		
	• consists only of non-executive directors	**A**	
	• consists of a majority of independent directors	**A**	
	• is chaired by an independent chair, who is not chair of the board	**A**	
	• has at least three members	**N/A**	The Company only has two non-executive directors.
4.3	The audit committee should have a formal charter	**A**	
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	**A**	
Principle 5:	**Make timely and balanced disclosure**		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	**A**	Directors must obtain the approval of the Chairman of the Board and notify the Company Secretary before they buy or sell shares in the Company, and it is subject to Board veto. Directors must provide the information required by the Company to ensure Compliance with Listing Rule 3.19A.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	**A**	The Board receives monthly reports on the status of the Group's activities and any new proposed activities. Disclosure is reviewed as a routine agenda item at each Board Meeting.
Principle 6:	**Respect the rights of shareholders**		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	**A**	In line with adherence to continuous disclosure requirements of the ASX all shareholders are kept informed of major developments affecting the Group. This disclosure is through regular shareholder communications including the Annual report, Quarterly Reports, the Company Website and the distributions of specific releases covering major transactions and events.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	**A**	The Group has formulated a Communication Policy which is included in its Corporate Governance Statement on the Company Website.

A = Adopted
N/A = Not adopted

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 7:	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	**N/A**	While the Group does not have formalised policies on risk management the Board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at Board meetings and risk management culture is encouraged amongst employees and contractors. Determined areas of risk which are regularly considered include: • performance and funding of exploration activities • budget control and asset protection • status of mineral tenements • compliance with government laws and regulations • safety and the environment • continuous disclosure obligations
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	**N/A**	While the Group does not have formalised risk management policies it recognises its responsibility for identifying areas of significant business risk and ensuring that arrangements are in place to adequately manage these risks. This issue is regularly reviewed at Board meetings and a risk management culture is encouraged amongst employees and contractors.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	**A**	Assurances received from CEO and CFO (or equivalent) each year.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	**A**	
Principle 8:	**Remunerate fairly and responsibly**		
8.1	The board should establish a remuneration committee	**A**	
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	**A**	
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8	**A**	Refer to the Annual Report and the Corporate Governance section of the Company's website.

A = Adopted
N/A = Not adopted

Consolidated Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2010	Notes	2010 $	2009 $
REVENUE	4	**11,106**	32,497
EXPENDITURE			
Depreciation expense		**(3,501)**	(3,272)
Salaries and employee benefits expense		**(363,826)**	(122,952)
Exploration expenses		**(144,284)**	(937,594)
Impairment expense		**(12,045)**	(84,183)
Corporate expenses		**(104,603)**	(147,467)
Administration costs		**(125,208)**	(171,678)
Share based payments expense	22	**(32,925)**	-
LOSS BEFORE INCOME TAX	5	**(775,286)**	(1,434,649)
INCOME TAX BENEFIT / (EXPENSE)	6	**-**	-
LOSS FOR THE YEAR		**(775,286)**	(1,434,649)
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**6,257**	23,895
Other comprehensive income for the year, net of tax		**6,257**	23,895
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS OF GENESIS MINERALS LIMITED		**(769,029)**	(1,410,754)
Basic loss per share (cents per share)	21	**(2.5)**	(5.6)

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

Consolidated Statement of Financial Position

AT 30 JUNE 2010	Notes	2010 $	2009 $
CURRENT ASSETS			
Cash and cash equivalents	7	**219,252**	286,034
Trade and other receivables	8	**9,432**	4,662
TOTAL CURRENT ASSETS		**228,684**	290,696
NON-CURRENT ASSETS			
Plant and equipment	9	**892**	4,393
TOTAL NON-CURRENT ASSETS		**892**	4,393
TOTAL ASSETS		**229,576**	295,089
CURRENT LIABILITIES			
Trade and other payables	10	**72,229**	68,023
TOTAL CURRENT LIABILITIES		**72,229**	68,023
TOTAL LIABILITIES		**72,229**	68,023
NET ASSETS		**157,347**	227,066
EQUITY			
Issued capital	11	**4,268,799**	3,602,414
Reserves	12(a)	**127,256**	88,074
Accumulated losses		**(4,238,708)**	(3,463,422)
TOTAL EQUITY		**157,347**	227,066

The above Consolidated Statement of Financial Position should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2010	Notes	Ordinary Share Capital	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
		$	$	$	$	$
BALANCE AT 1 JULY 2008		2,954,849	63,550	629	(2,028,773)	990,255
Loss for the year		-	-	-	(1,434,649)	(1,434,649)
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations	12(a)	-	-	23,895	-	23,895
TOTAL COMPREHENSIVE INCOME		-	-	23,895	(1,434,649)	(1,410,754)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	11	690,000	-	-	-	690,000
Share issue transaction costs	11	(42,435)	-	-	-	(42,435)
BALANCE AT 30 JUNE 2009		3,602,414	63,550	24,524	(3,463,422)	227,066
Loss for the year		**-**	**-**	**-**	**(775,286)**	**(775,286)**
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of foreign operations	12(a)	**-**	**-**	**6,257**	**-**	**6,257**
TOTAL COMPREHENSIVE INCOME		**-**	**-**	**6,257**	**(775,286)**	**(769,029)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	11	**717,075**	**-**	**-**	**-**	**717,075**
Share issue transaction costs	11	**(50,690)**	**-**	**-**	**-**	**(50,690)**
Share based payments	12(a)	**-**	**32,925**	**-**	**-**	**32,925**
BALANCE AT 30 JUNE 2010		**4,268,799**	**96,475**	**30,781**	**(4,238,708)**	**157,347**

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

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2010	Notes	2010 $	2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(589,024)**	(430,643)
Payments for exploration expenditure		**(154,950)**	(1,126,705)
Interest received		**11,106**	32,497
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	20	**(732,868)**	(1,524,851)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		**717,075**	690,000
Payments of share issue costs		**(50,690)**	(42,435)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**666,385**	647,565
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(66,483)**	(877,286)
Cash and cash equivalents at the beginning of the financial year		**286,034**	1,147,395
Effects of exchange rate changes on cash and cash equivalents		**(299)**	15,925
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	**219,252**	286,034

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

Notes to the Consolidated Financial Statements

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Genesis Minerals Limited and its subsidiaries ("the Group"). The financial statements are presented in the Australian currency. Genesis Minerals Limited is a company limited by shares, domiciled and incorporated in Australia. The financial statements were authorised for issue by the directors on 30 September 2010. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

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

Compliance with IFRS

The consolidated financial statements of the Genesis Minerals Limited Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Financial statement presentation

The Group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Going concern

The accounts have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group incurred a loss from ordinary activities of $775,286 for the year ended 30 June 2010 (2009: $1,434,649). Included within this loss was the write off of exploration expenditure of $144,284 (2009: $937,594).

The net working capital position of the Group at 30 June 2010 was $156,455 (2009: $222,673) and the net decrease in cash held during the year was $66,483 (2009: $877,286).

The ability of the Group to continue to pay its debts as and when they fall due is dependent upon the Group successfully raising additional share capital and ultimately developing one of its mineral properties.

The Directors believe it is appropriate to prepare these accounts on a going concern basis because:

- the Directors have an appropriate plan to raise additional funds as and when it is required. In light of the Group's current exploration projects, the Directors believe that the additional capital required can be raised in the market. Refer to note 19 for details of a successful capital placement after the reporting date; and
- the Directors have an appropriate plan to contain certain operating and exploration expenditure if appropriate funding is unavailable.

Should the Group not be successful in its planned capital raisings, it may be necessary to sell some of its assets, farm out exploration projects, reduce exploration expenditure by various methods including surrendering less prospective tenements. Although the Directors believe that they will be successful in these measures, if they are not, the Group may be unable to continue as a going concern and therefore may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Genesis Minerals Limited ("Company" or "parent entity") as at 30 June 2010 and the results of all subsidiaries for the year then ended. Genesis Minerals Limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Investments in subsidiaries are accounted for at cost in the separate financial statements of Genesis Minerals Limited.

(ii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Genesis Minerals Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(iii) Changes in accounting policy

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when a revised AASB 127 *Consolidated and Separate Financial Statements* became operative. The revisions to AASB 127 contained consequential amendments to AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously when the Group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity of financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

Change in accounting policy

The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. The new standard requires a ‘management approach’, under which segment information is presented on the same basis as that used for internal reporting purposes. For management purposes, the Group has identified only one reportable segment as exploration activities undertaken in Chile. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group’s mineral assets in this geographic location. This represents a decrease in the number of reportable segments presented with comparatives for 2009 having been restated.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Australian dollars, which is Genesis Minerals Limited's functional and presentation currency.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(e) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(j) Trade and other receivables

Receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(k) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(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. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Financial assets - reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Change in accounting policy

The Group has adopted the policy of reclassifying financial assets out of the held-for-trading category from 1 July 2009, following amendments made to AASB 139 *Financial Instruments: Recognition and Measurement* in October 2009. Under the Group’s previous policy reclassifications of financial assets were not permitted. The Group did not reclassify any financial assets in the current reporting period. Therefore, the change in accounting policy had no impact on the Group’s financial statements.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the ‘financial assets at fair value through profit or loss’ category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when the Group’s right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial investments is determined are disclosed in note 2.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments classified as available-for-sale are not reversed through the statement of comprehensive income.

If there is evidence of impairment for any of the Group’s financial assets carried at amortised cost, 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. The cash flows are discounted at the financial asset’s original effective interest rate. The loss is recognised in the statement of comprehensive income.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of plant and equipment is calculated using the reducing balance method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 20% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(h)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(m) Exploration and evaluation costs

Exploration and evaluation costs are expensed as incurred.

(n) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms.

(o) Employee benefits

(i) Wages and 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 and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 22.

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

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

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 number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. 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.

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

Where 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.

(p) 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a Group share-based payment arrangement must recognise or expense for those goods or services regardless of which entity in the Group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the Group share-based payment arrangement should be measured, that is, whether it is measured as an equity or a cash-settled transaction. The Group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the Group's financial statements.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for addresses for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The Group will apply the amended standard from 1 July 2010. As the Group has not made any such rights issues, the amendment will not have any effect on the Group's financial statements.

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

AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until1 January 2013 but is available for early adoption. The group is yet to assess its full impact. The Group has not yet decided when to adopt AASB 9.

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

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. The amendments are not expected to have a significant impact on the financial statements of the Group.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the entity issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 July 2010, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

(t) Critical accounting judgements, estimates and assumptions

The preparation of these financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the Group's development and its current environmental impact the directors believe such treatment is reasonable and appropriate.

Taxation

Balances disclosed in the financial statements and the notes thereto related to taxation are based on the best estimates of the directors. These estimates take into account both the financial performance and position of the Group as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by the Australian Taxation Office.

Exploration expenditure

Exploration and evaluation costs are expensed as they are incurred.

Share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 22. If any of these assumptions were to change, there may be an impact on the amounts reported.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all board members to be involved in this process. The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the board on risk management.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Chilean Peso ("CLP").

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	2010 CLP	2009 CLP
Cash and cash equivalents	**2,534,184**	1,685,576
Trade and other receivables	**4,262,057**	1,950,367
Trade and other payables	**(3,868,653)**	(2,121,372)

Sensitivity analysis

Based on the financial instruments held at 30 June 2010, had the Australian dollar weakened/strengthened by 10% against the Chilean Peso with all other variables held constant, there would have been nil impact on the Group's post-tax losses for the year (2009: Nil) and immaterial movements to the Group's equity for both years presented.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

2. FINANCIAL RISK MANAGEMENT (cont'd)

(ii) Price risk

Given the current level of operations, the Group is not exposed to price risk.

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents for the Group $219,252 (2009: $286,034) is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group was 3.3% (2009: 4.3%).

Sensitivity analysis

At 30 June 2010, if interest rates had changed by -/+ 80 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been $2,500 lower/higher (2009: $6,000 lower/higher) as a result of lower/higher interest income from cash and cash equivalents.

(b) Credit risk

The Group does not have any significant concentrations of credit risk. The maximum exposure to credit risk at balance date is the carrying amount (net of provision for impairment) of those assets as disclosed in the statement of financial position and notes to the financial statements.

As the Group does not presently have any debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

Credit risk related to balances with banks by ensuring surplus funds are only invested with counterparties with a Standard & Poor's rating of atleast AA-.

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the Statement of financial position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the balance date are recorded at amounts approximating their carrying amount.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

3. OPERATING SEGMENTS

Identification of reportable segments

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

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics. For management purposes, the Group has identified only one reportable segment as exploration activities undertaken in Chile. This segment includes activities associated with the determination and assessment of the existence of commercial economic reserves, from the Group's mineral assets in this geographic location.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

3. SEGMENT INFORMATION (cont'd)

Inter-segment transactions

An internally determined transfer price is set for all inter-entity sales. This price is re-set quarterly and is based on what would be realised in the event the sale was made to an external party at arm's-length. All such transactions are eliminated on consolidation for the Group's financial statements.

Inter-segment loans payable and receivable are initially recognised at the consideration received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unless indicated otherwise in the segment assets note, investments in financial assets, deferred tax assets and intangible assets have not been allocated to operating segments.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

Unallocated items

The following items of revenue, expense, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of the segment:

- Head office and other administration costs.

Comparative information

This is the first reporting period in which AASB 8 *Operating Segments* has been adopted. Comparative information has been restated to conform to the requirements of the Standard.

	2010 $	2009 $
Chile exploration segment		
Segment revenue	-	-
Reconciliation of segment revenue to total revenue before tax:		
Corporate interest revenue	**11,106**	32,497
Total revenue	**11,106**	32,497
Segment results	**(177,602)**	(780,636)
Reconciliation of segment result to net loss before tax:		
Depreciation expense	**(3,501)**	(3,272)
Salaries and employee benefits expense	**(333,519)**	(122,952)
Share based payments expense	**(32,925)**	-
Other corporate and administration expenses	**(227,739)**	(527,789)
Net loss before tax	**(775,286)**	(1,434,649)
Segment operating assets	**15,040**	8,691
Reconciliation of segment operating assets to total assets:		
Other corporate and administration assets	**214,536**	286,398
Total assets	**229,576**	295,089
Segment operating liabilities	**1,295,502**	1,196,444
Reconciliation of segment operating liabilities to total liabilities:		
Inter-segment eliminations	**(1,286,941)**	(1,191,374)
Other corporate and administration liabilities	**63,668**	62,953
Total liabilities	**72,229**	68,023

Notes to the Consolidated Financial Statements continued

30 JUNE 2010	2010 $	2009 $
4. REVENUE		
From continuing operations		
Other revenue		
Interest	**11,106**	32,497
5. EXPENSES		
Loss before income tax includes the following specific expenses:		
Defined contribution superannuation expense	**20,528**	20,481
Impairment expense - trade and other receivables	**12,045**	84,183
6. INCOME TAX		
(a) Income tax expense		
Current tax	**-**	-
Deferred tax	**-**	-
	-	-
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax expense	**(775,286)**	(1,434,649)
Prima facie tax benefit at the Australian tax rate of 30%	**(232,586)**	(430,395)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**9,878**	-
Sundry items	**10**	174
	(222,698)	(430,221)
Movements in unrecognised temporary differences	**(22,373)**	13,063
Tax effect of current year tax losses for which no deferred tax asset has been recognised	**245,071**	417,158
Income tax expense	**-**	-
(c) Unrecognised temporary differences		
Deferred Tax Assets (at 30%)		
On Income Tax Account		
Capital raising costs	**54,202**	61,782
Provisions for impairment	**44,134**	43,720
Other	**13,500**	13,500
Carry forward tax losses	**1,244,569**	999,498
	1,356,405	1,118,500
Deferred Tax Liabilities (at 30%)	**-**	-
7. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	**219,252**	286,034
Cash and cash equivalents	**219,252**	286,034

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

Notes to the Consolidated Financial Statements continued

30 JUNE 2010	2010 $	2009 $
8. TRADE AND OTHER RECEIVABLES		
Government taxes receivable	**147,113**	145,734
Provision for impairment (note (a))	**(147,113)**	(145,734)
Other receivables	**9,432**	4,662
	9,432	4,662

(a) Impaired receivables

As at 30 June 2010 the GTS receivable from the Group's operations in Chile (tax similar to Australia's GST), with a nominal value of $147,113 (2009: $145,734), has been provided for in full. The GTS may only be recoverable once the Group's operations are producing revenue in Chile.

Movements in the provision for impairment of receivables are as follows:

	2010 $	2009 $
Balance at the beginning of the year	**145,734**	51,372
Exchange differences	**(10,666)**	10,179
Provision for impairment recognised during the year	**12,045**	84,183
	147,113	145,734

9. PLANT AND EQUIPMENT

	2010 $	2009 $
Plant and equipment		
Cost	**9,389**	9,389
Accumulated depreciation	**(8,497)**	(4,996)
Net book amount	**892**	4,393
Plant and equipment		
Opening net book amount	**4,393**	7,665
Depreciation charge	**(3,501)**	(3,272)
Closing net book amount	**892**	4,393

10. TRADE AND OTHER PAYABLES

	2010 $	2009 $
Trade payables	**22,484**	31,377
Other payables and accruals	**49,745**	36,646
	72,229	68,023

11. ISSUED CAPITAL

(a) Share capital

	Notes	2010 Number of shares	2010 $	2009 Number of shares	2009 $
Ordinary shares fully paid	11(b), 11(d)	**34,917,510**	**4,268,799**	26,450,010	3,602,414
Total issued capital		**34,917,510**	**4,268,799**	26,450,010	3,602,414

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

11. ISSUED CAPITAL (cont'd)

(b) Movements in ordinary share capital

	2010		2009	
	Number of shares	$	Number of shares	$
Beginning of the financial year	**26,450,010**	**3,602,414**	23,000,010	2,954,849
Issued during the year:				
– Issued for cash at 8 cents per share	**4,500,000**	**360,000**	-	-
– Issued for cash at 9 cents per share	**3,967,500**	**357,075**	-	-
– Issued for cash at 20 cents per share	**-**	**-**	3,450,000	690,000
Less: Transaction costs	**-**	**(50,690)**	-	(42,435)
End of the financial year	**34,917,510**	**4,268,799**	26,450,010	3,602,414

(c) Movements in options on issue

	Number of options	
	2010	2009
Beginning of the financial year	**9,750,000**	9,750,000
Issued during the year:		
– Exercisable at 10 cents, on or before 30 Jun 2011	**4,500,000**	-
– Exercisable at 15 cents, on or before 23 Aug 2013	**75,000**	-
– Exercisable at 20 cents, on or before 23 Aug 2013	**75,000**	-
End of the financial year	**14,400,000**	9,750,000

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

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

(e) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2010 and 30 June 2009 is as follows:

	2010	2009
	$	$
Cash and cash equivalents	**219,252**	286,034
Trade and other receivables	**9,432**	4,662
Trade and other payables	**(72,229)**	(68,023)
Working capital position	**156,455**	222,673

Notes to the Consolidated Financial Statements continued

30 JUNE 2010	2010 $	2009 $
12. RESERVES AND ACCUMULATED LOSSES		
(a) Reserves		
Foreign currency translation reserve	**30,781**	24,524
Share-based payments reserve	**96,475**	63,550
	127,256	88,074
Movements:		
Foreign currency translation reserve		
Balance at beginning of year	**24,524**	629
Currency translation differences arising during the year	**6,257**	23,895
Balance at end of year	**30,781**	24,524
Share-based payments reserve		
Balance at beginning of year	**63,550**	63,550
Options issued to employees and contractors	**32,925**	-
Balance at end of year	**96,475**	63,550

(b) Nature and purpose of reserves

(i) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

(ii) Share-based payments reserve

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

13. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key management personnel compensation	2010 $	2009 $
Short-term benefits	**244,500**	244,500
Post employment benefits	**18,700**	17,350
Other long-term benefits	**-**	-
Termination benefits	**-**	-
Share-based payments	**-**	-
	263,200	261,850

Detailed remuneration disclosures are provided in the remuneration report on pages 5 and 6.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

13. KEY MANAGEMENT PERSONNEL DISCLOSURES (cont'd)

(b) Equity instrument disclosures relating to key management personnel

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

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on page 6.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Genesis Minerals Limited and other key management personnel of the Group, including their personally related parties, are set out below:

2010	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Genesis Minerals Limited							
Michael Haynes	**1,000,000**	-	-	-	**1,000,000**	**1,000,000**	-
Michael Fowler	**5,000,000**	-	-	-	**5,000,000**	**5,000,000**	-
Graeme Smith	**500,000**	-	-	-	**500,000**	**500,000**	-

2009	Balance at start of the year	Granted as compensation	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of Genesis Minerals Limited							
Michael Haynes	1,000,000	-	-	-	1,000,000	1,000,000	-
Michael Fowler	5,000,000	-	-	-	5,000,000	5,000,000	-
Graeme Smith	500,000	-	-	-	500,000	500,000	-

All vested options are exercisable at the end of the year.

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Genesis Minerals Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2010	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Genesis Minerals Limited				
Ordinary shares				
Michael Haynes	**660,000**	-	-	**660,000**
Michael Fowler	**2,000,000**	-	-	**2,000,000**
Graeme Smith	**60,000**	-	-	**60,000**

2009	Balance at start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the year
Directors of Genesis Minerals Limited				
Ordinary shares				
Michael Haynes	660,000	-	-	660,000
Michael Fowler	2,000,000	-	-	2,000,000
Graeme Smith	60,000	-	-	60,000

(c) Loans to key management personnel

There were no loans to key management personnel during the year.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010	2010 $	2009 $

14. REMUNERATION OF AUDITORS

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

Audit services		
Bentleys - audit of financial reports	**21,450**	26,000
Eduardo Barrientos - audit or review of financial reports of any entity in the Group	**-**	3,607
Total remuneration for audit services	**21,450**	29,607

15. CONTINGENCIES

There are no contingent liabilities or contingent assets of the Group at balance date.

16. COMMITMENTS

(a) Exploration commitments

The Group has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

within one year	**41,000**	26,000
later than one year but not later than five years	**123,000**	78,000
	164,000	104,000

(b) Remuneration commitments

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in the remuneration report on page 6 that are not recognised as liabilities and are not included in the key management personnel compensation.

within one year	**44,000**	44,000
later than one year but not later than five years	**-**	-
	44,000	44,000

17. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Genesis Minerals Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 18.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 13.

(d) Loans to related parties

Genesis Minerals Limited has provided an unsecured, interest free loan to its wholly owned subsidiary, Genesis Minerals (Chile) S.A., totalling $1,286,941 (2009: $1,191,374) at 30 June 2010. 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.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010

18. SUBSIDIARIES

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

Name	Country of Incorporation	Class of Shares	Equity Holding(1)	
			2010	2009
			%	%
Genesis Minerals (Chile) S.A.	Chile	Ordinary	**100**	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

19. EVENTS AFTER THE BALANCE SHEET DATE

Project Acquisitions

On 5 August 2010 Genesis announced it had entered into an agreement with a private Chilean company to acquire a 100% interest in the Dinamarquesa Gold – Copper Project in northern Chile. An initial payment of US$125,000 is due within 21 working days of Genesis completing due diligence and the signing of a formal Option Agreement. Staged payments totalling US$4,300,000 are then due over a 48 month period with a 2nd payment of US$125,000 due 9 months after signing the Option Agreement.

On 12 August 2010 Genesis announced it had entered into an agreement with a private Chilean company to acquire a 100% interest in the Cerro Blanco Gold-Copper-Silver Project in northern Chile. An initial payment of US$30,000 is due within 28 working days of Genesis completing due diligence and executing a formal Option Agreement, which is scheduled to be finalised by mid September 2010. Staged payments totalling US$4,000,000 are then due over a 60 month period with a 2nd payment of US$75,000 due 12 months after signing the Option Agreement. In addition Genesis will issue the private Chilean company US$20,000 worth of fully paid ordinary shares in Genesis Minerals Limited on satisfactory completion of Due Diligence. On each 12 month anniversary of the Agreement Genesis will issue the vendor an additional US$25,000 worth of fully paid ordinary shares in Genesis.

Capital Raisings

On 27 August 2010, Genesis announced a pro rata non-renounceable Entitlements Issue on the basis of 2 new shares for every 3 held on the record date at an issue price of $0.05 each. The Entitlement Issue is underwritten and will raise approximately $1,163,917 (before costs).

On 10 September 2010, Genesis announced the issue of 4,937,627 fully paid ordinary shares in a placement at an issue price of $0.05 per share to raise $246,881 (before costs).

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

20. CASH FLOW INFORMATION

	2010 $	2009 $
Reconciliation of net loss after income tax to net cash outflow from operating activities		
Net loss for the year	**(775,286)**	(1,434,649)
Non-Cash Items		
Depreciation of non-current assets	**3,501**	3,272
Share based payments expense	**32,925**	-
Net exchange differences	**6,526**	14,797
Change in operating assets and liabilities, net of effects from purchase of controlled entities		
Decrease/(increase) in trade and other receivables	**(5,115)**	6,169
(Decrease)/increase in trade and other payables	**4,581**	(114,440)
Net cash outflow from operating activities	**(732,868)**	(1,524,851)

Notes to the Consolidated Financial Statements continued

30 JUNE 2010	2010 $	2009 $
21. LOSS PER SHARE		
(a) Reconciliation of earnings used in calculating loss per share		
Loss attributable to the owners of the Company used in calculating basic and diluted loss per share	**(775,286)**	(1,434,649)
	Number of shares	Number of shares
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**31,556,421**	25,703,298

22. SHARE-BASED PAYMENTS

Employees and contractors options

The Group provides benefits to employees (including directors) and contractors of the Group in the form of share-based payment transactions, whereby options to acquire ordinary shares are issued as an incentive to improve employee and shareholder goal congruence. The exercise price of the options granted ranges from 15 to 20 cents with expiry dates ranging from 28 February 2013 to 23 August 2013.

Included in the above are 150,000 options granted to an employee that vested in two equal tranches of 75,000 options each, with the first tranche vesting on 20 August 2008 and the second tranche vesting on 20 August 2009. The expense should have been recognised over the respective periods but was not. The effect is not considered material, hence the entire expense was recognised in this financial year.

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

Set out below are summaries of the options granted:

	2010		2009	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	**500,000**	**20.0**	500,000	20.0
Granted	**150,000**	**17.5**	-	-
Forfeited/cancelled	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	**650,000**	**19.4**	500,000	20.0
Exercisable at year-end	**650,000**	**19.4**	500,000	20.0

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 2.78 years (2009: 2.58), with exercise prices ranging from 15 to 20 cents.

Expenses arising from share-based payment transactions

The weighted average fair value of the options granted during the year was 21.7 cents (2009: N/A). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2010	2009
Weighted average exercise price (cents)	20.0	-
Weighted average life of the option (years)	6.0	-
Weighted average underlying share price (cents)	25.0	-
Expected share price volatility	109.5%	-
Risk free interest rate	6.5%	-

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

The life of the options is based on historical exercise patterns, which may not eventuate in the future.

Notes to the Consolidated Financial Statements continued

30 JUNE 2010	2010	2009
	$	$

22. SHARE-BASED PAYMENTS (cont'd)

Total expenses arising from share-based payment transactions recognised during the year were as follows:

Options issued to employees and contractors	**32,925**	-

23. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Genesis Minerals Limited, at 30 June 2010. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	2010	2009
Current assets	**213,644**	282,005
Non-current assets	**892**	4,393
Total assets	**214,536**	286,398
Current liabilities	**63,668**	62,953
Total liabilities	**63,668**	62,953
Issued capital	**4,268,799**	3,602,414
Share-based payments reserve	**96,475**	63,550
Accumulated losses	**(4,214,406)**	(3,442,519)
Total equity	**150,868**	223,445
Loss for the year	**(771,887)**	(1,363,072)
Total comprehensive loss for the year	**(771,887)**	(1,363,072)

Directors' Declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 13 to 35 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the Group's financial position as at 30 June 2010 and of it's performance for the financial year ended on that date;

(b) subject to the matter at note 1(a), there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

(c) a statement that the attached financial statements are in compliance with International Financial Reporting Standards has been included in the notes to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

Michael Fowler
Managing Director

Perth, 30 September 2010

Bentleys
Thinking ahead

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Independent Auditor's Report

To the Members of Genesis Minerals Limited

We have audited the accompanying financial report of Genesis Minerals Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors Responsibility for the Financial Report

The directors of Genesis Minerals Limited 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 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

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 judgment, 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 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 followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Auditor's Opinion

In our opinion:

a. The financial report of Genesis Minerals Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

   i. giving a true and fair view of the Company and the Consolidated Entity'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 1.

Emphasis of Matter

Without qualifying our opinion, attention is drawn to the following matter. As a result of matters described in Note 1: Going Concern to the financial report, uncertainty exists whether Genesis Minerals Limited and Controlled Entities will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Consolidated Entity not continue as a going concern.

Report on the Remuneration Report

We have audited the Remuneration Report included within the report of the directors for the year ended 30 June 2010. The directors of Genesis Minerals Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Genesis Minerals Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

Bentleys

BENTLEYS
Chartered Accountants

CHRIS WATTS CA
Director

DATED at PERTH this 30th day of September 2010

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 29 September 2010.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

			Ordinary shares	
			Number of holders	**Number of shares**
1	-	1,000	1	10
1,001	-	5,000	15	55,536
5,001	-	10,000	82	782,977
10,001	-	100,000	211	7,903,474
100,001		and over	70	31,113,140
			379	39,855,137
The number of shareholders holding less than a marketable parcel of shares are:			20	78,268

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of shares	**Percentage of ordinary shares**
1	Argonaut Equity Partners Pty Limited	2,825,000	7.09
2	Lachlan Resource Investments Ltd	2,487,627	6.24
3	Mr Michael John Fowler & Mrs Fiona Lee Dixon Fowler	2,000,000	5.02
4	Merrill Lynch (Australia) Nominees Pty Ltd	1,877,000	4.71
5	Dgali Investments Pty Ltd	1,700,000	4.27
6	Mr Henry Wiechecki	1,150,000	2.89
7	Gecko Resources Pty Ltd	865,000	2.17
8	Mr Geoffrey Norman Barnesby-Johnson & Catherine Jane Halvorsen	845,000	2.12
9	Argonaut Investments	750,000	1.88
10	Scintilla Strategic Investments Limited	725,000	1.82
11	Mr Mark Paterniti & Mrs Karen Paterniti	667,862	1.68
12	Mr Darren Peter Gordon	625,000	1.57
13	Halson Corporation Pty Ltd	600,000	1.51
14	Stateline Investments Pty Ltd	600,000	1.51
15	Geotech International Pty Ltd	583,334	1.51
16	Mr Bradley George Bolin	580,780	1.46
17	Mr Michael Filan Ashforth	540,000	1.46
18	Bullseye Geoservices Pty Ltd	500,000	1.35
19	Mr Denis John Reynolds	500,000	1.25
20	Celtic Capital Pty Ltd	409,175	1.17
		20,830,778	52.68

ASX Additional Information continued

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

	Number of Shares
Argonaut Equity Partners Pty Limited	2,825,000
Lachlan Resource Investments Ltd	2,487,627
Mr Michael John Fowler & Mrs Fiona Lee Dixon Fowler	2,000,000

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(e) Schedule of interests in mining tenements

Location	Tenement	Percentage held / earning
Mundong Well, Western Australia	E08/1690	100%
Mundong Well, Western Australia	E08/1787	100%