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YELLOW ROCK RESOURCES LIMITED

ABN 90 116 221 740

HALF-YEAR FINANCIAL REPORT

FOR HALF-YEAR ENDED

31 DECEMBER 2010

YELLOW ROCK RESOURCES LIMITED

CORPORATE DIRECTORY

DIRECTORS

Sydney Chesson (Chairman)
Leslie Ingraham
Brenton Lewis

SECRETARY

Neville Bassett

REGISTERED AND PRINCIPAL OFFICE

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Telephone: (08) 9323 2000
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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 ASX Limited

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YELLOW ROCK RESOURCES LIMITED

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The names of the Directors who held office during or since the end of the half-year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated:

Sydney Chesson (Chairman) – appointed 9 February 2011
Leslie Ingraham – appointed 31 January 2011
Brenton Lewis
Edward Saunders – resigned 9 February 2011
Gary Stokes – resigned 31 Jan 2011

REVIEW OF OPERATIONS

The net loss for the half-year attributable to members of Yellow Rock Resources Limited was \$9,247,269 (31 December 2009 – loss of \$9,224,210). The loss for the period included an allowance for impairment on capitalised exploration and evaluation of \$8,659,481 (31 December 2009: \$8,647,615).

GABANINTHA VANADIUM PROJECT

Highlights:

- A revised Mineral Resource for the Gabanintha project prepared by CSA Global.
- Compared to the previous resource estimate, this Mineral Resource has seen a significant improvement in grade for the main target commodities V₂O₅ (0.6 up to 0.7%), Fe (29.5 up to 32.3%) and TiO₂ (7.8 up to 8.6%), with a reduction in tonnes from 151.2Mt down to 125.8Mt.
- Based on a review of all available data, the Mineral Resource has been classified as Indicated Resources and Inferred Resources and delivers a more realistic estimate for the deposit.

Gabanintha Project

The Gabanintha titaniferous – vanadiferous magnetite deposits are located in the Murchison Province of Western Australia. The project consists of five leases located 43 kilometres south east of Meekathara via the Great Northern Highway (see Figure 1). The Gabanintha deposit is comprised of massive to disseminated bands of titaniferous - vanadiferous magnetite (and ilmenite) hosted in a differentiated gabbro of the Gabanintha Formation. There are two distinct zone of mineralisation a basal, massive, high grade band and an upper disseminated band with lower grade (see Figure 2). The deposit strikes north-northwest in the project area and dips at 45° to 60° to the southwest. The mineralised bands are 5-30m thick and share the same orientation as the gabbro host.

During the half-year, Yellow Rock Resources Ltd (YRR) commissioned CSA Global Pty Ltd to review the Mineral Resource estimate for the Gabanintha project. The review forms part of a broader strategy aimed at defining the technical direction for the next phase of project development. The resource review resulted in significant grade improvement for the resource due to tighter modelling constraints and a reclassification to Indicated and Inferred.

The high-grade component of the resource indicates this is one of the richest vanadium projects in Australia. The Mineral Resource for the high-grade component is 60.4Mt @ 0.98% V₂O₅, 42.15% Fe and 11.4% TiO₂ (Indicated and Inferred).

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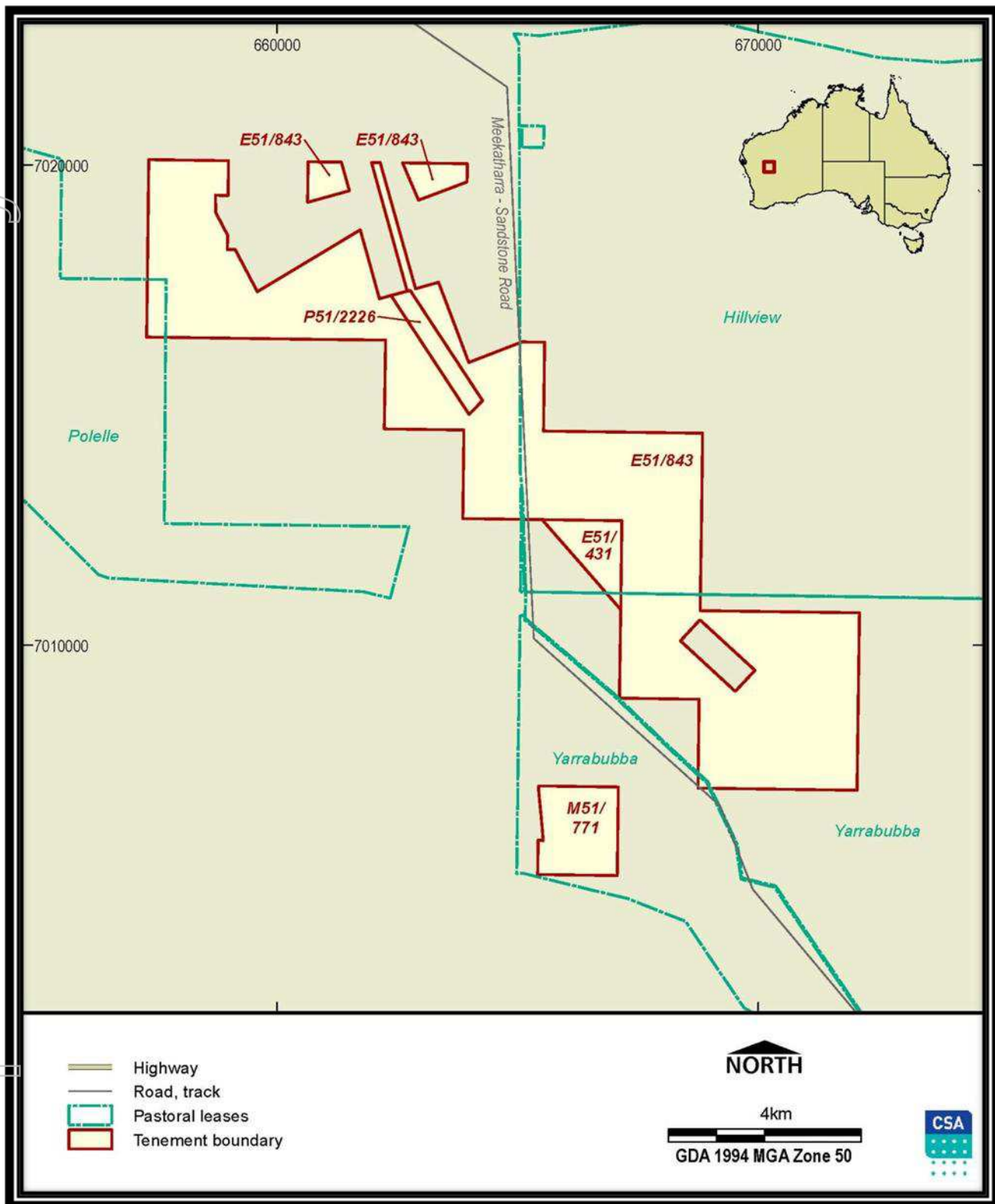


Figure 1. Tenement location plan

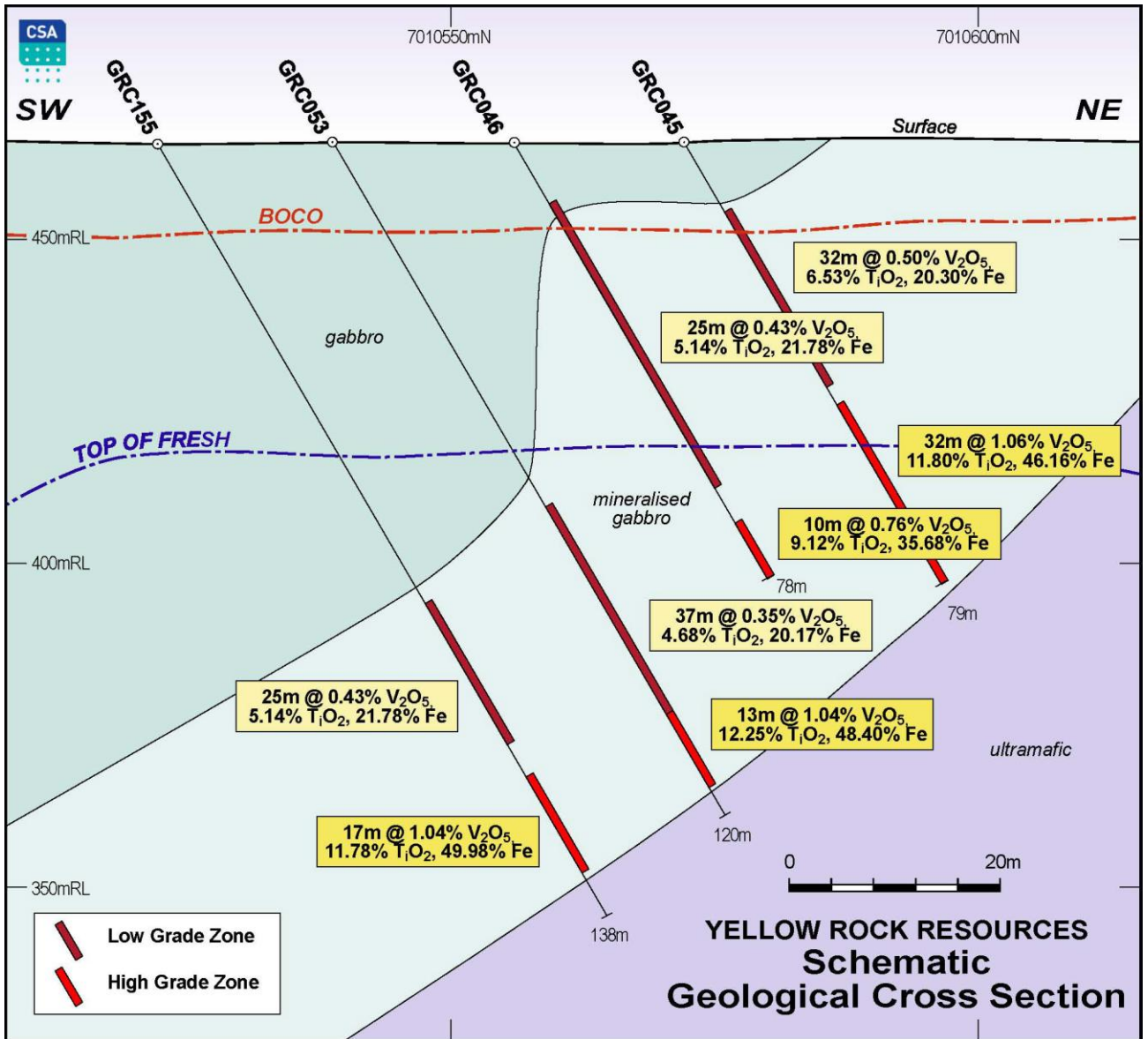


Figure 2. Schematic cross-section

2011 Mineral Resource Summary

The 2011 Mineral Resource estimate is based and relies on analytical data collected from 142 RC percussion and 6 diamond core drill holes. The majority of these data (130 RC holes and 6 diamond holes) were collected by YRR in the period 2007 to 2010. The other 12 RC holes were collected by previous explorers. The resource model was constructed to reflect the geology and analytical results that indicate two zones of mineralisation exist; a basal high-grade zone and an upper lower grade zone.

Based on a review the descriptive statistics of the analytical data, cut-offs of 0.3% and 0.7% V₂O₅ were used to model the low-grade and high-grade zones respectively. The interpretation was undertaken on a sectional basis to reflect the drill hole spacing which ranges from 30m x 150m to 50m x 450m. The Mineral Resource was estimated using Ordinary Kriging inside separate constraining wireframes for the high-grade and low-grade zones. Data was extrapolated by half the distance to the preceding drill line at the deposit ends.

The Mineral Resources at the Gabanintha project are classified using the JORC code 2004. The Resources are classified as a mixture of Indicated and Inferred Resources as outlined in the summary table below.

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

Material	JORC Resource Class	Million tonnes	In Site Bulk Density	V2O5%	Fe%	TiO2%	SiO2%	Al2O3%	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 V₂O₅ 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% V₂O₅ for Low Grade (LG) and 0.7% V₂O₅ for High Grade (HG). Tonnages have been rounded to reflect that this is an estimate.

Comparison with Previous Resources

The aim of CSA's work was to deliver a Mineral Resource for the project that was a realistic estimate based on the data collected to date. The review has resulted in several key changes from the previous Mineral Resource estimate completed in 2008. The key differences are:

- an improved geological control on the constraining wireframes (through the review and inclusion of surface mapping data and structural interpretation undertaken by Southern Geoscience),
- an improvement in grade for all of the main target commodities (V₂O₅, Fe and TiO₂), and
- a more realistic classification of the resources.

The main reason for the increased grade is tighter modelling constraints for the mineralised lenses, where zones were modelled on the basis of a minimum 5m down-hole interval thickness, internal waste being kept to a minimum (approximately 3m), and minimum overall grade of 0.3% for low grade and 0.7% for high grade material.

Table 2. Resource comparison between 2011 and 2008

Domain	Resource	Tonnage			Grade								
		Nov-08	Dec-10	% Diff	V2O5			Fe			TiO2		
					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			0.40			22.10			4.90		
	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%

Based on a comparison of the 2008 and 2011 models, the CSA resource has less tonnes, 125.8Mt compared to 151.2Mt. This is the result of the constraining wireframes incorporating recent geological interpretation and a greater understanding of the structural controls on mineralisation which terminated and displaced mineralisation wireframes at faults and tighter wire frames (extrapolated to half drill spacing). In addition, a small proportion of the 2008 resource was excluded as it actually occurs off YRR tenure. Although there are lower tonnages the grades are significantly higher. CSA's review did not model a separate scree resource due to inadequate geological evidence to support its inclusion. All low grade material was statistically comparable and contained one grade population. It was therefore deemed appropriate to model all low grade material as one domain.

The principal difference between the two Mineral Resource estimates is the classification. The 2008 model had a significant proportion of the resource in the Measured and Indicated categories whereas the CSA resource has classified the resource as Indicated and Inferred Resources. The reason for the differences in classification relate primarily to:

- The resource includes a significant amount of oxide material. The raw density data was reviewed but there was insufficient data to define any relationship between the level of oxidation and density. Similar resources in the region have shown that density values in the oxide are lower than that of transitional and fresh material. The relationship between grade and density (where higher V2O5 grades are assigned a higher density value) leads to a level of uncertainty about assigned density values such that the tonnage estimate cannot be reported to the confidence level required to report Measured Resources.
- No recovery analysis results have been received by CSA. Davis tube recovery analysis should be completed to investigate the possibility of upgrading material via magnetic separation. Without this, it is not possible to upgrade any part of the resource to Measured Resources.
- Uncertainty over the geological continuity and structural controls of some of the domains, particularly the high grade domain. Recent mapping work has improved the level of understanding of controls on mineralisation, however further work is required in this area.
- Variography was not conducted on the high grade domain, and inter-element correlation plots suggest that purely from a grade point of view, their relationships in the high grade domain differs from that of the low grade domain. Therefore, a lower level of confidence is attached to the grade estimate of the high-grade domain where estimation was undertaken using the variography from the low grade domain.

Competent Persons Statement

The Mineral Resource estimates discussed in this report were prepared under the supervision of Mr Galen White BSc AusIMM, a full time employee of CSA Global Pty Ltd and is a competent person as defined by the Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) 2004 Edition. Mr White consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

TURNER'S DOME PROJECT

The Turner's Dome tenement, E25426, straddles the contact between the Arunta Block and the Ngalia Basin in the Northern Territory.

During the first quarter, a four man crew conducted helicopter supported stream sediment sampling, rock chip sampling and sensitive MMI soil sampling over geophysically acquired targets in the tenement area, targeting gold, base metals and uranium mineralisation.

Following an assessment of this first phase field work it was determined that further expenditure on the tenement was not justified and a decision was taken to surrender the tenement.

As a result of the surrender of the tenement the Company raised an allowance for impairment on capitalised exploration and evaluation of \$8,659,481.

CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the half-year are detailed under the heading 'Review of Operations' of this Report.


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

AUDITOR'S DECLARATION OF INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the review for the half-year ended 31 December 2010 is included within this financial report.

This report is signed in accordance with a resolution of the Board of Directors.

On behalf of the Directors



Sydney Chesson
Chairman

Perth, 14 March 2011

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YELLOW ROCK RESOURCES LIMITED
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2010

	Consolidated	
	31 December 2010	31 December 2009
	\$	\$
Continuing operations		
Revenue	96,162	25,435
Exploration and evaluation expenditure	(9,783)	(13,707)
Depreciation	(288)	(288)
Directors fees and benefits expense	(62,664)	(126,950)
Share based payments	(9,158)	(83,683)
Impairment of mineral interest	(8,659,481)	(8,647,615)
Other expenses	(602,057)	(377,402)
Loss before income tax expense	(9,247,269)	(9,224,210)
Income tax expense	-	-
Net loss for period	(9,247,269)	(9,224,210)
Other comprehensive income	-	-
Other comprehensive income for the period, net of tax	-	-
Total comprehensive income attributable to members of Yellow Rock Resources Limited	(9,247,269)	(9,224,210)
Basic and diluted loss per share (cents per share)	(2.90)	(4.02)

The accompanying notes form part of these financial statements

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YELLOW ROCK RESOURCES LIMITED
CONDENSED STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

		Consolidated	
		31 December 2010 \$	30 June 2010 \$
	Note		
ASSETS			
Current Assets			
Cash and cash equivalents	2	3,432,576	4,128,239
Trade and other receivables		88,197	120,144
Total Current Assets		3,520,773	4,248,383
Non-Current Assets			
Trade and other receivables		2,611	2,611
Plant and equipment		1,857	2,145
Deferred exploration expenditure	3	28,663,859	37,191,946
Total Non-Current Assets		28,668,327	37,196,946
Total Assets		32,189,100	41,445,085
LIABILITIES			
Current Liabilities			
Trade and other payables		308,329	326,203
Total Current Liabilities		308,329	326,203
Total Liabilities		308,329	326,203
Net Assets		31,880,771	41,118,882
EQUITY			
Issued capital	4	56,799,840	56,799,840
Reserves		21,004,306	20,995,148
Accumulated losses		(45,923,375)	(36,676,106)
Total Equity		31,880,771	41,118,882

The accompanying notes form part of these financial statements

YELLOW ROCK RESOURCES LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2010

	Issued Capital \$	Accumulated Losses \$	Other Reserves \$	Total Equity \$
Balance at 1 July 2009	52,740,910	(25,501,471)	20,967,000	48,206,439
Loss for period	-	(9,224,210)	-	(9,224,210)
Total comprehensive loss for period	-	(9,224,210)	-	(9,224,210)
Securities issued during the period	4,317,500	-	-	4,317,500
Share issue expenses	(258,570)	-	-	(258,570)
Cost of share based payments	-	-	83,683	83,683
Balance at 31 December 2009	56,799,840	(34,725,681)	21,050,683	43,124,842
Balance at 1 July 2010	56,799,840	(36,676,106)	20,995,148	41,118,882
Loss for period	-	(9,247,269)	-	(9,247,269)
Total comprehensive loss for period	-	(9,247,269)	-	(9,247,269)
Cost of share based payments	-	-	9,158	9,158
Balance at 31 December 2010	56,799,840	(45,923,375)	21,004,306	31,880,771

The accompanying notes form part of these financial statements

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YELLOW ROCK RESOURCES LIMITED
CONDENSED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2010

	Note	Consolidated	
		31 December 2010 \$	31 December 2009 \$
Cash flows from operating activities			
Payments to suppliers and employees		(622,143)	(511,260)
Interest received		107,830	28,790
Net cash (used in) operating activities		<u>(514,313)</u>	<u>(482,470)</u>
Cash flows from investing activities			
Expenditure on mining interests		<u>(181,350)</u>	<u>(692,978)</u>
Net cash (used in) investing activities		<u>(181,350)</u>	<u>(692,978)</u>
Cash flows from financing activities			
Proceeds from issue of shares		-	4,317,500
Share issue costs		-	(36,270)
Net cash provided by financing activities		<u>-</u>	<u>4,281,230</u>
Net (decrease) / increase in cash held		<u>(695,663)</u>	3,105,782
Cash at beginning of the half-year		<u>4,128,239</u>	1,591,025
Cash at end of the half-year	2	<u><u>3,432,576</u></u>	<u><u>4,696,807</u></u>

The accompanying notes form part of these financial statements

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YELLOW ROCK RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the half –year reporting period ended 31 December 2010 has been prepared in accordance with the Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with Australian accounting standards ensure the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards (“IFRS”).

The interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report to be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by Yellow Rock Resources Limited during the half year.

The accounting policies have been consistently applied with those of the previous financial year and corresponding interim reporting period.

2. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, cash and cash equivalents are comprised of the following:

	31 December 2010	30 June 2010
	\$	\$
Cash at bank and on deposit	3,432,576	4,128,239

(i) Non-cash financing and investing activities

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

3. DEFERRED EXPLORATION EXPENDITURE

Costs carried forward in respect of areas of interest in the following phases:

	31 December 2010	30 June 2010
	\$	\$
Exploration and evaluation phase – at cost	28,663,859	37,191,946
Movement		
Balance at beginning of half-year	37,191,946	
Expenditure incurred	141,177	
Expenditure written off	(9,783)	
Impairment	(8,659,481)	
Total deferred exploration expenditure	28,663,859	

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale of the relevant areas of interest, at amounts at least equal to book value.

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YELLOW ROCK RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2010

4. ISSUED CAPITAL

	31 December 2010 \$	30 June 2010 \$
Issued Capital		
Ordinary shares – fully paid	56,791,840	56,791,840
Ordinary shares – partly paid	8,000	8,000
	56,799,840	56,799,840
Movement in ordinary shares on issue	Number	\$
(i) Ordinary shares – fully paid		
Balance at beginning of half-year	319,026,205	56,791,840
Movement	-	-
Balance at end of half-year	319,026,205	56,791,840
(ii) Ordinary shares – partly paid (\$0.0389 unpaid)		
Balance at beginning of half-year	80,000,000	8,000
Movement	-	-
Balance at end of half-year	80,000,000	8,000
Total issued and paid-up shares	399,026,205	56,799,840

5. SEGMENT INFORMATION

The Group has applied AASB 8 *Operating Segments* from 1 July 2009. 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 half-year, the Group considers that it has only operated in one segment, being mineral exploration within Australia.

6. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

7. EVENTS SUBSEQUENT TO REPORTING DATE

There are no matter or circumstances which have arisen since the end of the half-year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods.

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YELLOW ROCK RESOURCES LIMITED

DIRECTORS' DECLARATION

The directors of the company declare that:

- 1) The financial statements and notes, as set out within this financial report:
 - (a) comply with the Accounting Standard AASB 134: Interim Financial Reporting and the *Corporations Act 2001*; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date.
- 2) In the directors' opinion there are reasonable grounds to believe that Yellow Rock Resources Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors



Sydney Chesson
Chairman

Perth, 14 March 2011

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Yellow Rock Resources Limited which comprises the condensed statement of financial position as at 31 December 2010, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Yellow Rock Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Major Offices in:
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Adelaide and Canberra
ABN 36 965 185 036

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Independence

In conducting our review, 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 review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Yellow Rock Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

D J Wall

D J WALL
Partner

Perth, WA
Dated: 14 March 2011

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Yellow Rock Resources Limited for the half-year ended 31 December 2010, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

D J Wall

D J WALL
Partner

Perth, WA
Dated: 14 March 2011

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