

**YELLOW ROCK RESOURCES LIMITED**  
**A.C.N. 116 221 740**

**ANNUAL REPORT**

**30 JUNE 2011**

## CORPORATE DIRECTORY

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### DIRECTORS

Sydney Chesson (Chairman)  
Brenton Lewis  
Leslie Ingraham

### SECRETARY

Simon Chesson

### REGISTERED OFFICE

420 Newcastle Street  
West Perth WA 6005

### PRINCIPAL OFFICE

420 Newcastle Street  
West Perth WA 6005

Telephone: (08) 9227 6300  
Facsimile: (08) 9227 6400

### SHARE REGISTRY

Computershare Investor Services Pty Ltd  
Level 2  
45 St George's Terrace  
Perth WA 6000

Telephone: (08) 9323 2000  
Facsimile: (08) 9323 2033

### AUDITORS

RSM Bird Cameron Partners  
8 St George's Terrace  
Perth WA 6000

### AUSTRALIAN SECURITIES EXCHANGE

Yellow Rock Resources Limited shares (YRR) and options (YRROA) are listed on the Australian Securities Exchange.

**CORPORATE**

CSA Global (UK) Ltd (CSA) was commissioned by YRR to complete the MRE update for the Gabanintha Vanadium – Magnetite – Ilmenite deposit. Data used in the preparation of the MRE was sourced from all available information from diamond and RC drilling, surface geology mapping and structural interpretations. A review of data, drilling/sampling activities and data management processes has been completed by CSA Global Pty Ltd, Perth, Australia.

The updated Mineral Resource Estimate (MRE) as at the 4<sup>th</sup> of February 2011 is presented in Table 1 below:

Compared to the previous resource estimate, this Mineral Resource has seen a significant improvement in grade for the main target commodities V<sub>2</sub>O<sub>5</sub> (0.6 up to 0.7%), Fe (29.5 up to 32.3%) and TiO<sub>2</sub> (7.8 up to 8.6%), with a reduction in tonnes from 151.2Mt down to 125.8Mt.

**Table 1. Gabanintha Magnetite-Vanadiferous-Ilmenite Deposit - Mineral Resource Estimate**

Material	JORC Resource Class	Million tonnes	In Site Bulk Density	V <sub>2</sub> O <sub>5</sub> %	Fe%	TiO <sub>2</sub> %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	LOI%
High Grade	Indicated	14.4	4.17	1.03	42.14	12.07	11.42	7.84	3.37
	Inferred	46.0	4.16	0.97	42.15	11.19	12.37	8.28	3.20
	Sub-total	60.4	4.16	0.98	42.15	11.40	12.15	8.17	3.24
Low Grade	Indicated	42.7	2.71	0.44	23.37	6.08	29.25	18.09	8.94
	Inferred	22.7	2.67	0.42	22.65	6.08	30.62	16.96	6.92
	Sub-total	65.4	2.70	0.43	23.12	6.08	29.73	17.70	8.24
Total	Indicated	57.0	2.97	0.59	28.10	7.59	24.76	15.51	7.54
	Inferred	68.8	3.51	0.79	35.70	9.50	18.40	11.15	4.43
	Total	125.8	3.25	0.70	32.26	8.64	21.29	13.13	5.84

*Note: In-situ dry bulk density has been assigned based on V<sub>2</sub>O<sub>5</sub> grade, therefore density values quoted here are weighted average values. The Mineral Resource was estimated as a block model within constraining wireframes based upon logged geological boundaries and grade cut-offs of 0.3% V<sub>2</sub>O<sub>5</sub> for Low Grade (LG) and 0.7% V<sub>2</sub>O<sub>5</sub> for High Grade (HG). Tonnages have been rounded to reflect that this is an estimate.*

The information in this Report that relates to in-situ Mineral Resources is based on information compiled by Galen White of CSA Global (UK) Ltd. Galen White takes overall responsibility for the Report. He is a Member of the Australasian Institute of Mining and Metallurgy (AUSIMM) and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' (JORC Code 2004 Edition). Galen White consents to the use of such information in this Report in the form and context in which it appears.

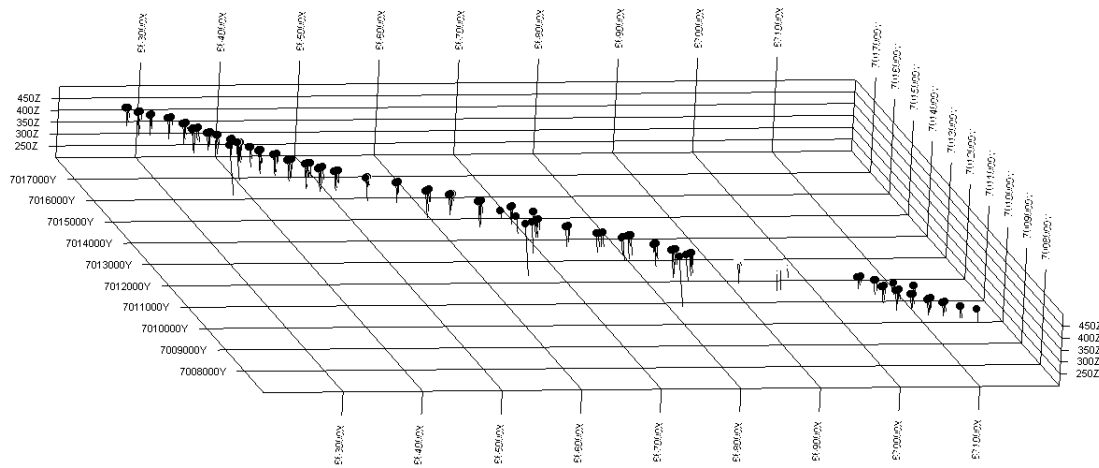
The CSA updated Mineral Resource Estimate was completed based on the following:

- The Gabanintha magnetite-vanadiferous ilmenite deposit is located in the Murchison Province of Western Australia. The project consists of five leases and is located 43 kilometres south east of Meekathara via the Great Northern Highway.
- The project is located in the north Murchison granite-greenstone terrain of the Archaen Yilgarn Craton within mafic, ultramafic, extrusive and volcanoclastic rocks of the Gabanintha Formation. The mineralised gabbro intrusion strikes in a northwesterly direction and dips moderately to the south west. The footwall is a talc-carbonate ultramafic and the mineralisation is offset by later dolerites and granites and a series of east and east southeast trending faults.
- Mineralisation is hosted in a differentiated gabbro and is closely associated with a series of massive to disseminated titaniferous magnetite bands ranging in size from a few metres up to 20-30 metres thick. It is understood that the bands comprise aggregates of oxidised (martitised) magnetite grains with ilmenite inclusions. Transition mineralisation comprises up to 15% magnetite, up to 65% hematite, 15% ilmenite and 10% kaolinite. Where fresh and un-oxidised, the ore consists of massive to disseminated magnetite and ilmenite (after Gordon and Schwann, 2008). High grade mineralisation occurs close to the base of the gabbro close to the contact with the ultramafic footwall, with a lower grade zone closer to the surface. Mineralisation remains open along strike and down-dip.
- Drilling data used in the MRE consisted of 164 drill holes for 13,124m of which 136 holes for 11,084m were drilled by YRR since 2007. Historical drilling (pre-YRR) made up the additional drill holes and assays used. Nine holes for 1,526m of diamond drilling were drilled. Industry standard sampling practices were employed, with the exception of spear

sampling used in the first phase of YRR drilling and grab re-sampling of hanging wall mineralisation in later programmes. Table 2 summarises the drill data used in the MRE and Figure 1 shows a 3 dimensional view of drill data used.

**Table 2. Summary of drill data used in MRE**

Description	Hole Number Series	Drill Type	Number of Holes	Metres Drilled
Off - License	GRC040 to 042 & 064 to 073	RC	13	871
	GDH904 to 906	DD	3	513
Pre - YRR	GRC006 to GRC017	RC	12	656
YRR	GRC018 to GRC158	RC	130	10,071
	GDH901 to 903 & 907 to 909	DD	6	1,013
Total			164	13,124



**Figure 1. View of drilling used in MRE.**

**Black collars show recent drilling. Green collars indicate pre-YRR drilling and red collars indicate drilling that is off-license. View towards NE.**

- Drill hole data was presented to CSA West Perth in the form of a Microsoft Access database from which the relevant files were exported as csv files for import to Datamine. Validation was conducted and any issues highlighted were raised with the client and resolved before proceeding. The final verified dataset was then transferred to CSA personnel in the UK, and imported into Micromine, where the estimate was completed. Further standard software validation checks were run in Micromine and a fully validated drillhole database was created. 22 recent and historic holes do not have assay data. The hole numbers and reasons are summarised in Table 3 (below). Geology records do not exist for GRC054A and GRC054B as they were abandoned and redrilled as GRC054C for which all assay and geology data is available.
- Drill collars were surveyed by differential GPS and down hole surveys were completed on the diamond holes using a gyroscope with measurements recorded every 10m down hole. The RC holes used measurements from the drill collar. The average drill hole orientation is 60 degrees to the north east, which is approximately perpendicular to the strike of the orebody.
- Multi-element analysis on samples was conducted at a number of laboratories in Western Australia during the various drilling campaigns (Table 4 - below). Duplicates and samples containing standards were dispatched by YRR for QAQC purposed. The results were reviewed by CSA. Samples were dispatched for multi-element duplicate analysis to assess the

## COMPANY REVIEW

precision of the laboratory and 1,656 analysis results for V<sub>2</sub>O<sub>5</sub>, TiO<sub>2</sub>, Al<sub>2</sub>O<sub>3</sub>, SiO<sub>2</sub>, and LOI were reviewed. However, only 114 samples were analysed for Fe. The results of this work were excellent with a high degree of correlation between sample pairs.

- The precision demonstrated by the laboratories is at an acceptable level, but it is advisable that the number of samples dispatched for Fe analysis be increased. A total of 67 field standards were reviewed for V<sub>2</sub>O<sub>5</sub> and Fe and 62 laboratory standards for TiO<sub>2</sub>, Al<sub>2</sub>O<sub>3</sub>, SiO<sub>2</sub>, Fe and LOI. No standards returned values outside the certified reference material tolerances.
- Overall, the large number of standards used for a relatively small dataset meant a certain degree of difficulty in obtaining statistically valid results. However, there is no suggestion that the accuracy of the laboratories is an issue. It is suggested that QAQC samples be increased to 5% of the samples analysed and also for blanks to be submitted.
- Initial descriptive statistics showed that the grade population of the vanadium mineralisation was bimodal, representing a low grade zone and a high grade zone adjacent to the footwall of the host intrusive gabbro. Analysis of the cumulative frequency graph shows two natural grade cut-offs at which interpretation could be completed. A grade cut off of 0.3% was chosen for the low grade, and 0.7% was chosen for the high grade. These are in line with previous reported estimates. Interpretation of V<sub>2</sub>O<sub>5</sub> mineralisation incorporated logged geology information, with mineralisation wireframes dipping moderately to the west following the dip of the gabbro units. Units with a thickness greater than 5m were modelled and continuity was interpreted to a distance of 100m along strike and 15m up/down dip (representing half the average drill spacing). In isolated cases where small discrete zones were interpreted, based only on 1 drill section and limited drill hole data, continuity was interpreted to 50m along strike.
- Geological and structural mapping and interpretation completed by Southern Geoscience were used in the creation of the wireframes. Where strike-slip displacement was mapped in the lithological units, similar displacement was incorporated into the wireframed mineralisation model. Where moderate to high magnetic units were mapped on the surface, mineralisation was interpreted to extend to surface (generally 15 - 30 m extrapolation up-dip).
- The wireframe model of the low grade and high grade domains used in the MRE update are shown in **Figure 1** below. Three deep diamond holes drilled since the 2008 MRE were not included in the interpretation. These are GDH903, GDH906 and GDH909. The three holes are spaced 7,000 m apart along strike and approximately 60m down dip from the next hole in the drill fence. Due to some geological uncertainty on the lateral continuity of the units (truncation by faults etc), it was considered appropriate to exclude this limited data until more holes be drilled around them to corroborate.

Domain	Resource	Tonnage			Grade								
					V2O5			Fe			TiO2		
		Nov-08	Dec-10	% Diff	Nov-08	Dec-10	% Diff	Nov-08	Dec-10	% Diff	Nov-08	Dec-10	% Diff
High Grade	Measured Resource	32.5		-100%	0.90		-100%	38.33	0.00	-100%	10.40		-100%
	Indicated Resource	23.7	14.4	-39%	0.80	1.03	28%	36.93	42.14	14%	9.80	12.07	23%
	Inferred Resource	13.4	46.0	244%	0.90	0.97	8%	39.80	42.15	6%	10.80	11.19	4%
	Sub-total Resource	69.6	60.4	-13%	0.90	0.98	9%	38.12	42.15	11%	10.30	11.40	11%
Low Grade	Measured Resource	53.9		-100%	0.40		-100%	21.61		-100%	5.60		-100%
	Indicated Resource	9.7	42.7	340%	0.40	0.44	9%	22.73	23.37	3%	5.80	6.08	5%
	Inferred Resource	6.2	22.7	267%	0.40	0.42	5%	22.59	22.65	0%	5.80	6.08	5%
	Sub-total Resource	69.8	65.4	-6%	0.40	0.43	8%	21.89	23.12	6%	5.70	6.08	7%
Scree	Measured Resource	8.3	No Scree domain modelled (included in LG domain)		0.40	No Scree domain modelled (included in LG domain)		22.10	No Scree domain modelled (included in LG domain)		4.90	No Scree domain modelled (included in LG domain)	
	Indicated Resource	1.2			0.30			19.65			4.40		
	Inferred Resource	2.3			0.70			34.20			7.50		
	Sub-total Resource	11.8			0.40			24.20			5.40		
Total	Measured Resource	94.7			0.56			27.41			7.21		
	Indicated Resource	34.6	57.0	65%	0.69	0.59	-15%	32.37	28.10	-13%	8.52	7.59	-11%
	Inferred Resource	21.9	68.8	214%	0.74	0.79	7%	34.31	35.70	4%	9.02	9.50	5%
	TOTAL	151.2	125.8	-17%	0.60	0.70	16%	29.52	32.26	9%	7.80	8.64	11%

## DIRECTORS REPORT

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Your directors present their report on the company and its controlled entities for the year ended 30 June 2011.

### DIRECTORS

The names of the directors of the company in office during the financial year and up to the date of this report are as follows:

#### Current Board Members

Sydney Chesson - appointed 10 February 2011  
Brenton Lewis - appointed 15 July 2010  
Leslie Ingraham - appointed 31 January 2011

#### Board Members resigned in the last financial year

Jeffrey Green - appointed 2 July 2009; resigned 15 July 2010  
Catherine Anderson - appointed 28 April 2010; resigned 15 July 2010  
Dean Gallegos - appointed 25 May 2010; resigned 6 September 2010  
Edward Saunders - appointed 15 July 2010; resigned 9 February 2011  
Gary Stokes - appointed 15 July 2010; resigned 31 January 2011

Directors were in office from the beginning of the financial year until the date of this report unless otherwise stated.

The particulars of the qualifications, experience and special responsibilities of each director are as follows:

#### **Sydney Chesson**, M.B.A, C.R.E.M, C.S.M, F.A.I.C.D. – Non-Executive Chairman

Mr Chesson has over 30 years experience in business in Western Australia. He has extensive experience, as a director, advisor, representative and agent for WA businesses and companies. Mr Chesson is or has been a non executive director and chairman of a number of public companies listed on the Australian Stock Exchange. He is chairman of AustAsia Group and holds a master of business administration, Juris doctor (law degree) and Certificate of real estate management.

Mr Chesson was appointed as a Director on 10 February 2011.

#### **Leslie Ingraham** – Executive Director

Mr Ingraham has been in private business for over 20 years. He has successfully worked as a consultant for private companies as well as companies listed on the Australian Stock Exchange, working on capital raising and share holder liaison.

Mr Ingraham was appointed as a Director on 31 January 2011.

#### **Brenton Lewis**, BBS (Hons), MBS – Non-Executive Director

Mr Lewis is an academic who has spent the past 20 years in the tertiary education sector. He has held management positions including Head of Department and Head of Post Graduate studies. He has published, taught and researched in areas including Ethics and Psychopathology. He has been a consultant to various Health agencies including the Hong Kong Hospital Authority and the WA Health Department. He has served on numerous Boards of Management including academic and non-government organisations.

Director since 15 July 2010.

During the past four years Mr Lewis has held the following other listed company directorships:  
Aurium Resources Limited (9 July 2009 to present)

#### **Gary Stokes**, B.Bus, JP – Non-Executive Director

Mr Stokes resigned as a director on 31 January 2011

#### **Jeffrey Green** – Non-Executive Director

Mr Green resigned as a director on 15 July 2010.

#### **Catherine Anderson** – Non-Executive Director

Ms Anderson resigned on 15 July 2010.

## DIRECTORS REPORT

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**Dean Gallegos** – Non-Executive Director

Mr Gallegos resigned on 6 September 2010.

**Edward Saunders** – Non-Executive Chairman

Mr Saunders resigned on 9 February 2011.

### 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 Yellow Rock Resources Limited were:

	Number of Ordinary Shares	Number of Options over Ordinary Shares
S Chesson	-	-
L Ingraham	4,997,280	5,500,000
B Lewis	500,000	500,000

### COMPANY SECRETARY

**Simon Chesson**, M.B.A (UWA), CPA, CFP, B.Comm, C.S.M, FinSIA

Mr Simon Chesson has been awarded the degrees of Master of Business of Administration, and a Bachelor of Commerce. He is a qualified Certified Practising Accountant, a qualified Certified Financial Planner, and an affiliate of the Securities Institute of Australia.

Mr Chesson has over 15 years experience in business, accounting, and the property industry. He has extensive experience as a Director and company secretary of numerous public and private companies.

Mr Chesson was appointed as company secretary on 1 August 2011.

### CORPORATE INFORMATION

#### Corporate Structure

Yellow Rock Resources Limited is a limited liability company that is incorporate and domiciled in Australia. Yellow Rock Resources Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year as follows:

Yellow Rock Resources Limited	-	parent entity
Australian Uranium Pty Ltd	-	100% owned controlled entity
Cabe Resources Pty Ltd	-	100% owned controlled entity
Apogei Pty Ltd	-	20% owned entity

#### Nature of Operations and Principal Activities

The principal continuing activities during the year of entities within the consolidated entity was exploration for vanadium/titanium, uranium and other economic resources.

### OPERATING AND FINANCIAL REVIEW

#### Review of Operations

A review of operations for the financial year and the results of those operations is contained within the company review.

#### Operating Results

Consolidated loss after income tax for the financial year was \$9,158,572 (2010: \$11,174,635). The loss for the year included an allowance for impairment on capitalised exploration and evaluation of \$8,659,481 (2010: \$8,647,515) and impairment of other financial assets of \$Nil (2010: \$1,685,585).

#### Financial Position

At 30 June 2011, the Group had cash reserves of \$3,035,271 (2010: \$4,128,239)

## DIRECTORS REPORT

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### Financing and Investing Activities

The company did not issue any securities during the year.

### Dividends

No dividends were paid during the year and no recommendation is made as to dividends.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the company during the financial year are detailed in the company review.

In the opinion of the directors, there were no other significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or in the financial report.

### EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen, since the end of the financial year, which significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial years, other than as outlined in the company review which is contained in this Annual Report.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The company will continue to pursue its principal activity of exploration and evaluation, particularly in respect to the Projects as more particularly outlined in the company review. The company will also continue to pursue other potential investment opportunities to enhance shareholder value.

### MEETINGS OF DIRECTORS

The numbers of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

	Board of Directors	
	Number eligible to attend	Number attended
S Chesson	4	4
L Ingraham	5	5
B Lewis	12	12
E Saunders	8	8
G Stokes	7	7
J Green	2	2
C Anderson	4	4
D Gallegos	4	4

### REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director and executive of Yellow Rock Resources Limited. The information provided in the remuneration report includes remuneration disclosures that are audited as required by section 308(3C) of the Corporations Act 2001.

For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes five executives in the parent group receiving the highest remuneration.

For the purposes of this report the term “executive” includes those key management personnel who are not directors of the parent company.

## DIRECTORS REPORT

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### Remuneration Committee

The full Board carries out the role and responsibilities of the Remuneration Committee and is responsible for determining and reviewing the compensation arrangements for the Directors themselves, the Managing Director and any Executives.

Executive remuneration is reviewed annually having regard to individual and business performance, relevant comparative remuneration and internal and independent external advice.

#### A. Remuneration policy

The board policy is to remunerate directors at market rates for time, commitment and responsibilities. The board determines payments to the 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 directors' fees that can be paid is subject to approval by shareholders in general meeting, from time to time. Fees for non-executive directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholders interests, the directors are encouraged to hold shares in the company.

The company's aim is to remunerate at a level that will attract and retain high-calibre directors and employees. Company officers and directors are remunerated to a level consistent with the size of the company.

The executive directors and full time executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

The Company did not pay any performance-based component of remuneration during the year.

#### B. Remuneration structure

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

##### Non-executive Director Compensation

###### *Objective*

The Board seeks to set aggregate compensation at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

###### *Structure*

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination approved by shareholders was an aggregate compensation of \$200,000 per year.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Non-Executive Directors' remuneration may include an incentive portion consisting of options, as considered appropriate by the Board, which may be subject to Shareholder approval in accordance with ASX listing rules.

Separate from their duties as Directors, the Non-Executive Directors undertake work for the Company directly related to the evaluation and implementation of various business opportunities, including mineral exploration/evaluation and new business ventures, for which they receive a daily rate. These payments are made pursuant to individual agreement with the non-executive Directors and are not taken into account when determining their aggregate remuneration levels.

##### Executive Compensation

###### *Objective*

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

## DIRECTORS REPORT

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- reward executives for company and individual performance against targets set by appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the company; and
- ensure total compensation is competitive by market standards.

### *Structure*

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

Remuneration consists of a fixed remuneration and a long term incentive portion as considered appropriate.

Compensation may consist of the following key elements:

- Fixed Compensation;
- Variable Compensation;
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).

### *Fixed Remuneration*

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board having regard to the Company and individual performance, relevant comparable remuneration in the mining exploration sector and external advice.

The fixed remuneration is a base salary or monthly consulting fee.

### *Variable Pay — Long Term Incentives*

The objective of long term incentives is to reward directors/executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. The incentive portion is payable based upon attainment of objectives related to the director's/executive's job responsibilities. The objectives vary, but all are targeted to relate directly to the Company's business and financial performance and thus to shareholder value.

Long term incentives (LTI's) granted to directors/ executives are delivered in the form of options.

LTI grants to Executives are delivered in the form of employee share options. These options are issued at an exercise price determined by the Board at the time of issue. The employee share options generally vest over a selected period.

The objective of the granting of options is to reward Executives in a manner which aligns the element of remuneration with the creation of shareholder wealth. As such LTI's are made to Executives who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance.

The level of LTI granted is, in turn, dependent on the Company's recent share price performance, the seniority of the Executive, and the responsibilities the Executive assumes in the Company.

Typically, the grant of LTIs occurs at the commencement of employment or in the event that the individual receives a promotion and, as such, is not subsequently affected by the individual's performance over time.

## **C. Employment contracts of directors and senior executives**

The employment arrangements of the directors are not formalised in a contract of employment.

## **D. Details of remuneration for year**

### *Directors*

The following persons were directors of Yellow Rock Resources Limited during the financial year:

Sydney Chesson	- appointed 10 February 2011
Brenton Lewis	- appointed 15 July 2010
Leslie Ingraham	- appointed 31 January 2011
Jeffrey Green	- appointed 2 July 2009; resigned 15 July 2010
Catherine Anderson	- appointed 28 April 2010; resigned 15 July 2010
Dean Gallegos	- appointed 25 May 2010; resigned 6 September 2010

## DIRECTORS REPORT

Edward Saunders - appointed 15 July 2010; resigned 9 February 2011  
 Gary Stokes - appointed 15 July 2010; resigned 31 January 2011

There were no other persons that fulfilled the role of a key management person, other than those disclosed as Executive Directors.

### Remuneration

Details of the remuneration of each Director and named executive officer of the company, including their personally-related entities, during the year was as follows:

	Year	Short Term Benefits	Post Employment	Share Based Payments	Total	Remuneration consisting of options during the year %
		Salary and fees \$	Superannuation \$	Options \$		
<b>Directors</b>						
S Chesson	2011	30,357	-	-	30,357	-
	2010	-	-	-	-	-
B Lewis	2011	30,269	1,575	-	31,844	-
	2010	-	-	-	-	-
L Ingraham	2011	22,500	-	-	22,500	-
	2010	-	-	-	-	-
G Stokes	2011	16,290	1,691	-	17,981	-
	2010	-	-	-	-	-
D Gallegos	2011	5,000	-	-	5,000	-
	2010	-	-	-	-	-
N Bassett	2011	63,375	-	-	63,375	-
	2010	-	-	-	-	-
C Anderson	2011	33,014	225	9,158	42,397	22%
	2010	25,784	450	28,148	54,382	52%
E Saunders	2011	39,583	1,725	-	41,308	-
	2010	-	-	-	-	-
D Valentino	2011	-	-	-	-	-
	2010	162,082	12,150	-	174,232	-
R Schirripa	2011	-	-	-	-	-
	2010	22,500	2,025	-	24,525	-
J Green	2011	-	-	-	-	-
	2010	30,000	-	-	30,000	-
<b>Total</b>	2011	240,388	5,216	9,158	254,762	-
	2010	240,366	14,625	28,148	283,139	-

There were no performance related payments made during the year. Performance hurdles are not attached to remuneration options, however the Board determines appropriate vesting periods to provide rewards over a period of time to key management personnel.

#### E. Compensation options to key management personnel

No options were granted as equity compensation benefits during the year ended 30 June 2011

14,000,000 options were granted as equity compensation benefits to Directors and Executives during the year ended 30 June 2010. Pursuant to the terms and conditions of the options, the 12,000,000 options were cancelled on resignation of directors to whom options were issued. Consequently, the net effect of share based payments for these options was \$37,306.

#### F. Shares issued to key management personnel on exercise of compensation options

No shares were issued to Directors and Executives on exercise of compensation options during the year.

## DIRECTORS REPORT

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### INSURANCE OF OFFICERS

The Company has in place an insurance policy insuring Directors and Officers of the Company against any liability arising from a claim brought by a third party against the Company or its Directors and officers, and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to the insurers has not been disclosed. This is permitted under Section 300(9) of the Corporations Act 2001.

### SHARE OPTIONS

At the date of this report there were the following unissued ordinary shares for which options were outstanding:

- 110,500,000 listed options expiring 30 September 2012, exercisable at 7 cents each

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

### LEGAL PROCEEDINGS & PROCEEDINGS ON BEHALF OF THE COMPANY

During the financial year, the Company was served with legal proceedings by Tower Group Pty Ltd relating to a dispute over tenements purchased by the Company from Padbury Mining Ltd (PDY). The Company is defending its position in relation to the tenements.

Tenements that were purchased from PDY have had a caveat registered, which has not allowed the ownership of the tenements to be registered in the name of the Company. The Company has, as part of its defence to the proceedings, claimed title to the tenements to enable registration of the tenements.

The details of the tenements which have had a caveat registered, which has not allowed the ownership of tenements to be registered in the name of the Company are disclosed below;

Gabanintha Tenements – Uranium & Vanadium

- EL 51/431
- EL 51/843
- MLA 51/772
- MLA 51/814
- PL 51/2226

The Company is considering further its legal position in conjunction with its legal advisers as to any recourse in relation to the agreement for the tenements purchased by the Company from PDY during the financial year.

### ENVIRONMENTAL REGULATIONS

The company is not currently subject to any specific environmental regulation. There have not been any known significant breaches of any environmental regulations during the year under review and up until the date of this report.

### AUDITOR

RSM Bird Cameron Partners continues in office in accordance with Section 327 of the Corporations Act 2001.

### NON-AUDIT SERVICES

No non-audit services were provided by our auditors, RSM Bird Cameron Partners during the year.


### AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the year ended 30 June 2011, as required under section 307C of the Corporations Act 2001, has been received and is included within the financial report.

## DIRECTORS REPORT

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Signed in accordance with a resolution of directors.



Sydney Chesson  
Chairman  
Perth, 29 September 2011

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Yellow Rock Resources Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Yellow Rock Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. This statement reports on Yellow Rock Resources Limited's key governance principles and practices.

### 1. COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS

The Company, as a listed entity, must comply with the Corporations Act 2001 and the ASX Limited (ASX) Listing Rules. The ASX Listing Rules require the Company to report on the extent to which it has followed the Corporate Governance Recommendations published by the ASX Corporate Governance Council (ASXCGC). Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure.

The table below summaries the Company's compliance with the Corporate Governance Council's Recommendations:

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
<b>Principle 1</b>	<b>Lay solid foundations for management and oversight</b>		
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	2(a)	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	2(h), 3(b), Remuneration Report	Yes
1.3	Provide the information indicated in the Guide to reporting on principle 1.	2(a), 2(h), 3(b), Remuneration Report	Yes
<b>Principle 2</b>	<b>Structure the board to add value</b>		
2.1	A majority of the board should be independent directors.	2(b), 2(e)	Yes
2.2	The chair should be an independent director.	2(c), 2(e)	No
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	2(b), 2(c)	No
2.4	The Board should establish a nomination committee.	2(d)	No
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	2(h)	Yes
2.6	Provide the information indicated in the Guide to reporting on principle 2.	2(b), 2(c), 2(d), 2(e), 2(h)	Yes
<b>Principle 3</b>	<b>Promote ethical and responsible decision-making</b>		
3.1	Establish a code of conduct and disclose the code or a summary as to:	4(a)	Yes
	• the practices necessary to maintain confidence in the company's integrity;		
	• the practices necessary to take into account the company's legal obligations and the reasonable expectations of its stakeholders; and		
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.		
3.2	Establish a policy concerning trading in company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	4(b)	Yes
3.3	Provide the information indicated in the Guide to reporting on principle 3.	4(a), 4(b)	Yes
<b>Principle 4</b>	<b>Safeguard integrity in financial reporting</b>		
4.1	The Board should establish an audit committee.	3(a)	Yes
4.2	The audit committee should be structured so that it:	3(a)	No
	• consists only of non-executive directors;		
	• consists of a majority of independent directors;		
	• is chaired by an independent chair, who is not chair of the Board; and		
	• has at least three members.		

## CORPORATE GOVERNANCE STATEMENT

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
4.3	The audit committee should have a formal charter	3(a)	Yes
4.4	Provide the information indicated in the Guide to reporting on principle 4.	3(a)	Yes
<b>Principle 5</b>	<b>Make timely and balanced disclosure</b>		
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	5(a), 5(b)	Yes
5.2	Provide the information indicated in the Guide to reporting on principle 5.	5(a), 5(b)	Yes
<b>Principle 6</b>	<b>Respect the rights of shareholders</b>		
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	5(a), 5(b)	Yes
6.2	Provide the information indicated in the Guide to reporting on principle 6.	5(a), 5(b)	Yes
<b>Principle 7</b>	<b>Recognise and manage risk</b>		
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	6(a)	Yes
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.	6(a), 6(b), 6(d)	Yes
7.3	The Board should disclose whether it had received assurance from the chief executive officer and the chief financial officer 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.	6(c)	Yes
7.4	Provide the information indicated in the Guide to reporting on principle 7.	6(a), 6(b), 6(c), 6(d)	Yes
<b>Principle 8</b>	<b>Remunerate fairly and responsibly</b>		
8.1	The Board should establish a remuneration committee.	3(b)	No
8.2	Clearly distinguish the structure on non-executive directors' remuneration from that of executive directors and senior executives.	3(b), Remuneration Report	Yes
8.3	Provide the information indicated in the Guide to reporting on principle 8.	3(b),	Yes

## 2. THE BOARD OF DIRECTORS

### 2(a) Roles and Responsibilities of the Board

The Board is accountable to the shareholders and investors for the overall performance of the Company and takes responsibility for monitoring the Company's business and affairs and setting its strategic direction, establishing and overseeing the Company's financial position.

The Board is responsible for:

- ensuring the Company's conduct and activities are ethical and carried out for the benefit of all its stakeholders;
- development of corporate strategy, implementation of business plans and performance objectives;
- reviewing, ratifying and monitoring systems of risk management, codes of conduct and legal and regulatory compliance;
- the appointment of the Company's Managing Director, Chief Executive Officer (or equivalent), Chief Financial Officer, Company Secretary and other senior executives;
- monitoring senior executives' performance and implementation of strategy;
- determining appropriate remuneration policies;
- allocating resources and ensuring appropriate resources are available to management;
- approving and monitoring the annual budget, progress of major capital expenditure, capital management, and acquisitions and divestitures; and
- approving and monitoring financial and other reporting.

Other than as specifically reserved to the Board, responsibility for the day-to-day management of the Company's business activities is delegated to the Chief Executive Officer and Executive Management.

### 2(b) Board Composition

The Directors determine the composition of the Board employing the following principles:

- the Board, in accordance with the Company's constitution must comprise a minimum of three Directors;
- the roles of the Chairman of the Board and of the Chief Executive Officer should be exercised by different individuals;
- the majority of the Board should comprise Directors who are non-executive;
- the Board should represent a broad range of qualifications, experience and expertise considered of benefit to the Company; and
- the Board must be structured in such a way that it has a proper understanding of, and competency in, the current and emerging issues facing the Company, and can effectively review management's decisions.

The Board is currently comprised of two Non-Executive Directors. At all times during the year the Board comprised a majority of Non-Executive Directors. The skills, experience, expertise, qualifications and terms of office of each director in office at the date of the annual report is included in the Directors' Report.

The Chair is currently independent. Previous to this and during the whole of the financial year the Chair was not independent and the role of Chair and chief executive officer was exercised by the same person. Given the size and scale of the Company's operations during the year, the Board did not consider it essential to appoint an independent Chair simply in order to comply with the Corporate Governance Council's Recommendations. The Board considered that, at this stage of the Company's development, the executive role carried out by the Chairman was in the best interests of the Company.

The Company's constitution requires one-third of the Directors (or the next lowest whole number) to retire by rotation at each Annual General Meeting (AGM). The Directors to retire at each AGM are those who have been longest in office since their last election. Where Directors have served for equal periods, they may agree amongst themselves or determine by lot who will retire. A Director must retire in any event at the third AGM since he or she was last elected or re-elected. Retiring Directors may offer themselves for re-election.

A Director appointed as an additional or casual Director by the Board will hold office until the next AGM when they may be re-elected.

The Managing Director is not subject to retirement by rotation and, along with any Director appointed as an additional or casual Director, is not to be taken into account in determining the number of Directors required to retire by rotation.

### 2(c) Chairman and Chief Executive Officer

The Chairman is responsible for:

- leadership of the Board;
- the efficient organisation and conduct of the Board's functions;
- the promotion of constructive and respectful relations between Board members and between the Board and management;
- contributing to the briefing of Directors in relation to issues arising at Board meetings;
- facilitating the effective contribution of all Board members; and
- committing the time necessary to effectively discharge the role of the Chairman.

## CORPORATE GOVERNANCE STATEMENT

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The Chief Executive Officer is responsible for:

- implementing the Company's strategies and policies; and
- the day-to-day management of the Company's business activities

Board policy specifies that the roles of the Chairman and the Chief Executive Officer should be separate roles to be undertaken by separate people.

The Chair is currently independent. Previous to this and during the whole of the financial year the Chair was not independent and the role of Chair and chief executive officer was exercised by the same person. Given the size and scale of the Company's operations during the year, the Board did not consider it essential to appoint an independent Chair simply in order to comply with the Corporate Governance Council's Recommendations. The Board considered that, at this stage of the Company's development, the executive role carried out by the Chairman was in the best interests of the Company.

### 2(d) Nomination Committee

The Company does not comply with ASX Recommendation 2.4. The Company is not of a relevant size to consider formation of a nomination committee to deal with the selection and appointment of new Directors and as such a nomination committee has not been formed.

Nominations of new Directors are considered by the full Board. If any vacancies arise on the Board, all directors are involved in the search and recruitment of a replacement. The Board has taken a view that the full Board will hold special meetings or sessions as required. The Board are confident that this process for selection and review is stringent and full details of all Directors are provided to shareholders in the annual report and on the Company's website.

### 2(e) Independent Directors

The Company recognises that independent Directors are important in assuring shareholders that the Board is properly fulfilling its role and is diligent in holding senior management accountable for its performance. The Board assesses each of the directors against specific criteria to decide whether they are in a position to exercise independent judgment.

Directors of Yellow Rock Resources Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

In making this assessment, the Board considers all relevant facts and circumstances. Relationships that the Board will take into consideration when assessing independence are whether a Director:

- is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- is employed, or has previously been employed in an executive capacity by the Company or another Company member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- has within the last three years been a principal of a material professional advisor or a material consultant to the Company or another Company member, or an employee materially associated with the service provided;
- is a material supplier or customer of the Company or other Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or
- has a material contractual relationship with the Company or another Company member other than as a Director.

The Board currently comprises two independent non-executive Directors.

In accordance with the definition of independence above, and the materiality thresholds set, the following Directors of Yellow Rock Resources Limited are considered to be independent:

Name	Position
Sydney Chesson	Non-Executive Chairman
Brenton Lewis	Non-Executive Director

## CORPORATE GOVERNANCE STATEMENT

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The following persons hold office as directors of Yellow Rock Resources Limited at the date of this report:

Name	Term on Office
Sydney Chesson	Since 10 February 2011
Leslie Ingraham	Since 31 January 2011
Brenton Lewis	Since 15 July 2010

### 2(f) Avoidance of conflicts of interest by a Director

In order to ensure that any interests of a Director in a particular matter to be considered by the Board are known by each Director, each Director is required by the Company to disclose any relationships, duties or interests held that may give rise to a potential conflict. Directors are required to adhere strictly to constraints on their participation and voting in relation to any matters in which they may have an interest.

### 2(g) Board access to information and independent advice

Directors are able to access members of the management team at any time to request relevant information.

There are procedures in place, agreed by the Board, to enable Directors, in furtherance of their duties, to seek independent professional advice at the company's expense.

### 2(h) Review of Board performance

The performance of the Board is reviewed regularly by the Chairman. The Chairman conducts performance evaluations which involve an assessment of each Board member's performance against specific and measurable qualitative and quantitative performance criteria. The Board member assessment measures are the responsibility of the Chairman. The performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of Yellow Rock Resources Limited. Primarily, the review will be carried out through consultation by the Chairman and with individual Directors. Directors whose performance is consistently unsatisfactory may be asked to retire.

## 3. BOARD COMMITTEES

### 3(a) Audit Committee

Given the size and scale of the Company's operations the full Board undertakes the role of the Audit Committee. The Audit Committee does not comply with ASX Recommendation 4.2 as the Chair of the Board is Chair of the Audit Committee and the Audit Committee does not comprise only Non-Executive Directors. The role and responsibilities of the Audit Committee are summarised below.

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The Board sets aside time to deal with issues and responsibilities usually delegated to the Audit Committee to ensure the integrity of the financial statements of the Company and the independence of the auditor.

The Board reviews the audited annual and half-year financial statements and any reports which accompany published financial statements and recommends their approval to the members. The Board also reviews annually the appointment of the external auditor, their independence and their fees.

The Board is also responsible for establishing policies on risk oversight and management. The Company has not formed a separate Risk Management Committee due to the size and scale of its operations.

#### *External Auditors*

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. It is RSM Bird Cameron's policy to rotate engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the notes to the financial statements in the Annual Report.

There is no indemnity provided by the company to the auditor in respect of any potential liability to third parties.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and preparation and content of the audit report.

There were no non-audit services provided by the auditors during the year.

### 3(b) Remuneration Committee

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

The Board has not established a separate Remuneration Committee due to the size and scale of its operations. This does not comply with Recommendation 8.1 however the Board as a whole takes responsibility for such issues.

The responsibilities include setting policies for senior officers remuneration, setting the terms and conditions for the CEO, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both executive and non-executive directors and undertaking reviews of the CEO's performance.

The Company has structured the remuneration of its senior executive, where applicable, such that it comprises a fixed salary, statutory superannuation and, where applicable, participation in the Company's employee share option plan. The Company believes that by remunerating senior executives in this manner it rewards them for performance and aligns their interests with those of shareholders and increases the Company's performance.

Non-executive directors are paid their fees out of the maximum aggregate amount approved by shareholders for non-executive director remuneration. The Company does not adhere to Recommendation 8.2 Box 8.2 'Non-executive directors should not receive options or bonus payments'. The Company has and may, in the future, grant options to non-executive directors. The Board is of the view that options (for both executive and non-executive directors) are a cost effective benefit for small companies such as Yellow Rock Resources Limited that seek to conserve cash reserves. They also provide an incentive that ultimately benefits both shareholders and the optionholders, as optionholders will only benefit if the market value of the underlying shares exceeds the option strike price. Ultimately, shareholders will make that determination.

The board policy is to remunerate Directors at market rates for time, commitment and responsibilities. The Board determines payments to the Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. Fees for Non-Executive Directors are not linked to the performance of the consolidated entity. However, to align Directors' interests with shareholders interests, the Directors are encouraged to hold shares in the Company.

The Company's aim is to remunerate at a level that will attract and retain high-calibre directors and employees. Company officers and Directors are remunerated to a level consistent with the size of the Company.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive compensation is separate and distinct.

In determining remuneration, the Board has taken a view that the full Board will hold special meetings or sessions as required. No Director participated in any deliberation regarding his or her own remuneration or related issues. The Board are confident that this process for determining remuneration is stringent and full details of remuneration policies and remuneration received by directors and executives in the current period is contained in the "Remuneration Report" within the Directors' Report of the Annual Report.

## 4. ETHICAL AND RESPONSIBLE DECISION MAKING

### 4(a) Code of Ethics and Conduct

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities. The "Code of Conduct" sets out the principles, practices, and standards of personal behaviour the Company expects people to adopt in their daily business activities.

All Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Company's expectations as set out in the Code of Conduct.

All Directors, officers and employees are expected to:

- comply with the law;
- act in the best interests of the Company;
- be responsible and accountable for their actions; and
- observe the ethical principles of fairness, honesty and truthfulness, including prompt disclosure of potential conflicts.

### 4(b) Policy concerning trading in Company securities

The Company's "Policy for Trading in Company Securities" applies to all Directors, officers and employees. This policy sets out the restrictions on dealing in securities by people who work for, or are associated with the Company and is intended to assist in maintaining market confidence in the integrity of dealings in the Company's securities. The policy stipulates that the only appropriate time for a Director, officer or employee to deal in the Company's securities is when they are not in possession of price sensitive information that is not generally available to the market.

As a matter of practice, Company shares may only be dealt with by Directors and officers of the Company under the following guidelines:

- No trading is permitted in the period of 14 days preceding release of each quarterly report, half-yearly report and annual financial report of the Company or for a period of 2 trading days after the release of such report;
- Guidelines are to be considered complementary to and not replace the various sections of the Corporations Act 2001 dealing with insider trading; and
- Prior approval of the Chairman, or in his absence, the approval of two directors is required prior to any trading being undertaken.

Within 24 hours of a director being appointed to the Board, resigning or being removed from the Board, or trading in the Company's securities, full details of the director's notifiable interests in the Company's securities and changes in such interest must be advised to the Company Secretary so that a record is kept within the Company and so that necessary ASX notifications will occur.

All directors must notify the Company Secretary of any margin loan or similar funding arrangement entered into in relation to the Company's securities and any variations to such arrangements, including the number of securities involved, the circumstances in which the lender can make margin calls, and the right of the lender to dispose of securities.

### 5. TIMELY AND BALANCED DISCLOSURE

#### 5(a) Shareholder communication

The Company believes that all shareholders should have equal and timely access to material information about the Company including its financial situation, performance, ownership and governance. The Company's "ASX Disclosure Policy" encourages effective communication with its shareholders by requiring that Company announcements:

- be factual and subject to internal vetting and authorisation before issue;
- be made in a timely manner;
- not omit material information;
- be expressed in a clear and objective manner to allow investors to assess the impact of the information when making investment decisions;
- be in compliance with ASX Listing Rules continuous disclosure requirements; and
- be placed on the Company's website promptly following release.

Shareholders are encouraged to participate in general meetings. Copies of addresses by the Chairman or Chief Executive Officer are disclosed to the market and posted on the Company's website. The Company's external auditor attends the Company's annual general meeting to answer shareholder questions about the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by the Company and the independence of the auditor in relation to the conduct of the audit.

#### 5(b) Continuous disclosure policy

The Company is committed to ensuring that shareholders and the market are provided with full and timely information and that all stakeholders have equal opportunities to receive externally available information issued by the Company. The Company's "ASX Disclosure Policy" described in 5(a) reinforces the Company's commitment to continuous disclosure and outline management's accountabilities and the processes to be followed for ensuring compliance.

The policy also contains guidelines on information that may be price sensitive. The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements with the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX.

### 6. RECOGNISING AND MANAGING RISK

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's

business objectives. A written policy in relation to risk oversight and management has been established (“Audit and Risk Management Charter”). Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn responsibilities.

### 6(a) Board oversight of the risk management system

The Company is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of a separate Risk Management Committee. Instead, the Board, as part of its usual role and through direct involvement in the management of the Company’s operations ensures risks are identified, assessed and appropriately managed. Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures.

The principle aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders’ investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Company’s specific needs and the risks to which it is exposed.

Annually, the Board is responsible for identifying the risks facing the Company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is reduced to an acceptable level.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- at least quarterly reporting to the Board in respect of operations and the Company’s financial position, with a comparison of actual results against budget; and
- regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

### 6(b) Risk management roles and responsibilities

The Board is responsible for approving and reviewing the Company’s risk management strategy and policy. Executive management is responsible for implementing the Board approved risk management strategy and developing policies, controls, processes and procedures to identify and manage risks in all of the Company’s activities.

The Board is responsible for satisfying itself that management has developed and implemented a sound system of risk management and internal control.

### 6(c) Chief Executive Officer and Chief Financial Officer Certification

The Chief Executive Officer and Chief Financial Officer, or equivalent, provide to the Board written certification that in all material respects:

- The Company’s financial statements present a true and fair view of the Company’s financial condition and operational results and are in accordance with relevant accounting standards;
- The statement given to the Board on the integrity of the Company’s financial statements is founded on a sound system of risk management and internal compliance and controls which implements the policies adopted by the Board; and
- The Company’s risk management an internal compliance and control system is operating efficiently and effectively in all material respects.

### 6(d) Internal review and risk evaluation

Assurance is provided to the Board by executive management on the adequacy and effectiveness of management controls for risk on a regular basis.

## INTERESTS IN MINING TENEMENTS

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The following tenements are owned 100% by the Company and the Company has legal title and interest:

### NORTHERN TERRITORY

#### **Arunta Region Tenements (Held by Cabe Resources Ltd – 100%)**

ELA 25418 Mt. Denison  
ELA 27503 Mt. Nicker  
ELA 25667 Mt. Cockburn

#### **West Arnhem Tenure - 20% Indirect Interest through Apogie Pty Ltd**

ELA 28158 Table Hill  
ELA 28159 Mann  
MCN 668-671 McKeddies

### WESTERN AUSTRALIA

#### **Gabanintha Tenements – Uranium & Vanadium (Held by Yellow Rock Resources Ltd – 100%)**

EL 51/431  
EL 51/843  
MLA 51/772  
MLA 51/814  
PL 51/2226

#### **Nowthanna Tenement – Uranium (Held by Yellow Rock Resources Ltd – 100%)**

MLA 51/771

Tenements that were purchased from PDY have had a caveat registered, which has not allowed the ownership of the tenements to be registered in the name of the Company. The Company has, as part of its defence to the proceedings, claimed title to the tenements to enable registration of the tenements.

The details of the tenements which have had a caveat registered, which has not allowed the ownership of tenements to be registered in the name of the Company are disclosed below;

#### **Gabanintha Tenements – Uranium & Vanadium**

EL 51/431  
EL 51/843  
MLA 51/772  
MLA 51/814  
PL 51/2226

#### **Nowthanna Tenement – Uranium**

MLA 51/771

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2011**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2011 \$</b>	<b>2010 \$</b>
<b>Revenue</b>	2(a)	<b>456,949</b>	140,468
Exploration and evaluation expenditure		(28,448)	(43,099)
Prior period exploration and evaluation expenditure written off		(8,659,481)	(8,647,515)
Depreciation		(576)	(576)
Directors fees and benefits expenses		(245,604)	(234,454)
Share based payment		(9,158)	(28,148)
Impairment of other financial assets		-	(1,685,585)
Other expenses	2(b)	(672,254)	(675,726)
<b>Loss before income tax expense</b>		<b>(9,158,572)</b>	(11,174,635)
Income tax expense	3	-	-
<b>Net loss for year</b>		<b>(9,158,572)</b>	(11,174,635)
<b>Other comprehensive income / (loss)</b>		-	-
Other comprehensive income / (loss) for the year, net of tax		-	-
<b>Total comprehensive (loss) attributable to members of Yellow Rock Resources Ltd</b>		<b>(9,158,572)</b>	(11,174,635)
<b>Basic / diluted (loss) per share</b>	5	<b>Cents (2.87)</b>	Cents (4.08)

The accompanying notes form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2011**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2011</b>	<b>2010</b>
		<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	3,035,271	4,128,239
Trade and other receivables	7	375,182	120,144
<b>Total Current Assets</b>		<b>3,410,453</b>	<b>4,248,383</b>
<b>Non-Current Assets</b>			
Trade and other receivables	7	2,611	2,611
Plant and equipment		1,568	2,145
Deferred exploration expenditure	9	28,676,538	37,191,946
<b>Total Non-Current Assets</b>		<b>28,680,717</b>	<b>37,196,702</b>
<b>Total Assets</b>		<b>32,091,170</b>	<b>41,445,085</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	10	121,702	326,203
<b>Total Current Liabilities</b>		<b>121,702</b>	<b>326,203</b>
<b>Total Liabilities</b>		<b>121,702</b>	<b>326,203</b>
<b>Net Assets</b>		<b>31,969,468</b>	<b>41,118,882</b>
<b>EQUITY</b>			
Issued capital	11(a)	56,799,840	56,799,840
Reserves	11(c)	21,004,306	20,995,148
Accumulated losses	11(d)	(45,834,678)	(36,676,106)
<b>Total Equity</b>		<b>31,969,468</b>	<b>41,118,882</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2011**

<b>Consolidated</b>	<b>Issued Capital \$</b>	<b>Accumulated Losses \$</b>	<b>Other Reserves \$</b>	<b>Total \$</b>
<b>Balance at 1 July 2009</b>	52,740,910	(25,501,471)	20,967,000	48,206,439
Loss for the year	-	(11,174,635)	-	(11,174,635)
<b>Total comprehensive loss for the year</b>	-	(11,174,635)	-	(11,174,635)
Securities issued during the year	4,317,500	-	-	4,317,500
Capital issued costs	(258,570)	-	-	(258,570)
Cost of share based payments	-	-	28,148	28,148
<b>Balance at 30 June 2010</b>	<b>56,799,840</b>	<b>(36,676,106)</b>	<b>20,995,148</b>	<b>41,118,882</b>
Loss for year	-	(9,158,572)	-	(9,158,572)
<b>Total comprehensive loss for the year</b>	-	(9,158,572)	-	(9,158,572)
Securities issued during the year	-	-	-	-
Cost of share based payments	-	-	9,158	9,158
<b>Balance at 30 June 2011</b>	<b>56,799,840</b>	<b>(45,834,678)</b>	<b>21,004,306</b>	<b>31,969,468</b>

The accompanying notes form part of these financial statements.

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	Consolidated	
		2011	2010
		\$	\$
		Inflows/ (Outflows)	Inflows/ (Outflows)
<b>Cash flows from operating activities</b>			
Payments to suppliers and employees		(1,130,991)	(925,782)
Interest received		208,118	79,185
Expenditure on mining interests		(26,025)	(43,467)
<b>Net cash provided (used in) operating activities</b>	6(i)	(948,898)	(890,064)
<b>Cash flows from investing activities</b>			
Expenditure on mining interests		(144,070)	(903,952)
Repayment of loans to other entities		-	50,000
<b>Net cash used in investing activities</b>		(144,070)	(853,952)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		-	4,317,500
Payment of capital raising costs		-	(36,270)
<b>Net cash provided by financing activities</b>		-	4,281,230
<b>Net (decrease) / increase in cash held</b>		(1,092,968)	2,537,214
Cash at beginning of the financial year		4,128,239	1,591,025
<b>Cash at end of financial year</b>	6	3,035,271	4,128,239

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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### 1. *Summary of Significant Accounting Policies*

These consolidated financial statements and notes represent those of Yellow Rock Resources Limited (the “Company”) and Controlled Entities (the “Consolidated Entity” or “Group”).

The separate financial statements of the parent entity, Yellow Rock Resources, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

Yellow Rock Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of operations and principal activities of the Group are described in the Director’s Report.

The financial report was authorised for issue on 29 September 2011.

#### (a) **Basis of Preparation**

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

The financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Material accounting policies adopted in preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The presentation currency is Australian dollars.

#### (b) **Adoption of new and revised standards**

The Company has adopted all new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current financial year.

#### (c) **Statement of Compliance**

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

#### (d) **Basis of consolidation**

The consolidated financial statements comprise the financial statements of Yellow Rock Resources Limited (“Company” or “Parent Entity”) and its subsidiaries as at 30 June each year (“Consolidated” or “Group”). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations have been accounted for using the acquisition method of accounting (refer note 1(e)).

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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### 1. *Summary of Significant Accounting Policies (Cont.)*

#### (d) **Basis of consolidation (Cont.)**

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

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 within equity attributable to owners of the Group.

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 the statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint 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 the statement of comprehensive income.

#### (e) **Business combinations**

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the statement of comprehensive income as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in statement of comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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### 1. Summary of Significant Accounting Policies (Cont.)

#### (f) Revenue recognition

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

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

#### (g) Cash and cash equivalents

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

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts.

#### (h) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

#### (i) Income Tax

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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### 1. *Summary of Significant Accounting Policies (Cont.)*

#### (i) **Income Tax (Cont.)**

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

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

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

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

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

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

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

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

#### (j) **Other taxes**

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

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

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

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

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

#### (k) **Financial assets**

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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### 1. *Summary of Significant Accounting Policies (Cont.)*

#### (k) **Financial assets (Cont.)**

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

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

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

##### (ii) *Loans and receivables*

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

##### (iii) *Available-for-sale investments*

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

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

#### (l) **Exploration and evaluation expenditure**

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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### 1. *Summary of Significant Accounting Policies (Cont.)*

#### (m) **Impairment of assets**

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

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

#### (n) **Trade and other payables**

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

#### (o) **Share-based payment transactions**

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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### 1. *Summary of Significant Accounting Policies (Cont.)*

#### (o) **Share-based payment transactions (Cont.)**

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

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

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

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

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

#### (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.

#### (q) **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 Board of Directors of the Group.

#### (r) **Earnings per share**

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

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

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

#### (s) **Investment accounted for using equity method**

Associates are all entities over which the consolidated entity has significant influence but not control. Investments in associate companies are accounted for in the parent entity using the cost method and in the consolidated entity using the equity method of accounting. The equity method of accounting recognises the group's share of post-acquisition profits or losses in the statement of comprehensive income and its share of post-acquisition movements in reserves is recognised in associates reserve.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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### 1. *Summary of Significant Accounting Policies (Cont.)*

#### (t) **Plant and equipment**

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

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

Plant and equipment – over 5 to 10 years

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

##### (i) *Impairment*

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

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

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the assets belongs, unless the asset's value in use can be estimated to be close to its fair value.

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

For plant and equipment, impairment losses are recognised in the statement of comprehensive income.

##### (ii) *Derecognition and disposal*

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

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

#### (u) **Significant Accounting Estimates and Judgments**

##### *Significant accounting judgments*

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

##### *Exploration and evaluation assets*

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

##### *Significant accounting estimates and assumptions*

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

##### (i) *Impairment of assets*

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates and the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

##### (ii) *Share-based payment transactions*

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 from market value.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

**2. Revenue and Expenses**

**(a) Revenue**

Interest received – other corporations  
R & D Concession

**(b) Expenses**

Stock exchange and registry fees  
Legal fees  
Auditor's fees  
Office facility expenses  
Consulting fees  
Other

**3. Income Tax**

**(a) Income Tax Expense**

The income tax expense for the year differs from the prima facie tax as follows:

Loss for year

Prima facie income tax (benefit) @ 30%

Tax effect of non-deductible items

Deferred tax assets not brought to account

Total income tax expense

**(b) Deferred Tax Assets**

Deferred tax assets not brought to account arising from tax losses, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(i) occur:

There are no franking credits available to the Group.

**4. Auditors' Remuneration**

Amounts, received or due and receivable by RSM Bird Cameron Partners for:  
- an audit or review services

**Consolidated**

**2011  
\$**

**2010  
\$**

**188,731**

140,468

**268,218**

-

**456,949**

140,468

**50,510**

68,043

**48,876**

41,476

**22,320**

20,600

**128,000**

60,000

**305,000**

399,202

**117,548**

86,405

**672,254**

675,726

**(9,158,572)**

(11,174,635)

**(2,747,572)**

(3,352,390)

**2,600,592**

3,108,374

**146,980**

244,016

-

-

**976,418**

829,438

**22,320**

20,600

**22,320**

20,600

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

	Consolidated	
	2011 \$	2010 \$
<b>5. Earnings per Share (EPS)</b>		
	Cents	Cents
Basic loss per share	(2.87)	(4.08)
The earnings and weighted average number of ordinary shares used in the calculation of basic loss per share is as follows:		
Net loss for year	(9,158,572)	(11,174,635)
Weighted average number of ordinary shares used in the calculation of basic EPS	No. 319,026,205	No. 273,959,767
<b>6. Cash and Cash Equivalents</b>		
Cash at bank	3,035,271	4,128,239
Cash at bank earns interest at floating rates based on daily bank deposit rates.		
<b>(i) Reconciliation of loss for the year to net cash flows from operating activities:</b>		
Loss for the year	(9,158,572)	(11,174,635)
Depreciation	576	576
Impairment of other financial assets	-	1,685,585
Impairment of exploration and evaluation	8,659,481	8,647,515
Equity settled share based payment	9,158	28,148
<b>Changes in assets and liabilities</b>		
Receivables	(255,040)	(45,938)
Payables	(204,501)	(31,315)
Net cash flows from operating activities	(948,898)	(890,064)
<b>(ii) Non-cash financing and investing activities</b>		
There were no non-cash financing and investing activities during the year.		

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

	Consolidated	
	2011 \$	2010 \$
<b>7. Trade and other receivables</b>		
<b>Current</b>		
Interest receivable	59,194	78,695
GST recoverable	31,770	25,449
R&D concession	268,218	-
Other receivables	16,000	16,000
	<b>375,182</b>	<b>120,144</b>

Terms and conditions relating to the above financial instruments:

- Other receivables are non-interest bearing and generally repayable within 30 days.
- Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

**Non-Current**

Amounts owing by associates	2,611	2,611
	<b>2,611</b>	<b>2,611</b>

**8. Investments accounted for using the equity method**

Associated companies – at cost	2,550,000	2,550,000
Allowance for impairment	(2,550,000)	(2,550,000)
	<b>-</b>	<b>-</b>

Interests are held in the following associated companies

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest		Carrying amount of investment	
				2011 %	2010 %	2011 \$	2010 \$
Unlisted:							
Apogee Pty Ltd	Mineral Exploration	Australia	Ordinary	20	20	-	-
						<b>-</b>	<b>-</b>

**(a) Movements during the year in equity accounted investments in associated company**

	Consolidated	
	2011 \$	2010 \$
Balance at beginning of the financial year	-	1,685,585
Impairment loss from revaluation of associate	-	(1,685,585)
	<b>-</b>	<b>-</b>

**(b) Equity accounted losses of associate are broken down as follows:**

Share of associate's loss before income tax	-	-
Share of associate's income tax	-	-
Share of associate's loss after income tax	<b>-</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

		<b>Consolidated</b>	
		<b>2011</b>	<b>2010</b>
		<b>\$</b>	<b>\$</b>
<b>8.</b>	<b><i>Investments accounted for using the equity method (Cont.)</i></b>		
<b>(c)</b>	<b>Summarised presentation of share of aggregate assets, liabilities and performance of associate</b>		
Current assets		20	20
Total assets		20	20
Current liabilities		2,853	2,853
Total liabilities		2,853	2,853
Net Assets		(2,833)	(2,833)
Revenues		-	-
Loss after income tax of associate		-	-
<b>(d)</b>	<b>Investment in associate-at fair value</b>	-	-
<b>9.</b>	<b><i>Deferred exploration expenditure</i></b>		
Expenditure brought forward		37,191,946	45,029,075
Prior period exploration and evaluation expenditure written off		(8,659,481)	(8,647,515)
Expenditure incurred during year		172,521	853,485
Expenditure written off during year		(28,448)	(43,099)
Expenditure carried forward		28,676,538	37,191,946
The expenditure above relates principally to the exploration and evaluation phase. The ultimate recoupment of this expenditure is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest, at amounts at least equal to book value.			
<b>10.</b>	<b><i>Trade and other payables</i></b>		
<b>Current</b>			
Trade payables and accruals			
Other corporations		121,702	326,203
		121,702	326,203

Terms and conditions relating to the above financial instruments:

- Trade creditors are non-interest bearing and are normally settled on 30 day terms.
- Due to the short term nature of trade payable and accruals, their carrying value is assumed to approximate their fair value.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**

		Consolidated	
		2011	2010
		\$	\$
<b>11. Issued Capital</b>			
<b>(a) Issued and paid up capital</b>			
Ordinary shares - fully paid		56,791,840	56,791,840
Ordinary shares – partly paid		8,000	8,000
		<b>56,799,840</b>	<b>56,799,840</b>

<b>(b) Movement in ordinary shares on issue</b>	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>Number</b>	<b>\$</b>	<b>Number</b>	<b>\$</b>
<i>(i) Ordinary shares – fully paid</i>				
Balance at beginning of year	319,026,205	56,791,840	208,526,205	52,740,910
Issue for cash – 19 August 2009	-	-	15,500,000	604,500
Issue for cash – 30 October 2009	-	-	5,750,000	224,250
Issue for cash – 16 December 2009	-	-	89,250,000	3,480,750
Expenses of issue	-	-	-	(258,570)
Balance at end of year	<b>319,026,205</b>	<b>56,791,840</b>	<b>319,026,205</b>	<b>56,791,840</b>
<i>(ii) Ordinary shares – partly paid (\$0.0389 unpaid)</i>				
Balance at beginning of year	80,000,000	8,000	-	-
Issue for cash – 16 December 2009	-	-	80,000,000	8,000
Balance at end of year	<b>80,000,000</b>	<b>8,000</b>	<b>80,000,000</b>	<b>8,000</b>
Total issued and paid-up shares	<b>399,026,205</b>	<b>56,799,840</b>	<b>399,026,205</b>	<b>56,799,840</b>

**(c) Reserves**

**Share-based payments reserve**

Balance at beginning of year	20,995,148	20,967,000
Share based payment	9,158	28,148
Balance at end of year	<b>21,004,306</b>	<b>20,995,148</b>

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

At the end of the year, the following options over unissued ordinary shares were outstanding:

- 110,500,000 listed options expiring 30 September 2012 at an exercise price of 7 cents each.

110,500,000 listed options expiring 30 September 2012 at an exercise price of 7 cents each were granted during the previous financial year.

**(d) Accumulated losses**

Balance at beginning of year	(36,676,106)	(25,501,471)
Net loss for the year	(9,158,572)	(11,174,635)
Balance at end of year	<b>(45,834,678)</b>	<b>(36,676,106)</b>

**(e) Terms and conditions of issued capital**

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Consolidated	
	2011	2010
	\$	\$

## 12. Commitments

### Exploration Commitments

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

Not later than one year	123,440	174,560
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## 13. Contingent Liabilities

There is potential for legal action to affect the rights of the Group to the tenements purchased from Padbury Mining Limited. At this stage, it is difficult to ascertain the value of any financial effect of the legal action.

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

## 14. Financial Reporting by Segments

AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

During the year, the Group considers that it has only operated in one segment, being mineral exploration within Australia.

The Group is domiciled in Australia. All revenue from external customers is generated from Australia only. Segment revenues are allocated based on the country in which the customer is located.

Revenues of approximately \$Nil (2010 - \$Nil) are derived from a single external customer.

All the assets are located in Australia only. Segment assets are allocated to countries based on where the assets are located.

## 15. Related Party Transactions

### (a) Subsidiaries

The consolidated financial statements include the financial statements of Yellow Rock Resources Limited and the subsidiaries listed in the following table.

	County of Incorporation	% Equity Interest		Investment at cost	
		2011 %	2010 %	2011 \$	2010 \$
Australian Uranium Pty Ltd	Australia	100	100	29,008,000	29,008,000
Cabe Resources Pty Ltd	Australia	100	100	27,625,000	27,625,000
Impairment				(38,760,623)	(30,317,638)
				17,872,377	26,315,362

### (b) Parent entity

Yellow Rock Resources Limited is the ultimate Australian parent entity and ultimate parent of the Group.

### (c) Key management personnel

Disclosures relating to key management personnel are set out in Note 17.

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 16. Parent Entity Disclosures

### (a) Summary financial information

#### Financial Position

	Parent	
	2011	2010
	\$	\$
<b>Assets</b>		
Current Assets	3,410,453	4,248,282
Non-current asset	28,680,717	37,196,703
Total assets	32,091,170	41,444,985
<b>Liabilities</b>		
Current Liabilities	121,702	326,203
Total liabilities	121,702	326,203
<b>Equity</b>		
Issued capital	56,799,840	56,799,840
Reserves	21,004,306	20,995,148
Accumulated losses	(45,834,677)	(36,676,206)
Total equity	31,969,468	41,118,782
<b>Financial Performance</b>		
Loss for the year	(9,158,572)	(11,174,735)
Other comprehensive income	-	-
Total comprehensive income	(9,158,572)	(11,174,735)

#### b) Guarantees

Yellow Rock Resources Limited has not entered into any guarantees in relation to the debts of its subsidiary.

#### c) Other Commitments and Contingencies

Yellow Rock Resources Limited has no commitments to acquire property, plant and equipment, and has no contingent liabilities apart from the amounts disclosed in note 12.

## 17. Director and Executive Disclosures

### (a) Compensation of Key Management Personnel

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2011.

	Consolidated	
	2011	2010
	\$	\$
Short-term benefits	240,388	240,366
Post-employment benefits	5,216	14,625
Share based payments	9,158	28,148
	254,762	283,139

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## (b) Option holdings of Key Management Personnel

	Balance 1/07/10	Granted as Remuneration	Options Acquired	Options Exercised	Options Expired/ Cancelled	Net Change Other #	Balance 30/06/11	Number vested and exercisable
<b>Directors</b>								
J Green	4,500,000	-	-	-	-	(4,500,000)	-	-
C Anderson	2,500,000	-	-	-	-	(2,500,000)	-	-
B Lewis	-	-	-	-	-	500,000	500,000	500,000
L Ingraham	-	-	-	-	-	5,500,000	5,500,000	5,500,000

# Options held at date of appointment or resignation, as applicable.

	Balance 1/07/09	Granted as Remuneration	Options Acquired	Options Exercised	Options Expired/ Cancelled	Net Change Other #	Balance 30/06/10	Number vested and exercisable
<b>Directors</b>								
D Valentino	2,377,251	6,000,000	3,000,000	-	(8,377,251)	(3,000,000)	-	-
J Green	-	3,000,000	1,500,000	-	-	-	4,500,000	1,500,000
R Schirripa	-	3,000,000	1,250,000	-	(3,000,000)	(1,250,000)	-	-
C Anderson	-	2,000,000	500,000	-	-	-	2,500,000	500,000

# Options held at date of appointment or resignation, as applicable.

## (c) Shareholdings of Key Management Personnel

	Balance 1/07/10	Received as Remuneration	Options Exercised	Acquired/ (disposed)	Net Change Other #	Balance 30/06/11
<b>Directors</b>						
J Green	1,500,000	-	-	-	(1,500,000)	-
C Anderson	500,000	-	-	-	(500,000)	-
B Lewis	-	-	-	-	500,000	500,000
L Ingraham	-	-	-	-	4,997,280	4,997,280

# Shares held at date of appointment or resignation, as applicable.

	Balance 1/07/09	Received as Remuneration	Options Exercised	Acquired/ (disposed)	Net Change Other #	Balance 30/06/10
<b>Directors</b>						
D Valentino	2,697,720	-	-	3,000,000	(5,697,720)	-
J Green	-	-	-	1,500,000	-	1,500,000
R Schirripa	100,000	-	-	1,250,000	(1,350,000)	-
C Anderson	-	-	-	500,000	-	500,000

# Shares held at date of appointment or resignation, as applicable.

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

## (d) Loans with Key Management Personnel

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

## Consolidated

2011	2010
\$	\$

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 18. Share Based Payments

#### (a) Value of share based payments in the financial statements

Share based payments expensed	9,158	28,148
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#### (b) Summary of share-based payments

Set out below are the summaries of options granted as share based payments:

Grant Date	Expiry Date	Exercise Price	Balance at start of the year	Granted during the year	Exercised during the year	Expired or Change due to Resignation	Balance at end of the year	Vested and exercisable at end of the year
05/07/2007	30/11/2009	\$0.20	5,000,000	-	-	(5,000,000)	-	-
30/10/2009	01/09/2011	\$0.08	-	4,000,000	-	(4,000,000)	-	-
30/10/2009	01/09/2012	\$0.11	-	4,000,000	-	(4,000,000)	-	-
30/10/2009	01/09/2013	\$0.14	-	4,000,000	-	(4,000,000)	-	-
22/12/2009	01/09/2011	\$0.08	-	666,667	-	-	666,667	666,667
22/12/2009	01/09/2012	\$0.11	-	666,667	-	-	666,667	666,667
22/12/2009	01/09/2013	\$0.14	-	666,666	-	-	666,666	666,666
			5,000,000	14,000,000	-	(17,000,000)	2,000,000	2,000,000

Weighted average exercise price	\$0.20	\$0.11	-	\$0.14	\$0.11	-
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No options were granted as equity compensation benefits to Directors and Executives during this financial year.

#### (c) Weighted average remaining contractual life

The weighted average remaining contractual life of share-based payment options that were outstanding as at 30 June 2011 was nil.

#### (d) Weighted average fair value

There were no share based payment options granted.

### 19. Financial Risk Management

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

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

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

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

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

#### Risk Exposures and Responses

##### Interest rate risk

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 19. Financial Risk Management (Cont.)

At balance date, the Group had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	Consolidated	
	2011 \$	2010 \$
<i>Financial Assets</i>		
Cash and cash equivalents (interest-bearing accounts)	3,035,271	4,128,239
Net exposure	3,035,271	4,128,239

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

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

Judgements of reasonably possible movements:

*Post tax profit – higher / (lower)*

+ 0.5%

15,176 20,641

- 0.5%

(15,176) (20,641)

*Equity – higher / (lower)*

+ 0.5%

15,176 20,641

- 0.5%

(15,176) (20,641)

#### Liquidity Risk

The Group has no significant exposure to liquidity risk as there is effectively no debt. The Group manages liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

#### Credit risk

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

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

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

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

There are no significant concentrations of credit risk within the Group.

#### Capital Management Risk

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

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

The Group has no external loan debt facilities other than trade payables. There have been no changes in the strategy adopted by management to control capital of the Group since the prior year.

#### Commodity Price and Foreign Currency Risk

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

#### Fair Value

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### 20. Events Subsequent to Reporting Date

As announced in 24 August 2011, the Group has committed to the following exploration program:

- (a) Electromagnetic survey and Soil sampling in areas prospective for Copper and Gold;
- (b) The engagement of Geologica Pty Ltd to carry out a major review of exploration activities to date including the current known V, Ti, Fe deposit and areas prospective for Copper and Gold;
- (c) The engagement of Fugro Airborne Services Pty Ltd to carry out a comprehensive HELITEM Electromagnetic survey of all of the Gabanintha and Nowthanna tenements using the latest helicopter carried equipment and technology to map areas prospective for Copper and Gold;
- (d) The engagement of Allegro Logistics to carry out a comprehensive soil sampling program of all the Gabanintha and Nowthanna tenements with particular analysis relating to the presence of Copper and Gold;
- (e) Commencement of preparation for a Mining License application for the V, Ti, Fe deposit at Gabanintha;
- (f) Commencement of preparation of a scoping document for the commissioning of engineering, environmental and related studies to support the progress towards mining the V, Ti, Fe deposit.

### 22. New accounting standards for application in future period

At the date of this financial report the following accounting standards, which may impact the consolidated entity in the period of initial application, have been issued but are not yet effective:

Reference	Title	Summary	Application date (financial years beginning)
AASB 9	Financial Instruments	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013
AASB 124	Related Party Disclosures	Revised standard. The definition of a related party is simplified to clarify its intended meaning and eliminate inconsistencies from the application of the definition	1 January 2011

The consolidated entity has decided not to early adopt any of the above accounting standards.

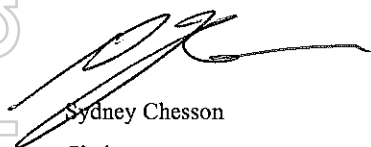
## DIRECTORS' DECLARATION

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The directors of the company declare that:

1. the financial statements and notes are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards, which, as stated in Note 1(c) to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards; and
  - b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company and the consolidated group;
2. the Director and Company Secretary have each declared that:
  - a. the financial records of the company for the financial year have been properly maintained in accordance with s286 of the *Corporations Act 2001*;
  - b. the financial statements and notes for the financial year comply with Australian Accounting Standards; and
  - c. the financial statements and notes for the financial year give a true and fair view; and
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



Sydney Chesson

Chairman

Perth, 29 September 2011

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
YELLOW ROCK RESOURCES LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of Yellow Rock Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration 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 the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 opinions.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Yellow Rock Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

*Opinion*

In our opinion:

- (a) the financial report of Yellow Rock Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(c).

**Report on the Remuneration Report**

We have audited the Remuneration Report contained within the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Opinion*

In our opinion the Remuneration Report of Yellow Rock Resources Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

*RSM Bird Cameron Partners*

RSM BIRD CAMERON PARTNERS  
Chartered Accountants



DAVID WALL  
Partner

Perth, WA  
Dated: 29 September 2011

**RSM Bird Cameron Partners**  
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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Yellow Rock Resources Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

*RSM Bird Cameron Partners*

RSM BIRD CAMERON PARTNERS  
Chartered Accountants

*David Wall*

DAVID WALL  
Partner

Perth, WA  
Dated: 29 September 2011

## STOCK EXCHANGE INFORMATION

### HOLDINGS AS AT 16 SEPTEMBER 2011

Number of Securities Held	FULLY PAID SHARES No. of Holders	OPTIONS 30 September 2012 No. of Holders
1 to 1,000	38	1
1,001 to 5,000	202	1
5,001 to 10,000	251	-
10,001 to 100,000	758	10
100,001 and over	394	103
Total Number of Holders	1,643	115
Number of holders of less than a marketable parcel	751	-
Percentage of the 20 largest holders	41.64%	62.53%

### Substantial Shareholders

There are no Substantial Shareholders who hold over 5% of the total shareholding.

### Voting Rights

The Constitution of the company makes the following provision for voting at general meetings:

On a show of hands, every ordinary shareholder present in person, or by proxy, attorney or representative has one vote. On a poll, every shareholder present in person, or by proxy, attorney or representative has one vote for any share held by the shareholder.

### 20 Largest Holders of Securities as at 16 September 2011:

#### Fully Paid Ordinary Shares

	Number	%
1. KELRO PTY LTD <ALUBO A/C>	15,000,000	4.70
2. WOOLMATON PTY LTD <WOOLMATON A/C>	15,000,000	4.70
3. SELCAM INVESTMENTS PTY LTD	13,900,000	4.36
4. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,322,222	3.55
5. TOULON PTY LTD <THE EOANNIDIS A/C>	11,000,005	3.45
6. MR NEALE PARSONS	9,000,000	2.82
7. KIMBRIKI NOMINEES PTY LTD <KIMBRIKI HAMILTON S/F A/C>	8,750,000	2.74
8. SYRIANA RESOURCES PTY LTD	6,000,000	1.88
9. MR MATHEW DONALD WALKER	6,000,000	1.88
10. DAANCH PTY LTD <SPENCER HOLDINGS A/C>	5,000,000	1.57
11. JALEIN PTY LTD <ELBAJA A/C>	4,997,280	1.57
12. DER LA NOBLE CORPORATION LIMITED	3,900,000	1.22
13. HJH NOMINEES PTY LTD	3,768,850	1.18
14. JAYVEE INVESTMENTS PTY LTD <JAYVEE SP-PEN A/C>	3,750,000	1.18
15. AUSTRALIAN GLOBAL CAPITAL PTY LTD	3,350,000	1.05
16. ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	2,680,012	0.84
17. MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	2,677,201	0.84
18. MS JANINE MARGARET ORDERS	2,350,000	0.74
19. MR ANTHONY KEITH AVOTINS	2,222,222	0.70
20. MR PETER JOHN BENSON + MRS ELIZABETH ANN BENSON <BENSON FAMILY A/C>	2,180,000	0.68
	132,847,792	41.64

## STOCK EXCHANGE INFORMATION

### Options 30 September 2012

		Number	%
1.	JAMORA NOMINEES PTY LTD <KABOONK DISCRETIONARY A/C>	10,500,000	9.50
2.	MR NOEL DAVID MCEVOY + MRS SHELLEY DAWN MCEVOY <THE ND MCEVOY SUPER FUND A/C>	8,400,000	7.60
3.	MR ANTHONY KEITH AVOTINS	6,155,691	5.57
4.	MR MARTIN MUSIC	6,000,000	5.43
5.	LAWRENCE CROWE CONSULTING PTY LTD <LCC SUPER FUND A/C>	5,850,000	5.29
6.	JALEIN PTY LTD <ELBAJA A/C>	5,500,000	4.98
7.	WOOLMATON PTY LTD <WOOLMATON A/C>	3,500,000	3.17
8.	JAYVEE INVESTMENTS PTY LTD <JAYVEE SP-PEN A/C>	3,000,000	2.71
9.	M & K KORKIDAS PTY LTD <M&K KORKIDAS P/L S/FUND A/C>	2,991,421	2.71
10.	DR PAUL MARK HALLEY	2,000,000	1.81
11.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,900,000	1.72
12.	JANNARN PTY LTD PRABHAKAR SUPER FUND A/C>	1,800,000	1.63
13.	JACOBS CORPORATION PTY LTD	1,750,000	1.58
14.	MANDEVILLA PTY LTD	1,500,000	1.36
15.	REPROVE INVESTMENTS PTY LTD	1,500,000	1.36
16.	MRS AMBER ANNE RODGERS	1,500,000	1.36
17.	MR SAM SAMMUT & MRS LYNETTE RUBY SAMMUT <RAMA S/F A/C>	1,500,000	1.36
18.	MR MARIO SKALECKI + MRS CAROL ANNE SKALECKI <SKALECKI FAMILY SUPER A/C>	1,500,000	1.36
19.	MR PHILIP OSWALD RICHMOND	1,250,000	1.13
20.	MR DUMINDA AMARAKOON	1,000,000	0.90
		<b>69,097,112</b>	<b>62.53</b>

### Unlisted Partly Paid Ordinary Shares

	Number	Number of Holders
Ordinary shares – partly paid (\$0.0389 unpaid)	80,000,000	7
Holdings of more than 20% of this class	-	

### Unlisted Options

There are no unlisted options.

### Restricted Securities

There are no restricted securities or securities subject to voluntary escrow.

### On-market Buy-back

Currently there is no on-market buy-back of the Company's securities.