Shaw River Resources Limited

A.C.N. 121 511 886

ANNUAL FINANCIAL REPORT

30 June 2010

CONTENTS

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ASX Code
SRR

A.C.N. 121 511 886

COMPANY DIRECTORY

Directors

Anthony Walsh (Chairman)
Vincent Algar (Managing Director)
Kenneth Brinsden (Non-executive Director)

Secretary

Anthony Walsh

Registered Office

33 Ventnor Avenue
WEST PERTH WA 6005
PO Box 1259
WEST PERTH WA 6872

Telephone: (08) 9226 4455
Facsimile: (08) 9226 4255

Bankers

National Australia Bank
1232 Hay Street
WEST PERTH WA 6005

Auditors

Stantons International
Level 1 / 1 Havelock Street
WEST PERTH WA 6005

Home Exchange

Australian Securities Exchange Ltd
2 The Esplanade
PERTH WA 6000

Share Registry

Security Transfers Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Telephone: (08) 9315 2333
Facsimile: (08) 9315 2233

Lawyers

Hardy Bowen
Level 1
28 Ord Street
WEST PERTH WA 6005

DIRECTORS' REPORT

The Directors submit their report for the year ended 30 June 2010.

1. DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as below. Directors were in office commencing from the date stated.

Anthony Walsh (Chairman, Company Secretary)
Vincent Algar (Managing Director)
Kenneth Brinsden (Non Executive Director)

2. INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Tony Walsh (Chairman/Company Secretary) is a chartered accountant with over 20 years work experience with ASX and publicly listed companies where he has held positions as listings manager and company secretary and has experience in the areas of corporate regulation and capital raisings. He works for a number of public companies in the resource sector. Mr Walsh is a fellow of the Chartered Secretaries Australia, an Associate Member of the Institute of Chartered Accountants in Australia and the Securities Institute of Australia. Mr Walsh has been a director of Warwick Resources Limited but resigned on 25 June 2009. Other than the above Mr Walsh has not held a directorship in any other listed company in the past 3 years. Mr Walsh is also the company secretary at Atlas Iron Limited.

Vincent Algar is a geologist with 20 years experience in mining operations, exploration and project development in Western Australia and South Africa. Graduating in 1989 Mr Algar worked in the Witwatersrand Gold Mining Industry with JCI as a geologist on various operating gold mines before joining Resource Service Group (RSG) in Perth in 1996. Whilst at RSG Mr Algar also worked as a resource consultant in an auditing capacity providing independent geological verification for mining companies and financial institutions. In 1998 Mr Algar worked as an independent resource consultant with McDonald Speijers Consulting before joining the Surpac Minex Group (now Gemcom) in 2000. Mr Algar spent over six years at Surpac where he became the Australian Divisional Manager of a team of 20 mining professionals. Mr Algar has been the Managing Director of Shaw River since it floated in December 2006 and has not held a directorship in any other listed company in the past 3 years.

Kenneth Brinsden is a mining engineer with over 15 years experience in surface and underground mining operations. Prior to commencing with Shaw River Resources, Mr Brinsden was mining manager with Iluka Resources Limited, responsible for the green fields development of Iluka's Murray Basin Mining Operations in south west Victoria. Previously Mr Brinsden held senior mine management and project development roles with Gold Fields and WMC Resources. Mr Brinsden is currently the chief operating officer at Atlas Iron Limited responsible for the operating mines development projects. Mr Brinsden has not held a directorship in any other listed company in the past 3 years.

Directors' Interests in the Shares and Options of Shaw and Related Bodies Corporate

At the date of this report, the interests of the Directors in the shares and other equity securities of Shaw and related bodies corporate were:-

Name	Ordinary Shares	Unlisted Options
Vincent Algar	562,333	5,000,000
Anthony Walsh	123,333	1,900,000
Kenneth Brinsden	30,000	1,000,000

3. LOSS PER SHARE

Basic loss per share:	(2.7 cents)
Diluted loss per share:	(2.7 cents)

There were dilutive potential ordinary shares on issue at balance date. However, given the Company has made a loss, there is no dilution of earnings.

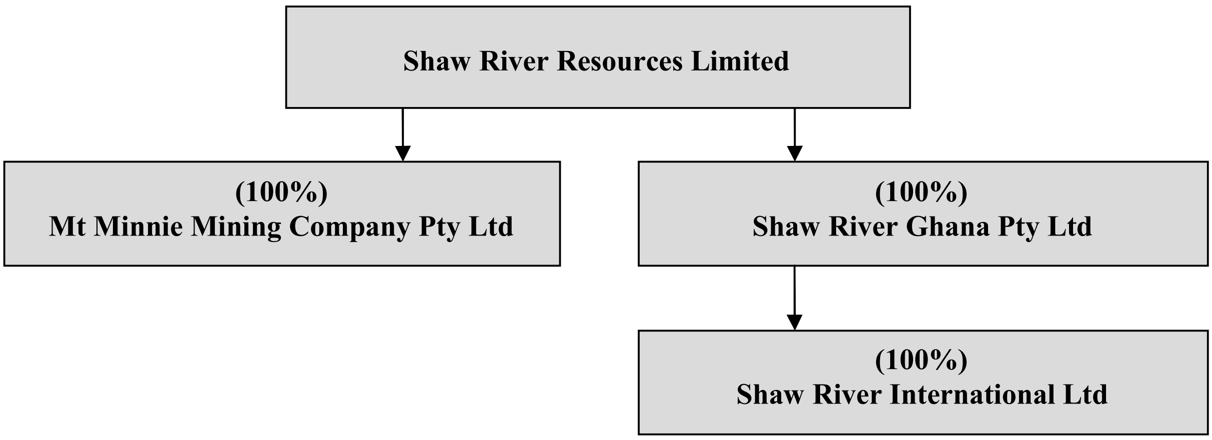
4. DIVIDENDS

No dividend has been paid or recommended during the financial year.

5. CORPORATE INFORMATION

Corporate Structure

Shaw River Resources Limited is a company limited by shares that is incorporated and domiciled in Australia. Shaw River Resources Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial period, which is outlined in the following illustration of the group's corporate structure.



Nature of Operations and Principal Activities

The principal activities during the period of the entities within the consolidated entity were:-

- exploration for manganese, iron, gold and base metal deposits.

Employees

The consolidated entity had a staff of 8 employees at 30 June 2010 (2009: 6 employees).

6. OPERATING AND FINANCIAL REVIEW

Results of Operations

The loss of the consolidated entity for the year was $5,048,650 (2009: $3,532,392) after income tax.

6. OPERATING AND FINANCIAL REVIEW (CONT'D)

Review of Operations

During the year the Company's activities were focused on exploration for manganese, an important metal used principally in the making of high quality steel for construction.

The company is currently operating a total of seven manganese exploration projects. Five are located in Western Australia, one in the Northern Territory and one is located in Ghana in West Africa. These projects and Shaw River's stake in each are listed below:

- Baramine (Shaw River 70% iron and manganese rights)
- Skull Springs (Shaw River earning to 70% in JV with Talisman Mining Ltd)
- 701 Mile (Shaw River 70% iron and manganese rights)
- Mt Minnie (Shaw River 100% non-iron ore rights)
- Dingo Creek (Shaw River 100% applications)
- British Company Islands (Shaw River 100% applications)
- Butre Project (Shaw River 80%)

Future Operations

The Company's principal exploration targets in the second half of 2010 and into 2011 are;

- Baramine, where initial drilling has identified significant manganese occurrences which may be of an economic nature. Activities at Baramine in 2010/11 will include follow up drilling beneficiation testing, resource estimation and economic modeling.
- Skull Springs, where surface identification of Manganese indicate excellent potential for widespread mineralization. In 2010/11, initial drilling will test the tenor of manganese in the area.
- Butre Project, where initial drilling has identified potential economic quantities and grades of oxide manganese ore only 30km from a bulk port as well as encouraging gold intersections in drilling. Follow up drilling in 2010/11 will focus on the development of an initial resource base and beneficiation studies.

The company envisages exploration and administration expenditure for the next 12 months to be $5.9 million dollars.

In addition to its commitment over its manganese projects, Shaw River will be actively seeking to attract suitable partners to explore its gold and base metal projects, including:

- Hedland gold project
- Abydos gold and base metal project
- Marble bar base metal project
- Mt Minnie gold and base metal project
- Farrel Well Gold project (under Joint Venture)

6. OPERATING AND FINANCIAL REVIEW (CONT'D)

Summarised Operating Results

Revenue: Interest is earned on cash held in Term Deposits. Interest earned for this period amounted to $193,935 (2009: 111,838).

Exploration Expenditure Write-Off: Exploration expenditure on tenements expensed to the Income Statement for the year amounted to $3,270,774 (2009: $2,296,477).

Capitalised Exploration Costs: There was no exploration expenditure on tenements capitalised during the year (2009: Nil).

7. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the 2010 financial year Shaw River Resources:-

- raised $4,697,750 capital (net of capital raising costs of $307,500) through the issue of 33,408,333 shares
- issued 1,000,000 shares and paid $50,000 cash to Talisman Mining Ltd to enter into a Joint Venture with Talisman to earn a right to 70% interest in 4 tenements
- issued 3,800,000 staff & directors' incentive options
- formation of two new private companies, Shaw River Ghana Pty Ltd domiciled in Australia and Shaw River International Ltd domiciled in the British Virgin Islands.

8. ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity's operations are subject to various environmental regulations under both Commonwealth and State legislation. The Directors have complied with these regulations and are not aware of any breaches of the legislation during the financial period which are material in nature.

9. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Likely developments in the operations of the consolidated entity, and expected results of those operations in subsequent financial years have been discussed, where appropriate, in the Chairman's Report and Directors' Review of Activities.

10. SHARE OPTIONS

Unissued shares
As at the date of this report, there were 20,475,000 unissued ordinary shares under options. Refer to note 18 for further details of the options outstanding at balance date.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate.

Shares issued as a result of the exercise of options
During the financial year investors have exercised options to acquire 75,000 fully paid ordinary shares at an exercise price of 7 cents per share. Refer to notes 17 & 18 for further details of the exercise of options.

11. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

As at the date of this report no matter or circumstance, has arisen since the end of year which has significantly effected, or may significantly effect, the operations of the Group the results of those operations or the state of affairs of the Group.

12. INDEMNIFICATION OF DIRECTORS, OFFICERS AND AUDITORS

The Company has not, during or since the financial year, in respect of any person who is or has been an Officer or auditor of the Company or a related body corporate:

(a) indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or

(b) paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings.

13. REMUNERATION REPORT (AUDITED)

The compensation arrangements in place for key management personnel of the Group are set out below:

Compensation Philosophy

The performance of the Group depends upon the quality of its Directors and Executives. To prosper, the Group must attract, motivate and retain highly skilled Directors and Executives.

The Group embodies the following principle in its compensation framework:-

- Provide competitive rewards to attract high-calibre executives.

Remuneration Committee

Due to the size of the Group, remuneration is considered by the full Board. The Board reviews remuneration packages and policies applicable to the Directors and Senior Executives. Remuneration levels are competitively set to attract the most qualified and experienced Directors and Senior Executives. The Board obtains independent advice on the appropriateness of remuneration packages.

Compensation Structure

In accordance with best practice corporate governance, the structure of Non Executive Director and Senior Manager remuneration is separate and distinct.

Objective of Non Executive Director Compensation

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

Structure of Non Executive Director Compensation

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The Constitution of the Company provides that the non executive Directors may collectively be paid as remuneration for their services at a fixed sum not exceeding the aggregate maximum of $300,000 per annum which has been determined by the Company in general meeting. It is currently resolved that the Chairman will receive Directors' fees of $72,000 per annum which incorporates Company Secretarial Fees and the non executive Directors will each receive Directors' fees of $40,000 per annum inclusive of superannuation.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

13. REMUNERATION REPORT (CONT'D)

Objective of Senior Management and Executive Director Compensation

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

- reward executives for company and individual performance against targets set by reference to appropriate benchmarks,
- align the interests of executives with those of shareholders,
- ensure total compensation is competitive by market standards, and
- ensure best practice in occupational health and safety and environmental matters.

Structure of Executive Director and Senior Management Compensation

In determining the level and make-up of executive compensation, the Board engages external consultants to provide independent advice.

It is the Board's policy that an employment contract is entered into with key executives.

Compensation consists of a fixed compensation element and the issue of options from time to time at the Board's discretion by way of staff incentive.

During the year the Group issued 3,500,000 options to Directors and Senior Management, with a value of $397,359 of which $14,759 is yet to vest. Please refer to the Remuneration Report further below.

Fixed Compensation

Fixed compensation is reviewed annually by the Board. The process consists of a review of company and individual performance, relevant comparative compensation in the market and internally and, where appropriate, external advice on policies and practices.

Structure

Senior Managers are given the opportunity to receive their fixed (primary) compensation in a variety of forms including cash and fringe benefits. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Company.

Employment contracts

The Managing Director, Mr. Vincent Algar, is employed under contract. The current employment contract commenced on the 27 April 2010.

- Mr. Algar receives remuneration of $270,000 per annum plus superannuation benefits not less than 9% per annum.
- Mr. Algar may resign from his position and thus terminate his contract by giving 3 months written notice.
- If within 12 months the Agreement is terminated by the Company (other than for cause, or a change of control or due to Mr. Algar's illness) or if Mr. Algar terminates the Agreement due to the Company's breach, insolvency or demotion of his position, the Company must pay Mr. Algar an amount equal to the total remuneration paid to Mr. Algar during the period of his engagement.
- If Mr. Algar has worked for 12 months or more and the Agreement is terminated by the Company (other than for cause, or a change of control or due to Mr. Algar's illness) or if Mr Algar terminates the Agreement due to the Company's breach, insolvency or demotion of his position, the Company must pay Mr. Algar an amount equal to 12 months annual remuneration inclusive of superannuation and other benefits.
- If the Agreement is terminated by the Company, due to Mr. Algar's illness or a change of control the Company will pay an amount equal to 3 months remuneration. The Company may terminate the Agreement summarily for cause without any payment to Mr. Algar other than accrued salary to the date of termination.

13. REMUNERATION REPORT (CONT'D)

Incentive Programs

During the period two Incentive Programs were also introduced for Mr Algar being:

- Short Term Incentive Program - Mr. Algar will be offered an at risk incentive payment of $30,000 based on 40% safety and Safety Management System implementation program, 20% for each of relative share price performance, resource growth and project pipeline growth for the period 1 January 2010 to 31 December 2010.
- Long Term Incentive Program – Mr Algar be offered, subject to shareholder approval at the next General Meeting, 500,000 options exercisable at 25% above the closing market price at the AGM vesting 12 months after the AGM and 500,000 options exercisable at 40% above the closing market price at the AGM, vesting 24 months after the AGM.

The remuneration report includes an amount of $15,000 for the Short Term Incentive Program representation a 50% probability that the incentive will be received.

Employee Options

The Board has a share option incentive plan in place. The following shares were issued to directors and key management personnel:

- 3,000,000 unlisted 27 cent options expiring on 31 July 2014 were issued to directors,
- 800,000 unlisted 34.5 cent options expiring on 2 December 2014 were issued to staff and senior management.

13. REMUNERATION REPORT (CONT'D)

Compensation of Key Management Personnel for year 1 July 2009 to 30 June 2010

	Year	Short term Salary & Fees $	Post Employment Superannuation $	Share based payments - options $	Annual Leave $	Termination benefits $	Total $	% of Compensation granted as options	% of Performance related remuneration
Directors									
Vincent Algar	2010	268,952	22,856	128,930	(8,441)	-	412,297	31%	4%
	2009	241,516	20,625	54,650	(973)	-	315,818	17%	-
Tony Walsh	2010	72,000	-	111,880	-	-	183,880	61%	-
	2009	71,455	-	13,460	-	-	84,915	16%	-
Kenneth Brinsden	2010	36,697	3,303	109,132	-	-	149,132	73%	-
	2009	12,936	1,164	-	-	-	14,100	-	-
Executives									
Glenn Martin	2010	192,500	26,122	57,952	2,055	-	278,629	21%	-
	2009	171,205	18,983	46,792	(1,986)	-	234,994	20%	-
Total	**2010**	**570,149**	**52,281**	**407,894**	**(6,386)**	**-**	**1,023,938**	**40%**	**1%**
	2009	**497,112**	**40,772**	**114,902**	**(2,959)**	**-**	**649,827**	**18%**	**-**

Note: Vincent Algar's Short term salary & fess includes an amount of $15,000 as a performance related bonus.

13. REMUNERATION REPORT (CONT'D)

Compensation Options granted for the year 1 July 2009 to 30 June 2010

The following options were granted or vested as equity compensation benefits to certain specified Directors and specified Executives 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 an exercise price detailed below.

Options and rights over equity instruments granted as compensation in 2010 financial year to directors and executives

Name	No. of Options	Grant Date	Value per option at grant date (cents)	Exercise price per share (cents)	Expiry Date	Number of Options Vested in 2010
Directors						
Vincent Algar	1,000,000	25 Aug 2009	10.91	27	31 Jul 2014	1,000,000
Kenneth Brisden	1,000,000	25 Aug 2009	10.91	27	31 Jul 2014	1,000,000
Tony Walsh	1,000,000	25 Aug 2009	10.91	27	31 Jul 2014	1,000,000
Executives						
Glenn Martin	500,000	2 Dec 2009	14.00	34.5	2 Dec 2014	250,000

No options have been granted since the end of the financial year. The options were granted at no cost to the recipients.

Details of vesting profiles of options granted as remuneration to each director and executive of the company are detailed below.

Name	No. of Options	Grant Date	% Vested in the Year	% Forfeited in Year	Financial Years in which Grant Vests	Value yet to Vest $
Directors						
Vincent Algar	500,000	28 Nov 2008	79%	-	30 June 2010	1,313
Vincent Algar	1,000,000	25 Aug 2009	100%	-	30 June 2010	-
Kenneth Brisden	1,000,000	25 Aug 2009	100%	-	30 June 2010	-
Tony Walsh	1,000,000	25 Aug 2009	100%	-	30 June 2010	-
Executives						
Glenn Martin	500,000	2 Dec 2009	82%	-	30 June 2011	14,759

Analysis of movements in value of options

Name	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $	% Remuneration consisting of options during the year
Director				
Vincent Algar	109,132	-	-	31%
Tony Walsh	109,132	-	-	61%
Kenneth Brinsden	109,132	-	-	73%
Executive				
Glenn Martin	69,963	-	-	21%
Total	397,359	-	-	-

Shares issued on exercise of compensation options

No shares were issued on exercise of compensation options during the year.

13. REMUNERATION REPORT (CONT'D)

Exercise of options granted as compensation

Name	Balance at beg of year 1 Jul 2009	Granted as Remuneration	Exercised during the year	Balance at end of year 30 June 2010	Not Vested & Not Exercisable	Vested & Exercisable
Director						
Vincent Algar	4,000,000	1,000,000	-	5,000,000	500,000	4,500,000
Tony Walsh	900,000	1,000,000	-	1,900,000	-	1,900,000
Kenneth Brinsden	-	1,000,000	-	1,000,000	-	1,000,000
Executive						
Glenn Martin	1,700,000	500,000	-	2,200,000	250,000	1,950,000
Total	6,600,000	3,500,000	-	10,100,000	750,000	9,350,000

13. REMUNERATION REPORT (CONT'D)

Option holdings of Key Management Personnel

30-Jun-10	Balance 1-Jul-09	Granted as compensation	On exercise of options	Balance 30-Jun-10
Directors				
Vincent Algar	4,000,000	1,000,000	-	5,000,000
Tony Walsh	900,000	1,000,000	-	1,900,000
Kenneth Brinsden	-	1,000,000	-	1,000,000
Executives				
Glenn Martin	1,700,000	500,000	-	2,200,000
	6,600,000	3,500,000	-	10,100,000

30-Jun-09	Balance 1-Jul-08	Granted as compensation	On exercise of options	Balance 30-Jun-09
Directors				
Vincent Algar	3,000,000	1,000,000	-	4,000,000
Tony Walsh	400,000	500,000	-	900,000
Kenneth Brinsden	-	-	-	-
Executives				
Glenn Martin	1,200,000	500,000	-	1,700,000
	4,600,000	2,000,000	-	6,600,000

Shareholdings of Key Management Personnel

30-Jun-10 Directors	Balance 1-Jul-09	Granted as compensation	On exercise of options	Net change additions	Balance 30-Jun-10
Vincent Algar	542,333	-	-	20,000	562,333
Tony Walsh	123,333	-	-	-	123,333
Kenneth Brinsden	30,000	-	-	-	30,000
Executives					
Glenn Martin	-	-	-	-	-
	475,000	-	-	240,666	715,666

30-Jun-09 Directors	Balance 1-Jul-08	Granted as compensation	On exercise of options	Net change additions	At Date of Resignation	Balance 30-Jun-09
Vincent Algar	335,667	-	-	206,666	-	542,333
Tony Walsh	123,333	-	-	-	-	123,333
Kenneth Brinsden	30,000	-	-	-	-	30,000
Richard Cullen	546,667				(546,667)	N/A
David Flanagan	200,000				(200,000)	N/A
Denis O'Meara	779,666				(779,666)	N/A
Executives						
Glenn Martin	25,000	-	-	(25,000)		-
	2,026,333	-	-	(25,000)	(1,526,333)	475,000

14. DIRECTORS' MEETINGS

The number of Meetings of Directors held during the year and the number of Meetings attended by each Director were as follows:

Name	No. of Meetings Attended	No. of Meetings Held Whilst A Director
Attended by:		
Vincent Algar	6	6
Tony Walsh	6	6
Kenneth Brinsden	6	6

DIRECTORS' REPORT

15. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

NON-AUDIT SERVICES

There were no non-audit services provided by the Company's auditor, Stantons International or associated entities during the year ended 30 June 2010.

We have received the Declaration of Auditor's Independence from Stantons International, the Company's auditor, this is available for review on page 52 and forms part of this report.

SIGNED in accordance with a Resolution of the Directors on behalf of the Board

V Algar
Managing Director

Dated this 13th day of September

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Consolidated 2010 $	2009 $
Operations			
Revenues			
Finance revenue	4(a)	193,935	111,838
Other revenue	4(b)	40,454	76,014
Expenses			
Employee benefits expense	4(c)	(455,505)	(120,429)
Exploration expense	4(d)	(3,270,774)	(2,296,477)
Administration expense	4(e)	(1,556,760)	(1,303,338)
Net loss from continuing operations before income tax expense		(5,048,650)	(3,532,392)
Income tax benefit/ (expense)	6	-	-
Net profit/(loss) from continuing operations for the period		(5,048,650)	(3,532,392)
Other comprehensive income		1,816	-
Total comprehensive income/(loss) for the period		(5,046,834)	(3,532,392)
Net profit/(loss) attributable to:			
Members of the parent entity		(5,046,834)	(3,532,392)
Comprehensive income/(loss) attributable to:			
Members of the parent entity		(5,046,834)	(3,532,392)
LOSS PER SHARE (cents per share)			
Basic loss for the year	5	(2.7 cents)	(2.7 cents)
Diluted loss for the year	5	(2.7 cents)	(2.7 cents)

The accompanying notes form part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Notes	Consolidated 2010 $	2009 $
ASSETS			
Current Assets			
Cash and cash equivalents	8	3,239,099	3,010,690
Trade & other receivables	10	97,048	100,493
Prepayments	11	96,465	64,650
Total Current Assets		3,432,612	3,175,833
Non-current Assets			
Other financial assets	9	105,500	67,000
Property, plant & equipment	12	481,422	165,093
Exploration assets	13	2,681,983	3,051,475
Total Non-current Assets		3,268,905	3,283,568
TOTAL ASSETS		6,701,517	6,459,401
LIABILITIES			
Current Liabilities			
Trade & other payables	14	200,238	178,602
Provisions	15	43,298	36,960
Other financial liabilities	16	44,087	42,280
Total Current Liabilities		287,623	257,842
Non-current Liabilities			
Other financial liabilities	16	-	44,086
Total Non-current Liabilities		-	44,086
TOTAL LIABILITIES		287,623	301,928
NET ASSETS		6,413,894	6,157,473
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	17	20,587,268	15,739,518
Reserves	19	1,578,671	1,121,350
Accumulated losses		(15,752,045)	(10,703,395)
TOTAL EQUITY		6,413,894	6,157,473

The accompanying notes form part of the Financial Statements.

STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Consolidated 2010 $	2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,433,357)	(1,462,563)
Payments for exploration and evaluation		(2,725,439)	(2,036,105)
Other income		40,454	-
Interest received		193,935	111,838
Net cash flows from/(used in) operating activities	22(i)	(3,924,407)	(3,386,830)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(412,910)	(8,585)
Purchase of other non current assets		(1,245)	-
Proceeds from sale of mineral rights		-	150,000
Purchase of joint venture interests		(50,000)	(100,000)
Payment of bond		(38,500)	(10,000)
Net cash flows from/(used in) investing activities		(502,655)	31,415
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment to finance leases		(42,279)	(38,570)
Proceeds from issue of ordinary shares		5,005,250	5,001,876
Cost of capital raising		(307,500)	(307,001)
Net cash flows from financing activities		4,655,471	4,656,305
Net increase in cash and cash equivalents		228,409	1,300,890
Cash and cash equivalents at the beginning of year		3,010,690	1,709,800
Cash and cash equivalents at end of year	22(ii)	3,239,099	3,010,690

The accompanying notes form part of the Financial Statements.

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

Consolidated	Issued Capital $	Reserves $	Accumulated Losses $	Total Equity $
At 1 July 2009	15,739,518	1,121,350	(10,703,395)	6,157,473
Loss for the year	-	-	(5,048,650)	(5,048,650)
Other comprehensive income	-	1,816	-	1,816
Total comprehensive loss for the year	-	1,816	(5,048,650)	(5,046,834)
Issue of share capital	5,155,250	-	-	5,155,250
Cost of issue of share capital	(307,500)	-	-	(307,500)
Cost of share based payments	-	455,505	-	455,505
At 30 June 2010	20,587,268	1,578,671	(15,752,045)	6,413,894
At 1 July 2008	10,819,583	981,729	(7,171,003)	4,630,309
Loss for the year	-	-	(3,532,392)	(3,532,392)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the year	-	-	(3,532,392)	(3,532,392)
Issue of share capital	5,226,936	-	-	5,226,936
Cost of issue of share capital	(307,001)	-	-	(307,001)
Cost of share based payments	-	139,621	-	139,621
At 30 June 2009	15,739,518	1,121,350	(10,703,395)	6,157,473

The accompanying notes form part of the Financial Statements.

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

NOTE 1: CORPORATE INFORMATION

The financial report of Shaw River Resources Limited (the Company) for the period 1 July 2009 to 30 June 2010 was authorised for issue in accordance with a resolution of the Directors on 13 September 2010. The financial report includes consolidated financial statements and notes of Shaw River Resources Limited and controlled entities ("Consolidated" or "Group") and the separate financial statements and notes of Shaw River Resources Limited ("the Company") as an individual parent entity.

Shaw River Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in note 3.

Separate financial statements for Shaw River Resources Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however required financial information for Shaw River Resources Limited as an individual entity is included in Note 29.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation
The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, and Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on an accruals basis and is based on historical costs, modified where applicable by the measurement at fair value of selected financial assets and financial liabilities.

The financial report is presented in Australian dollars and all values are expressed as whole dollars.

(b) Going concern
The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Company and consolidated entity had $3,239,909 in cash and cash equivalents at 30 June 2010 with a commitment of $985,950 (note 23) required to be outlayed during the 2011 financial year for tenement lease rentals only. Additional cost will be incurred on administration and exploration activities (note 23.)

The directors have taken steps subsequent to 30 June 2010 to ensure the Company and the consolidated entity continue as going concerns with a capital raising to take place later in the year.

The directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company and consolidated entity will achieve the capital raising set out above.

In the event that the company cannot raise additional funds, the Company and subsidiaries may not be able to meet their liabilities as they fall due and the realisable value of the Company's and consolidated entity's non current assets may be significantly less than book values.

(c) Statement of compliance
The consolidated financial report of the group complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) New Accounting Standards and Interpretations
The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2009.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) New Accounting Standards and Interpretations (cont'd)

Presentation of Financial Statements
AASB 101 prescribes the contents and structure of financial statements. Changes reflected in this financial report include:

- the replacement of the Income Statement with the Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;

- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income; and

- other financial statements are renamed in accordance with the Standard.

Other accounting standards which are effective for this accounting period include *AASB 3 - Business Combinations* and *AASB 8 – Operating segments.* These accounting standards have been adopted is the current year.

The group has continued to operate in one business segment (Mining Exploration) and in two geographical regions (Australia & West Africa).

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows;

- AASB 9: Financial Instruments and AASB 2009-11; Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 138, 139, 1023 & 1038 and Interpretations 10 & 121 (applicable for annual reporting periods commencing on or alter 1 January 2013).

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

  The changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
  - reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on;

  a. the objective of the entity's business model for managing the financial assets; and
  b. the characteristics of the contractual cash flows.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) New Accounting Standards and Interpretations (cont'd)

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

- AASB 2009-5; Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

  These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009-8; Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB 2009-9: Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues] AASB 132] applicable for annual reporting periods commencing on or after 1 February 2010).

  These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners *of* the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

  This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) New Accounting Standards and Interpretations (cont'd)

- AASB 2009-14: Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. This standard will not impact the Group.

- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

  This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

  The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

(e) Summary of significant accounting policies

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of Shaw River Resources Limited and its subsidiaries ('the Group').

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

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

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

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

In the company's financial statements, investments in subsidiaries are carried at cost, less any impairment in value.

(ii) Critical accounting judgements, estimates and assumptions

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

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 20.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current.

These costs are carried forward in respect of an area that has not at balance sheet date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Intercompany loans and advances

Provision is made for intercompany loans and advances where there is uncertainty whether the amounts are recoverable.

Deferred Taxation

Judgement is required in determining whether deferred tax assets are recognised on the balance sheet. Deferred tax assets, including those amounts from unutilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in the future period.

(ii) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the useful life of the asset from the time the asset is held ready for use.

The depreciation rates used are:

Plant and equipment	5% - 40%

Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts.

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

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(iii) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(iv) Exploration and evaluation costs

Exploration and evaluation costs are written off in the period they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

Impairment

The carrying values of exploration and evaluation costs are reviewed for impairment when facts and circumstances indicate the carrying value may not be recoverable.

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

Accumulated costs in relation to an abandoned area are written off in full against the income statement in the year in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Each area of interest is limited to the size related to known or probable mineral resources capable of supporting a mining operation.

(v) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership transfer to the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(vi) Income Tax

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

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

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

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

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

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

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

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

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

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

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(vii) Other taxes

Revenue, expenses and assets are recognised net of the amount of GST except;

- where the amount of the GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.
- Receivables and payables are stated with the amount of GST included.

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 included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the ATO are classed as operating cash flows.

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

(viii) Trade and other payables
Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(ix) Employee benefits
Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

(x) Revenue recognition
Interest income
Interest revenue is recognised as it accrues, using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

(xi) Contributed Equity
Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(xii) Earnings per share (EPS)

Basic earnings per share

Basic EPS is calculated as the profit / (loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, divided by the weighted average number of ordinary shares outstanding during the financial period, adjusted for any bonus elements in ordinary shares issued during the period.

Diluted earnings per share

Diluted EPS adjusts the figures used in the determination of basic EPS 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.

(xiii) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

(xiv) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt.

(xv) Other Financial Assets

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

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

Financial assets at fair value through profit or loss

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Held-to-maturity investments

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

Loans and receivables

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

Available-for-sale investments

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

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

(xvi) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(xvii) Recoverable amounts of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset.

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

(xviii) Share based payment transactions

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

There are currently three scenarios in place to provide these services:
(a) Directors and Employees incentive options, which provides benefits to eligible staff;
(b) Capital raising costs, which provide payment to stockbrokers and finance institutions for capital raising services and commissions; and
(c) Other grants of options to Directors on an ad hoc basis.

The cost of the equity-settled transactions with stockbrokers and finance institutions is measured by reference to the fair value of the service received at the date they are granted.

For transactions with employees (including Directors), the cost of these equity-settled transactions is measured by reference to the fair value of the options provided. The fair value is determined by an internal valuation using the Black-Scholes option valuation model.

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

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

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

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

For transactions with other service providers, the cost of these equity-settled transactions is measured by reference to the value of the services provided. The cost of these equity-settled transactions is recognised, together with a corresponding increase in equity, at the time the services are provided unless they are transaction costs arising on the issue of ordinary shares, in which case the transaction costs are recognised directly in equity as a reduction of the proceeds received on the issue of shares.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see note 5).

(xix) Financial risk management objectives and policies
The Group's principal financial instruments comprise cash and short-term deposits.

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks that arise from the Group's financial instruments are fair value interest rate risks, liquidity risk, and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are disclosed elsewhere in note 2 to the financial statements.

Foreign currency risk
The Group's only foreign currency risk at the date of this report is a loan to Shaw River Ghana Pty Ltd and as such the foreign currency risk is minimal.

Commodity price risk
The Group's exposure to price risk is minimal as it currently is not in production.

Credit risk
The Group trades only with recognised, creditworthy third parties.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an ongoing basis and with the exception of the receivable in its subsidiary, the Group's exposure to bad debts is not significant.

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

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group only trades with recognised third parties, there is no requirement for collateral.

Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's term deposits with floating interest rate.

Liquidity risk
The Group's objective is to maintain continuity of funding through capital raisings and the use of a mixture of long and short term debt.

(xx) Interest in a jointly controlled operation

The Group has an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves the use of assets and other resources of the venturers rather than establishment of a separate entity. The Group recognises its interest in the jointly controlled operation by recognising its interest in the assets and the liabilities of the joint venture. The Group also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the jointly controlled operation. For details of the joint ventures please refer note 26.

(xxi) Interests in Joint Ventures

The economic entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. The economic entity's interests in joint venture entities are brought to account using the equity method of accounting in the consolidated financial statement. The parent entity's interests in joint venture entities are brought to account using the cost method.

(xxii) Operating Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below quantitative criteria are combined and disclosed in a separate category for "all other segments".

(xiv) Comparatives

Comparatives are restated where necessary to ensure disclosure is consistent with the current period.

NOTE 3: NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The principal activities during the year of the entities within the consolidated entity were:-

- exploration for manganese, iron ore, gold and base metal deposits.

NOTE 4: REVENUE AND EXPENSES

		Note	Consolidated 2010 $	2009 $
Revenues and expenses				
a)	**Finance revenue**			
	Bank interest received and receivable		193,935	111,838
b)	**Other revenue**			
	Fuel rebate		12,412	-
	Workers compensation claims		25,342	-
	Sub lease of car bays		2,700	-
	Profit on the sale of mineral rights over tenements	4(f)	-	76,014
			40,454	76,014
c)	**Employee benefits expense**			
	Share based payments		455,505	120,429
d)	**Exploration expense**			
	Interest in joint venture written off		-	120,155
	Exploration costs written off		3,270,774	2,176,322
			3,270,774	2,296,477

NOTE 4: REVENUE AND EXPENSES (CONT'D)

e) Administration expenses

	Note	Consolidated 2010 $	2009 $
Accounting fees		52,704	60,203
Advertising		54,667	32,316
Audit fees		38,185	34,592
Company secretarial cost		72,000	71,455
Corporate Services/Consultancy		135,531	76,752
Depreciation expense		96,581	63,287
Directors fees		40,000	94,707
Insurance		36,994	31,082
Legal fees		14,193	54,088
Occupancy costs		77,654	59,602
Payroll expense		446,325	253,471
Promotion/Investor relations		40,018	47,030
Stock Exchange fees		50,395	49,630
Travel & accommodation		20,303	90,402
Other expenses		381,210	284,721
		1,556,760	1,303,338
f) Profit on sale of minerals rights			
Proceeds from sale		-	150,000
Less costs of acquisition		-	73,388
Less expenses incurred		-	598
Profit on disposal	4(b)	-	76,014

NOTE 5: LOSS PER SHARE

	$	$
(a) Reconciliation of earnings to net loss:		
Net Loss	(5,048,650)	(3,532,392)
Loss used in the calculation of basic loss per share	(5,048,650)	(3,532,392)
(b) Weighted average number of shares on issue during the financial year used in the calculation of basic loss per share	190,387,112	128,893,261
(c) Basic loss per share (cents)	(2.7)	(2.7)
(d) Diluted loss per share (cents)	(2.7)	(2.7)

The diluted loss per share is the same as the basic loss per share as there are no options in the money and the Group has incurred a loss for the year.

NOTE 6: INCOME TAX

	Consolidated	
	2010 $	2009 $
The major components of income tax expense are:		
Income Statement		
Current income tax		
Current income tax charge	-	-
Current income tax benefit not recognised	-	-
Deferred income tax		
Relating to origination and reversal of temporary difference	-	-
Deferred income tax charge not recognised	-	-
Income tax expense reported in the income statement	-	-

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	2010 $	2009 $
Accounting profit/(loss) before tax from continuing operations	(5,048,650)	(3,532,392)
Loss before tax from discontinued operations	-	-
Accounting profit/(loss) before income tax	(5,048,650)	(3,532,392)
At the Group's statutory income tax rate of 30%	(1,514,595)	(1,059,718)
Adjustment in respect of current income tax of previous years		
Entertainment – Non deductible	2,041	611
Share based payments	136,652	36,129
Other – amounts not recognised	1,375,902	1,022,978
	-	-
Income tax expense reported in the consolidated income statement	-	-
Income tax attributable to discontinued operations	-	-
	-	-

NOTE 6: INCOME TAX (CONT'D)

Deferred Income Tax Deferred income tax at 30 June 2010 relates to the following:	**Balance Sheet** **2010** **$**	 **2009** **$**	**Income Statement** **2010** **$**	 **2009** **$**
CONSOLIDATED				
Deferred tax liabilities				
Accrued income	(10,285)	(2,891)	7,394	2,452
Prepayments	-	(625)	(625)	(185)
Capitalised exploration	(641,320)	(812,167)	(170,847)	(64,261)
Losses recognised to offset future tax liability	651,605	815,683	164,078	61,994
	-	-	-	-
Deferred tax assets				
Payroll liabilities	12,989	11,088	(1,901)	2,702
Accrued expenses	13,350	7,050	(6,300)	600
Section 40-880 deductions	205,062	205,062	-	(31,664)
Tax losses carried forward	5,296,955	2,719,885	(2,577,070)	(296,496)
Losses recognised to offset future tax liability	(651,605)	(815,683)	(164,078)	(61,994)
Deferred tax assets not brought to account	(4,876,751)	(2,127,402)	2,749,350	386,852
	-	-		
Deferred tax (income) / expense not recognised			-	-

NOTE 7: SEGMENT INFORMATION

Operating Segments
The Consolidated Entity has adopted AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Consolidated Entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Consolidated Entity operates in one operating segment and two geographical segments, being mineral exploration in Australia and West Africa. This is the basis on which internal reports are provided to the Directors for assessing performance and determining the allocation of resources in the Consolidated Entity.

Primary Reporting – geographical segments

The geographical segments for the consolidated entity are as follows:

	Australia		West Africa		Total	
	2010	2009	2010	2009	2010	2009
	$	$	$	$	$	$
Revenue	234,389	187,852	-	-	234,389	187,852
Segments Results	(4,866,489)	(3,532,392)	(182,161)	-	(5,048,650)	(3,532,392)
Segment Assets	6,701,517	6,459,401	-	-	6,701,517	6,459,401
Segment Liabilities	(287,623)	(301,928)	-	-	(287,623)	(301,928)
Purchase of property, plant & equipment	412,910	8,585	-	-	(412,910)	(8,585)

NOTE 8: CASH AND CASH EQUIVALENTS

	Note	Consolidated 2010	Consolidated 2009
		$	$
Current			
Cash at bank and in hand		239,099	110,690
Deposits-at call		3,000,000	2,900,000
	22(ii)	3,239,099	3,010,690

Cash at bank earns interest at floating rates based on daily bank deposit rates.
Deposits at call earn interest on a 3 month term basis at bank deposit rates.

NOTE 9: OTHER FINANCIAL ASSETS

Non Current		
Deposits-at call in relation to tenement bonds	105,500	67,000

NOTE 10: TRADE AND OTHER RECEIVABLES

	Consolidated 2010 $	Consolidated 2009 $
Current		
Trade Receivables (a)	-	-
Other Receivables (a)	97,048	100,493
Total Current Receivables	97,048	100,493

(a) Terms and conditions relating to the above financial instruments
- Trade receivables are non-interest bearing and generally on 30 day terms.
- Other receivables are non-interest bearing and generally received within 30 days.

(b) For terms and conditions of related party receivables refer note 21.

The other classes within trade and other receivables do not contain impaired assets and are not past due.

NOTE 11: PREPAYMENTS

	Consolidated 2010 $	Consolidated 2009 $
Current		
Prepayments (a)	96,465	64,650
	96,465	64,650

(a)(i) Prepayments include prepaid insurance amounts to be amortised within the next 12 months.
(a)(ii) Prepayments also includes an option fee paid in relation to an interest in a tenement which has not been granted by the Department of Mines & Petroleum to a third party.

NOTE 12: PROPERTY, PLANT AND EQUIPMENT

	2010	2009
Property, plant and equipment		
At cost	690,099	277,189
Accumulated depreciation	(208,677)	(112,096)
	481,422	165,093

(a) Movements in carrying amounts
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the financial years

	2010	2009
Plant & equipment		
Carrying amount at 1 July 2009	165,093	
Additions	412,910	
Disposals	-	
Depreciation expense	(96,581)	
Carrying amount at 30 June 2010, net of accumulated depreciation	481,422	
Carrying amount at 1 July 2008		219,795
Additions		8,585
Disposals		-
Depreciation expense		(63,287)
Carrying amount at 30 June 2009, net of accumulated depreciation		165,093

NOTE 13: EXPLORATION ASSETS

	Consolidated	
	2010	**2009**
	$	**$**
Opening Balance	2,707,224	2,921,426
Additions	1,245	
Write offs	(570,737)	(214,202)
Mining Tenements & Mineral Rights Capitalised	2,137,732	2,707,224
Acquisition of interests in joint venture exploration assets (note 26)	544,251	344,251
	2,681,983	3,051,475

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

The Group's activities in Australia are subject to the Native Titles Act and the Department of Environment. Uncertainty associated with Native Title issues may impact on the Group's future plans. There are no unresolved Native Title issues and the consolidated entity is not aware of any other matters that may impact upon its access to the land that comprises its project areas.

NOTE 14: TRADE AND OTHER PAYABLES

	Consolidated	
	2010	**2009**
	$	**$**
Trade payables	92,328	89,545
Other payables and accruals	107,910	89,057
	200,238	178,602

NOTE 15: PROVISIONS

Employee benefits	43,298	36,960
	43,298	36,960

NOTE 16: OTHER FINANCIAL LIABILITIES

Current		
Hire purchase liability	45,098	47,791
Less: Unexpired interest charges	(1,011)	(5,511)
	44,087	42,280
Non Current		
Hire purchase liability	-	45,099
Less: Unexpired interest charges	-	(1,013)
	-	44,086

NOTE 17: CONTRIBUTED EQUITY

Ordinary shares		
Issued and fully paid	22,081,487	16,926,237
Issue costs	(1,494,219)	(1,186,719)
	20,587,268	15,739,518

NOTE 17: CONTRIBUTED EQUITY (CONTD)

Movement in ordinary shares on issue 2010	**No**	**$**
At 1 July 2009	163,990,240	15,739,518
Issued during the year:		
Ordinary shares issued for cash at 15 cents each	24,499,999	3,675,000
Ordinary shares issued for cash at 15 cents each	8,833,334	1,325,000
Ordinary shares issued for acquisition of joint venture interest at 15 cents each	1,000,000	150,000
Ordinary shares issued for cash at 7 cents	75,000	5,250
Less transaction costs	-	(307,500)
At 30 June 2010	198,398,573	20,587,268

Movement in ordinary shares on issue 2009	**No**	**$**
At 1 July 2008	88,184,274	10,819,583
Issued during the year:		
Ordinary shares issued for cash at 6 cents each	10,650,000	639,000
Ordinary shares issued for cash at 6 cents each	40,629,604	2,437,776
Ordinary shares issued for acquisition of tenements at 8.8 cents each	1,136,363	100,000
Ordinary shares issued for acquisition of 85% interest in tenements at 6.25 cents each	2,000,000	125,060
Ordinary shares issued for cash at 9 cents each	21,389,999	1,925,100
Less transaction costs	-	(307,001)
At 30 June 2009	163,990,240	15,739,518

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

NOTE 18: SHARE OPTIONS

Options on issue at 30 June 2010	**No.**
- Exercisable at 20 cents, on or before 30 Nov 2011	6,400,000
- Exercisable at 20 cents, on or before 22 Feb 2012	500,000
- Exercisable at 20 cents, on or before 15 Jan 2012	200,000
- Exercisable at 20 cents, on or before 30 Nov 2012	500,000
- Exercisable at 20 cents, on or before 28 Feb 2013 (350,000 – 100,000 lapsed)	250,000
- Exercisable at 24 cents, on or before 28 Feb 2013	500,000
- Exercisable at 29 cents, on or before 28 Feb 2013	500,000
- Exercisable at 20 cents, on or before 31 Dec 2010	2,500,000
- Exercisable at 20 cents, on or before 1 May 2013	1,000,000
- Exercisable at 20 cents, on or before 1 May 2013	1,000,000
- Exercisable at 9.43 cents, on or before 31 Aug 2013	600,000
- Exercisable at 10.66 cents, on or before 31 Aug 2013	600,000
- Exercisable at 20 cents, on or before 1 Sep 2013	1,000,000
- Exercisable at 15 cents, on or before 28 Nov 2013	500,000
- Exercisable at 20 cents, on or before 28 Nov 2013	500,000
- Exercisable at 7 cents, on or before 24 Mar 2014	25,000
- Exercisable at 8 cents, on or before 24 Mar 2014	100,000
- Exercisable at 27 cents, on or before 31 Jul 2014	3,000,000
- Exercisable at 34.5 cents, on or before 2 Dec 2014	800,000
	20,475,000

NOTE 18: SHARE OPTIONS (CONTD)

Movement in share options on issue 2010	No
At 1 July 2009	16,750,000
Issued during the year:	
Ordinary share options issued to directors exercisable at 27 cents, on or before 31 Jul 2014	3,000,000
Ordinary share options issued to employees exercisable at 34.5 cents, on or before 2 Dec 2014	800,000
Less exercised during the year	(75,000)
Less forfeited during the year	-
At 30 June 2010	20,475,000

Movement in share options on issue 2009	No
At 1 July 2008	12,450,000
Issued during the year:	
Ordinary share options issued to advisors exercisable at 20 cents, on or before 1 May 2013	1,000,000
Ordinary share options issued to employees exercisable at 9.43 cents, on or before 31Aug 2013	725,000
Ordinary share options issued to employees exercisable at 10.66 cents, on or before 31Aug 2013	725,000
Ordinary share options issued for entering joint venture exercisable at 20 cents, on or before 1 Feb 2014	1,000,000
Ordinary share options issued to employees exercisable at 15 cents, on or before 28 Nov 2013	500,000
Ordinary share options issued to employees exercisable at 20 cents, on or before 28 Nov 2013	500,000
Ordinary share options issued to employees exercisable at 7 cents, on or before 24 Mar 2014	100,000
Ordinary share options issued to employees exercisable at 8 cents, on or before 24 Mar 2014	100,000
Less exercised during the year	-
Less forfeited during the year	(350,000)
At 30 June 2009	16,750,000

NOTE 19: RESERVES

	Consolidated	
	2010	2009
	$	$
Reserves		
Share-based payments reserve	1,576,855	1,121,350
Foreign currency translation reserve	1,816	-
	1,578,671	1,121,350
Movements:		
Balance at 1 July 2009	1,121,350	
Option expense	455,505	
Foreign currency translation reserve	1,816	
Balance at 30 June 2010	1,578,671	
Movements:		
Balance at 1 July 2008		981,729
Option expense		139,621
Balance at 30 June 2009		1,121,350

NOTE 20: SHARE-BASED PAYMENTS

(a) Recognised share-based payment expenses

The expense recognised for services received during the year is shown in the table below:

	Consolidated 2010 $	Consolidated 2009 $
Expense arising from options issued to Directors, Employees and Contractors	455,505	120,429
	455,505	120,429

(a) Employees and Director Options

The Board has an employee share option incentive plan in place. The following options were issued to employees and directors:

- 800,000 unlisted 34.5 cent options expiring on 2 December 2014 were issued to 6 employees.
- 3,000,000 unlisted 27 cent options expiring on 31 July 2014 were issued to 3 directors.

The weighted average exercise price and movements in options during the year are shown in the table below:

	Company Number of Options	Company Weighted average exercise price cents
Outstanding at the beginning of the year	11,250,000	20.1
Granted	3,800,000	28.5
Exercised	(75,000)	7.0
Forfeited	-	-
Outstanding at the end of the year	14,975,000	22.3
Exercisable at the end of the year	14,050,000	21.5

The weighted average remaining contractual life for the options outstanding at the end of the year is 2.48 years and an exercise price of 21.52 cents each.

During the year the Company granted the following options to Directors, key management personnel and staff.

(1) 3,000,000 unlisted options to directors, at an exercise price of 27 cents each and expiring on 31 July 2014. The fair value of the options at the grant date (25 August 2009) was 10.91 cents per option. The fair value of the options has been calculated using the Black-Scholes European Option Pricing Model applying the following inputs:

Weighted average exercise price (cents)	27 cents
Weighted average life of options (years)	4.93 years
Underlying share price (cents)	18 cents
Expected share price volatility	100%
Risk free interest rate	5.26%

NOTE 20: SHARE-BASED PAYMENTS (CONTD)

(2) 800,000 unlisted options to key management personnel and staff, at an exercise price of 34.5 cents each and expiring on 2 December 2014. The fair value of the options at the grant date (2 December 2009) was 13.99 cents per option. The fair value of the options has been calculated using the Black-Scholes European Option Pricing Model applying the following inputs:

Weighted average exercise price (cents)	34.5 cents
Weighted average life of options (years)	5 years
Underlying share price (cents)	23 cents
Expected share price volatility	100%
Risk free interest rate	5.03%

(c) Joint Venture Options

No new joint venture options were issued during the year.

The weighted average exercise price and movements in joint venture options during the year are shown in the table below:

	Company	
	Number of Options	Weighted average exercise price cents
Outstanding at the beginning of the year	2,000,000	20.0
Granted	-	-
Exercised	-	-
Forfeited	-	-
Outstanding at the end of the year	2,000,000	20.0
Exercisable at the end of the year	2,000,000	20.0

The weighted average remaining contractual life for the options outstanding at the end of the year is 3.7 years with an exercise price of 20.0 cents each.

(d) Consultant Options

No new consultant options were issued during the year.

The weighted average exercise price and movements in consultant options during the year are shown in the table below:

	Company	
	Number of Options	Weighted average exercise price cents
Outstanding at the beginning of the year	1,000,000	20.0
Granted	-	-
Exercised	-	-
Forfeited	-	-
Outstanding at the end of the year	1,000,000	20.0
Exercisable at the end of the year	1,000,000	20.0

The weighted average remaining contractual life for the options outstanding at the end of the year is 3 years with an exercise price of 20.0 cents each.

NOTE 21: RELATED PARTIES

(i) Wholly-owned group transaction

Loans made by the Company to its wholly-owned subsidiary are repayable on demand and are not interest bearing.

(ii) Other related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Allowance for impairment loss on trade receivables

An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Company recognises an allowance for the impairment loss.

The Company has provided in full for the amounts owed by its subsidiaries.

(iii) Ultimate parent

Shaw River Resources Limited is the ultimate parent company.

(iv) Loans to related parties

The Company has the following loans to its subsidiaries outstanding at year end.

	2010	2009
	$	$
Mt Minnie Mining Company Pty Ltd	1,956,251	1,807,666
Shaw River Ghana Pty Ltd	189,530	-

The increase in loans relates to payments made by the Company on behalf of its subsidiaries for expenditure incurred on operating activities.

NOTE 22: CASH FLOW INFORMATION

(i) Reconciliation of net loss after income tax to net cash used in operating activities

	Consolidated	
	2010	2009
	$	$
Net Loss	(5,048,650)	(3,532,392)
Non-cash items:		
Foreign exchange loss	1,816	
Depreciation of non-current assets	96,581	63,287
Gain on disposal of non-current assets	-	(76,014)
Exploration costs written off	570,737	140,217
Investment in joint venture written off	-	120,155
Cost of options issued to directors and employees	455,505	120,429
Change in assets and liabilities:		
(Increase)/ decrease in prepayments	(31,815)	(7,653)
(Increase)/ decrease in trade and other receivables	3,445	42,256
(Decrease)/ Increase in trade and other payables	21,636	(248,110)
(Decrease)/Increase in employee entitlements	6,338	(9,005)
Net Cash (Used in)/ from operating activities	(3,924,407)	(3,386,830)

NOTE 22: CASH FLOW INFORMATION (CONT'D)

(ii) Reconciliation of Cash

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

	Note	Consolidated 2010 $	Consolidated 2009 $
Cash at bank		238,799	110,390
Cash on hand		300	300
Deposits at call		3,000,000	2,900,000
	8	3,239,099	3,010,690

(iii) Non cash financing and investment activities

During the year, the Group transacted the following non cash activities:

(a) Initial consideration costs for forming of Joint Venture with Talisman Mining Ltd were settled by the issue of 1,000,000 ordinary shares at a value of $150,000.

NOTE 23: COMMITMENTS

(a) Exploration expenditure commitments.

In order to maintain current rights of tenure to exploration tenements, the Group will be required to outlay approximately $985,950 for the 2011 financial year in respect of tenement lease rentals and to meet minimum expenditure requirements of the Department of Industry & Resources. These obligations are expected to be fulfilled in the normal course of operations and have not been provided for in the financial report.

	Consolidated 2010 $	Consolidated 2009 $
Exploration commitments:		
- not later than one year	985,950	821,820
	985,950	821,820

On 23 February Shaw River Resources Limited announced that it had exercised its option to acquire Mwana Africa PLC's (MWA) 80% interest in a manganese project in Republic of Ghana. Once final completion occurs Shaw River will issue 980,000 shares to MWA which will be held in 3 months voluntary escrow.

In was announced on 3 March 2010 that Shaw River had secured a six month option to enter into a joint venture with De Grey Mining Ltd on over its "Bangemall Manganese Project". If Shaw River is to proceed with the joint venture they can earn a 60% interest by spending $650,000 over three years of which $215,000 must be spent in the first year. Shaw River may then elect to earn a 80% interest by spending an additional $650,000 over the following two years.

(b) Lease expenditure commitments

	$	$
Leases (non-cancellable):		
- not later than one year	187,009	85,069
- after one year but not more than five years	246,427	86,146
Future lease expenditure at reporting date	433,436	171,215

NOTE 24: INVESTMENTS IN CONTROLLED ENTITIES

Name	Class of Share	Interest Held 2010	Interest Held 2009
Mt Minnie Mining Company Pty Ltd	Ordinary	100%	100%
Shaw River Ghana Pty Ltd	Ordinary	100%	0%
Shaw River International Ltd	Ordinary	100%	0%

Note all companies are Australian incorporated entities accept for Shaw River International which was formed in the British Virgin Islands.

NOTE 25: FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

Consolidated 2010	Weighted Average Interest Rate	Floating Interest $	Fixed Interest $	Non-Interest Bearing $	Total $
Financial assets:					
Cash and cash equivalents	3.32%	238,799	3,000,000	300	3,239,099
Trade & other receivables	-	-	-	97,048	97,048
Other financial assets	4.11%		105,500	-	105,500
		238,799	3,105,500	97,348	3,441,647
Financial liabilities					
Trade & other payables	-	-	-	200,238	200,238
Hire purchase liabilities	8.09%	-	44,087	-	44,087
		-	44,087	200,238	244,325
Net financial assets/(liabilities)		238,799	3,061,413	(102,890)	3,197,322

Consolidated 2009	Weighted Average Interest Rate	Floating Interest $	Fixed Interest $	Non-Interest Bearing $	Total $
Financial assets:					
Cash and cash equivalents	4.0%	110,390	2,900,000	300	3,010,690
Trade & other receivables	-	-	-	100,493	100,493
Other financial assets	3.76%		67,000	-	67,000
		110,390	2,967,000	100,793	3,178,183
Financial liabilities					
Trade & other payables	-	-	-	178,602	178,602
Hire purchase liabilities	8.09%	-	86,366	-	86,366
		-	86,366	178,602	264,968
Net financial assets/(liabilities)		110,390	2,880,634	(77,809)	2,913,215

The maturity date for all financial instruments included in the above tables is 1 year or less from balance date. Term deposit mature within 3 months.

NOTE 25: FINANCIAL INSTRUMENTS DISCLOSURE (CONTD)

(b) Interest Rate Sensitivity Analysis

The following table represents a summary of the interest rate sensitivity of the Group's financial assets and liabilities at the balance sheet date on the deficit for the year and equity for a 1% change in interest rates. It is assumed that the change in interest rates is held constant throughout the reporting period.

	-1% change loss $	-1% change equity $	+1% change loss $	+1% change equity $
Consolidated				
2010	(33,975)	(33,975)	33,975	33,975
2009	(30,777)	(30,777)	30,777	30,777

(c) Credit Risk

The Group trades only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and with the exception of the receivable in its subsidiary, the Group's exposure to bad debt is not significant.

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

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:

	Consolidated 2010	2009
Trade receivables	$	$
Counterparties without external credit rating*		
Group 1	96,848	97,693
Group 2	200	2,800
Total trade receivables	97,048	100,493
Cash at bank and short term cash deposits	$	$
AAA	239,099	110,690
AA	3,105,500	2,967,000
Total cash at bank and short term and cash equivalents	3,344,599	3,077,690

*Group 1 – existing customers (less than 6 months)
*Group 2 – existing customers (more than 6 months)

(d) Liquidity Risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated

30 June 2010	Carrying Amount	Contractual cash flows	6 mths or less
Non-derivative financial liabilities			
Trade and other payables	200,238	(200,238)	(200,238)
Other financial liabilities	44,087	(44,087)	(44,087)
	244,325	(244,325)	(244,325)

NOTE 25: FINANCIAL INSTRUMENTS DISCLOSURE (CONTD)

30 June 2009	Carrying Amount	Contractual cash flows	6 mths or less
Non-derivative financial liabilities			
Trade and other payables	178,602	(178,602)	(178,602)
Other financial liabilities	86,366	(86,366)	(86,366)
	264,968	(264,968)	(264,968)

(e) Net Fair Value of Financial Assets and Liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

Consolidated	30 June 2010 Carrying Amount	30 June 2010 Fair Value	30 June 2009 Carrying Amount	30 June 2009 Fair Value
Cash and cash equivalents	3,239,099	3,239,099	3,010,690	3,010,690
Other financial assets	202,548	202,548	167,493	167,493
Trade and other payables	(200,238)	(200,238)	(178,602)	(178,602)
Other financial liabilities	(44,087)	(44,087)	(86,366)	(86,366)
	3,197,322	3,197,322	2,913,215	2,913,215

(f) Foreign Currency Risk

The Group does not have any material foreign currency exposure in relation to trade and other payables and no sensitivity analysis has not been carried out on trade and other payables.

In respect of the Company, Shaw River Resources has a USD denominated loan receivable from its subsidiary Shaw River Ghana Pty Ltd. A 10% movement in exchange rates would result in an increase/decrease in income before tax of $18,095.

NOTE 26: INTEREST IN JOINT VENTURE ASSETS

Shaw River Resources Limited has an interest in the following joint venture assets.

Joint Venture	Project	Activity	2010 Interest	2009 Interest
Contact Uranium (RAM Resources) Joint Venture	Mt Minnie	Manganese and Iron Ore Exploration	85%	85%
Pandell Joint Venture	Barramine	Manganese and Iron Ore Exploration	70%	70%
Talisman Joint Venture	Skull Springs	Manganese Exploration	Earning 70%	0%

NOTE 26: INTEREST IN JOINT VENTURE ASSETS (CONTD)

Net assets employed in the joint ventures totalling $544,251 (2009: $344,251) are included as part of exploration assets (note 13).

The key terms of the joint ventures are as follows;

Contact Uranium (RAM Resources) Joint Venture

- The issue of 2,000,000 Shaw River shares and of 1,000,000 20 cent options expiring on 1 September 2013 to Contact Uranium (RAM Resources) to acquire 85% interest in 8 tenements.
- Contact Uranium to retain 15% free carried.

Contact has the option to contribute or dilute prior to completion of a bankable feasibility study or equivalent. Upon completion of a positive bankable feasibility study, the parties will either commit to the development or dilute down their stake.

Pandell Joint Venture

- The issue of 1,136,363 Shaw River shares and of $100,000 cash to Pandell Pty Ltd to acquire 70% interest in 4 tenements.
- Pandell to retain 30% free carried.

Pandell has the option to contribute or dilute prior to completion of a bankable feasibility study or equivalent. Upon completion of a positive bankable feasibility study, the parties will either commit to the development or dilute down their stake.

Talisman Joint Venture

- The issue of 1,000,000 Shaw River shares at 15 cents each and $50,000 cash to Talisman Mining Limited to enter a joint venture agreement with Talisman where Shaw River can earn up to a 70% interest in the four tenements by spending $300,000 over a two year period
- Talisman to retain 30% free carried.

NOTE 27: AUDITOR'S REMUNERATION

	Consolidated	
	2010	2009
	$	$
Remuneration of the auditor, Stantons International for		
- auditing or reviewing the financial reports	38,185	34,592
- other remuneration	-	-

NOTE 28: CONTINGENT LIABILITIES

There are no material contingent liabilities at 30 June 2010 or that have arisen since that date.

No matter or circumstance has arisen since the end of the year to the date of this report which has significantly effected, or may significantly effect, the operations of the Group the results of those operations or the state of affairs of the Group.

NOTE 29: PARENT ENTITY DISCLOSURES

Financial Position

	2010	2009
	$	$
ASSETS		
Current assets	3,432,612	3,156,170
Non-current assets	3,193,077	3,208,431
TOTAL ASSETS	6,625,689	6,364,601
LIABILITIES		
Current Liabilities		
Current liabilities	286,906	257,124
Non-current liabilities	-	44,086
TOTAL LIABILITIES	286,906	301,210
NET ASSETS	6,338,783	6,063,391
EQUITY		
Issued capital	20,587,268	15,739,518
Reserves	1,576,855	1,121,350
Accumulated losses	(15,825,340)	(10,797,477)
TOTAL EQUITY	6,338,783	6,063,391

Financial Performance

	2010	2009
	$	$
Loss for the year	(5,027,863)	(3,400,390)
Other comprehensive income	-	-
Total comprehensive income	(5,027,863)	(3,400,390)

Commitments

	2010	2009
	$	$
Exploration commitments:		
- not later than one year	883,450	821,820
	883,450	821,820
Leases (non-cancellable):		
- not later than one year	187,009	85,069
- after one year but not more than five years	246,427	86,146
Future lease expenditure at reporting date	433,436	171,215

NOTE 30: EVENTS AFTER THE BALANCE SHEET DATE

As at the date of this report no matter or circumstance, has arisen since the end of year which has significantly effected, or may significantly effect, the operations of the Group the results of those operations or the state of affairs of the Group.

NOTE 31: DIVIDENDS PAID AND PROPOSED

No dividends were paid or proposed this financial year.

There are no franking credits available for future reporting years.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Shaw River Resources Limited, I state that:

In the opinion of the Directors:

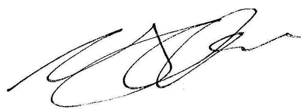
a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including;
   i. Giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2010 and their performance for the year ended on that date; and
   ii. Comply with Accounting Standards' and the Corporations Regulations 2001; and

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

c) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2010.

On behalf of the Board.



V Algar
Managing Director

Dated this 13th day of September 2010

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LEVEL 1, 1 HAVELOCK STREET
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PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
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13 September 2010

Board of Directors
Shaw River Resources Limited
33 Ventnor Avenue
WEST PERTH WA 6005

Dear Directors

RE: SHAW RIVER RESOURCES LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Shaw River Resources Limited.

As Audit Director for the audit of the financial statements of Shaw River Resources 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:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely
STANTONS INTERNATIONAL
(Authorised Audit Company)

John Van Dieren
Director

Liability limited by a scheme approved under Professional Standards Legislation

Member of Russell Bedford International
Russell Bedford

Stantons International

ABN 41 103 088 697

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
SHAW RIVER RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Shaw River Resources 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 cashflows for the year ended on that date, a summary of significant accounting policies and 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 designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 2(c), the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Shaw River Resources Limited is in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
    (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

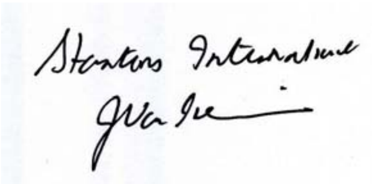
(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2c .

Report on the Remuneration Report

We have audited the remuneration report included in pages 6 to 12 of 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 Shaw River Resources Limited for the year ended 30 June 2010 complies with section 300 A of the *Corporations Act 2001.*

STANTONS INTERNATIONAL
(An Authorised Audit Company)



J P Van Dieren
Director
West Perth, Western Australia
13 September 2010