PACIFIC NIUGINI LIMITED
(formerly Chrome Corporation Limited)
AND CONTROLLED ENTITIES

ABN 30 003 207 467

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2010

PACIFIC NIUGINI LIMITED AND CONTROLLED ENTITIES

ABN 30 003 207 467

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CORPORATE DIRECTORY

Directors

Mr Peter COOK
(Non-Executive Chairman)
Mr Andrew WALLER
(Non Executive Director)
Mr David OSIKORE
(Non Executive Director)
Mr Paul CMRLEC
(Non Executive Director)

Company Secretary

Mr Dennis LOVELL

Registered Office

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Milton QLD 4064
Telephone: +61 (0) 7 3367 3996
Facsimile: +61 (0) 7 3368 2998

Principal Place of Business

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Telephone: +61 (0) 7 3367 3996
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Bankers

Westpac Banking Corporation
109 St Georges Terrace
Perth WA 6000

Country of Incorporation

Australia

Auditors

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38 Station Street
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ASX Code: PNR

Website

www.niugini.com.au

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

It is my pleasure to present you the Pacific Niugini Limited ("Pacific Niugini" or "the Company") Annual Report for the year ending 30 June 2010.

The past year has been one of substantial progress for the Company. The change in direction, change in name and most importantly acquisition of Pacific Niugini Minerals Ltd to become a wholly owned subsidiary has provided a renewed investor confidence and interest in the Company.

Our exploration interests in Papua New Guinea have returned many promising results.

Our wholly owned Bulolo Gravels Project is emerging as a potential gold production target with seismic surveys and impending drilling set to establish a large volume of gold-rich gravels suitable to large scale alluvial mining. Reconnaissance works within our Bulolo tenement has also returned significant indications of primary gold mineralisation.

The Gusap Project in the Madang Province has returned strong evidence of copper and gold mineralisation considered to be related to a large intrusive stock. We have fault-bound mineralisation which is the target of our first drilling program which shows good potential but is also considered to be proximal to a much larger porphyry copper-gold target.

Most importantly, our exploration efforts make us unique in PNG. We have a completely Melanesian team of specialist geologist, field teams and support staff and we are again doing the hard-grind reconnaissance geological works so lost to PNG exploration in modern times. We operate with an understanding respect and assimilation with local habits, customs and values which contributes to our acceptance and success.

Over the year past, your Board has taken large steps to ensure that previous corporate activities and interests have been rationalised and our investments are now aligned with our key focus of exploration and development in PNG. The Company is in a strong financial position to achieve this

I look forward with much enthusiasm to the ensuing year and expect that we can reward our shareholders with exploration success and continued growth.

I thank our dedicated and enthusiastic management staff for their efforts and determination to succeed. I also thank our shareholders, supporters, contractors and service providers for their support and continued belief in the Company over the year.

Yours faithfully

Peter Cook
Chairman

REVIEW OF OPERATIONS

CORPORATE

Ruighoek Chrome Project –South Africa

The sale of the Ruighoek Chrome Project in South Africa to New York Stock Exchange listed AMCOL (NYS:ACO) for US$26.4m by Pacific Niugini Limited ("Company or PNR") was completed in February 2009. At that date AMCOL acquired 53% of the Ruighoek Chrome Project for US$14.0 million (Stage 1 completion), took full operational and management control of the Project and continued the open cut mining of chrome ore.

AMCOL continued to pay the option fees of US$75,000 per month (March 2009 to Feb 2010) and US$150,000 per month from March 2010 to August 2010.

Subsequent to financial year end, AMCOL has elected to exercise their call option over the remaining 47% of the Ruighoek Chrome Project for US$12.4 million and the Stage 2 Completion was settled on 15 September 2010 by the payment of US$11.5 million net of South African Revenue Service ("SARS") withholding tax of 7.5% for the assessable capital gain on the settled part of the transaction.

Share Issues

During the past year the following share issues were completed:

(i) After completion of due diligence and receiving shareholder approval on 31 August 2009, the Company issued 35,920,200 fully paid ordinary shares and 17,950,100 unlisted options at an exercise price of $0.20 each expiring on 30 June 2014 in respect of the acquisition of Pacific Niugini Minerals Ltd.

(ii) On 30 September 2009, 82,106,789 listed options exercisable at $0.40 expired.

(iii) As a subsequent event to year end a placement of 30.45 million shares (15%) at $0.20 per share was completed and raised a net amount of $5.82 million.

Unmarketable Parcel Sale ("UMP")

In the previous financial year 2008/2009 the Company completed a review of its capital structure which determined that it had 2,242 shareholders, 1,611 of whom did not hold marketable parcels of shares of $500. An UMP process was commenced and completed on July 17, 2009 to enable small holders to dispose of their shares for no brokerage cost.

A total of 1,103 shareholders holding unmarketable parcels of shares totalling 982,454 shares participated in the process. Those shares were sold on market and the proceeds distributed to the shareholder involved. All costs associated with the disposal of these shares were borne by the Company. The outcome was that shareholders who participated in the sale received 7.132 cents per share.

Previous Investment Strategy

During the 2008 financial year and following the Stage 1 Settlement of the AMCOL purchase of the Ruighoek Project in February 2009, the Company embarked on an investment strategy for surplus funds which resulted in bad debt write offs of $497,322 in 2008 and $874,200 in 2009.

During the 6 month period to 30 June 2010 the company recovered $943,700 and a further $400,000 was recovered in July 2010, resulting in a 99% recovery of the abovementioned bad debts.
An unsecured 12 month loan of principal amount of A$ 2 million to GStar Management Pty Ltd fell due in March 2010 and is yet to be recovered. Default interest at the time of maturity amounted to A$ 375,000. The Company has had extensive negotiations with the borrower and has entered into a further arrangement to secure the outstanding principal and interest amounts with a Convertible Redeemable Note arrangement.

OPERATIONS

Papua New Guinea (PNG)

Pacific Niugini Ltd (PNR), formerly Chrome Corporation Ltd (CCI) (the Company) announced on 18 June 2009 the intention to acquire all the capital in unlisted PNG gold explorer, Pacific Nuigini Minerals Ltd ("PNM") and re-focus its efforts on exploration and development of PNM's gold and copper-gold prospects in PNG. PNM was an unlisted public company established in 2006 to explore for gold and copper in Papua New Guinea. The Company's 100% owned PNG subsidiary Pacific Nuigini Minerals (PNG) Ltd held 5 exploration titles covering 3,961 square kilometres in Papua New Guinea is headed by prominent PNG geologist, David Osikore, and chaired by Mr Bill Searson, a well established and well-regarded public figure in the PNG resource and government sectors.

Following completion of due diligence and after receiving shareholder approval on 31 August 2009, the Company issued to PNM shareholders two (2) fully paid PNR shares for every one (1) PNM share and to PNM option holders one (1) option to acquire a PNR share at a price of 20 cents expiring on 30 June 2014. On completion of the transaction two nominees of PNM, Mr Peter Cook and Mr David Osikore were appointed to the board of the Company.
The Company changed its name to Pacific Niugini Limited (ASX:PNR) in November 2009 and was relocated from Perth to Brisbane.

Pacific Niugini Minerals (PNG) Ltd

PNM's projects and exploration tenements are located in three provinces of Papua New Guinea. EL1589, EL1614 and EL1616 are located in Morobe Province. EL1613 and EL1615 are located in Western Highlands and Madang provinces.

Morobe Province Exploration Titles

The Morobe Province, and in particular the gold towns of Wau and Bulolo are where PNG's rich mineral history began in the 1920's. A gold boom of many small alluvial miners soon gave way to commercial scale dredging, the most significant being the Bulolo Alluvial Field which in the 1930's was one of the most prolific gold producers in the world.

Famous as the birthplace of Placer Dome (now Barrick), one of the world's foremost gold miners and the most successful in PNG, the recorded production from alluvial dredging is estimated at 413.7 Million Tonnes at a recovered 0.16g/t Gold for the production of over 2.15 million ounces.

Modern day exploration and mining at Gold Ridges by Renison Goldfields, the discovery of Hidden Valley and Wafi by CRA and other owners of recent times have rapidly pushed the Morobe Goldfields to prominence. Under a newly formed joint venture between Harmony Gold and Newcrest, the Hidden Valley Gold-Silver Mine is being developed. The nearby Wafi Gold and Golpu Porphyry Copper-Gold deposits are massive and world-class deposits in their own right and are undergoing mine development studies.

PNM has a significant land position within this province with three titles covering 935.76 square kilometres.

EL 1616 – Bulolo (271.2 sq. km)

This tenement covers the vast bulk of historic gold production from within the Morobe Province which has come from gold dreging of the Bulolo Gravel Flats between 1939 and 1973, although significantly interrupted during World War II. EL1616 contains the best of the historically productive Bulolo gravel flats. Gold production from these gravel flats totalled 2.15 million ounces from the processing of 413.7 million tonnes of gravel at a recovered grade of 0.16g/t Gold.

A review of previous dredging operations and historic data reveals that significant material remains to be dredged below historic dredge depths as dredging did not on many occasions ever reach full gravel depth. Further, substantial areas of known gravel beds were not dredged suggesting good potential for further bulk-tonnage alluvial gold resources.

During the past year PNM completed an extensive program of seismic testing over previously dredged parts of the Bulolo Gravels. Analysis of the seismic lines has shown a clear distinction of key profiles such that previously dredged, undredged, ash flow tuff layers (false bottom) and basement is distinguished. PNM has determined a significant volume of gravels remains that has not been subject to gold extraction with this volume potentially as much as has been historically mined.
PNM intends to complete a program of churn drilling over gravels within its exploration title area in the ensuing year to validate the seismic interpretation and provide estimates of contained gold, size fractions and other important physical features of the gravels.

Further, PNM intends to investigate the feasibility of commencing small scale alluvial testing of gravels in the tenement as part of or possibly following the churn drill programs. Should the alluvial testing prove that larger scale alluvial gold mining is financially viable, PNM will move quickly to establish commercial scale operations at Bulolo.

Although the main historic focus within the Bulolo EL is the potential for alluvial gravel mining to recover gold, there has been other sporadic exploration works completed within the tenement by Bulolo Development Company, CRAE, and the PNG Geological Surveys for primary sources of mineralisation. Target metals of past explorers were mainly gold and copper. PNM has completed reconnaissance works on this tenement during the financial year and has discovered significant anomalies from stream sediment, ridge and spur and rock-chip sampling which are all being followed up to ascertain the significance of primary sources of gold mineralization. Further works in preparation for drill testing of a number of these targets in the ensuing year is continuing.

EL 1589 – Zenag (64.4sq km)

EL1589 is located 65 kilometres southwest of Lae City and 12 kilometres southeast of Wafi/Golpu epithermal gold and porphyry copper-gold deposit. Works completed in EL1589 and surrounding titles owned by others have revealed widespread elevated gold in creeks with best historical gold results were: 99.3 g/t Au, 14.6 g/t Au & 4.64 g/t Au.

A magnetic high at the central western portion of the tenement suggests underlying intrusive magnetic body. This magnetic body was recently mapped and sampled by neighbouring leaseholder, who has reported best surface trenching results of 15m @ 24 g/t Au and 1.44% Cu.

PNM completed several programs of on-ground reconnaissance sampling at Zenag during the year and has yet to build up its target to justify drilling at this stage.

EL 1614 – Garaina (600.16 sq. km)

The Garaina tenement is 110km southeast of Lae and 50km southeast of Wau Town. EL1614 has had limited modern day exploration with parts of the current EL1614 area investigated by Bureau of Mineral Resource (BMR) in the 1950's. In the more recent times, Highland Gold Limited explored for nickel and gold in the late 1980s at area to northeast of Garaina Station. Nickel, gold and copper occurrences were reported in the past. PNM believes the area has potential for discovery of gold, copper and ophiolite associated nickel deposits.

PNR has commenced reconnaissance works on the ground and is planning air-borne geophysics as a tool to focus its more traditional ground based exploration programs.

Madang Province

EL 1615 – Gusap

EL1615 is located in Madang Province, covering 2,171 square kilometres of Finisterre Ranges east of Gusap. The Finisterre Ranges runs parallel to the Ramu – Markham Fault Zone. EL1615 is situated 50km southeast of Madang Town and about 150km northwest of Lae.

Porphyry style copper and gold mineralisation was reported in rock chip (float & outcrop) from headwaters of Gusap, Buru and Lalam Rivers. At the headwaters of Gusap and Buru (approximate location) a massive chalcopyrite float returned 17% copper and 0.40 g/t gold. A gossan outcrop near Wangeto along the Lalam River reported 0.66% copper. The Finisterre Ranges remain largely under explored since the early 1980's.

PNR has commenced reconnaissance works with significant early success. Traversing of creeks in the southwestern part of the tenement has discovered outcropping copper and gold mineralisation in a 15-20m wide fault zone containing monomictic breccia with clasts rounded to sub-angular chalcopyrite. Grab samples from this zone have assayed up to 11.2% Copper and 0.33g/t Au whilst in other areas grabs have returned 4.19% Copper and 0.12g/t Gold and 3.93% Copper, 0.44g/t Gold and 0.77% Zinc. The monomictic breccia/fault zone has been traced over 400m of strike and subsequent to the end of the year drilling has commenced to test the extent and tenor of copper mineralisation along strike and at depth.
It is consider the mineralisation represents a related fault injected body spat out of a deeper porphyry stock.

PNM believes the area has both potential for fault related copper-gold, porphyry copper-gold and copper-gold skarn style mineralisation.

Western Highlands Province

EL 1613 – Mt Hagen

EL1613 is located near Papua New Guinea's third largest city, Mt Hagen City, in the Western Highlands Province. An excellent road network exists with infrastructures and others services easily accessible from Mt Hagen. The EL covers prospective areas of the northwest-southeast striking mineralised Bismarck Fault Zone corridor which hosts numerous copper gold and other base-metal occurrences including the copper molybdenum Yandera deposit (127MT @0.7% copper) which is being progressed to Prefeasibility Study and Simbai gold deposits are located on the Bismarck and the Bundi Fault Zones. The Kuta epithermal gold and base metal prospect is located immediately south of EL1613.

PNM has joint ventured this tenement with ElDore Mining Corporation Limited who is earnng a 60% interest by funding $2 million in exploration expenditure over 4 years. PNM believes the area is highly prospective for structurally controlled copper and gold deposits.

Over the past year significant ground based mapping and sampling has been completed outlining two significant anomalies of copper and gold considered to be related to porphyry copper stocks.

At the Paglum Prospect in the central-west of the tenement structurally controlled outcropping veins have returned rock chip results up to 3.08% Copper and 0.35ppm gold and grab and float samples have shown strongly anomalous copper and gold results with associated silver, molybdenum and zinc.

In the northeast of the tenement the Kotna Prospect has also returned strongly anomalous copper, gold, molybdenum and lead anomalism considered to proximal to porphyry copper mineralisation associated with the intrusive Kubor Granodiorite stock.

The information in this report that relates to the Exploration Results for Pacific Niugini Minerals Ltd is based upon information compiled by Mr Peter Cook (BSc(Applied Geology)), MSc Min Econ, M.AusIMM.. Mr Cook is a consultant to Pacific Niugini Minerals (PNG) Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to duly qualify as a Competent Person as defined in the 2004 Edition of Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Cook consents to the inclusion in the report of the matters based upon their information in the form and context to which it appears.

DIRECTORS REPORT

Your directors present their report on the company and its controlled entity for the financial year ended 30 June 2010.

DIRECTORS

The names of the directors in office and at any time during, or since the end of, the year are as follows. Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

NAMES, QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

Mr Peter Cook (Appointed 31 August 2009) BSc Applied Geol, MSc (Min Econ), MAusIMM

Mr Cook is a Geologist and Mineral Economist and is the current Non-Executive Chairman and former Managing Director of Metals X Ltd. In the past decade he has been the Managing Director of Hill 50 Ltd, Harmony Gold Australia Pty Ltd, Abelle Ltd and Bluestone Tin Ltd.

He is currently the Non-Executive Chairman of Aragon Resources Ltd and a non-executive director of Westgold Resources Ltd and Metals X Ltd

Mr Cook is the non-executive Chairman and acting CEO of Pacific Niugini Limited.

Mr David Osikore (Appointed 31 August 2009) BSc

Mr Osikore BSc is a Geologist and has extensive exploration experience working for groups such as Bougainville Copper Limited, Placer Dome, Ingold (a subsidiary of INCO) and Renison Goldfields. In recent times he has been a Senior Geologist with Aurora Gold Limited, the Exploration Manager for Abelle Ltd responsible for their Wafi and Hidden Valley Projects and he was appointed the PNG Exploration Manager for Harmony Gold after their take-over of Abelle Ltd. David has considerable experience in dealing with all levels of PNG business, government, landowner communities and government agencies.

Mr Osikore has not held any other public company directorships in the past three years.

Mr Osikore is the Managing Director of the wholly owned PNG subsidiary, Pacific Niugini Minerals (PNG) Limited and is an executive director of Pacific Niugini Limited.

Mr Paul Cmrlec (Appointed 3 June 2010) BEng (Mining), Honours

Mr Cmrlec holds a Bachelor of Mining Engineering degree from the University of South Australia. He specialises in feasibility studies and project development and has held a number of operational and planning roles, including the position of Underground Manager at several Western Australian gold Mines. He was previously the Group Underground Mining Engineer for Harmony Gold Australia, and is currently the Group Mining Engineer for Metals X Limited.

His recent experience includes the general management of major feasibility studies for the Wafi Copper-Gold deposit in Papua New Guinea, and the Wingellina Nickel-Cobalt deposit in the Central Musgraves region of Western Australia. Direct liaison with Traditional Landowners, their representatives, and government stakeholders has been a key requirement in both of these roles.
Mr Cmrlec is a non-executive director of Pacific Niugini Limited.
He is also a non-executive director of Westgold Resources Limited.

Mr Andrew Waller

Mr Andrew Waller has extensive public company experience, particularly in the area of capital raising and business development with a background in technology development/manufacturing, property development and resources.

Currently Mr Waller is the Chairman of Arturus Capital Ltd and non-executive director of Pantheon Resources PLC.

In the past three years he has also been a director of ElDore Mining Corporation Limited, Nuenco NL and Acclaim Exploration NL.

Mr Waller is a non-executive director of Pacific Niugini Limited.

Mr Brian Thomas (Resigned 2 November 2009) BSc, MBA, SAFin, MAusIMM, MAICD

Mr Thomas is a geologist with 20 years of mining and exploration industry experience in a broad range of commodities from precious and base metals, bulk and industrial minerals, diamonds plus oil and gas. This knowledge is complemented with 12 years in the Australian financial services sector working in corporate stock broking, investment banking, funds management and an Australian commercial bank before joining Pacific Niugini (formerly Chrome Corporation).

Mr Richard Linnell (Resigned 1 September 2009) BSc (Hons)

Mr Linnell has been active in the resources sector for over thirty years and has significant global experience in the development and marketing of resources and commodities. In his early career he was involved in the establishment of the Delta Manganese Project (now Manganese Metal Company) and the Murray & Roberts Industrial Corporation, the industrial holding company of the Murray and Roberts Construction Group. Mr Linnell's other positions have included marketing manager for the Stainless Steel division of Middelburg Steel & Alloys and general manager of the Manganese Division of Samancor, a joint venture between Billiton Plc and the Anglo American Corporation. In 1997 Mr Linnell became responsible for Billiton Plc's exploration and development activities throughout Africa. Whilst at Billiton Plc, Mr Linnell was an originator of the Bakubung Initiative, a forum designed to revive the South African mining industry and which led to the establishment of the Eskom Council. Mr Linnell is currently Non-Executive Chairman of Coal of Africa Ltd and a Non-Executive Director of GRD Limited.

COMPANY SECRETARIES

Mr Dennis Lovell (appointed 31 August 2009) CA

Mr Lovell is a Chartered Accountant with more than 40 years experience in corporate financial management in a range of industries including mineral exploration, mining, manufacturing and wholesale and retail operations in Australia and overseas. He has consulted to a number of ASX listing and capital raising projects and has acted as company secretary and financial director to a number of public listed companies.

PRINCIPAL ACTIVITIES

The principal activities of the economic entity during the financial year consisted of:

- The acquisition of Pacific Niugini Minerals Ltd, a PNG gold and copper explorer.
- Exploration for minerals in Papua New Guinea.
- Ongoing ownership of 47% of the Ruighoek Chrome project in South Africa – subject to a deferred sale arrangement to AMCOL International Corporation (USA) which was fully settled in September 2010.

OPERATING RESULTS

The consolidated profit of the economic entity for the financial year after providing for income tax amounted to $1,236,994 (2009: profit of $4,336,363).

DIVIDENDS PAID OR RECOMMENDED

The directors recommend that no dividend be paid for the year ended 30 June 2010, nor have any amounts been paid or declared by way of dividend since the end of the previous financial year.

REVIEW OF OPERATIONS

A full review of the operations of the consolidated entity during the year ended 30 June 2010 is included in this report.

FINANCIAL POSITION

The net assets of the economic entity have increased by $5.0 million during the financial year (from $9.5 mill at 30 June 2009 to $14.5 mill at 30 June 2010). This increase has resulted mainly from the acquisition of Pacific Niugini Minerals Ltd, a PNG copper and gold explorer.

As disclosed in more detail in this report, the Company collected US$12.4 million in September 2010 with respect to the settlement of the sale of the remaining 47% interest held in the Ruighoek Chrome project in South Africa.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year other than as disclosed in this report or the consolidated financial statements.

AFTER BALANCE DATE EVENTS

There is no other matter or circumstance that has arisen since the end of the financial year to the date of this report, which has 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 years, other than:

Capital Raising:
In September 2010 the company announced a private placement of 30,450,000 shares at $0.20 per share to raise additional net working capital of $5.82 million after costs.

Settlement of Ruighoek Chrome Project:
In September 2010 AMCOL elected to exercise their call option over the remaining 47% of the Ruighoek Chrome Project for US$12.4 million. Stage 2 Completion was settled by the payment of US$11.5 million net of withholding taxes.

FUTURE DEVELOPMENTS AND EXPECTED RESULTS

Further information on likely developments and the expected results are not included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Company.

ENVIRONMENTAL ISSUES

The economic entity's operations are subject to significant environmental regulations under the laws of Papua New Guinea. These issues are dealt with by the Managing Director of Pacific Niugini Minerals (PNG) Ltd, the operating entity in PNG, and the economic entity is not aware of any matter that requires disclosure with respect to any significant environmental regulation in respect of its activities.

REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for each director and executive of Pacific Niugini Limited.

(A) Principles used to determine the nature and amount of remuneration (Audited)

Remuneration Policy

The remuneration policy of the Company has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

During the year ended 30 June 2010, the economic entity did not have a separately established nomination or remuneration committee. Considering the size of the economic entity, the number of directors and the economic entity's stage of its development, the Board are of the view that these functions can be efficiently performed with full Board participation.

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the board. The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

Remuneration Structure
In accordance with best practice corporate governance, the structure of non-executive Director and Senior Management remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting and currently stands at $250,000 pa. Fees for non-executive directors are not linked to the performance of the economic entity. The Directors are not required to hold any shares in the Company under the Constitution of the Company, however to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Managing Director and Executive Remuneration Structure

Based on the current stage in the Company's development, its size, structure and strategies, the Board considers that the key performance indicator in assessing the performance of Executives and their contribution towards increasing shareholder value is share price performance over the review period. At present, remuneration is not impacted solely by the Company's share price performance but also other mitigating factors such as exploration progress and results.

Individual and Company operating targets associated with traditional financial and non-financial measures are difficult to set given the small number of Executives and the need to be flexible and multi-tasked, as the Company responds to a continually changing business environment. Consequently, a formal process of defining Key Performance Indicators (KPI's) and setting targets against the KPI's has not been adopted at the present time.

Remuneration consists of the following key elements:
Fixed remuneration; and
Variable remuneration
Short term incentives (STI); and
Long term incentives (LTI).

The proportion of fixed remuneration and variable remuneration is established for each executive by the Board.

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 industry and external advice. Executives receive their fixed remuneration in cash.

Executive directors can be employed by the Company on a consultancy basis, on board approval, with remuneration and terms stipulated in individual consultancy agreements.

Variable Remuneration – Short Term Incentive (STI)

The objective of the STI is to link the increase in shareholder value over the year with the remuneration received by the Executives charged with achieving that increase. The total potential STI available is set at a level so as to provide sufficient incentive to the Executives to achieve the performance goals and such that the cost to the Company is reasonable in the circumstances.

Annual STI payments granted to each executive depend on their performance over the preceding year and are based on recommendations from the Managing Director following collaboration with the Board. Typically included are measures such as contribution to strategic initiatives, risk management and leadership/team contribution.

The aggregate of annual STI payments available for Executives across the Company is subject to the approval of the Board. During the financial year there were no STI payments.

Variable Remuneration – Long Term Incentive (LTI)

The objective of the LTI plan 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 seniority of the Executive and the responsibilities the Executive assumes in the Company and is granted at the discretion of the Board.

LTI grants to Executives are delivered in the form of share options. These options are issued at an exercise price determined by the Board at the time of issue. They are issued to align the directors interests with that of the shareholders. The Company does have a formal employee Share Option Plan.

(B) Remuneration of Directors and Executives (Audited)

Details of the remuneration of directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of the Company and the Group are set out in the following tables.

The key management personnel of the Company and the Group include the directors and the following executive officers who have or did have authority and responsibility for planning, directing and controlling the activities of the entity:

- Trevor Gillard (Resigned 30 September 2009) – Managing Director Batlhako Mining Ltd
- Andrew Chapman (resigned 30 November 2009) - Company Secretary and Chief Financial Officer
- Dennis Lovell (appointed 31 August 2009) - Company Secretary and Chief Financial Officer

	Short Term				Post Employment	Share-Based Payments		
2010	Cash Salary & Fees	Cash Bonus	Non-Cash Benefits	Consultancy Agreement	Superannuation Contribution	Options	Total	% Performance Related
Directors	$	$	$	$	$	$	$	
Peter Cook	50,000	-	-	17,400	-	-	67,400	-
David Osikore	140,870	-	-		12,710	121,500	275,080	-
Andrew Waller	30,000	-	-	40,814	-	-	70,814	-
Paul Cmrlec	3,333	-	-	5,100	-	72,000	80,433	-
Richard Linnell	25,000	-	-	-	-	-	25,000	-
Brian Thomas	160,000	-	-	-	9,000	-	169,000	-
Total	409,203	-	-	63,314	21,710	193,500	687,727	-
Executives								
Dennis Lovell	-	-	-	97,630	-	-	97,630	-
Trevor Gillard	-	-	-	22,500	-	-	22,500	-
Andrew Chapman	40,000	-	-	-	-	-	40,000	-
Total	40,000	-	-	120,130	-	-	160,130	-

Remuneration of Directors and Executives (Audited) (continued)

2009	Short Term				Post Employment	Share Based Payments		
	Cash Salary & Fees	Cash Bonus	Non-Cash Benefits	Consultancy Agreement	Superannuation Contribution	Options	Total	% Performance Related
Directors	$	$	$	$	$	$	$	
Richard Linnell	60,000	-	-	-	-	-	60,000	-
Brian Thomas	300,000	950,000	31,136	-	27,000	-	1,308,136	72.62
Andrew Waller	-	-	-	180,340	-	-	180,340	-
Total	360,000	950,000	31,136	180,340	27,000	-	1,548,476	
Executives								
Andrew Chapman	76,578	25,000	-	-	-	-	101,578	24.61%
Trevor Gillard	201,981	165,028	-	7,500	22,286	-	396,795	41.59%
Total	278,559	190,028	-	7,500	22,286	-	498,373	

(C) Compensation options to Directors – Granted and vested during the year (Audited)

During the 2009/10 financial year unlisted options were granted as equity compensation benefits to the Directors as disclosed below. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the Company at various exercise prices with various expiry dates. The options vested as indicated below and were issued to encourage directors to generate future shareholder wealth. The options issued to P Cmrlec on 9 March 2010 were issued in terms of the employee share option plan prior to his appointment as a director on 3 June 2010.

2010	Granted Number	Terms and Conditions of Each Grant				
		Grant Date	Value per Option at Grant Date $	Exercise Price $	Vesting Date	Expiry Date
Directors						
D Osikore	1,500,000	26.11.2009	0.081	0.20	26.11.2009	26.11.2012
P Cmrlec	1,000,000	09.03.2010	0.072	0.17	09.03.2010	23.02.2013
TOTAL	2,500,000					

There were no options granted or vested during the 2009 financial year.

(D) Values of Options Granted as Part of Remuneration (Audited)

2010	% of remuneration as options	Value of options granted during the year	Value of options exercised during the year	Value of options lapsed during the year	Total value of options granted, exercised & lapsed during the year
Directors					
D Osikore	44%	121,500	-	-	121,500
P Cmrlec	90%	72,000	-	-	72,000
		193,500			193,500

There were no alterations to terms and conditions of options granted as remuneration since their grant date.

Values of Options Granted as Part of Remuneration (Audited) (continued)

There were no options granted or exercised during the 2009 financial year.

(a) The value of options granted in the year is determined by an independent valuer using a Black-Scholes option pricing model that takes into account the share price at grant date, exercise price, expected volatility, option life, expected dividends, the risk-free rate, vesting and performance criteria, the impact of dilution and the fact that the options are not tradeable. The total value of the options granted is included in the table above.

(b) The value of options exercised during the year is calculated as the market price of shares of the Company as at close of trading on the date the options were exercised after deducting the price paid to exercise the option. No options were exercised in the year.

(c) During the financial year 16,640,000 $0.40 listed director options with an expiry date of 30-09-2009 lapsed. The value of the listed options that lapsed during the year was calculated at Nil based on market value at the date the options lapsed and thus no benefit was forgone.

(E) Analysis of options and rights over equity instruments granted as compensation (Audited)

Details of vesting profiles of the options granted as remuneration to each key management person to the Group and each of the specified Company executives and Group executives are detailed below:-

	Options Granted		% vested in year	% forfeited in year	Financial years in which grant vests
Directors	Number	Date			
D Osikore	1,500,000	26.11.2009	100%	0%	2009/10
P Cmrlec	1,000,000	09.03.2010	100%	0%	2009/10

(F) Employment Contracts of Directors and Senior Executives (Audited)

Mr David Osikore, Managing Director PNG and acting CEO (Appointed 31 August 2009)

Mr D Osikore has a four year service contract with Pacific Niugini Minerals (PNG) Ltd which commenced 1 July 2009 at a current remuneration of AU$175,000 per annum plus superannuation. Termination is 3 months notice under normal circumstances and 12 months in the case of termination without notice or fundamental change.

Mr Brian Thomas, Managing Director (Resigned 2 November 2009)

Remuneration and other terms of employment for the Managing Director were formalised in an employment agreement. Major provisions of the agreement relating to remuneration are set out below.

- Term of Agreement – Employment Agreement. Indefinite until terminated by either party in accordance with provisions set out in the employment agreement
- Remuneration $300,000 per annum plus superannuation and expenses
- 3 month termination clause

Mr Andrew Waller, Non-Executive Director

Mr Waller has no formal agreement between himself and the Company. He was paid a monthly fee of €8,000 per month for services rendered to the Company for the period 1 July 2009 to 30 September 2009. From 1 October 2009 he has been paid a non-executive directors' fee of $40,000 per annum.

Mr Peter Cook, Non-Executive Chairman (Appointed 31 August 2009)

Mr Cook has no formal agreement between himself and the Company. He is paid a non-executive directors' fee of $60,000 per annum and a consulting fee for any additional time spent on Company business over and above the normal hours covered by the fixed directors' fee.

DIRECTORS' REPORT (cont)

Mr Paul Cmrlec, Non-Executice Director (Appointed 1 June 2010)

Mr Cmrlec has no formal agreement between himself and the Company. He is paid a non-executive directors' fee of $40,000 per annum. He also carries out consulting services for the Company at commercial rates through a company of which he is a director.

THIS IS THE END OF THE AUDITED REMUNERATION REPORT

Directors' Interests in Shares and Options of the Company

2010	Ordinary Shares	Options Over Ordinary Shares		
		30/06/14 at 20 c	23/02/2012 at 17 c	26/11/2012 at 20 c
Peter Cook	14,713,838	5,000,000	-	-
David Osikore	6,000,000	3,000,000	-	1,500,000
Andrew Waller	5,467,070	-	-	-
Paul Cmrlec	408,500	200,000	1,000,000	-

2009	Ordinary Shares	Options Over Ordinary Shares	
		30/09/09 at 40 c	30/06/14 at 20 c
Richard Linnell (resigned 1 September 2009)	-	5,000,000	-
Brian Thomas (resigned 2 November 2009)	250,000	5,000,000	-
Andrew Waller	5,322,070	6,640,000	-

Details of Directors' interests during the financial year and up to the date of this Report are also disclosed in Note 7 of the financial statements and elsewhere in the Group's 2010 Financial Statements.

MEETINGS OF DIRECTORS

During the financial year details of meetings of directors held and attendances by each director (while a director of the Company) during the year were as follows:

	Board Meetings	
Director	Attended	Held
P Cook-appointed 31-08-2009	4	4
D Osikore-appointed 31-08-2009	4	4
A Waller-full year	5	5
P Cmrlec-appointed 03-06-2010	1	1
R Linnell-resigned 01-09-2009	1	2
B Thomas-resigned 02-11-2009	3	3

INDEMNIFYING OFFICERS OR AUDITOR

During the financial year the Company has paid premiums to insure the Directors against certain liabilities arising out of their conduct while acting as an officer of the Company. The company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. Under the terms and conditions of the insurance contract the premium paid cannot be disclosed.

DIRECTORS' REPORT (cont)

OPTIONS

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

Date of options granted	Expiry Date	Exercise Price	Number of Options Unlisted
01/09/2009	30/09/2011	$0.30	23,719,745
01/09/2009	30/06/2014	$0.20	17,950,100
26/11/2009	26/11/2012	$0.20	1,500,000
23/02/2010	23/02/2013	$0.17	1,240,000
09/03/2010	23/02/2013	$0.17	1,000,000
06/09/2010	31/03/2013	$0.28	2,000,000
			47,409,845

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is party for the purpose of taking responsibility on behalf of the company for all or any part of these proceedings.

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

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Company support and have adhered to the principles of Corporate Governance. The Company's corporate governance statement is contained in the Corporate Governance section of the Financial Report.

NON-AUDIT SERVICES

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia Professional Statement F1: Professional Independence.

The following fees for non-audit services were paid/payable to related entities of the external auditors during the year ended 30 June 2010:

Taxation Services:	$15,842	(2009-$14,717)

The auditor's independence declaration for the year ended 30 June 2010 is on the following page and the declaration forms part of this directors' report.

Signed in accordance with a resolution of the Board of Directors.

Peter Cook
Chairman
Dated 29 September 2010

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Fax: +8 6382 4601
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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

29th September 2010

The Directors
Pacific Niugini Limited
Suite 14, 46 Douglas Street
MILTON, QLD 4064

Dear Sirs

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF PACIFIC NIUGINI LIMITED

As lead auditor of Pacific Niugini Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

This declaration is in respect of Pacific Niugini Limited and the entities it controlled during the period.

Brad McVeigh
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

PACIFIC NIUGINI LIMITED AND CONTROLLED ENTITIES

ABN 30 003 207 467

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Group 2010 $	Group 2009 (Restated) $
Continuing Operations			
Revenue	4(a)	1,481,281	532,940
Other income	4(b)	992,811	-
Finance costs	5(a)	-	(125,000)
Depreciation		(43,472)	(7,162)
Employee benefits expense		(209,904)	(404,245)
Directors fees		(268,333)	(240,340)
Share based payments		(231,989)	-
Foreign exchange losses		-	(3,059,020)
Other expenses	5(b)	(793,204)	(2,124,493)
Profit (Loss) from continuing operations before income tax		927,190	(5,427,320)
Income tax expense	6	-	-
Profit/(Loss) from continuing operations for the year after income tax		927,190	(5,427,320)
Profit/(Loss) from discontinued operations before income tax	14,25	309,804	11,180,420
Income tax expense	6(a)	-	(1,416,737)
Profit/(Loss) from discontinued operations after income tax		309,804	9,763,683
Profit/(Loss) attributable to members of the parent entity		1,236,994	4,336,363
Other comprehensive income			
Exchange differences on the translation of foreign operations		27,990	(174,718)
Other comprehensive income (loss) for the year net of tax		27,990	(174,718)
Total comprehensive income (loss) for the year attributable to members of the parent entity		1,264,984	4,161,645
Earnings per Share			
Continuing Operations			
Basic profit/(loss) per share (cents per share)	9	0.47	(3.94)
Diluted profit/(loss)loss per share (cents per share)	9	0.47	N/A
Earnings per Share			
Basic profit/(loss) per share (cents per share)	9	0.63	2.76
Diluted profit/(loss) per share (cents per share)	9	0.63	2.76

The accompanying notes form part of these financial statements.

PACIFIC NIUGINI LIMITED AND CONTROLLED ENTITIES

ABN 30 003 207 467

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	Group 2010 $	Group 2009 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	2,923,690	3,072,044
Trade and other receivables	11	2,267,943	2,012,813
Financial assets at fair value through profit or loss	12	1,021,231	413,858
Assets classified as held for sale	13	4,269,092	-
TOTAL CURRENT ASSETS		10,481,956	5,498,715
NON-CURRENT ASSETS			
Other receivables	11	-	1,744,220
Property, plant and equipment	16	246,112	38,430
Investment in equity accounted investee	14	-	2,215,068
Deferred exploration & evaluation	17	5,218,721	171,939
TOTAL NON-CURRENT ASSETS		5,464,833	4,169,657
TOTAL ASSETS		15,946,789	9,668,372
CURRENT LIABILITIES			
Trade and other payables	18	209,530	121,170
Provisions	19	18,986	66,982
TOTAL CURRENT LIABILITIES		228,516	188,152
NON-CURRENT LIABILITIES			
Deferred tax liability	20	1,240,810	-
TOTAL NON-CURRENT LIABILITIES		1,240,810	-
TOTAL LIABILITIES		1,469,326	188,152
NET ASSETS		14,477,463	9,480,220
EQUITY			
Issued capital	21	121,979,494	119,394,679
Reserves	22	2,373,382	1,197,948
Accumulated losses		(109,875,413)	(111,112,407)
TOTAL EQUITY		14,477,463	9,480,220

The accompanying notes form part of these financial statements.

PACIFIC NIUGINI LIMITED AND CONTROLLED ENTITIES

ABN 30 003 207 467

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

Group	Share Capital Ordinary $	Accumulated Losses $	Option Reserve $	Foreign Exchange Reserve $	Share Based Payment Reserve $	Total $
Balance at 1 July 2008	117,905,498	(115,448,770)	647,040	174,718	550,908	3,829,394
Profit (Loss) for the year		4,336,363				4,336,363
Net movement from foreign operations translation	-	-	-	(174,718)	-	(174,718)
Total comprehensive profit (loss) for the year	-	4,336,363	-	(174,718)	-	4,161,645
Transactions with owners in their capacity as owners:						
Shares issued during the year	1,518,185	-	-	-	-	1,518,185
Transaction costs	(29,004)	-	-	-	-	(29,004)
Balance at 30 June 2009	**119,394,679**	**(111,112,407)**	**647,040**	**-**	**550,908**	**9,480,220**
Balance at 1 July 2009	119,394,679	(111,112,407)	647,040	-	550,908	9,480,220
Profit (Loss) for the year		1,236,994				1,236,994
Net movement from foreign operations translation	-	-	-	27,990	-	27,990
Total comprehensive profit (loss) for the year	-	1,236,994	-	27,990	-	1,264,984
Transactions with owners in their capacity as owners:						
Shares issued during the year	2,584,815	-	-	-	--	2,584,815
Options issued during the year	-	-	915,455	-	-	915,455
Share based payments	-	-	-	-	231,989	231,989
Balance at 30 June 2010	**121,979,494**	**(109,875,413)**	**1,562,495**	**27,990**	**782,897**	**14,477,463**

The accompanying notes form part of these financial statements

PACIFIC NIUGINI LIMITED AND CONTROLLED ENTITIES

ABN 30 003 207 467

STATEMENT OF CASH FLOWS
FOR YEAR ENDED 30 JUNE 2010

	Note	Group 2010 $	Group 2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		14,304	25,365
Payments to suppliers and employees		(1,344,636)	(6,026,205)
Interest received		97,708	213,049
Bad debt recovery		243,736	-
Bonmerci option fees		1,348,489	404,263
Other receipts		-	64,274
Income tax paid		-	(1,416,737)
Net cash provided by/ (used in) operating activities	26	359,601	(6,735,991)
CASH FLOWS FROM INVESTING ACTIVITIES			
Loans to other parties		-	(2,858,954)
Purchase of property, plant and equipment		(232,292)	(62,345)
Payments for investments		-	(520,641)
Proceeds from sale of investments		149,076	-
Exploration expenditure		(673,366)	(171,939)
Deposits		(89,164)	(3,524)
Net proceeds on disposal of discontinued operations	14	-	20,026,051
Net cash acquired on acquisition of subsidiary	29	337,791	-
Net cash (used in)/ provided by investing activities		(507,955)	16,408,648
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	508,280
Repayment of borrowings		-	(9,355,769)
Proceeds from capital raising		-	1,518,185
Cost of capital raising		-	(29,004)
Net cash provided by financing activities		-	(7,358,308)
Net (decrease)/ increase in cash and cash equivalents held		(148,354)	2,314,349
Cash and cash equivalents at beginning of financial year		3,072,044	757,695
Cash and cash equivalents at end of financial year	10	2,923,690	3,072,044

The accompanying notes form part of these financial statements.

Note 1: Reporting Entity

Pacific Niugini Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as "the Group").
Separate financial statements for Pacific Niugini Limited as an individual entity are no longer presented as a result of a change in the Corporations Act 2001. Financial information for Pacific Niugini Ltd as an individual entity is included in note 30.

Note 2: Basis of Preparation

(a) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASB's) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures the financial report also complies with IFRSs and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on 28 September 2010.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for held-for-trading financial assets which are measured at fair value.

The methods used to measure fair values are discussed further in note 3(k).

(c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars which is the Company's functional currency. The functional currency of the Group's Papua New Guinea subsidiary is the PNG Kina.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Note 14 – fair value of put/call options over equity accounted investment
Note 14 – carrying equity accounted investment at cost
Note 17 – measurement of recoverable amount of exploration assets
Note 23 – contingent liabilities and contingent assets
Note 27 – share based payments
Note 31 – financial instruments – fair value estimation

Note 3: Significant Accounting Policies

The financial report comprises financial statements for the consolidated entity consisting of the Company and its subsidiaries. The accounting policies set out below have been applied consistently to all the years presented in these consolidated financial statements, unless otherwise stated and have been applied consistently across the Group, except as set out below:

Note 3: Significant Accounting Policies (cont)

(a) Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2010 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in this financial report as the group or the consolidated entity.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company.

(ii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries are consistent with the parent.

(iii) Investment in Associate

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounting investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that investment (including any long term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

From 1 January 2010, the Company has ceased taking up profits or losses of its equity accounted investee as it was determined by the board that the group does not have significant influence over the investee. The value of the investment at 30 June 2010 is stated at the 31 December 2009 carrying value representing original cost plus or minus any profits or losses taken up through that date.
There have been no retrospective adjustments as a result of this change

(b) Business combinations

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

The Group has applied the acquisition method for the business combination disclosed in Note 29.

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

Note 3: Significant Accounting Policies (cont)

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

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquire, and equity interests issued by the Group. Consideration transferred also includes the fair

value of any contingent consideration and share-based payment awards of the acquirer that are replaced mandatorily in the business combination (see below). If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, the lower of the termination amount, as contained in the agreement , and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

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

(c) Segment reporting (change in accounting policy)
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. Operating segments are now reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the company as the Chief Executive Officer and other members of the board of directors.

(d) Presentation of financial statements (change in accounting policy)
The group has adopted the revised AASB 101 "*Presentation of Financial Statements*" which has changed the presentation of some primary statements.

(e) Financial Assets (change in accounting policy)
The group has adopted the revised AASB 9 *Financial Instruments* in March 2010 and will apply the revised provisions to financial assets for the year commencing 1 July 2009.
There has been no impact on the 30 June 2010 financial statements as a result of this change.
As allowed by AASB 9, if early adopted, the group has elected not to restate prior periods. Any adjustments between the previous carrying amounts and the carrying amount as restated have been recognised in the opening retained earnings at 1 July 2009.

Recognition

The group recognises receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the group becomes a party to the contractual provisions of the instrument.

Financial assets are classified based on the objective of the group's business model for managing the financial assets and the characteristics of the contractual cash flows.

The group derecognises a financial asset when the contractual cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows such that substantially all the risks and rewards of ownership of the financial asset are transferred.

The group has the following financial assets:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are those that are acquired principally for selling in the near term.

Financial assets at fair value through profit or loss are measured initially at fair value which includes transaction costs directly attributable to the acquisition of the financial asset. They are measured subsequently at fair value with movements in fair value being recognised in profit or loss.

Note 3: Significant Accounting Policies (cont)

Dividends from equity investments are included in profit or loss.

Profit or loss arising on the sale of equity investments is recognised in profit or loss.

(f) Foreign Currency Transactions and Balances

(i)Functional and presentation currency
Items included in the financial ststements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Pacific Niugini Ltd's functional and presentation currency.

(ii)Transactions and balances
Transactions in foreign currencies have been converted at rates of exchange ruling on the date of those transactions. At balance date, amounts receivable and payable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Realised and unrealised gains and losses are brought to account in determining the profit or loss for the financial year.
(iii)Group companies
The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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

(g) Revenue Recognition

Revenue from the sale of goods and disposal of other assets is recognised when the Group has passed control of the goods or other assets to the buyer. Revenue is measured at the fair value of the consideration received or receivable.

Interest income is recognised on a time proportion basis using the effective interest method.

(h) Income Tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax for the period is the expected tax payable on the current period's taxable income based on the notional income tax rate for each jurisdiction adjusted by changes in deferred tax attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Note 3: Significant Accounting Policies (cont)

Deferred tax is recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates, which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure deferred tax. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(i) Impairment of Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and Cash Equivalents

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

(k) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.

Financial instruments traded in active markets
The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

Financial instruments not traded in active markets
The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Note 3: Significant Accounting Policies (cont)

Non-derivative financial liabilities
Fair value, which is determined for disclosure purposes, is calculated based on the present value of the future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that they do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

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

(l) Property, Plant and Equipment

Recognition and measurement
Each class of property, plant and equipment is stated at historical cost less, where applicable, any accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of the equipment.

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

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present value in determining recoverable amount.

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

Depreciation
Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Furniture, fittings and equipment:	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount [note 3(i)].

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

Note 3: Significant Accounting Policies (cont)

(m) Mineral Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development or sale of the area, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

(n) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(o) Earnings Per Share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(p) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office ("ATO"). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) Finance Expenses

Finance expenses comprise interest expense on borrowings, changes in fair value of financial assets at fair value through profit and loss and impairment losses recognised on financial assets.

Borrowing costs are recognised in profit or loss using the effective interest method.

Note 3: Significant Accounting Policies (cont)

(r) Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro *rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefits assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.
Non-current assets (or disposal groups comprising assets and liabilities) are presented separately from other assets or liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

(s) Employee benefits

(i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit or loss when they are due.

(ii) Short-term benefits

Liabilities for employee benefits for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

(iii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The amount recognised is adjusted to reflect the actual number of share options that vest, except for those that fail to vest due to market conditions not being met.

(t) New Standards and Interpretations Not Yet Adopted

Applicable Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Consolidated Entity for the annual reporting period ending 30 June 2010. A full assessment has not yet been completed of the impact of all the new or amended Accounting Standards and interpretations issued but not effective. These are outlined in the table below:

Note 3: Significant Accounting Policies (cont)

AASB reference	Title of Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 5	Non-current Assets Held for Sale and Discontinued Operations	Clarifies that disclosures required for non-current assets (or disposal groups) classified as held for sale or discontinued operations are limited to those required by AASB 5 unless: • Disclosures are specifically required for these assets by other AASBs; or • Assets and liabilities of a disposal group are not within the measurement requirements of AASB 5 and disclosures are required by other AASBs.	Periods commencing on or after 1 January 2010	There will be no impact as these requirements are only required to be applied prospectively to disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations.
AASB 107	Statement of Cash Flows	Clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities.	Periods commencing on or after 1 January 2010	Initial adoption of this amendment will have no impact as the entity only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position.

AASB reference	Title of Affected Standard(s):	Nature of Change	Application date:	Impact on Initial Application
AASB 7	Financial Instruments: Disclosures	Deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held.	Periods commencing on or after 1 January 2011	There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures only.
AASB 101	Presentation of Financial Statements	A detailed reconciliation of each item of other comprehensive income may be included in the statement of changes in equity <u>or</u> in the notes to the financial statements.	Periods commencing on or after 1 January 2011	There will be no impact on initial adoption of this amendment as a detailed reconciliation of each item of other comprehensive income has always been included in the statement of changes in equity.

There are no other Accounting Standards or Interpretations issued but not yet effective which are expected to have an impact on the entity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

Note 4: Revenue and Income

		Note	Group 2010 $	Group 2009 $
(a)	Revenue from continuing operations			
	Interest received other persons		97,708	128,677
	Option fee income		1,348,489	404,263
	Other income		35,084	-
			1,481,281	532,940
	Revenue from discontinued operations			
	Interest received other persons		-	27,939
	Rental revenue		-	53,263
	Other revenue		-	20,490
			-	101,692
(b)	Other income from continuing operations			
	Bad debt recoveries		943,736	-
	Profit on sale of investments		49,075	-
			992,811	-
	Other income from discontinued operations			
	Gain on sale of investment		-	17,268,095

Note 5: Other Expenses

Loss before income tax includes the following specific expenses:

		2010 $	2009 $
(a)	Finance Costs		
	Loan agreement fee	-	125,000
		-	125,000
(b)	Other Expenses (net of expenses from discontinued operations)		
	Rental expense on operating leases	69,471	29,186
	Professional and consultants fees	-	148,000
	Allowance for doubtful debts	-	874,200
	Fair value changes in held-for-trading financial assets	(7,373)	106,783
	Loss on sale of non-current assets	8,744	-
	Administration expenses	722,362	966,324
		793,204	2,124,493
	Other Expenses from discontinued operations		
	Depreciation	-	20,577
	Employment benefits expenses	-	1,354,712
	Professional and consultants fees	-	819,050
	Foreign exchange loss	-	1,473,088
	Success fee on sale of investment	-	2,460,000
	Rental expenses	-	7,748
	Administration expenses	-	219,981
		-	6,355,156

Note 6: Income Tax Expense

		Group 2010 $	Group 2009 $
(a)	Income Tax Expense		
	Current tax	-	1,416,737
	Deferred tax	-	-
		-	1,416,737
(b)	The prima facie tax on profit/(loss) before income tax is reconciled to the income tax as follows:	1,236,994	5,753,101
	Prime facie tax payable on profit/(loss) before income tax at 30% (2009: 30%)	371,098	1,725,930
	Add:		
	Tax effect of:		
	- other non-allowable items	(312,672)	(2,420,173)
	- exempt foreign losses	-	148,134
		58,426	(546,109)
			-
	Less:		
	Tax effect of:		
	- issue costs charged to equity	-	(82,919)
	Losses not previously recognised	(58,426)	2,045,765
	Income tax attributable to entity	-	1,416,737
	The applicable weighted average effective tax rates are:	-	26.0%

Deferred Tax Asset

	2010 $	2009 $
Unused tax losses and other temporary differences not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 3(h) occur		
-temporary differences	138,242	202,732
-tax losses:		
- Domestic/foreign operating losses	3,880,075	4,361,556
- capital losses	181,883	181,883
	4,200,200	4,746,171

Deferred Tax Liability

	2010 $	2009 $
The balance comprises temporary differences attributable to:		
Exploration & Evaluation	1,240,810	-
Total deferred tax liabilities	1,240,810	-
Movements		
Opening balance at 1 July	-	-
(Credited) / charged to profit and loss	-	-
Credited / (charged) to equity	-	-
Fair value adjustment for exploration and evaluation expenditure	1,240,810	-
Closing balance at 30 June	1,240,810	-

Note 7: Key Management Personnel Compensation

Directors	Group 2010 $	Group 2009 $
Short-term employee benefits	472,517	1,521,476
Post-employment benefits	21,710	27,000
Share-based payments	193,500	-
	687,727	1,548,476
Executives		
Short-term employee benefits	160,130	476,087
Post-employment benefits	-	22,286
Share-based payments	-	-
	160,130	498,373

(i) Option holdings

The numbers of options over ordinary shares in the company held during the financial year by each director of the Company, including their personally related parties, are set out below.

2010 Options	Balance at start of year or on appointment	Granted during the year as Compensation	Expired during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors						
Richard Linnell	5,000,000	-	(5,000,000)	-	-	-
Brian Thomas	5,000,000	-	(5,000,000)	-	-	-
Andrew Waller	6,640,000	-	(6,640,000)	-	-	-
Peter Cook	5,000,000*	-	-	-	5,000,000	5,000,000
David Osikore	3,000,000*	1,500,000	-	-	4,500,000	4,500,000
Paul Cmrlec	1,200,000**	1,000,000	-	-	1,200,000	1,200,000
	25,840,000	2,500,000	(16,640,000)	-	10,700,000	10,700,000

* On appointment of director on 31/08/2009
**On appointment of director on 03/06/2010

(i) Option holdings (cont)

2009 Options	Balance at the start of the year	Granted during the year as Compensation	Expired during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors						
Richard Linnell	5,000,000	-	-	-	5,000,000	5,000,000
Brian Thomas	5,558,418	-	-	(558,418)	5,000,000	5,000,000
Andrew Waller	6,640,000	-	-	-	6,640,000	6,640,000
	17,198,418	-	-	(558,418)	16,640,000	16,640,000

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

Note 7: Key Management Personnel Compensation (continued)

(ii) Share holdings

The numbers of shares in the company held during the financial year by each director of the Company, including their personally related parties, are set out below.

2010 Shares	Balance at start of year	Balance held on appointment	Acquired during the year	Other changes during the year	Balance at the end of the year
Richard Linnell	-	-	-	-	-
Brian Thomas	250,000	-	100,000	(350,000)*	-
Andrew Waller	5,322,070	-	145,000	-	5,467,070
Peter Cook	-	14,713,838	-	-	14,713,838
David Osikore	-	6,000,000	-	-	6,000,000
Paul Cmrlec	-	408,500	-	-	408,500
Total	5,572,070	21,122,338	245,000	(350,000)	26,589,408

* Resignation of director

2009 Shares	Balance at start of year	Balance held on appointment	Acquired during the year	Other changes during the year	Balance at the end of the year
Richard Linnell	-	-	-	-	-
Brian Thomas	-	-	-	250,000	250,000
Andrew Waller	4,550,000	-	-	772,070	5,322,070
Total	4,550,000	-	-	1,022,070	5,572,070

Note 8: Auditors' Remuneration

	Group 2010 $	Group 2009 $
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial report - BDO Audit (WA) Pty Ltd	57,544	42,434
- auditing or reviewing the financial report - BDO Spencer Steward (Jhb) Inc.	-	24,987
	57,544	67,421
- taxation services - BDO Corporate Tax (WA) Pty Ltd	15,842	14,717
- auditing and taxation services in PNG-Sinton Spence Chartered Accountants	4,247	-
	77,633	82,138

Note 9: Earnings per Share

		Group	
		2010	2009
		$	$
(a)	Basic earnings per share		
	From continuing operations (cents per share)	0.47	(3.94)
	From discontinued operations (cents per share)	0.16	6.70
	Total basic earnings per share	0.63	2.76
(b)	Diluted earnings per share		
	From continuing operations (cents per share)	0.47	(3.94)
	From discontinued operations (cents per share)	0.16	6.70
	Total basic earnings per share	0.63	2.76
(c)	Reconciliation of earnings used in calculating basic earnings per share		
	Profit/(Loss) from continuing operations	927,190	(6,205,816)
	Profit/(Loss) from discontinued operations	309,804	10,542,179
	Profit/(Loss) total attributable to members of the parent entity	1,236,994	4,336,363
	Earnings used to calculate basic EPS	1,236,994	4,336,363
(d)	Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	198,070,373	157,374,187

At 30 June 2010 45,409,845 options were outstanding which could potentially dilute basic earnings per share in the future.

Note 10: Cash and Cash Equivalents

	Group	
	2010	2009
	$	$
Cash at bank and in hand	2,923,690	3,072,044
	2,923,690	3,072,044

Note 11: Trade and Other Receivables

	Group	
CURRENT	2010	2009
	$	$
Other Receivables	2,267,943	3,384,335
Allowance for doubtful debts	-	(1,371,522)
	2,267,943	2,012,813

All loans that are past due have been impaired.

	Group	
	2010	2009
	$	$
Movement in allowance for doubtful debts:		
Balance at 1 July	(1,371,522)	(497,322)
Decrease (Increase) in provision	1,371,522	(874,200)
Balance at 30 June	-	(1,371,522)

Note 11: Trade and Other Receivables (cont)

		Group	
NON-CURRENT		2010	2009
		$	$
Amounts receivable from associated entity:			
Bonmerci Investments 103 (Pty) Ltd	(i)	-	513,454
Batlhako Mining Ltd	(i)	-	1,230,766
		-	1,744,220

Terms and Conditions

(i) Transactions between the Company and its previously controlled entities Bonmerci Investments 103 (Pty) Ltd and Batlhako Mining Ltd consisted of intercompany loans, upon which no interest was charged, other than the loan to Batlhako Mining Limited which charged interest until its sale which settled on 26 February 2009. From this date Bonmerci Investments 103 (Pty) Ltd and Batlhako Mining Ltd were no longer controlled entities as the consolidated entity only held a 47% interest. There is no interest charged on these loans and they will be assigned to AMCOL upon settlement of the remaining 47% interest in these companies to AMCOL. These receivables have been classified as held for sale in the 30 June 2010 statement of financial position.

Note 12: Financial Assets at fair value through profit or loss

Financial assets as at 30 June at fair value (current)	1,021,231	413,858

The financial assets at fair value comprise only equity investments quoted on ASX and have been valued at market prices ruling on 30 June 2010 (AASB 7- level 1).

Note 13: Assets classified as held for sale

Held for sale financial assets (current)		
Investments in associated entities	2,524,872	-
Amounts receivable from associated entity:		
Bonmerci Investments 103 (Pty) Ltd	513,454	-
Batlhako Mining Ltd	1,230,766	-
	4,269,092	-

As a result of the final settlement of the remaining 47% of the Ruighoek Chrome Project taking place in September 2010, the investments in and receivables from Ruighoek (Bonmerci and Batlhako) have been treated as held for sale financial assets at 30 June 2010.

The held for sale financial assets have not been fair valued at 30 June 2010 as it was not considered possible to determine a reliable fair value due to uncertainty surrounding the settlement at that date.

Note 14. Investment in Equity Accounted Investee

	Group	
	2010	2009
	$	$
Investment in equity accounted investee	-	2,215,068

As a result of the deconsolidation referred to below, Bonmerci Investments 103 (Pty) Ltd and its 100% subsidiary Batlhako Mining Ltd became an associate of the Company with effect from 26 February 2009. At that date the Company held a 47% interest in Bonmerci and the investment was treated as an equity accounted investee for accounting purposes at 30 June 2009.

As a result of the settlement by AMCOL of the remaining 47% of the Ruighoek Chrome Project which took place in September 2010, this investment has been shown as a current held for sale financial asset in these financial statements at 30 June 2010 (see Note 13 above).

Note 14. Investment in Equity Accounted Investee (cont)

Movement in carrying amounts:

Balance at 1 July	2,215,068	6,369,282
Disposal of interest in investee		(3,375,718)
Share of profit (loss) after income tax from 1 July 2009 to 31 Dec 2009 (i)	309,804	(778,496)
Transfer to held for sale assets	(2,524,872)	-
Balance at 30 June	-	2,215,068

(i) From 1 January 2010 it was considered that due to the put and call option arrangements that were part of the agreement to sell the remaining 47% of Ruighoek to AMCOL, the fact that AMCOL had full management control over the Ruighoek mine operations and the fact that the Company took no active role in the management of Ruighoek the Company no longer had significant influence over the financial and operating policies of the Ruighoek Project (Bonmerci and Batlhako) and consequently results of those companies for the period 1 January 2010 to 30 June 2010 were not equity accounted.

Deconsolidation of Bonmerci Investments 103 (Pty) Ltd

In March 2008 the Group announced it had entered into an agreement with AMCOL International Corporation (“AMCOL”) to purchase, subject to shareholder approval and South African regulatory approvals, the Group’s 74% interest in the Ruighoek Chrome Project in South Africa for US$26.4 million. The transaction involved the sale of the Group’s South African 100% owned subsidiary Bonmerci Pty Ltd.

Settlement of this transaction occurred on 26 February 2009 for 53% of the Group’s interest in the Ruighoek project for the amount of US$14 million (Stage 1). Shareholder control of Bonmerci was passed to AMCOL at that date and as a result Bonmerci was deconsolidated from the books of the Company.

The sale and settlement of the remaining 47% of the Ruighoek Chrome Project for the amount of US$12.4 million (Stage 2) was subject to put and call option arrangements with AMCOL and the ongoing payment by AMCOL of monthly option fees of US$75,000 per month for the first 12 months from March 2009 and US$150,000 per month for the second 12 months from March 2010. Settlement of Stage 2 occurred after the date of these financial statements, in September 2010.

The deconsolidation had the following effect on the Group’s and Company’s assets and liabilities:

Group

Bonmerci’s assets and liabilities at 26 February 2009

Cash and cash equivalents	448,134
Exploration	8,754,381
Property, plant and equipment	1,626,798
Other assets	1,119,814
Borrowings	(4,013,050)
Trade creditors	(116,244)
Other liabilities	(912,439)
Net assets	6,907,394
Consideration received	20,474,185
Cash disposed of	(448,134)
Net cash inflow	20,026,051

Note 15: Controlled Entities

(a) Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)	
Parent Entity		2010	2009
Pacific Niugini Ltd (formerly Chrome Corporation Ltd)	Australia		
Subsidiaries and Associates of Pacific Niugini Ltd			
Pacific Niugini Minerals Pty Ltd	Australia	100	-
Pacific Niugini Minerals (PNG) Ltd	PNG	100	-
Chrome Holdings SA Pty Ltd (formerly Chrome Holdings Ltd)	Australia	100	100
Bonmerci Investments 103 (Pty) Ltd (i)	South Africa	47	47
Batlhako Mining Ltd (i)	South Africa	47	47
ACN 134 911 345 Pty Ltd (ii)	Australia	100	100

(i) These were subsidiaries of the Company until 26 February 2009 upon which controlling interest passed to AMCOL as set out in Note 14. Results through to 26 February 2009 were consolidated into the accounts of the Group. Results from 26 February to 31 December 2009 were equity accounted as described in Note 14.

(ii) Application has been made to de-register this dormant company.

Note 16: Plant and Equipment

	Group 2010 $	Group 2009 $
(a) At cost		
Plant and equipment	132,337	50,850
Accumulated depreciation	(16,152)	(12,420)
Total plant and equipment	116,185	38,430
Motor vehicles	142,284	-
Accumulated depreciation	(13,769)	-
Total motor vehicles	128,515	-
Leasehold improvements	1,816	-
Accumulated depreciation	(403)	-
Total leasehold improvements	1,413	-
Total cost	276,437	50,850
Total accumulated depreciation	(30,324)	(12,420)
Total net book value	246,113	38,430
(b) Reconciliation		
As at 1 July	38,430	1,201,843
Additions	310,929	491,124
Disposals	(59,775)	(1,626,798)
Depreciation expense	(43,471)	(27,739)
Net carrying value	246,113	38,430

Note 17: Exploration and Evaluation Expenditure

	Group	
	2010	2009
	$	$
Capitalised exploration and evaluation expenditure:		
Carrying amount in respect of areas of interest in exploration and evaluation phase	5,218,721	171,939

Reconciliation

A reconciliation of the carrying amounts of exploration and evaluation expenditure is set out below:

	Group	
	2010	2009
	$	$
Exploration and/or evaluation expenditure		
Carrying amount at beginning of year	171,939	-
Acquired at fair value (note 29)	4,136,034	
Additions	910,748	171,939
Exploration written off	-	-
Carrying amount at end of year	5,218,721	171,939

See note 3 (m)

Pacific Niugini Minerals (PNG) Ltd (PNM) at 30 June 2010 was the holder of Papua New Guinea Exploration Licences EL1589, EL1613, EL1614, EL1615 and EL1616. These licences were all issued on 7 July 2008 for a two year term expiring on 6 July 2010.

PNM has applied for a further two year renewal of these licences and at the date of these financial Statements the renewal process was still under way.

All of these tenements are in good standing with the Mineral Resources Authority of PNG and the Company is of the view that licence renewals will take place in the normal course of business.

Note 18: Trade and Other Payables

Unsecured liabilities		
Trade payables	97,020	46,643
Sundry payables and accrued expenses	112,511	74,527
	209,531	121,170

Note 19: Provisions

	Group	
	2010	2009
	$	$
Current		
Employee benefits	18,986	66,982

Note 20: Deferred tax liability

	Group	
	2010	2009
NON-CURRENT		
Deferred tax liability arising on the fair value adjustment of the PNG exploration and evaluation assets acquired (Note 29)	1,240,810	-

Note 21: Issued Capital

(a) Issued and paid up capital

	Group 2010 $	Group 2009 $
203,184,922 (2009: 167,284,722) fully paid ordinary shares	121,979,494	119,394,679

(i) The company's shares have no par value and there is no limit to the amount of authorised capital.

(b) Movement in shares on issue

	2010 Number of shares	2010 $	2009 Number of shares	2009 $
Beginning of the year	167,284,722	119,394,679	143,564,977	117,905,498
Issued during the year				
• placements (ii)	-	-	23,719,745	1,518,185
• issue of shares for acquisition of Pacific Niugini Minerals Ltd (i)	35,900,200	2,584,814	-	-
• less transaction costs	-	-	-	(29,004)
End of the year	203,184,922	121,979,493	167,284,722	119,394,679

i. Following completion of due diligence and receiving shareholder approval on 31 August 2009, the Company issued 35,920,200 fully paid ordinary shares and 17,950,100 unlisted options at an exercise price of $0.20 each expiring on 30 June 2014 in respect of the acquisition of Pacific Niugini Minerals Ltd.

ii. The Company conducted the following placements during the year ended 30 June 2009:
1,900,001 shares at an issue price of $0.11 each with one free attaching unlisted option ($0.30 expiring 30 September 2011)
21,819,744 shares at an issue price of $0.06 each.

iii. There were no options exercised in the current or previous financial year. On 30 September 2009, 82,106,789 listed options exercisable at $0.40 expired.

iv. Term and conditions

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(c) Options outstanding

	2010 Number	2009 Number
At balance date there were unissued ordinary shares in the chief entity under option as follows:		
Unlisted 30 September 2011 options at an exercise price of $0.30 each	23,719,745	1,900,001
Listed 30 September 2009 options at an exercise price of $0.40 each	-	82,106,789
Unlisted 26 November 2012 employee options at an exercise price of $0.20 each	1,500,000	-
Unlisted 30 June 2014 options at an exercise price of $0.20 each	17,950,100	-
Unlisted 23 February 2013 employee options at an exercise price of $0.17 each	2,240,000	-
	45,409,845	84,006,790

Options held at the beginning of reporting period.

On 1 July 2009 there were 82,106,789 listed options with an exercise price of $0.40 expiring 30 September 2009 and 1,900,001 unlisted options with an exercise price of $0.30 expiring 30 September 2011.

Options issued during the 2009 financial year

On 30 September 2008 1,900,001 unlisted options with an exercise price of $0.30 each expiring 30 September 2011 were issued and vested.

Note 22: Reserves

	Group	
	2010	2009
	$	$
Option Reserve	1,562,495	647,040
Share Based Payments Reserve	782,897	550,908
Foreign currency translation reserve	27,990	-
	2,373,382	1,197,948

(a) Foreign Currency Translation Reserve
The foreign currency translation reserve records exchange differences arising on translation of foreign subsidiaries.

(b) Option Reserve
The option reserve records items recognised as expenses on valuation of share options issued to third parties.

(c) Share Based Payment Reserve
The share based payment reserve records items recognised as expenses on valuation of the options issued to directors and employees.

Note 23: Contingent Liabilities and Contingent Assets

As set out in Note 13, the Company granted a call option over the remaining 47% interest in the Ruighoek Chrome Project (Bonmerci) to AMCOL. The Company was entitled to receive option payments of US$75,000 per month for the first 12 months from March 2009 and US$150,000 per month for the second 12 months from March 2010. The call option was exercised by AMCOL in September 2010 and as a result of the settlement of the remaining 47% interest in the Ruighoek Chrome Project the option payments then ceased.

Option payments have been credited to revenue when received and have not been accrued for or valued.

As set out in Note 13, the Company also had a put option over the remaining 47% interest in Bonmerci which expired post year-end due to AMCOL exercising their call option in September 2010.

Note 24: Segment Reporting

Management has determined that the group has two reportable segments, being the parent company in Australia (Pacific Niugini Ltd) and the subsidiary company in Papua New Guinea (Pacific Niugini Minerals (PNG) Ltd).

As the group is focused on mineral exploration, the Board monitor the group based on actual versus budgeted exploration expenditure incurred by area of interest and working capital available to meet the budgeted exploration program, taking into consideration the results of exploration work that has been performed to date.

This internal reporting framework is the most relevant to assist the Board with making decisions regarding the group and its ongoing exploration activities. As the exploration costs by which management monitor the entity have all been capitalised, no reconciliation back to loss for the period has been presented.

Relevant financial details of each reportable segment are as follows:

Australia	30 June 2010	30 June 2009
Working capital	5,833,357	5,310,563
Capitalised exploration expenditure	171,939	171,939

PNG	30 June 2010	30 June 2009
Working capital	150,992	-
Capitalised exploration expenditure	5,046,782	-

Note 25: Discontinued Operation

In March 2008 the Group announced it had entered into an agreement with AMCOL International Corporation ("AMCOL") to purchase, subject to shareholder approval and South African regulatory approvals, the Group's 74% interest in the Ruighoek Chrome Project in South Africa for US$26.4 million. The transaction involved the sale of the Group's South African 100% owned subsidiary Bonmerci Pty Ltd. Settlement of this transaction occurred on 26 February 2009 for 53% of the Group's interest in the Ruighoek project for the amount of US$14 million (Stage 1). The sale and settlement of the remaining 47% for the amount of US$12.4 million occurred in September 2010 (Stage 2).

The Group showed all amounts related to the Ruighoek project operations, including the gain on disposal, as a discontinued operation and the remaining 47% investment in the Ruighoek project was shown as an investment in equity accounted investee in the financial statements at 30 June 2009.

As a result of the settlement of the remaining 47% of Ruighoek in September 2010, the investment in Ruighoek and the loan accounts to the Ruighoek entities, which were assigned to AMCOL on settlement, have all been disclosed as assets held for sale at 30 June 2010.

In the 31 December 2009 half-year financial statements the Company equity accounted for its 47% share of profits in the Ruighoek project for an amount of $309,804. On 1 January 2010 the Company concluded that due to the put and call option arrangements that were part of the agreement to sell the remaining 47% of Ruighoek to AMCOL, the fact that AMCOL had full management control over the Ruighoek mine operations and the fact that the Company took no active role in the management of Ruighoek, that the company no longer had any significant influence over the Ruighoek operations. It was therefore decided that equity accounting for the Ruighoek project investment was no longer appropriate. The equity accounting entry for a share of profits of $309,804 reflected in the 31 December 2009 accounts is reflected in the 30 June 2010 accounts as a result from discontinued operations due to the corresponding investment being classified as held for sale in the 30 June 2010 statement of financial position.

	Group	
	2010	2009
Results of discontinued operation	$	$
Revenue	-	101,692
Expenses	-	(5,410,871)
Share of profit/(loss) of equity accounted investee to 31 Dec 2009	309,804	(778,496)
	309,804	(6,087,675)
Income tax expense	-	-
Profit/(loss) after income tax of discontinued operation	-	(6,087,675)
Gain on sale of discontinued operation before income tax	-	17,268,095
Income tax expense	-	(1,416,737)
Gain on sale of discontinued operation after income tax	-	15,851,358
Profit/(loss) for the year from discontinued operations	309,804	9,763,683
Cash flow information - held for sale operations		
Net cash used in operating activities	-	(1,397,367)
Net cash used in investing activities	-	(19,962,475)
Net cash used in held for sale operations	-	(21,359,842)
Holding cost of remaining 47% investment in the Ruighoek Chrome Project (see note 13)		
Investment in Ruighoek Chrome project (i)	2,524,872	2,215,068
Other receivables-(i)	1,744,220	1,744,220
	4,269,092	3,959,288

(i) Classified as held for sale at 30 June 2010.

Note: Upon settlement of the sale of the remaining 47% of the Ruighoek Chrome Project, the other receivables amount above are assigned to the purchaser, AMCOL.

Note 26: Cash Flow Information

	Note	Group 2010 $	Group 2009 $
Reconciliation of Cash Flow from Operations with Profit after Income Tax			
Profit/(Loss) after income tax		927,190	4,336,363
Depreciation		43,472	27,739
Share based payments		231,989	-
Non-cash debt recovery		(700,000)	-
Gain on sale of investment		(49,075)	(17,268,095)
Loss on disposal of non-current assets		8,744	-
Write off bad debts		-	10,803
Provision for doubtful debts		-	874,200
Unrealised exchange gain		27,990	4,997,393
Fair value adjustment		(7,373)	106,783
Changes in assets and liabilities, net of the effects of purchase and disposal subsidiaries			
Increase/(decrease) in payables and borrowings		(46,753)	164,557
Increase/(decrease) in provisions		(47,996)	60,688
(Increase)/decrease in other operating assets		(20,622)	5,786
(Increase)/decrease in receivables		(7,966)	(52,208)
Cashflow from operations		359,600	(6,735,991)

Note 27: Share-based Payments

	2010 $	2009 $
Share-based payment expenses recognised during the financial year		
Equity settled options issued to directors	165,471	-
Equity settled options issued to employees	66,518	-
	231,989	-

Details of Share-based payments made during the financial year:

Note: There were no share-based payments made or options issued during the year ended 30 June 2009.

(a) On 26th November 2009 Shareholders approved the issue of 1,500,000 share options to a director Mr D Osikore. The options were granted and vested on that date. The exercise price of these options is $0.20 each and the expiry date is 26 November 2012.

(b) On 23rd February 2010, 1,240,000 share options were issued to a number of employees in terms of the Company Employee Share Option Plan with an exercise price of $0.17 each and an expiry date of 23rd February 2013.

(c) On 9th March 2010, 1,000,000 share options were issued to a consultant in terms of the Company Employee Share Option Plan with an exercise price of $0.17 each and an expiry date of 23rd February 2013. The consultant, Mr P Cmrlec, was appointed to the board of the Company on 3 June 2010.

(d) The weighted average remaining contractual life of share options outstanding at the end of the financial year was 2.56 years (2009: 0.25 years)

(e) The weighted average exercise price of share options outstanding at the end of the financial year was $0.182 (2009: $0.40)

(f) Fair Value of Options Granted

The weighted average fair value of options granted during the year was 7.9 cents (2009: 2.8 cents). The fair value at grant date was determined by an independent valuer using a Black-Scholes option pricing model that takes into account the share price at grant date, exercise price, expected volatility, option life, expected dividends, the risk free rate, vesting and performance criteria, the impact of dilution, the fact that the options are not tradeable. The inputs used for the Black-Scholes option pricing model for options granted during the year ended 30 June 2010 were as follows:

27. Share-Based Payments (cont)

Details	Director Options	Employee Options	Employee/Director Options
Number of options	1,500,000	1,240,000	1,000,000
Consideration	nil	nil	nil
Option life	3 years	3 years	3 years
Exercise price	$0.20	$0.17	$0.17
Grant date	26-11-2009	23-02-2010	09-03-2010
Vesting date	26-11-2009	23-08-2010	09-09-2010
Expiry date	26-11-2012	23-02-2013	23-02-2013
Share price at grant date	$0.135	$0.12	$0.12
Fair value of options granted	8.1 cents	8.2 cents	7.2 cents
Expected volatility %	106.96%	122.21%	104.72%
Expected dividend yield %	nil	nil	nil
Risk free rate %	5.08%	5.10%	5.25%

Volatility has been determined based on Pacific Niugini's share price over the 6 months immediately preceding the options issue. Due to the company's historical share price movements, and the relative percentage of each movement against the share price, it is expected that this volatility will not change significantly over the life of the options and therefore the volatility as set out above has been used as the expected future share price volatility over the life of the options.

Summary of share-based payment options issued

The following table illustrates the number and weighted average exercise prices (WAEP) of share-based payment options issued during the financial year.

	2010 Number	2010 WAEP	2009 Number	2009 WAEP
Outstanding at the beginning of the year	15,000,000	0.40	15,000,000	0.40
Expired during the year	(15,000,000)	(0.40)	-	-
Granted during the year	3,740,000	0.18	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at the end of the year	3,740,000	0.18	15,000,000	0.40

Note 28: Subsequent Events

Capital Raising:
In September 2010 the company completed a private placement of 30,450,000 shares at $0.20 per share to raise additional net working capital of $5.82 million after costs.

Settlement of Ruighoek Chrome Project:
In September 2010 AMCOL elected to exercise their call option over the remaining 47% of the Ruighoek Chrome Project for US$12.4 million. This Stage 2 Completion was settled by the payment of US$11.5 million net of withholding taxes.

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Note 29: Business Combinations

Following the sale of its investment in the Ruighoek Chrome Project in South Africa, the company resolved to move its future focus to gold and copper exploration in Papua New Guinea.

On 31 August 2009 the company acquired 100% of the issued shares in Pacific Niugini Minerals Ltd, a company that owns 100% of Pacific Niugini Minerals (PNG) Ltd, a gold and copper explorer incorporated in PNG.

Details of the net assets acquired are as follows:

Purchase consideration:	$
Issue of 35,900,200 fully paid shares at fair value 7.2 cents per share	2,584,815
Issue of 17,950,100 20 cent 30 June 2014 options at fair value	915,455
Total purchase consideration	3,500,270

The assets and liabilities arising from the acquisition are as follows:	Book Value	Fair Value
	$	$
Cash	337,791	337,791
Receivables	280	280
Property plant and equipment	26,885	26,885
Exploration and evaluation assets	246,530	4,382,563
Other financial assets	14,462	14,462
Payables	(13,241)	(13,241)
Provisions	(7,660)	(7,660)
Deferred tax liability	-	(1,240,810)
Net identifiable assets acquired	605,047	3,500,270

Exploration Fair Value Assets	
The fair value amount has been valued by an independent valuation specialist.	4,136,034
Revenue and loss details of the Pacific Niugini Minerals Group since acquisition date included in the consolidated statement of comprehensive income for the reporting period:	
Revenue	550
Loss	(154,070)
Revenue and loss details of the combined entity for the current reporting period as though the acquisition date for the Pacific Niugini Minerals Group had been as of the beginning of the year:	
Revenue	1,227
Loss	(200,351)

Total expenses incurred in relation to the acquisition were $23,004. These expenses are included within administration expenses in the consolidated statement of comprehensive income.

Note 30: Parent Entity Information

The following details information related to the parent entity, Pacific Niugini Ltd, at 30 June 2010. The information presented here has been prepared using consistent accounting policies as presented in Note 1.

	$ 2010	$ 2009
Current Assets	5,900,061	5,472,625
Non-current assets	9,435,705	4,940,055
Total assets	15,335,766	10,412,680
Current liabilities	66,705	188,152
Non-current liabilities	-	-
Total liabilities	66,705	188,152
Contributed equity	121,979,494	119,394,679
Accumulated losses	(109,055,825)	(110,368,099)
Option reserve	1,562,495	647,040
Other reserve	782,897	550,908
Total equity	15,269,061	10,224,528
Profit for the year	1,312,273	1,505,874
Other comprehensive income /(loss) for the year	-	-
Total comprehensive income for the year	1,312,273	1,505,874

Note 31: Financial Risk Management

Overview

This note presents information about the Group's exposure to credit, liquidity and market risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Group does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables and cash held at financial institutions. At the statement of financial position date the Group had loaned a total $2,000,000 to an entity that is past due. The directors believe that the amount is fully recoverable as a result of the replacement of this non-performing loan after 30 June 2010 with a convertible note in an ASX listed company to the face value of $2,375,000 representing the original loan capital amount plus arrear interest.

Cash and cash equivalents

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

Trade and other receivables

As the Group operates primarily in exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

Note 31: Financial Risk Management (cont)

Exposure to credit risk

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

		Group Carrying amount	
	Note	2010	2009
Cash and cash equivalents	10	2,923,690	3,072,044
Trade and other receivables	11&13	4,012,165	3,757,033

Impairment losses

The Group's receivable from an entity for $2,000,000 included in Trade and other receivables above is past due and has been replaced after 30 June 2010 with a convertible note to the face value of $2,375,000 in an ASX listed company.

The Group has made no impairment allowances during the financial year (2009: $874,200) for doubtful recoveries in other receivables.

Liquidity risk

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

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Group does not have any external borrowings.

The following are the contractual maturities of financial liabilities and excluding the impact of netting agreements:

Group
30 June 2010

	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years
Trade and other payables	(209,530)	(209,530)	(209,530)	-	-	-

Group
30 June 2009

	Carrying amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years
Trade and other payables	(121,170)	(121,170)	(121,170)	-	-	-

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on investments, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, which is primarily the Australian dollar (AUD). The currency in which these transactions primarily are denominated is the Papua New Guinea Kina.

Note 31: Financial Risk Management (cont)

The Group has an option to receive US$12.4 million in settlement of its remaining 47% interest in the Ruighoek Chrome Project (refer Note 13 for details). This amount is not reflected in the Group's consolidated statement of financial position and it will be accounted for when received.

The Group has not entered into any derivative financial instruments to hedge such transactions.

Group's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

Exposure to currency risk

The Group also received a monthly option payment in respect of the AMCOL US$12.4 million call option on the remaining 47% of the Ruighoek Chrome Project of US$75,000 for the first twelve months from 26 March 2009 and US$150,000 for the twelve months from 26 March 2010.

Based on the AMCOL option payments received during the financial year, had the Australian Dollar weakened/strengthened by 10% against the US$ with all other variables held constant, the Group's pre-tax profit for the year would have been $135,000 higher/lower.

Based on the Group's operations in Papua New Guinea (PNG) during the financial year, had the Australian Dollar weakened/strengthened by 10% against the PNG Kina with all other variables held constant, the Group's pre-tax operating loss in PNG would have been $40,000 higher/lower.

Interest rate risk

The Group is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments. The Group does not use derivatives to mitigate these exposures. The Group is not exposed to cash flow volatility from interest rate changes on borrowings as there were no borrowings.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short term deposits with reputable financial institutions at interest rates maturing over 90-180 day rolling periods or less.

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

	Weighted Average Interest Rate	Carrying Amount $	Weighted Average Interest Rate	Carrying Amount $
Consolidated		2010		2009
Variable rate instruments				
Cash and cash equivalents	3.25-5.85%	2,923,690	3.75%	3,072,044
Trade and other receivables	nil	4,012,165	7.72%	2,012,813
		6,935,855		5,084,857

Note 31: Financial Risk Management (cont)

Cash flow sensitivity analysis for variable rate instruments

The Board has estimated that given market conditions a change of 100 basis points in interest rates is appropriate to assess the Company's sensitivity to variable rate instruments. A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

Group

	Profit or loss	
Effect in thousands of AUD	100bp increase	100bp decrease
30 June 2010		
Variable rate instruments	26,000	(26,000)
30 June 2009		
Variable rate instruments	30,720	(30,720)

Other Market Price Risk

Other equity price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Group is exposed to equity price risk arising from its held-for-trading equity investments. With respect to the equity price risk arising from the Company's held-for-trading equity investments, the maximum exposure is equal to the carrying amount of the Company's held-for-trading equity investments which at balance date is $1,021,231 (2009- $413,858).

Based on the equity investments held at the end of the financial year, had the Australian Stock Exchange strengthened/ weakened by 10% with all other variables held constant, the Group's pre-tax profit for the year would have been $102,000 higher/lower.

Commodity Price Risk

The Group operates primarily in the exploration and evaluation phase and accordingly the Group's financial assets and liabilities are subject to no commodity price risk.

Fair values

Fair values versus carrying amounts

The carrying amounts of financial assets and liabilities approximate fair value. The basis for determining fair values is disclosed in note 12.

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities. The Group monitors capital on the basis of the gearing ratio, however there are no external borrowings as at balance date or at 30 June 2009.

There were no changes in the Group's approach to capital management during the year. Risk management policies and procedures are established with regular monitoring and reporting.

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

Note 32: Capital and other commitments

The Company has certain obligations to perform minimum exploration works and/or to expend minimum amounts of money on such works in exploration tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Company.

Note 32: Capital and other commitments (cont)

(a) Operating lease commitments

	Group 2010 $	Group 2009 $
Future operating lease rentals of office space provided for in the financial statements and payable:		
- not later than one year	27,300	21,000
- later than one year but not later than five years	36,400	-
	63,700	21,000

(b) Remuneration commitments

	Group 2010 $	Group 2009 $
Commitments for the payment of salaries and other remuneration under long term contracts in existence at reporting date but not recognised as liabilities, payable:		
- not later than one year	-	75,000

Amounts disclosed are remuneration commitments that relate to termination payments arising from employment agreements of Directors and Executives referred to in the Remuneration Report. The amounts are not recognised as liabilities and are not included in the Directors or Executive Remuneration.

(c) Exploration commitments

	Group 2010 $	Group 2009 $
In order to maintain current rights of tenure to exploration permits, the consolidated entity has certain obligations to expend minimum amounts of money. The following exploration expenditure requirements have not been provided for in the financial report and are payable:		
- not later than one year	386,957	360,000
- later than one year but not later than two years	517,391	-
- later than two years	-	-
- Total	904,348	360,000

Pacific Niugini Minerals (PNG) Ltd (PNM) at 30 June 2010 was the holder of Papua New Guinea Exploration Licences EL1589, EL1613, EL1614, EL1615 and EL1616. These licences were all issued on 7 July 2008 for a two year term expiring on 6 July 2010.
PNM has applied for a further two year renewal of these licences and at the date of these financial Statements the renewal process was still under way.
All of these tenements are in good standing with the Mineral Resources Authority of PNG and the Company is of the view that licence renewals will take place in the normal course of business.

Note 33: Related Party Transactions

Ultimate parent

Pacific Niugini Limited is the ultimate Australian parent entity.

Identification of Related parties

Ownership interests in wholly owned entities and associate are set out in Note 15.

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and accompanying notes are in accordance with the *Corporations Act 2001 and* :

(i) comply with Accounting Standards and the *Corporations Regulations 2001* and:

(ii) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company and the consolidated entity.

(b) The consolidated entity has included in the notes to the financial ststements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

(c) 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; and

(d) the remuneration disclosures set out on pages 9 to 13 of the Directors' Report (as part of the audited Remuneration Report) for the year ended 30 June 2009 comply with section 300A of the *Corporations Act 2001.*

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

In the Director's 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.

Mr P Cook
Chairman

Dated this 29 September 2010

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Australia

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PACIFIC NIUGINI LIMITED

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures 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 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* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion:

(a) the financial report of Pacific Niugini 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 2010 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

Report on the Remuneration Report

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

Auditor's Opinion

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

BDO Audit (WA) Pty Ltd

BDO

Brad McVeigh
Director

Perth, Western Australia
Dated this 29th day of September 2010

PACIFIC NIUGINI LIMITED AND CONTROLLED ENTITIES

ABN 30 003 207 467

CORPORATE GOVERNANCE STATEMENT

Following the introduction of the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* (ASX Principles and Recommendations), and the revised second edition of the ASX Principles and Recommendations, Pacific Niugini Limited (the Company) has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. The Company's corporate governance practices for the year ending 30 June 2010 and as at the date of this report are outlined in this corporate governance statement.

The Company has considered each recommendation provided in the ASX Principles and Recommendations, taking into account factors such as the size of the Company and the Board, resources available and activities of the Company. Where, after due consideration, the Company's corporate governance practices depart from the ASX Principles and Recommendations, the Board has offered full disclosure of the nature of, and reason for, the adoption of its own practice.

For further information on corporate governance policies adopted by the Company, refer to the corporate governance section of our website: www.niugini.com.au

1. Compliance with Best Practice Recommendations

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

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
Principle 1	Lay solid foundations for management and oversight		
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
Principle 2	Structure the Board to add value		
2.1	A majority of the Board should be independent directors.	2(e)	No
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)	Yes
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
Principle 3	Promote ethical and responsible decision-making		
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.	4(b)	Yes
3.3	Provide the information indicated in the Guide to reporting on principle 3.	4(a), 4(b)	Yes

Principle #	ASX Corporate Governance Council Recommendations	Reference	Comply
Principle 4	Safeguard integrity in financial reporting		
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.		
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
Principle 5	Make timely and balanced disclosure		
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
Principle 6	Respect the rights of shareholders		
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
Principle 7	Recognise and manage risk		
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
Principle 8	Remunerate fairly and responsibly		
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 role of the Board is to be 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 provide leadership for and the supervision of the Company's senior management.

The Board is responsible for:

- Appointing, evaluating, rewarding and if necessary the removal of the Chief Executive Officer ("CEO") and senior management;
- Development of corporate objectives and strategy with management and approving plans, new investments, major capital and operating expenditures and major funding activities proposed by management;
- Monitoring actual performance against defined performance expectations and reviewing operating information to understand at all times the state of the health of the Company;
- Assessing the effectiveness of senior management's implementation of systems and the management of business risks, safety and occupational health, environmental issues and community development;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control process are in place and functioning appropriately.
- Approving and monitoring financial and other reporting;
- Assuring itself that appropriate audit arrangements are in place;
- Ensuring that the Company acts legally and responsibly on all matters and approving the Company's policies on risk oversight and management, internal compliance and control, Code of Conduct, and legal compliance and assuring itself that the Company practice is consistent with that Code; and other policies; and
- Reporting to and advising shareholders.

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 three non-executive Directors and one executive Director. Details of the members of the Board, their experience, expertise, qualifications, terms of office and independent status are set out in the Directors' Report of the Annual Report under the heading "Directors".

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 Chief Executive Officer 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. THE BOARD OF DIRECTORS (CONTINUED)

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.

The Board does not comply with the ASX Recommendation 2.2 in that the Chairman, whilst a non-executive, is not an independent Director due to his substantial interest in the Company (refer to 2(e) Independent Directors). The Board has considered this matter and decided that the non-compliance does not effect the operation of the Company.

The Chief Executive Officer is responsible for:

- implementing the Company's strategies and policies; and
- running the affairs of the Company under the delegated authority from the Board.

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

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 in accordance with the Company's "Selection and appointment of New Directors Policy".

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 the Company are considered to be independent when they are non-executive directors 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 Company does not comply with ASX Recommendation 2.1. While there are three non-executive Directors there is not a majority of independent Directors on the Board. In accordance with the definition of independence above only one of the Directors of the Company is considered to be independent.

The Board believes that the Company is not of sufficient size to warrant the inclusion of more independent non-executive Directors in order to meet the ASX recommendation of maintaining a majority of independent non-executive Directors. The Company maintains a mix of Directors from different backgrounds with complementary skills and experience.

In recognition of the importance of independent views and the Board's role in supervising the activities of management the Chairman must be a non-executive director.

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 performance criteria against which directors and executives are assessed is aligned with the financial and non-financial objectives of the Company. 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 only three of the four members are non-executive Directors and one member is considered to be an independent Director (refer 2(e)). 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 Consolidated Entity 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 KPMG'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.

The directors are satisfied that the provision of any non-audit services during the year by the auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act.

The directors are satisfied that the provision of any non-audit services does not compromise the auditor's independence requirements of the Corporations Act because the services were provided by persons who were not involved in the audit.

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 executives such that it comprises a fixed salary and statutory superannuation. From time to time senior executives are issued options. 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 currently set at $250,000 per annum.

The 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 "Dealing in Company Shares and Options" 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 21 days prior to the announcement to the ASX of the Company's full year, half year and quarterly results;
- 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.

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 ("Risk Management Policy"). Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn responsibilities.
The Company is engaged in mineral exploration which is high risk.

6(a) Board oversight of the risk management system

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:

- monthly 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.

- setting of maximum authority levels for capital and operational expenditure. Separation of duties with regard to authorisation and payment of expenditure.

The Company's risk management system is evolving. It is an on-going process and it is recognised that the level and extent of the risk management system will evolve commensurate with the development and growth of the Company's activities.

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 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 and 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.